

The Only Real Sustainable Competitive Advantage

Finding a Competitive Advantage is increasingly important in today's rapidly changing global economy.

The ability to effectively differentiate your product or service offering from competition enables you to stand apart. This can then be the basis upon which Customers will choose your offering over that of your competition.

There are endless opportunities to create this differentiation.

If you are a manufacturer or distributor, it may be the innovation, quality and breadth of your product line, quality of sales representation, price, discount policies, speed and completeness of shipments or customer service.

If you are a retailer, it may be your specific product or service offering, store location, store ambiance, friendly and knowledgeable staff, pricing, signage, returns policy, web site, advertising, parking, store hours or delivery policy.

We find that some companies seek to identify what they call a Sustainable Competitive Advantage. This represents something that they may rely upon to continue to differentiate, or even protect themselves from competitors over time.

The search for the "Holy Grail" of Sustainable Competitive Advantage often focuses on "tangible" items as patents, trademarks, exclusive relationship agreements, physical locations and sheer size.

In our view this emphasis on such "tangible" differentiators is only a short term solution. It is a Myth to think that they can deliver long term "Sustainable Competitive Advantage".

Why it is a Myth

All around us there are examples of companies who thought they possessed Sustainable Competitive Advantages, and are learning they really didn't.

- United, Delta and American Airlines thought their dominant ownership of airport gates, extensive spoke and hub routes, and frequent flyer programs locked in profitable passengers for life. Southwest Airlines and others are proving them wrong.

- Kodak thought their ubiquitous brand and lucrative consumable film and print business was an income stream they could count on into the future. The explosive growth of digital camera photography, including Kodak's, is proving them wrong.
- Sears thought their strong national position with American consumers would continue to provide reliable earnings. Wal-Mart, Target and numerous new competitors are proving them wrong.
- ABC, NBC and CBS thought their programming clout and powerful national affiliate networks assured them of continued loyalty of television viewers. The enormous variety of alternative sources of media entertainment and information including the Internet are proving them wrong.
- The original Bell Telephone companies thought their regional monopolies of wired homes and businesses would generate predictable, growing revenues. Cell phones, cable, wireless internet access, and Voice over IP communications are proving them wrong.
- Ford, GM and Chrysler thought their powerful Big Three market position, breadth of product offering, strong dealer network and expensive advertising budgets would protect them from foreign competition. Toyota and many others are proving them wrong.

All of these seemingly powerful "Sustainable Competitive Advantages" are proving to be transitory. In our view that is because of the never ending shifts in what Customers view as meaningful VALUE.

Customer Value Perceptions are constantly changing. And that requires companies to anticipate and adjust with these changing Customer Value Perceptions to assure ongoing Customer loyalty and market position.

A New Way to Approach Sustainable Competitive Advantage

We believe it is possible to build a Competitive Sustainable Advantage for your company, but it is largely based on "soft" assets instead of "hard" assets.

That is because "soft" assets are generally more flexible..... a key requirement in a constantly changing marketplace.

And that flexibility begins with your People and how they perform.

It has been reported that in the earlier days when Bill Gates was building Microsoft he spent Fifty Percent of his time interviewing potential staff. That is remarkable considering the variety of issues on his plate during that time. But one of the world's smartest and most successful businessmen knew what would make Microsoft the success it is.....the intelligence, innovative attitude, energy, flexible thinking, passion, and desire for excellence of its People.

Because only your People who possess such characteristics can anticipate, recognize and proactively move with changing Customer Value Perceptions, rather than focusing on protecting existing "hard" assets.

The reality of constantly changing Customer Value Perceptions may be difficult for some to accept. Because it can represent ambiguity and uncertainty.

People who view ambiguity and uncertainty as an Opportunity rather than a Threat, and have the flexibility and innovative attitude to thrive in that environment, can provide a Sustainable Competitive Advantage.

How might the present situations of Ford and General Motors, United and Delta Airlines, Kodak, Sears and the national television networks be different if they had been led by more flexible, innovative, Customer Value focused managers?

Jim Collins in his bestseller "Good to Great" recommends the first step in building a great company is to "get the right people on the bus and the wrong people off the bus".

Easy to say. Difficult to do. But what is the alternative if you want your company to thrive today and tomorrow?

When James McNerney was CEO of 3M he offered four keys to 3M's Engine of Innovation culture:

1. Be twice as good at the thing you do best.
2. Live at your Customer's place of business.
3. Figure out one New way to interact with Customers.
4. Invest in your People.

All of these keys focus on People.

Our recommendation as you may seek to build a Sustainable Competitive Advantage is to focus on your People, their qualities and behaviors. That will be your only real Sustainable Competitive Advantage for the future.

Summary

In our increasingly global economy companies often look for meaningful differentiators to provide Sustainable Competitive Advantage vs. other companies. They frequently look to "hard" assets rather than "soft" assets to provide this over time.

In our view, constantly changing Customer Value Perceptions can diminish "hard" assets rather quickly.

Flexibility and an innovative attitude are keys to benefit from these ongoing changes and opportunities.

That starts with the People in your company and how they perform.

We welcome your comments about Sustainable Competitive Advantage, and the opportunity to share with you how our proven team-based Strategic Planning process may support building a flexible, innovative culture within your company.



"Accept reality as it is, not as it was or as you wish it to be."

Jack Welch, Former CEO General Electric

"Nothing is easy to the unwilling."

Nikki Giovanni

"Worry is a misuse of the imagination."

Dan Zadra

"Some think it's holding on that makes one strong; sometimes it's letting go."

Sylvia Robinson

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