

THE COMPETITIVE EDGE

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BREAKTHROUGH SIMPLICITY

One way to create healthy business growth is to make the customer's life simpler and more successful.

Skyworks Solutions shows how it's done. The company makes electronic components (power amplifiers and analog semiconductors) essential for the connectivity of smart phones, tablets, and other mobile devices. Most electronic component manufacturers focus just on making the best possible component for their customers. The Skyworks value proposition goes beyond that. They greatly simplify their customers' complex and vexing product design process. And, of course, they provide great products as well.

Skyworks' CEO, David Aldrich describes the value proposition this way: "We focus on the customer experience and make sure that everything brings value and simplifies the lives of our customers as they design these extremely complex products."

To deliver on its value proposition, Skyworks provides packages of components that eliminate considerable design complexity, and they work intimately with their customers from the very start to get maximum benefit from those component packages. Often, Skyworks is the only choice considered by engineers from companies like Apple, Samsung, or Volkswagen.

The demand for Skyworks has been rising on the wave of rapidly increasing design complexity in mobile devices. Sales and profits for this \$500 million company have been growing over 20% per year.

Learn more about Skyworks in an article by Lawrence Carrel in the February 18 issue of *Investors Business Daily*. The company's success shows how other companies might enhance growth by simplifying life for their customers.

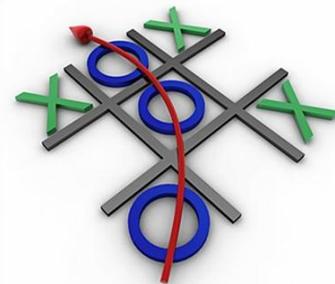
ROLLS ROYCE CHANGES THE GAME

Data is becoming rapidly and significantly cheaper and easily available. Incorporate this trend to create customer lock-in effects and perhaps even change the rules of the game.

Rolls-Royce demonstrates how data can be used to gain such advantage. The company, which was split off from Rolls Royce Motors in 1973, is a large aerospace, power systems, and defense firm. Our interest centers on what they did with aircraft engines.

Rolls Royce embedded wireless sensors throughout their aircraft engines. The data these sensors generate has resulted in fast, early repair of problems and improvements in engine design.

Rolls' engine health management became so good the company decided to change the rules of the game. Rolls no longer sells its engines. It now retains ownership of them and charges the airlines a fee based on actual hours flown. The change has been attractive to cash strapped airlines and beneficial to Rolls' growth and bottom line.



ROLLS ROYCE CHANGES THE GAME cont.)

Rolls' engine monitoring system has created other benefits as well, such as more effective parts inventory management and flight efficiency reporting.

Makers of any high-priced piece of machinery can benefit by imitating Rolls-Royce. Elevator manufacturers already do it. Think about potential benefits from real-time data about a machine's functioning and the conditions of its operating environment. The benefits may not point to a game changer, but they can point to growth-enhancing ways to increase value to the customer.

And creating valuable data richness is not just for expensive equipment. Anticipate a continuing rapid drop in the cost and size of sensors, along with significant improvements in their capabilities. This points to abundant opportunity in almost any product, even the most mundane. Bearing manufacturer SKF now has intelligent bearings that continuously communicate their operational status, enabling customers to check bearing condition without stopping machinery.

Spend time brainstorming benefits from embedded data devices. It can be very productive.

EASE OF USE

Many companies use SharePoint, Microsoft's file sharing software. They use it and hate it. The software is not very user friendly. What an opportunity for a better way!

Aaron Levie thought he could do better. He launched his company, Box, in 2005. The focus from the start: create a cloud-based file sharing system that users would love. To achieve that vision he focused on creation of user-friendly design for the mobile environment. SharePoint does not have a user-friendly design and is not compatible with the increasingly ubiquitous mobile environment.

Levie's file sharing system has the same name as his company, Box. It is extremely simple and, dare I say, enjoyable to use. Just log in and upload a file. Others within your Box network can then log in to their own accounts and download the file. Unlike SharePoint, people want to use Box because it is so easy.

The company is penetrating businesses with a Trojan horse strategy. Employees create their own Box networks quickly and easily. By the time the IT department learns about it, Box is already widespread.

The lesson: this is a good example of the old saying that problems are opportunities in work clothes. Identify major annoyances that people just tolerate. Then create value by eliminating the annoyances.

BAD DECISIONS HALL OF FAME CANDIDATE

In 1986, Norman Augustine predicted the entire U.S. defense budget would be spent on one just one aircraft by 2054! He based his prediction on cost increases that had persisted since 1910, rising from \$1500 per aircraft in 1910 to \$15 million by 1980. The latest U.S. military fighter fits his prediction perfectly. That aircraft, the F-35, is behind schedule and way over budget. Each plane will be over \$200 million.

The bad frame the military used for the F-35 decision was something like "What's the most cost-effective way to meet our aircraft needs?" That led to the bad decision to use just one aircraft design for the Air Force, Navy, and Marines. The result? Excess complexity, heated arguments, and major design problems.

Absent luck, a bad decision frame begets a bad decision every time.