

Profitable Strategies #4 Competitive Positions that Win

When you speak to the leaders of most organisations, they are usually confident that they understand the competitive position of their business pretty well – by that I mean their ability to deliver what their customers want when compared to their competitors. However, over the years I have been surprised by how often even very competent management teams discover surprisingly significant gaps between their understanding of the relative strengths and weaknesses of their businesses and reality.

I believe that this is because a body of people working together for a period of time has a tendency to develop distorted theories of how the world looks and is. This is for a variety of reasons, including that modern businesses are large and complex, covering many different markets, which are changing rapidly. There can also be pride, denial, and internal politics.

However, there is real power in a focused, objective assessment of competitive position - one that can be challenged and debated and that avoids the pitfall of meaningless corporate waffle - and that pushes the business out of its internal myths and legends and into the world of reality. The resultant shared clarity of what is really important is critical when it comes to a management team setting the future direction of the business, and in taking the action that will win.

Understanding the Competitive Position of your business

The essence of competitive strategy is usually focused on where to put your efforts in order to improve the success rate of the business. In my experience there are four helpful strands to understanding this in a structured and effective manner.

1. Structured Customer Interviews

It is essential to understand why customers buy your products and services and how you and your competitors are doing in delivering them. The best way to find out is to ask them through structured and open-response-type interviews.

The 'six' key questions for me are usually around the following:

- How likely are they to recommend us to others?
- What criteria do they use when choosing suppliers?
- How do we perform against those criteria?
- How do our competitors perform against the same criteria?
- Which of our competitors perform the best?
- Which criteria are becoming more important in the future?

A competent analysis of their responses will give you an output that you can work with to make objective decisions about your business and its performance, avoiding pages of disconnected anecdotes and meaningless scores. Here is an example of some objective output, providing context for more anecdotal statements and commentary.

Performance against Customer Purchasing Criteria

Criteria	How we succeed in meeting those criteria?(of 10)	How others perform against those criteria? (of 10)	% of Respondents citing this area	Competitive Advantage
Price and Cost	6.9	7.3	71%	-0.4
Quality Control	7.8	7.4	51%	0.3
Technical Expertise	8.0	6.5	36%	1.5
Relationship Management	7.3	6.8	20%	0.5
Delivery Capability	6.7	8.3	20%	1.6
Talent of People	8.1	7.2	14%	0.9
Innovation	7.0	4.0	9%	2.0
Others	6.4	6.4	26%	0.0
Grand Totals	7.2	7.0	100%	0.2

2. Desktop assessment. An analysis of competitors and the industry through comparing companies size, profitability, capability, ownership structure, market share, and analyst reports, provides vital context.

3. Employees. You probably already have one of the best sources of information about competitors already, in terms of the ex-employees who have worked for them and now work for you. The key is how you use that data to provide structured information on your best and worst relative capabilities.

4. Suppliers. The same applies to savvy suppliers that work for you and for the competition. These will often have a surprisingly strategic perspective on your relative strengths and weaknesses.

Use the outputs effectively

The use of clear and structured analyses of your customer's supplier choice criteria, together with your performance and that of your competitors, will lend real power in driving the decisions that you and your team need to make.

A Key Success Factors analysis can be a really useful tool to help here, outlining and assessing the options for improvement considering the difficulty of delivery and the resources required for success, together with the competitive benefit that will be created as a result.

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