

SUSTAINABLE COMPETITIVE ADVANTAGE

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The Essence of Competition

Competition is all about value: creating it and capturing it. A fundamental rule in crafting a competitive strategy is to view competition from the other player's viewpoints.

Hyper-competition is a key feature of a new economy. Not only is there more competition, there is also tougher and smarter competition. "Hyper-competition" is a state in which the rate of change in the competitive rules of the game are in such flux that only the most adaptive, fleet, and nimble organizations will survive.

New customers want it quicker, cheaper, and they want it their way. The fundamental quantitative and qualitative shift in competition requires organizational change on an unprecedented scale. In this new economy, competitive advantages must constantly be reinvented, and organization becomes the fundamental source of distinctive capabilities.

5 Criteria of Sustainable Competitive Advantage

This is an advantage that enables business to survive against its competition over a long period of time. It is also the prolonged benefit of implementing a value creating strategy based on a unique combination of internal organisational resources and capabilities that cannot be replicated by competitors.

For your advantage to be a sustainable competitive one, it must be:

1. Unique
2. Difficult to Replicate
3. Superior to Competition
4. Sustainable
5. Applicable to Multiple Situations

3 Parts to Sustainable Competitive Advantage

1

Basic Competitive Adv.

- Your entry ticket into the global hyper-competition game.
- Implies a product or service with internationally competitive cost, quality and after sales service.

2

Revealed Competitive Advantage

- Reflected by your market share.

3

Sustainable Competitive Advantage

- Allows the maintenance and improvement of the firms competitive position in the market.

Capabilities : Distinctive & Reproducible

These are the basis of your competitive advantage. Sustainable competitive advantage is achieved by continuously developing existing and creating new resources and capabilities in response to rapidly changing market conditions and demands.

The opportunity for your company to sustain competitive advantage is determined by your unique synergistic mix of distinctive and reproducible capabilities. Distinctive capabilities cannot be replicated by competitors or at least not without great effort and cost. Replicable capabilities can be bought or created easily and are thus not a source of advantage.

Distinctive Capability

TANGIBLE

- Intellectual property rights
- Exclusive licenses
- Statutory monopolies

INTANGIBLE

- Strong brands
- Leadership
- Tacit knowledge and skills
- Teamwork
- Organisational culture
- Business processes
- Partnerships

Reproducible Capability

- Technical Capabilities
- Financial Capabilities
- Marketing Capabilities
- Explicit Knowledge
- Non exclusive licenses

Other Competitive Advantage Possibilities

People

- Highly charged & motivated people who care are difficult to replicate.
- Most important asset yet most under utilised,
- They are firms repository for knowledge and skill base that makes the firm competitive.
- Well coached and highly motivated people are critical to the development and execution of strategy.

Corporate Culture

- Strength of corporate culture is a fundamental competitive advantage.
- Think of innovation-adept or commitment or passionate pursuit of mission and goals and how this will better position firm for success.

Innovation

- Radical innovation results in long term success.
- New game changing breakthroughs will launch the company into new markets, enable growth, and create high return on investment.
- With the enormous competition, markets today are driven by choice. Your targeted customers have too many choices, all of which can be fulfilled instantly. Competition through innovation, supported by your differentiation strategy, is thus more important than price competition.

Creating Competitive Disruption

The principles of competitive disruption can help buy your firm temporary competitive advantage. Competitive disruption relies on speed and surprise. Should be delivered by constantly changing the rules of the game, using market communication to attract customers, confuse competitors, as well as several tool launched together, i.e. new product at lower price (Peter Skat-Rordam – Changing Strategic Direction).

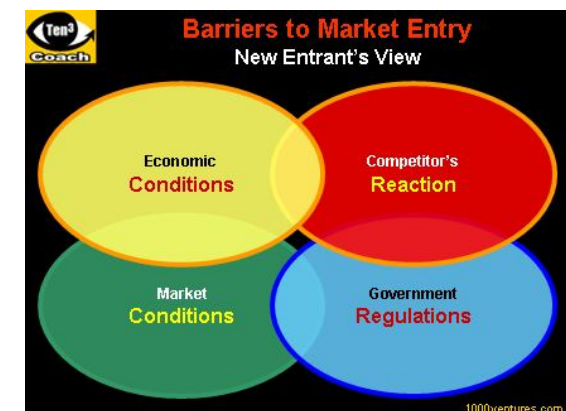
7 strategies for competitive disruption (R D'Adveni - Hypercompetition):

- Find new ways to improve customer satisfaction
- Find opportunities through understanding trends of change
- Develop ability to move quickly
- Develop ability to surprise
- Shift the rules of the game
- Invest in strategic market communication
- Attack with several competitive weapons simultaneously

Barriers to Entry as a Source of Competitive Adv.

Barriers to entry are circumstances particular to a given industry that create disadvantages for new competitors attempting to enter the market. There are many examples of these barriers; anything deterring competitors from entering the market is a barrier to entry. Barriers to entry almost always exist and almost anything can serve as a barrier to entry: difficulties related to new product development, a patent owned by a competitor, high upstart costs, cultural differences, or unstable economic conditions.

- Economies of scale Proprietary product / service differences
- Proprietary technologies / processes
- Synergistic strategic alliances with owners of complementary competences
- Brand identity
- Switching costs
- Capital requirements
- Access to distribution / marketing / selling channels
- Government policies / regulations
- Expected retaliation
- Absolute cost advantages
- Proprietary low-cost product design / processes
- Preferential access to necessary inputs
- Proprietary learning curve

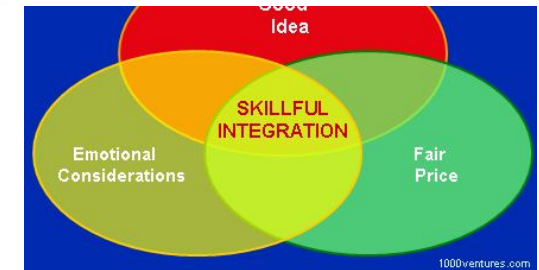


4 Categories of Business Tactics

	Anticipatory Tactics	Engagement Tactics
Offensive	<u>PREEMPTION</u> <ul style="list-style-type: none">• Pioneering• Attacking yourself• Intimidation• Capture	<u>ATTACK</u> <ul style="list-style-type: none">• Frontal Assault• Flanking Maneuver• Guerilla Warfare• Siege Warfare
Defensive	<u>DETERRENCE</u> <ul style="list-style-type: none">• Raising Structural Barriers• Expected Retaliation• Discouraging Attacks• Diplomatic Peacekeeping	<u>RESPONSE</u> <ul style="list-style-type: none">• Counter Attack• Fast Follower• Retrenchment• Withdrawal

Customer Value Proposition

Value proposition is a description of the customer problem, the solution that addresses the problem, and the value of this solution from the customer's perspective.



Your company should deliver a particular customer value proposition to a definable market in order to exist. Competition is all about value: creating it and capturing it.

You can charge the customer the value provided, regardless of its cost. "If the price charged for an item is commensurate with the benefits provided, then it will be considered a good value in the mind of the buyer. But remember, there are limits even in a monopolistic situation."

Quality

Quality. In the 1970s and early 1980s many companies had to admit that they didn't know how to make durable goods or deliver reliable services. The buzz of Total Quality and all its variants filled the air. Companies learned to operate in a continuous-improvement mode, turning state-of-the-art into standard operating procedure. Gradually, good functioning became the norm. But rather than satisfy customer hunger, it only increased value-whetted appetites for more convenience, lower prices, and an endless stream of innovative products and services

Single Value Discipline.

Successful organizations where those who excelled at delivering one type of value - best total cost, best product, or best total solution - to their chosen customers. Managers focused on a single value discipline and build their organizations around it. Choosing one discipline does not mean abandoning the others. It means that a company directs its energy and emphasis. It narrows its focus to become a market leader – it is going for the gold in their chosen discipline and settling for a silver or bronze in the other

Customer Intimacy..

Customers refuse to be anonymous. They continue to raise the level of their requirements, but their range extends beyond best price and best product. Today's customers want exactly the right selection of products or services that will help them get exactly the total solution they have in mind. Now, more than ever, customers hunger for superior results from the products or services they use. And customer intimacy gives it to them.

Customers for Life

The purpose of a business is to create and keep a customer.

The two most important words to keep in mind in developing a successful customer base are Positioning and Differentiation.

Differentiation refers to your ability to separate yourself and your product or service from that of your competitors. And it is the key to building and maintaining a competitive advantage.

This is the advantage that you and your company have over your competitors in the same marketplace – the unique and special benefits that no one else can give your customer.

Competition is all about value: creating it and capturing it

Owning Your Competitive Advantage

Owning your competitive advantage will allow you to:

- To reinvent your business and constantly improve what you do.
- To harvest creative resources of your evangelists – your staff who share your passion and objectives.
- To eliminate outsourcing related speed breakers and the communication gap between you and the sub contractor.
- To build your competitive advantage continuously and implement new ideas immediately.
- To be flexible in choosing new directions for further development and play your own game.