

How to Avoid the Perpetual Game of Competitive Leapfrog

Jonathan Narducci
Narducci Enterprises

What is the game of *Competitive Advantage Leapfrog*? It's a game where too many businesses adapt their competitor's product or service advantages to be delivered to the market as "new, added" value. What this means is that there sometimes is very little "new" or different value being developed and that too many businesses are, virtually, playing *Competitive Leapfrog* as they "borrow" from one another.

If this is true, then businesses are constantly either looking over their shoulder at or looking ahead at the backs of their competition trying to figure out what they are going to do next. So much time responding to the competition instead of paying attention to what customers really need and the company's ability to create and deliver innovative value to satisfy those needs! This focused, internal, attention is the real source of real competitive advantage in the marketplace!

For those companies that are playing it, Competitive Advantage Leapfrog consists of the following major moves:

- Company X "borrows" or emulates an advantage they don't currently have from their competitor, Company Z, and adds it to their "value" reservoir. That way, they now can believe they have more "deliverable value" than their competitor (they just added something "new"). Company X just leapfrogged Company Z and apparently has "competitive advantage" – at least temporarily!

Of course, Company Z has been doing the same thing, "borrowing" X's (or Y's) best product and service features and adding them to their offering! Now Company Z believes they just leapfrogged *their* competition. Then, another competitor, Company Y, "borrows" the best from X and Z and... This move is performed on and on until the customer can't tell whose advantage is whose.

No competitive advantage results from being the same!

- The next move is a variation of the first one. Company X would say they don't take an advantage and deliver it exactly, but they make it a little bit better. A "little bit better" means that it is easily duplicated. Companies Y and Z can then take Company X's "added value" and duplicate it while adding a "little bit more and better value" which is followed by... Get the picture? The leapfrog game with a slightly bigger leap!

A competitive advantage shouldn't be easily duplicated!

Both of these moves lead to short-lived advantages. Companies think that the competition's advantage is the advantage that is needed therefore they better do it! This results in everybody delivering about the same value over the long haul.

How should companies avoid this trap of playing leapfrog? First, the definition of competitive advantage provides a clue. It is *value that gives a business a predominant "edge" over their competition*. An "edge" has penetrating and clear, essential properties. That is, it provides extraordinary value to both the company and the customer. Examples are:

- A well trained sales force.
- A brand name, such as "Coke" or "Kleenex."
- A working environment that attracts top-notch people.
- Never failing to deliver a product or service on time.

But having an edge is one thing. *Sustaining it* is what gives a company real competitive advantage. *Sustaining* doesn't mean that the "edge" won't change. In fact, it means it will! Yesterday's trained sales force, for example, meant knowing how to develop a territory. Today it also means learning to use technology. This "edge" now has different characteristics in order to be classified as a competitive advantage. *Sustained* means that the company is consistently recognized as providing extraordinary

value associated with the advantage regardless of the changes that occur in the marketplace. The company will make the necessary changes to the “edge”, including replacing it with something new if necessary, in order to maintain the competitive advantage.

A competitive advantage is value that gives business a sustainable, predominant “edge” over their competition.

What is the key to creating sustainable competitive advantage? It is not *following* competitors by adapting their advantages. Businesses don’t become market leaders by following! They lead! It is not constantly, as stated before, putting an inordinate amount of time in reacting to their competitors! Instead it’s putting an inordinate amount of time in understanding their customers and their own organization. Being the *first* to find out *what value the customer needs* and then making the right strategic decisions to *ensure it’s created and delivered as different value* are the keys to competitive advantage. Companies can better control what they have to do to implement these keys than they can control what their competitors have to do.

Leading companies worry more about their advantages and less about their competitors’.

Being *first and different* is hard! It requires a total understanding of the company’s competitive advantage performance level! In other words, businesses have to constantly be aware of their competitive advantage strengths (“edges”), weaknesses (potential “edges”), and opportunities (customer requirements). They do this by identifying and evaluating value opportunities and evaluating their ability to create and deliver that value. Do companies know their competitive advantage performance level? No! How often do they measure it? Not often, if at all! Do they know their capacity to create new “edges?” No! In order for a business to be able to position itself to be *first and different*, it has to be able to *control* how they use their competitive advantage strengths, weaknesses, and opportunities in their strategic decision making process.

Companies can’t control what they don’t measure!

Why is it important to measure (or evaluate) competitive advantage? First, there are several *methods* to create sustainable “edges.” For example:

- Create advantages that can’t be easily duplicated, as stated before, such as a value added service department, one that spends more time advising customers how to get the most out of products rather than addressing product problems.
- Sell new and unique products.
- Develop leadership and technical skills that are hard to imitate.
- Increase product value through continuous improvement.
- Regularly investigate, today, solutions for the future so they are developed and ready for tomorrow.

Secondly, companies have to start playing a new game. This new game of creating sustainable competitive advantage has to effectively implement methods like those mentioned above. Regardless of the method chosen, companies have to gather information about their customers and themselves with regard to creating value. This information will help them make, more often, the *right* strategic decisions about what value to promote, a necessary component for sustainable competitive advantage. The new game has five major moves:

1. The company must evaluate present and future content of their “Total Value Proposition,” TVP. TVP is more than the main product or service being sold. It also includes, for example, warranties and guarantees, adherence to standards and regulations, geographical considerations, and training. Companies must not only discover what their customers need or want but also the risks and constraints their customers face when purchasing and implementing solutions to their problems.
2. The company must evaluate their ability to create value. Companies must have the right set of skills, processes and tools. This includes, for example, their ability to communicate with customers and associates, foster corporate wide innovation, execute a continuous improvement process, acquire and use project-planning tools, and, *yes, their ability to correctly assess their competitor’s strategic moves.*

Note: This game does not advocate ignoring the competition. It advocates focusing on those *business factors* over which a company has the maximum amount of influence and control, their own!

3. The company must evaluate their ability to deliver value. Companies must allocate the right amount of resources, offer deliverables with the right quality factors emphasized, and show an appreciation for time-to-market issues. It includes, for example, making sure all projects are fully funded before they start, that product delivery is appropriately planned, and that enough time is allocated for product installation or implementation.
4. Using the information gathered from the evaluations in the first three steps develop new ideas that would potentially satisfy the criteria for sustainable competitive advantage initiatives. Evaluate each idea to make sure it is strategically sound. That is, ensure it is satisfying product/business/project goals, provides the intended value, and can be implemented.
5. Take the new initiatives and feed them to the overall business strategic decision making process.

Admittedly, these five steps are more involved than the steps needed to play leapfrog and they require harder work. But evaluations, using an effective framework that include the right assessment criteria (that which helps provoke *imagination*) and company stakeholders, will discover more in-depth knowledge about competitive strengths, weaknesses, and opportunities. The best criteria will cover the keys to competitive advantage - identifying value, creating value and delivering value - *The Three Keys to Competitive Advantage*.

Remember that an “edge” does not have to be a new product. It can be additional services, a well-trained work force, and additional skill or tool, or an ability to proactively address your customers training needs. An evaluation will confirm what is already known about the business and, more importantly, highlight what it is not well understood. Combining knowledge, imagination and innovation, *that* is how the new “edges” will be found.

Sustainable competitive advantage will be achieved through constantly evaluating and addressing business' strengths, weaknesses, and opportunities.

Jonathan Narducci is principal of **Narducci Enterprises**, a firm that provides services and tools that enable businesses to increase their Business Added-Value through the practical application of quality principles. The firm's innovative *CornerStone/BVA*³ is used to facilitate businesses in evaluating and measuring their business value and in identifying new initiatives needed for innovative strategic decisions used to compete for market leadership. Consulting services, on-site seminars and workshops provided. He can be contacted by:
Email: Jonathan@NarducciEnterprises.com
Web Site: <http://www.narduccienterprises.com>
US Phone: 603-424-3685