The Four Competitiveness Drivers: Theory of Business; Business Model; Strategy; and Tactics

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Abstract: Business model has been used indistinctively with theory of business and even sometimes with tactics. They are however quite distinct concepts. And together with strategy they constitute the four drivers for competitiveness: the why; what; where and how to compete.

Keywords: Business model, Business theory, Four competitiveness drivers, Strategy, Tactics.

1. INTRODUCTION

The concept of the theory of business was *first* introduced by Peter Drucker in a 1994 Harvard Business Review article (Drucker, 1994).

And the earliest reference to the term business model (DaSilva and Trkman, 2014) was made in the academic article "On the construction of a multi-stage, multi-person business game" by Bellman et al. (1957).

More recently, in the beginning of this century (Johnson et al., 2008) the concept came into prominence due to the contributions of Michael Porter (2001) on value chains, Clayton Christensen (1997) and Mark Simpson (2015) on disruptive innovations and Alexander Osterwalder and Pigneur (2010) on Business Model Canvas, a visual tool to describe, analyse and design business models.

However, the popularity of the business model led to *skewing* its definition (Ovans, 2015) and frequently being used indistinctively from theory of business (Magretta, 2002).

They are however entirely different concepts. A *business theory* is the reality assumptions an organization is grounded upon: in Peter Drucker's words "what the company is *paid for*". And a *business model* corresponds to the *stepping stones* of its organization. How a firm transforms client satisfaction into value for itself. The *pillars* of the organization.

And the two concepts – although frequently confused with – are nevertheless also different from strategy and tactics (Ovans, 2015).

Strategy, a concept imported from the military, refers to *where* to compete: the choice of 1) geographical areas, 2) industries and 3) segments (Sá, 1999).

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And *tactics* (Sá, 2015) respect to the nine functional areas of 1) marketing, 2) finance, 3) human resources, 4) operations, 5) accounting, 6) information systems, 7) administration (maintenance, etc.), 8) general management (organization chart, coordination and control mechanisms, etc.) and 9) R&D.

Tactics is the realm of *how* (by opposition to strategy that is where): how to promote; how to finance; how to motivate; how to set the information systems; how to coordinate and control; how… (Sá, 2005).

Organizational optimization requires first of all a sound *theory of business* (the hypothesis on what the company is built upon, why it makes sense). Then to define well both its *strategy* (the where, the areas of activity) and the *business model* (the basic functioning pillars of the organization). And finally, the *tactical plans*: from marketing to budgeting (Fig. **1**).

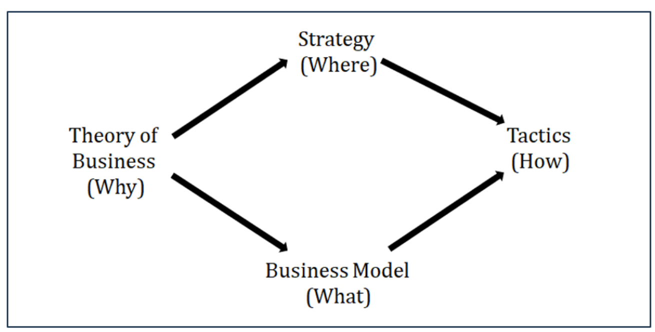

Fig. (1). The four competitiveness drivers.

Being distinct, competitiveness requires that *all four* be periodically reviewed to keep them updated with environmental changes.

The *next section* illustrates the *relation* among the four concepts using the example of Nike, at its upstart.

Then the *following* section using the case of Dollar Shave Club illustrates how the model of Fig. (**1**) remains actual in the *digital age*.

And the *conclusion* with the examples of Gorillas, Better Place, Spotify and Marks & Spencer stresses how all four are *necessary conditions*, none sufficient, for competitiveness.

2. THE RELATION AMONG THE FOUR CONCEPTS: THE EXAMPLE OF NIKE

When Phil Knight founded Nike[1], the industry was dominated by Adidas and Puma.

Today, Nike's market *value is more* than five times that of Adidas and twenty two times Puma's. Nike's sales top Adidas by 140% and are beyond six times those of Puma.

That was due first of all to a novel and *sound theory of business* with *five tenets* (Knight, 2016):

1 – *Racing was about to boom* (both on track – competition – and off track – joggers);

Until Nike the popularity of running was far from established. In 1964 (date of Nike's inception) the Boston Marathon had 403 participants; a decade later in 1975 they were near 2500, six times more.

And in the sixties joggers were still seen as a nuisance with people shouting and even throwing objects at them; or a purely illegal practice with several instances of fines were reported.

2 – *Racing required specialized shoes*;

Again and at the time, was not an obvious fact. For instance, Converse, one of the four leading market players differentiated among only four types of sneakers: for *wrestling* (boxing, etc.), *basketball* (All Stars model), for *tennis* and *track* shoes, being the latter intended for all kinds of indoor and outdoor sports, e.g. volleyball, handball or racing.

3 – *There were no good enough specialized shoes*;

Some brands, as Reebok did have sneakers specially for running. They were called spike shoes, because of the spikes on their soles: that had the advantage of providing grip on the track surface, but the drawback of creating too much traction and thus hurting speed.

That led Reebok to clone Nike in 1966 with its Canvas model, two years after Nike had launched its first model, the Onitsuka Tiger, specialized for running.

In short, there were few specialized shoes for racing and those that existed were not good, lacking one or more of the five characteristics below.

4 – *Specialized shoes should have five characteristics*:

4.1 – As *light* as possible[2];

4.2 – *Comfortable*, given being used for long uninterrupted hours (4 hours for men and 4h30 for women were considered excellent times in a marathon)[3];

4.3 – *Minimizing injuries* (and consequently small rubber columns were inserted in Nike's shoes to cushion and absorb impact);

4.4 – *With gripping power* (to avoid sliding, both dangerous and causing loss of time)[4]; and

4.5 – *An appealing design*: as runners are loners who shy away from collective sports, the first Nike model was not white, but creamy with blue stripes.

5 – It was possible to *undercut Adidas prices* with Japanese imports, as had happened already in the cameras industry and was about to happen in many others: from cars to motorcycles, to watches, to computers, TVs, medical equipment and so on.

So Nike was created based on five reality assumptions. The company made sense because of them.

Being true, the business theory was solid. Being novel meant that Phil Knight did not notice established trends, but the upstart of trends. At their very beginning, early stages.

And so he was able to detect in Peter Drucker's words "the future which had already happened; instead of the future trends, the futurity of present trends, the part of the present which is pregnant with the future" (Drucker, 1992).

Then followed (in Fig. **1**) the *strategy*, that is the choice of 1) *geographical areas*, 2) *industries* and 3) *segments*. The *where*.

In the case of Nike, the theory of business predetermined both the industry (sports shoes) and segment (racing)[5]. But the third element of strategy, geography, was open to *decision*.

And Nike's choice was:

- First the city of Portland, that Phil Knight targeted with handouts and ads;

- Then the whole state of Oregon, with the presence at sports events; and

- The Pacific Northwest;

- Next came California chosen for proximity, climate, youth population and purchasing power and through a commissioned salesman in Seal Beach, Orange County;

- To be followed by the whole USA, with marketing through industry fairs; and

- Finally Nike went international starting with Europe (Fig. **2**).

With time Nike had to decide whether to maintain its strategy regarding *industry* (sports shoes) and *segment* (racing).

[1] Initially called Blue Ribbon Sports.

[2] A requirement in the last few years replaced by impulse and thus the high foam sole.

[3] And thus Nike's cushioned and slightly flexible midsoles.

[4] Within a few years Nike introduced the waffle type sole.

[5] That is not always the case as the example of Better Place later will illustrate.

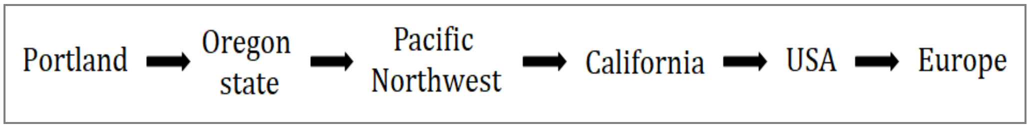

Fig. (2). Nike's initial strategy in terms of geography.

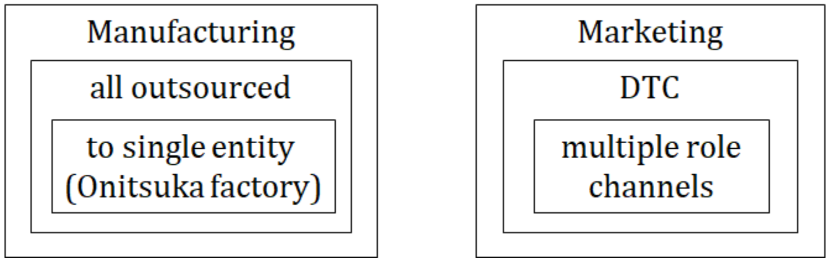

Fig. (3.1). Nike's business model.

Nike's direct marketing / **Channels**	**Roles** played by own channels	Promotion	Selling (getting orders)	Delivery (on the spot)
Ads and handouts distributed in Portland		Yes	No	No
Track meets through	Philip Knight	Yes	Yes	Yes
	Own commissioned salesmen			
Industry fairs		Yes	Yes	No

Fig. (3.2). Detail of Nike's direct marketing.

At first Nike stayed *focused*: one industry, one segment. And later *expanded* (to other segments of the same industry). And *diversified* (into other, related, industries).

Focus was done through several models (improved versions to serve the same need): the Cortez (for the 1968 Olympics) and the "waffle iron" model named Moon Shoe (in 1972).

Then in 1973 Nike *expanded* into new segments of the shoe industry. First into basketball with the Blazer model (used by NBA player George Gervin), followed by other models for the same segment such as Air Jordan (sponsored by Michael Jordan) and then still into other segments such as skateboarding.

Finally Nike *diversified* into industries related to sports shoes, first into sportswear starting with jackets: a light weight model called Windrunner that quickly became a favourite both on the street and on the track due to its stylish design.

To be followed by the apparel equipment industry: speed ropes, hairbands, backpacks, duffel bags, water bottles, etc.

Having defined the theory of business and strategy, the next step is the *business model* (Fig. **1**) which are the *basic pillars of operations* to *transform* client satisfaction (derived from the theory of business) in certain areas (due to strategy) into *company value*.

A business model is simply the foundations, the organization *pillars* a company uses to make a profit, its profit formula, "the processes needed to deliver the offering"[6] (Casadesus-Masanell and Ricart, 2011).

In Nike's early years those processes were *four* (Figs. **3.1** and **3.2**):

1 – All manufacturing (including packaging) *outsourced*;

2 – To a *single entity*: Onitsuka factory in Japan;

3 – *DTC* (direct to consumer) marketing;

4 – The *same channels* playing the multiple roles of promotion, selling (getting orders) and delivery.

[6] It can be said that a business model respects to how a company operates. That is correct. However since the focus is on the pillars, the stepping stones, it is also a synthesis, a summary of operations. Thus better to define the *business model* as the *what* to distinguish it from the *how*, detailed by *tactics* in the nine functional areas: human resources, marketing, finance, etc.

It is frequent for new ventures to outsource manufacturing.

It is less common for that:

- to involve *everything*;

- to be done to a *single* entity;

- regarding all, even *packaging*;

- for both during extended period (ten years, from 1964 to 1974, when Nike established a factory in New Hampshire, USA, marking Nike's direct involvement in manufacturing).

But that is what was done with *Onitsuka factory* in Japan. And that was the second pillar of the business model.

Japan was chosen because of the theory of business (low labour costs and quality of goods) and *Onitsuka* was singled out for *two* reasons:

- they had a reputation for quality (it was already selling wrestling shoes in the northeast of the USA); and

- in top of wrestling, basketball and discus shoes (for athletes competing in discus throwing events), Onitsuka was already manufacturing tracking sneakers.

Over time both Onitsuka and Japan would be replaced, due to rising labour costs and other reasons[7], sequentially by South Korea, Taiwan, China, Indonesia and Vietnam and Nike's abandonment of its single supplier policy.

Marketing was all *DTC* (direct to consumer), with no intermediaries, for the simple reason that no sports stores, much less large chains wanted to carry the Nike brand. Adidas dominated the market. Puma, Reebok and Converse were also prestigious players.

"Kid, what this world does not need is another track shoes", was the standard rejection by sporting goods stores (Knight, 2016).

DTC marketing was such a strong pillar of Nike's initial business model that it became part of its *DNA*. Even today the company relies heavily on DTC channels including its *own retail stores* and *digital platforms* as they allow for greater control over customer experience and provide useful consumer data.

Also within DTC marketing, channels can play the multiple role of promotion, selling (getting orders) and sometimes even delivery.[8]

With the exception of the very early stages when promotion was done by handouts and ads in Portland and delivery was separated, Phil Knight opted for channels playing multiple roles and thus saving scarce resources, money, time and manpower: track meetings, industry fairs and commissioned salesmen (Figs. **3.1** and **3.2**).

In short, not all marketing is obviously direct, and DTC can be done through channels playing multiple or specialized roles (as can non direct marketing).

Nike opted for *direct marketing* and within these for channels playing *multiple roles*.

Just as all manufacturing can be or not all outsourced (part done internally) and in the case if all is outsourced that can be done working with several entities or just one: the Onitsuka factory in the case of Nike (see Figs. **3.1** and **3.2**).

Thus there were *four building blocks to Nike's business model*: 1) total outsourcing; 2) to a single entity; 3) DTC marketing; and 4) with same channels playing multiple roles (Fig. **4**).

Both the business model and strategy implement the theory of business. And then they both impact on *tactics*, the fourth competitiveness driver of figure 1 and listed at the right end of Fig. (**4**).

Tactics is the realm of the *how* and respects to the *functional areas*, which are nine in total; 1) marketing, 2) finance, 3) human resources, 4) operations, 5) accounting, 6) information systems, 7) administration (maintenance, rules and procedures, *etc*.), 8) general management (organization chart, control and coordination devices) and 9) R&D.

Regardless of the specific functional area there are *two* types of tactics (Fig. **5**).

Those that directly *implement* the theory of business and the business model (in Fig. **4** all except the bottom two tactics, numbers 8 and 9) and those that *must* nevertheless be *executed otherwise* the business enters in disruption.

The former requires *excellence*. The latter must be done in a *satisfactory* way.

An example of the latter was Nike's policy of overdoing the size of its orders to suppliers in disproportion to the assured existing clients orders.

As a consequence Nike was frequently cash strapped and courting bankruptcy: "we are not broke, we just don't have any money", Phil Knight reassured his partner B. Bowerman so frequently that at a certain point his wife started refusing to hear his complaints: "here comes the wall"[9] (Knight, 2016).

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[7] There was a mutual lawsuit which lasted for one year between Onitsuka and Nike.

[8] It may be useful to specify what is meant.
When a company opts for DTC and uses no intermediaries, no third parties, either for promotion (e.g. advertising agencies, public relations companies) or selling (independent stores) or still delivery by third parties, DTC channels can be specialized or play multiple functions.
If a company does internally its ads and handouts to reach the final clients promotion is DTC but not necessarily selling (getting orders) or delivery. And the same applies to selling and delivery.
In the case of Nike going to track meetings (Phil Knight at first and then exclusive commissioned salesmen) played three roles: promotion, selling and delivery (on the spot, from own trucks).
And industry fairs played the dual role of promotion and selling (obtaining orders), but not of delivery.

[9] In Phil Knight's words, Nike was constantly in the risk of bankruptcy because: "I was to blame. I refused to consider ordering less inventory. Why cut an order from 3 down to 2 million if I believed the demand out there is for 5 million? Thus I would order a number of shoes that seemed absurd and we'd need to stretch to pay for. To most observers this would've seemed a brazenly reckless, dangerous way of doing business, but I believed demand was greater than sales."

Another example that functional policies require satisfactory execution even when they do not derive from the business theory and business model was in the financial area.

Nike for long worked mostly with the First National Bank. But then at a certain point relations soared to the point of not only Nike being cash strapped a few days from bankruptcy, but even involving a complaint to the FBI. Were it not for the decisive intervention of the Japanese trading company Nissho and Nike would have gone under.

However, the most important tactics are those directly a consequence of the business theory and model (examples are indicated in Fig. (**4**), except the bottom two with numbers 8 and 9).

The first model of shoes (Onitsuka Tiger) was very low priced of $6.95 to undercut competition (a direct consequence of the fifth reality assumption of the business theory).

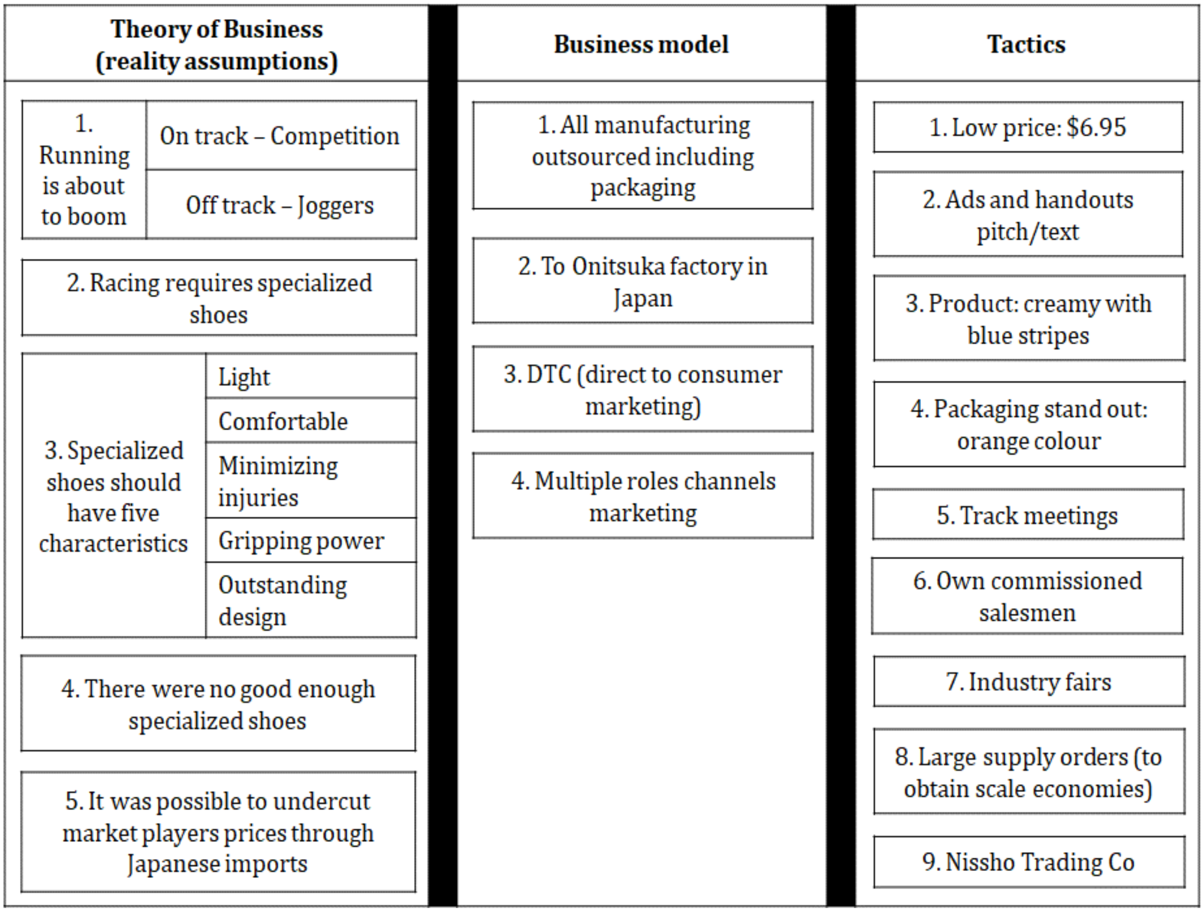

Fig. (4). Nike at upstart.

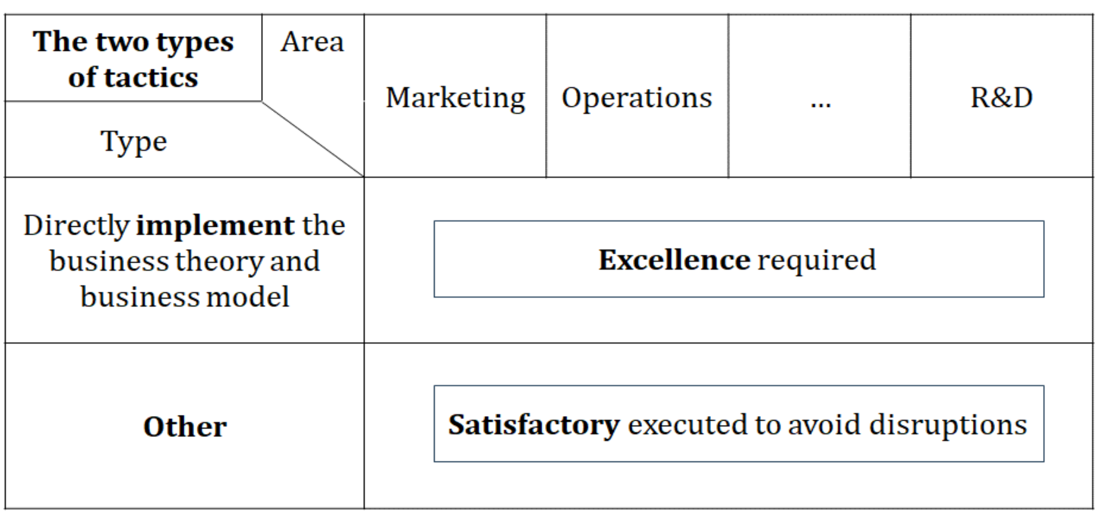

Fig. (5). The two types of tactics.

Then, the pitch of the earliest ads and handouts enhanced that: "*Best news in flats! Japan challenges European track domination… low Japanese labor costs make it possible to offer shoes at low, low, prices*" (Knight, 2016).

Both sneakers and the packaging stood out. The shoes were creamy with blue stripes. And the packaging, the boxes, were "*of bright neon orange… the boldest color in the rainbow… in those days shoe boxes were either white or blue, period, but I (Phil Knight), wanted something that would stand out… pop on the shelves*" (Knight, 2016).

DTC and multiple roles channels meant, besides own commissioned salespeople[10], two types of events: track meetings and industry fairs.

Both highly successful. At track meets after *"showing my wares I couldn't write orders fast enough"* (Knight, 2016).

And at industry fairs (*e.g.* Chicago), "the mob of salesmen would pick up the Nikes, held them to the light, touched the swoosh and… liked it a whole lot, they gave us business, actually placed orders with us, exceeding our grandest expectations" (Knight, 2016).

In short, together with *strategy* it was:

- the soundness of Nike's theory of business, business model and tactics;

- their *novelty* (which allowed for differentiation); and

- how they were *linked* together (one following from the other);

that explains Nike's success: within sixteen years Nike attained 50% market share in the US athletic shoe market and then went public later that year.

Starting in the (mid) sixties. So, astonishing as that success was, it was a long time ago.

And so the question arises of the relevance in today's world of the four competitiveness drivers. The world changed considerably, specially recently due to the digital revolution.

As Philip Kotler, known as the father of modern marketing, refers in his memoirs, the digital revolution created new paradigms and destroyed others (Kotler, 2017).

Thus the *question*: *does the model in Fig. (**1**) still holds in the age of the net***?** And does it apply to net based companies?

The answer is *yes* as exemplified by Dollar Shave Club.

3. THE FOUR DRIVERS MODEL IN THE AGE OF THE NET: THE CASE OF DOLLAR SHAVE CLUB

Founded by Michael Dubin it achieved *unicorn status* in just five years in an industry (grooming) dominated by two giants: Gillette and Schick, at a certain point with 70% of market share (Meghalaroia, 2022).

Dollar Shave Club started with a *sound theory of business*:

1st – Blades *prices* were *inflated*;

2nd – In store buying was a *hassle* (frequently requiring asking employees to open supermarket drawers);

3rd – Customers *resented* both; and

4th – *Home delivery* (common to so many products) was feasible for blades too.

Next came the *business model*:

1 – *Large imports* from *South Korea* to undercut market prices;

2 – Service flexibility through several monthly *subscription plans*;

3 – Promotion using the *net* (to keep costs *low*); and

4 – Customer *low risk*: money back guarantee and the possibility of cancelling at any time[11] (besides very low price).

Then there was *strategy*. *Geographically* it meant first the United States, followed by Canada and Australia (in 2016 Unilever acquires Dollar Shave Club further extending its global reach).

In terms of *segments and industries*, strategy meant initially focus on a single segment (blades/razors) of the grooming industry and then sequential *expansion* into other segments and *diversification* into other industries:

- shaving accessories (creams, gels and aftershaves);

- body care products (body washer, lotions and moisturizers);

- hair care (shampoos, conditioners and styling products);

- oral care (now beyond the grooming industry and into toothbrushes, toothpaste and mouth wash);

- skin care (face cleansers, moisturizers and serums); and finally

- fragrances (both colognes and body sprays).

Also segments evolved not only in terms of products but in terms of *clients* as well. After young males, young females were targeted too.

Finally, there were the *tactics*. *Selling* was done through several subscription plans (for various amounts of blades/razors)[12] and later including options for other grooming products, as well as the introduction of a fidelization program at a later stage.

The initial *pricing* was penetration, not skimming the cheapest option of two blades per month for one dollar, making no money (delivery was free).

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[10] The first of which was for a longtime Jeff Johnson in Seal Beach, California.

[11] At the start; later a fidelization program was introduced.

[12] With the tactical policies of money back guaranteed and the possibility of canceling at any time to minimize customer risk.

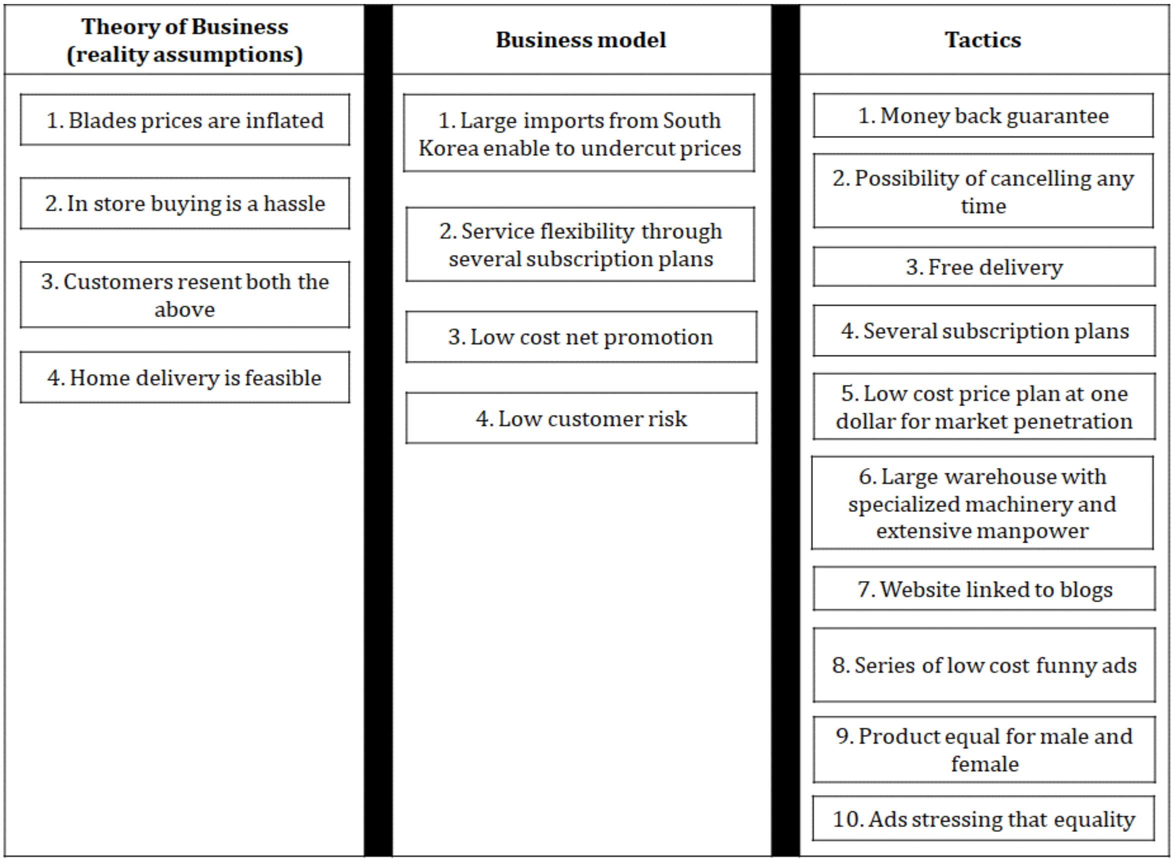

Fig. (6). Dollar Shave Club at upstart.

It had however several advantages. It enabled scale to decrease costs and opened the door to higher priced subscription alternatives, topped by the "executive plan".

Logistics required a large warehouse, specialized machinery and a considerable number of manpower reaching soon 600 employees (Booth, 2019).

Net promotion (one of the business model pillars) was implemented by a website linked to bloggers and a series of low budget (4500 dollars) very funny videos which became viral: the first film sold 250 000 blades in 72 hours, the site collapsed in the first night and it had 27 million viewers.

Product policy (one of the 4Ps in marketing) was also original. Contrary to Gillette that launched razors for women different from those to men (the *sensor brand*), Dollar Shave Club targeted both men and women exactly with the same type of blades and razors and stressed their equality in the net.

Thus, *Dollar Shave Club success*[13] can be attributed to the quality of the *four* competitiveness drivers (Fig. **1**): the *theory of business*, *business model*, *strategy* and *tactics*. *All four*. Indicating that not only *all* four remain *relevant* in a time of digital revolution, but also that *they apply to net based companies* (Fig. **6**).

It seems thus that the model remains today as actual, as ever.

But two last questions remain: are the *four* competitiveness drivers *facilitators* of organizational optimization, or all *necessary*, indispensable conditions? What happens when any of them fails?

And also, in order to simplify, both Nike and Dollar Shave Club were analysed at their start. Thus the question: are the four competitiveness drivers also relevant at *later stages*? If so, they should be periodically reviewed.

4. CONCLUDING: THE FOUR COMPETITIVENESS DRIVERS AS NECESSARY CONDITIONS FOR NEW VENTURES AND ON GOING COMPANIES

The importance of periodically reviewing the *theory of business* is illustrated by *Gorillas*, that became an unicorn in only nine months and disappeared acquired by Getir merely 2,5 years after its inception (Partington and Lewin, 2021).

Gorillas was a ten-minute deliver of groceries operating from own warehouses (Meyersohn, 2021).

For a certain time it seemed consumers were willing to put a premium on the convenience of having supermarket goods handed over with extreme speed at their doorstep. And even more so during the Covid years.

But that that is not more so is exemplified not only by the demise of Gorillas, but also of many other fast delivery com-

[13] After Dollar Shave Club reached three million subscribers, Gillette and other market players started offering home delivery, too. That did not prevent, however, the company from reaching 51% of online market share.

Company	Platform	Free option	Pay option
Amazon Music	Yes (for movies, books, etc.)	Yes	Yes
Apple Music	Yes	No	Yes
YouTube Music	Yes	Yes	Yes
Napster	No	No	Yes
Tidal	No	No	Yes
Spotify	No	Yes	Yes

Fig. (7). The basic pillars of the business model of music streaming companies.

panies as well: GoPuff, Buyk, JOKR, Fridge No More (Bradshaw, 2022).

Then there is *strategy*. Shai Agassi's Better Place was contemporary of Elon Musk's Tesla and being both based on the belief of the need for electric cars.

However, Better Place went bankrupt what has been attributed to two strategic failures. First, in terms of geography as it neglected the Tokyo (taxi market) where it had considerable success to favour[14] the much smaller Israeli one. And then opted in the latter for the segment of sedans when a subcompact would fit far better most specially for Tel Aviv which being the richest part of Israel is also one the most traffic congested cities in the world (Dvir and Emet, 2016).

By opposition Tesla seems to have decided well both on the initial geographical area of Silicon Valley where electric cars were seen as a statement of social responsibility among a young population (Vance, 2015) and on the original choice of segment, the sedan (for the US market at large) was its first mass produced car [15] (Isaacson, 2023).

Spotify illustrates that even if a theory of business is sound, but the *business model* has serious flaws, profits will fail to appear until needed corrections are introduced what happened after almost two decades.

Demonstrating that many customers are willing to leave pirates for paying sites, in 2021 the music streaming subscribers of over 500 million, had increased tenfold since 2015, creating a total streaming revenue of around 17 billion. And Spotify had by far the largest market share (32%). (Dean, 2024).

However, contrary to other streaming music companies such as Apple Music, Spotify failed to produce profits for almost two decades after its inception in 2006.

Why? When comparing Spotify with all its major competitors, Apple Music, Youtube Music, Napster, Tidal and Amazon Music, Spotify is the *only one* who offers a free option <u>in top</u> of a paying one without a platform (Fig. **7**).

Apple Music, Napster and Tidal have no free option. Youtube Music and Amazon Music offer but they are part of platforms supplying other services.

Strategy and tactics (price levels, alternative packages, *etc*.) are similar between Spotify and competition. The business model however is quite different. Spotify losses reached 532 million in 2023, in the previous year of 2022 they were of 430 million.

But due to changes performed on its business model since the beginning of 2022, Spotify reached profitability only at its 19th year (2024).

Let's now turn to *Marks & Spencer* to illustrate the relevance of *tactics*.

During the last half of the 20th century *Marks & Spencer* became the *leading* UK retailer with the *business theory* that (Rose, 2007) 1) no department store was 2) offering good value for price in home goods, clothes and food to 3) the middle and upper middle classes, and a *business model* that given its direct contact with the customer, it was up to Marks & Spencer and not the manufacturer:

1 - to be in charge of designing, developing the prototypes;

2 - through a decentralized decision making process, to be as close as possible to the client.

As a result Marks & Spencer was the first British retailer to achieve *a billion pound***s** in profit in 1998.

However, only six years later, profits were down to *145* million and a new CEO performed a turnaround by *changing several tactical policies*, which he came to explain in an article (Rose, 2007): he created a *top level management position* to control inventory that reported directly to the CEO; as

[14] One will never know how much that strategic error was influenced by politics.
Shai Agassi benefited from the support of former Israeli president Shimon Peres who heard Agassi talk at Davos meeting under the title: *what is the one thing I would do to make the world a better place?* And Agassi's answer was an oil free world. Israel has no oil. Contrary to many other countries in the Middle East with whom Israel has no diplomatic relations (some) or is at on official state of war (others).

[15] The first model, the sports model Roadster was a testbed (Isaacson, 2023).

well as instituted *weekly meetings* with the presence of various supporting teams; *cut 100 million in costs* from the supply chain with the help of suppliers; *restructured logistics* to decrease transportation costs; *downsized* (20% cut across the board of corporate employees); *standardized working hours* simplifying the previous system; made *wage increases* dependent on the quality of service and not length of time in the company; improved *customer service*, by training the entire store workforce of 56000 people; and so on.

As a result of acting upon these tactical, functional policies, the new Marks & Spencer profits soon recovered, from 145 million in 2004 to 405 million in 2006 and then went all the way up.

In short, the previous examples of Gorillas, Shai Agassi's Better Place, Spotify and Marks & Spencer suggest that there are *four requirements*, all *necessary conditions*, for an organization performance and which consequently must be periodically reviewed to be updated: the *why* (*theory of business*); the *what* (*business model*); the *where* (*strategy*); and the *how* (*tactics*).

Neglect of some and focus on the remaining will lead nowhere but to increasing efforts for decreasing returns. To more and more resources producing less and less.

As the result of being efficient (doing things right) while foregoing effectiveness (doing the right things), while both are necessary: *Aristotle's Phronesis*, the practical ability of linking ends and means *(efficiency)* and *Solomon's Chokhmah*, the capacity of selecting worthwhile objectives *(effectiveness)*.

DECLARATION OF INTEREST

We have nothing to declare.

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