



## About sparks

Catalyst Strategies seeks to be a catalyst for business growth, a spark that ignites momentum and positive change. **sparks** is our Q&A series designed to fire-up ideas about growth. Each edition features interviews with respected business leaders who share their insights and expertise on a current hot topic related to business growth.

## In this volume: competitive advantage

This edition explores the challenges of **defining and maintaining a competitive advantage** with three talented business leaders:

		Judson B. Althoff Senior Vice President, Oracle Worldwide Alliances & Channels
		Jamie Moldafsky EVP, Sales, Marketing, Strategy & Customer Management Wells Fargo Home Equity Group
		Brendan F. Reidy President & Chief Executive Officer, Clarus Systems

## Highlights

*“Competitive advantage is best summed up as the ability to please customers better, faster, and more efficiently than anyone else.”*

- Althoff

*“To create a competitive advantage ... figure out how to leverage [something you have] and make it uniquely sustainable.”*

*“Our competitive advantage is that we are a cross-selling machine.”*

- Moldafsky

*“We view our competitive advantage as our people, our market knowledge, and even our financing.”*

*“Firms that lose their competitive advantage are those that become inwardly focused.”*

- Reidy

## About Catalyst Strategies

Catalyst Strategies devises practical strategies and builds high impact programs that deliver competitive advantage and top line revenue. Working with companies in the services and technology sectors, we specialize in growth strategy, product innovation, customer experience, and sales & marketing acceleration. Clients hire us the first time because of our expertise, best practices, and analytical rigor. They bring us back time and again because we catalyze decisive action that delivers tangible market results.



## Competitive advantage is better execution

For Judson Althoff Senior Vice President, Oracle Worldwide Alliances & Channels, competitive advantage is about serving customers better.

### mantra for '09

Increase revenue and profitability while building a strong ecosystem to better support solution sales.

### favorite catalyst

*Execution: The Discipline of Getting Things Done.*

[Book by Larry Bossidy]

### bio

Mr. Judson Althoff is responsible for the ongoing development and execution of Oracle's Alliances and Channels programs and strategies.

Prior to this role, Mr. Althoff served as head of Oracle's Technology Channel Program Office and Director of E-Business Solutions. Before joining Oracle, Mr. Althoff managed business development and sales at EMC Corporation.

Mr. Althoff holds a degree in Mechanical Engineering from the Illinois Institute of Technology.

**Q** How do you think of competitive advantage?

**A** I view competitive advantage as the ability to please customers better, faster, and more efficiently than anyone else.

Successful companies from Porsche and Mercedes Benz to Oracle and SAP, have a maniacal focus on driving customer satisfaction through an affinity with a high-end brand or by providing the best solution to business problems.

Once you know your competitive advantage, it's critical to simply and clearly communicate the strategy so employees know how to execute and deliver results.

**Q** How does competitive advantage manifest itself at Oracle?

**A** We've translated it over the last three to five years into an intense focus on having the most complete, open, and integrated offering of systems and solutions for our customers. That drove our acquisition strategy to round out our portfolio with horizontal pillars of technology and industry specific solutions. I think for companies and even individuals who win, their competitive advantage is satisfying customers better than anyone else.

**Q** How do you satisfy customers better than anyone else in your world of alliances and channels right now?

**A** Over the last two years, we've purchased 60 different companies and expanded our product portfolio from 1,000 to over 3,000 products. So for Oracle, customer satisfaction has been focused on first, helping partners quickly understand the breadth and complexity of our solutions and second, efficiently equipping them to use those solutions as a competitive advantage in their own businesses. We reengineered how we train and enable partners and how we support them in the course of the sales cycle. We put a heavy emphasis on enabling them to satisfy customers. We view partners as an extension of our sales force and our network of entities that support our customer base.

**Q** How has this focus helped Oracle grow and be competitive?

**A** This approach has been a big competitive advantage for us in the down economy. We've reached out to our partners with the message of growing their footprint with their existing customers as well as acquiring new customers by expanding their knowledgebase and portfolio.

We have a huge base of partners in our core database business and we've taught them to sell business intelligence and analytics products from our acquisition of Hyperion and Siebel. This has enabled them to move up the value chain and better satisfy customers. Now, instead of offering to help fine tune a customer's IT plumbing and better manage their database environment, partners are talking to CFOs about how to trim a company's bottom line by implementing a business intelligence solution to better support their growth goals.

**Q** How is your **competitive advantage** in customer satisfaction communicated at Oracle?

**A** It comes from the very top of our organization – from Larry Ellison as well as our two co-presidents, Safra Catz and Charles Phillips. Safra says, "Today, there are very few, if any, customer problems that we can't solve." So our strategy has been to listen to our customers and figure out how to better support them. Customers tell us "We love the parts of our environment Oracle supports for us but the aspects that aren't supported create all kinds of headaches." That feedback has fueled our acquisition strategy as well as our product development strategy. Larry has said it's really all about engineering. His focus for the last 30 years has been on making sure we engineer the best products and keep customers happy. So, culturally, that's what's passed down from the very top of our organization to every employee who works here.

**Q** What mechanisms best elicit the kinds of information you want from customers?

**A** Our Web 2.0 tools help tremendously – particularly the video blog where we see an order of magnitude more hits than we do on the text-based blog. Web 2.0 gives us the ability to have instantaneous feedback.

Our organization looks for trends across every communications channel, from static download and playback across podcasts, to real time blogs, video blogs, and Twitter.

If we get a lot of hits on a blog in a week about a topic, we seek out the person who is most vocal. I set up a one-on-one call with that person. Sometimes it's an individual who's disgruntled and sometimes it's a really useful bit of feedback that helps us tweak the model and better support the partner community overall.

**Q** How do you ensure your team hears customer feedback and knows where you're headed?

**A** In my organization, our communication strategy is pretty omnipresent. We support multiple types of customers. Our primary function is to serve the partner community, but we also support Oracle lines of business, the regional sales teams who support the partners, and finally, customers themselves.

We have adopted a lot of Web 2.0 strategies to transmit our strategy and messages from our top executives out to all of those constituencies. I have a regular dialog with my own staff, our partners, other Oracle lines of business, and customers through blogs, wikis, forums, and traditional communications channels.

**Q** What is your favorite communications strategy for staying competitive?

**A** My favorite internal strategy combines old with new school. Each quarter, my management team and I select a business management book – a current example is *Execution: The Discipline of Getting Things Done* by Larry Bossidy – that we feel best represents the challenge for the quarter.

I make copious notes on the book and issue an internal oral book report via blogs, videos, commentaries and virtual tradeshows. I explain why this represents where the organization needs to go and how it maps to our corporate goals. I also use it to highlight top people and promote them on the spot for being emblematic of where we want to go.

This rallies everyone around the competitive advantage, makes a huge portion of the organization feel proud about the work they've done, and gives everyone a manual on how to execute.

**Q** How can companies better clarify and execute on their competitive advantage?

**A** It's crucial to have a simple and clear message about the strategy, so that everyone in the company knows what to do to deliver. Companies big and small succeed and fail based on how simple they make their offering to their customer base.

Think about Apple. How many incarnations of mp3 players and music services were out there before the iPod? Dozens, and years before the iPod was ever invented. But if you poll 100 consumers today on who invented the mp3 player, I'd be willing to bet the bulk of them would say Apple. Apple owns the category because they made it easy, they made it simple. So the key elements I would recommend are: simplify, focus, and communicate effectively.

**Q** What are the indicators that a company might be losing its competitive edge?

**A** We're pretty maniacal about tracking things here at Oracle. Maybe it comes from our culture of being a database company. We define a strategy that is going to give us at least a two to three year run on growth and spend time nailing down that strategy, building it up, tearing it down, ripping it apart, and shopping it to other lines of business. Once we solidify the strategy, we execute, and execute, and execute, and track our relative growth. In the first quarters of applying the new strategy, it's expected that growth will be very high. But then, any good strategy has a useful life, and once your growth rates start slipping, there's a need to tweak the strategy to get back to the same high growth.

**Q** Do you act when you see the numbers dip or is it an annual exercise to reevaluate your strategy?

**A** We track the progress of execution against strategy on a regular basis – everything from weekly forecast calls to monthly management and ops reviews. When we start to see even a slight decline in growth, we start asking questions. "Is this us? Is this the market? Is this an aspect of the strategy? Is this a one quarter phenomenon?" But we don't wait too long to start tweaking the strategy. The management team will focus on any strategy tweaks to while the rest of the organization remains focused on execution.

**Q** Besides Apple, what other companies have built solid competitive advantages?

**A** Starbucks – they have redefined coffee. The phrase is now "Do you want to get a Starbucks?" not "Do want to get a coffee?" It's not the best coffee in the world but it's the most consistent. You can find it everywhere and you order it the same way every time. They simplified it and they're very, very successful.



## Competitive advantage is sustainable differentiation

For **Jamie Moldafsky** EVP, Sales, Marketing, Strategy & Customer Management at Wells Fargo Home Equity Group, competitive advantage is most impactful when part of a company's culture.

### mantra for '09

Be ready for 2010.

### favorite catalyst

Every day is an opportunity.

### bio

Ms. Jamie Moldafsky is responsible for driving profitable growth in the Home Equity division of Wells Fargo.

Prior to her role at Wells Fargo, Ms. Moldafsky was general manager of the KitchenAid brand at Whirlpool Corporation, head of Retail Marketing at Charles Schwab, and held multiple positions in the financial services, card, travel, and international divisions at American Express.

Ms. Moldafsky holds a bachelor's degree from the University of Michigan and a master's degree from the Wharton School, University of Pennsylvania.

**Q** What does **competitive advantage** mean to you and your organization?

**A** I think of competitive advantage as first, defining your key differentiators and second, determining how sustainable those are.

**Q** How would you describe Wells Fargo's **competitive advantage**?

**A** We have a broad customer base and a unique operating model. Our 84 distinct businesses are complementary, leveragable across each other, and counter-cyclical. And, we have deep distribution channels including a strong online business and extensive retail bank distribution network. Connecting that is a highly collaborative culture focused on finding the benefit to the customer.

These are all advantages, but our true differentiator and competitive advantage is that we are a cross-selling machine. We know how to leverage all of these strengths in a way that drives sustainable revenues.

**Q** How does that **competitive advantage** translate into the home equity division?

**A** Home equity fits in nicely with the Wells advantage because it's a relationship-oriented product. It's very profitable for the bank and can be cross-sold by all channels. Also, our strong brand takes some pressure off of having to compete strictly on price. So, historically we've been able to be more innovative around the role of home equity for consumers.

**Q** So you drive more growth organically through your existing customer base than through new customer acquisitions?

**A** Yes. A lot of our revenues and product innovations are driven by creative thinking about how to leverage our distribution channels. Our patented Home Asset Management Account product is an example. It enables customers to package their home equity and mortgage together so they get one statement and, as they pay down their mortgage, it comes back to them in their equity. It's a very cool product that we would never have thought of without a large mortgage distribution channel.

**Q** Does your competitive advantage impact who you see as your competition?

**A** We're schizophrenic about our view of the competition. We don't have any one competitor across our 84 product lines because every business competes differently. But when you think about distribution, we clearly have distinct competitors. Even these, however, are in two groups. The big national banks like Chase, Bank of America and Citi, are one set of competitors. But in the regions and stores, credit unions and small regional banks are our main competition.

That's unusual in my experience. When I was with Whirlpool, there were three appliance manufacturers sharing the market. And at Schwab, you had a concentrated group of brokerage competitors. Here, we compete with both the big guys and the little guys.

**Q** How has a clear competitive advantage created significant growth in companies you've worked in?

**A** At Wells, our competitive advantage around cross-selling drives growth through products.

More than 50 percent of customers who walk in to a branch to open an account walk out with a package of four or five products. They get an ATM card, checking account, online banking, etc. That packaged sale is a result of how we think, how we drive growth through our customer base, and how our product businesses and distribution work together.

At Whirlpool, design as a competitive advantage drove big gains. White goods never used to be about design. It was always about whether the icemaker could make eight or ten quarts of ice. We hired colorists and designed a whole line of appliances, focusing on the look and feel.

Washers and dryers were suddenly available in colors and Sears was putting them out at the entrance to the mall stores to bring in customers. It became fashion, and a trend. We translated that across all brands and products so that if you had a Whirlpool washing machine, you'd want a Whirlpool dryer because they go together. If you had a Whirlpool refrigerator, you would want a whole Whirlpool kitchen. We differentiated on design and understanding packaged sales to drive strong growth.

**Q** How does a company get everyone pulling in the same direction on competitive advantage?

**A** At Whirlpool every employee was trained in customer loyalty and, every employee, at every level, had to participate in an innovation team.

At Schwab it's always been Chuck coalescing and driving people. It's a religion with him, and the people who followed him. Everyone drinks the Kool-Aid.

Here at Wells, thinking about customers and helping them succeed financially is just part of the culture. There's organic agreement around our competitive advantage.

**Q** How do you keep your advantage fresh?

**A** You start looking at what you can build that grows share of wallet, makes money and also drives efficiencies for the customer.

**Q** So more of a 'push' than a 'pull' model where customer needs drive products?

**A** Wells is a lot more 'push' than other companies I've been in. Schwab and AMEX are much more focused on understanding and solving customer pain points. Wells innovates to make our customers' lives easier, but the innovation originates more from the 'push' side.

For example our division wanted customers to have a box on the mortgage form that says, "I want home equity as soon as I have equity". Having that box eliminates a huge customer pain point because 90% of customers want it and it's a hassle to have to resubmit paperwork and pay for appraisals later. But the idea originated from us asking how we can better leverage the point of origination with mortgage, reduce our costs, get higher penetration and, therefore, block out our competitors. It's great for the customer but we didn't start by asking customers to tell us their biggest pain point.

The same was true at AMEX with their spending report. Customers want to have their cards with AMEX because the spending report provides an easy way to see what they're spending across cards. But that didn't start with the customer need. It started with a team at AMEX asking, "How do we get all of their credit cards to be with us?"

**Q** How do you know when it's time to refresh?

**A** When the metric you thought was driving your profitability isn't, it's time to refresh. At some point, more product doesn't equal more profit. Consumers rebel and you hit diminishing returns. Then it's time to find the next appropriate measure of healthy growth.

**Q** How does Wells define healthy growth?

**A** Another Wells mantra is, "You get bigger by being better, not better by being bigger." How many consumers wake up and say, "I want to be anonymous in a bank that has more customers than anyone else?" Nobody says that. They say, "I want a bank that cares about my business and makes it easier for me to do what I need to do to be successful." By doing that, we will be bigger, we'll sustain our differentiators and maintain our competitive advantage.

**Q** What tips do you have to help companies get clear on their competitive advantage?

**A** To grow, you need to know why your customers value you and how you are going to continue to attract customers. Also, you need to figure out where you're making your money and what's sustainable in that. Trying to create a competitive advantage that you don't already have is tough. So take something you have and figure out how to leverage it and make it uniquely sustainable.

I think that's why competitive advantage so often starts with the culture. It was hard for a while at Whirlpool because we didn't start with a culture of innovation. It was an engineering company which had to restructure to change the culture to shift its competitive advantage from engineering to design.

**Q** What company do you think has a strong competitive advantage?

**A** Amazon has done a great job. Knowing their customers and being able to anticipate and respond to evolving needs has always been one of their key differentiators.

And Tiffany is a great example. Think about how long they have been in business and the significance of the blue box. To this day when somebody gets that box, they're excited.



## Competitive advantage is holistic

For **Brendan Reidy, President and CEO of Clarus Systems**, competitive advantage is based on the best people, strong expertise and solid financing.

## mantra for '09

Protect the IP!

## favorite catalyst

Only hire top ten percenters.

## bio

Mr. Brendan Reidy is a seasoned software and telecommunications executive.

Prior to joining Clarus, he was a Venture Partner and Entrepreneur in Residence for private equity firm Trident Capital. Mr. Reidy held senior executive positions at Qwest Communications International/US WEST, Litton Integrated Automation, and Software Alliance Corporation. He serves on the boards of eGistics, Inc. and Aran Technologies.

Mr. Reidy holds an A.B. from Stanford University and an M.B.A. from the Wharton School, University of Pennsylvania.

### Q What is your definition of competitive advantage?

**A** Some people think of competitive advantage as one thing – like having a patent. I look at it more holistically, as something you have to work at across the entire entity.

Clarus Systems is an IP communications company. Our competitive advantage is our expertise and thought leadership in delivering voice over a data infrastructure – VOIP – at high levels of reliability.

That's important because people have adapted to low levels of reliability across the entire value chain of data applications but for voice, there is a legacy of extremely high levels of reliability. If a CEO comes to work in the morning and his laptop isn't working, he calls IT and they tell him to reboot. If he comes in and his phone isn't working, he doesn't call IT. He calls his chief counsel. Clarus is very sensitive to our customers' and their end users' need for extraordinarily high levels of uptime.

We've built a competitive advantage around understanding voice and data very well to meet customer demands. This includes our people. With the exception of our CFO, every vice president at

Clarus has both a voice and data background. So, we view our competitive advantage holistically as our people, our market knowledge, and even our financing.

### Q How has this competitive advantage driven growth for your company?

**A** Our customers rely on us to combine the best technologies from the worlds of data and voice. We grow and enable our customers to grow by using our expertise to help them achieve the converged networks they need for their organizations.

**Q** Have you been at a company that made a big change to its **competitive advantage**?

**A** Yes. I was a principle in a company called Integrated Automation. We were the leaders in large-scale document imaging with well over 50 percent market share for the world's large imaging systems. When we launched the company, everything we did was custom, including all of the hardware.

Over time, we saw the standardization and productization of different components that we were making. That actually helped us leap forward. We originally sold a \$40,000 custom CRT that, to change from landscape to portrait, you grabbed at the top and the bottom and rotated. When Sun came out with the spark server, we could suddenly get a desktop device with enough computing power to do the image rotation without having to physically turn the screen. And it only cost \$10,000.

In a single year, we went from selling 90 percent proprietary hardware to less than 10 percent. We shifted our competitive advantage from delivering specialized custom hardware to delivering off-the-shelf hardware at significantly lower system costs and considerably higher margins.

**Q** Who in a company should decide whether and how a shift like that should happen?

**A** For a strategic shift like that, you literally have to have the whole company involved. You can't get several hundred people in a room doing strategic planning but, you can, as we did, have everyone meet with someone who acts as their representative so all of the sub-groups are involved. We set out with certain strategic objectives and then the company collectively decided how to get there. Literally everyone had a stake in it.

**Q** Once a strategic direction has been decided, how do you communicate it out to the company?

**A** We have periodic meetings specifically scheduled to communicate strategy. I have found that to manage strategically, you have to dedicate specific time to check in on where you are against objectives and to discuss what's changing. A strategic plan isn't a document that you produce once a year; you have to live it. And you have to have frequent meetings dedicated to strategy. And, you cannot allow the latest fire to take over the time you carved out for strategy.

**Q** Is maintaining a **competitive advantage** harder in an economy like this?

**A** Yes, for many companies last year became about "survival". But survival isn't a strategy. While you're surviving, you have to continue looking at the important strategic issues, like growth. A lot of companies, for example, have not been investing in growth over the past year. They say, "It's okay because our competitors aren't investing either." But that's not necessarily true.

Our mantra this past year has been "Protect the IP." We continued to do our industry scans, to ask customers what else they're looking for, to go to conferences where we're looking for anyone coming out with a disruptive technology that could potentially eliminate us.

And, we were able to significantly strengthen our balance sheet to give us another huge advantage against other venture-backed companies in this economy.

**Q** Do you look for a market indicator – price pressure or an unhappy channel – as a sign that it's time to refresh your **competitive advantage**?

**A** There are market indicators but they're retrospective in a typical company. The question isn't why are customers not buying from me, it's why did customers *stop* buying from me? Especially in the tech world – where obsolescence occurs very, very rapidly – by the time you've realized your customers have stopped buying from you, it's too late.

**Q** How can companies be proactive?

**A** All of the company's senior management should actively meet with customers. I speak to customers on a daily basis. I spend more than 50 percent of my time with customers.

**Q** Are your customer meetings part of an ongoing check-in process or in response to specific issues?

**A** Both. I model myself against people like John Chambers and Larry Ellison who are out there spending the time to understand where the market is likely to go, as opposed to where has it already gone.

**Q** What companies are shining examples of a strong **competitive advantage**?

**A** Honda is a company that really understands its competitive advantage. They understand pricing, features, functions – the whole bit. And they have been well-managed, well-capitalized, and focused on building reliable products that people want to buy. My Honda Pilot has bulletproof reliability and it's an absolutely perfect people-mover for our family.

Apple has also defined its competitive advantage – creativity – very well. Apple hires really creative people. I've met a lot of Apple employees and every one of them is as much an artist as an engineer.

**Q** How does having great or creative people drive **competitive advantage** for Apple?

**A** Apple has a willingness to try all sorts of different products that ultimately benefit consumers. There's a low penalty for failure there, making employees much more willing to be creative. Apple has been really good at is coming out with stuff that doesn't work.

Think back to their initial forays into PDAs. The Newton was so revolutionary at the time. It was ahead of the market. But it was the wrong form factor. It had a lot of issues, but they learned from the experience and somehow revolutionized the music business. And who got fired for the Newton? No one. A lot of companies would have said, "Okay, that product failed. Who do we fire?"

**Q** How can companies get clearer on their **competitive advantage**?

**A** First, you have to be very outward facing. The firms that lose their competitive advantage are those that become inwardly focused, enamored with their own brilliance. You have to be very outward facing for other things to fall into place.

Second, Larry Ellison taught me many, many years ago to never, ever hire the person who can do the job at hand. If you're in a growth mode, that person will be obsolete in a year. Always hire the person who can do ten times the job that's required. So, we only higher 'top ten percenters' – people who are the best at what they do and are going to help us push the envelope in terms of growing the company. No one at Clarus was hired as a compromise. For us, competitive advantage really encompasses the entire company.