

Article

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Why No Strategy?

My experiences within companies would suggest that true competitive advantage is rarely found. In fact, frequently it's part of the rhetoric, but not part of deliberate and decisive actions to create it.

Sustainable competitive advantage provides long-term protection against the competition. It's derived through a competence that is unique, difficult to replicate, or superior to the competition. There is a host of ways to achieve this. It can occur because of the quality of the products; ingenious production processes; highly effective distribution channels; accumulated brand equity through its reputation; as well as patents, copyrights and monopolies. Sometimes the competence of employees and in rare cases the management team itself can constitute a sustainable advantage.

Why do companies not have a sustainable competitive advantage? There are at least two reasons. Many companies want to be in every market their competitors are in, regardless of their relative competitive position, hence they have no advantage. Others have simply not invested the time and intellectual capital required to determine where their advantages lie and set about accomplishing it. As in so many aspects of life, establishing a competitive strategy requires decisions about what to stop doing. This is difficult.

Whatever the reason, the results can often be a race to the bottom. A lack of competitive advantage almost always results in higher costs required to sustain at best an equally competitive performance in every market; lower margins because certain business lines are not competitive; and reduced shareholder value due to dim forecasts.

