Competitive Advantage: To Have and To Hold.

Finding out what is really creating the value in your business!

In this short blog, I would like to introduce and explain the concept of Competitive Advantage and what it means in very simple language. Hopefully it will help you work out where it lies and how to apply this knowledge to gain or improve the competitive advantage of your business.

Competitive advantage is the seed or seeds that you have and others will wish they had. That thing, idea, product or resource that you must effectively own!

First observation: If you cannot demonstrate ownership – you have a problem. Ownership is critical to creating business value. If you invented it, discovered it, made it or modified it – there is some advantage forming in your favor.

With new technology, steps can be taken to prove ownership right from the start. Yet when we speak to owners of existing companies that is rarely an assured or taken-for-granted path. Owners get surprised and disappointed when we point out why the thing they claim as their “IP” really is not.

If you don’t own the Intellectual Property stemming from a product or service, you are at risk. However, that “risk” can always be mitigated. Perhaps you could protect the “rights to use.” For example: specific rights in geographic region such as state or town; function or use, market or industry.

Failing that, perhaps advantage can be created through producing that good or service in combination with something you do own; such as being a licensed or qualified technician and or supplier.

Ownership of important resources can at times be sufficient to provide competitive advantage; Such as, owning water rights, owning the inputs to a process (being the licensee of the recipe for the soft-drink coke or having the only manufacturing plant in town to make coke).

Finally, and unfortunately the least defendable position is an absence of defendable ownership. At this point, you must find that mix of resources owned or able to be applied (i.e. Resources are described and interpreted as being any or all of Physical, Reputational, Organisation, Financial, Intellectual and Technological resources)

These owned or obtainable resources must meet at least one or possibly all the following criteria: Your competitors must be prevented or disincentivized to get these resources due to them being Rare, hard to copy, non-substitutable and or too valuable (expensive). This is extremely important.

In a clear example, the local sandwich van now driving around any industrial complex supplying morning teas and lunch can destroy the value in owning a corner shop. In this instance any person can make a sandwich and buy a sausage roll for on-selling, but where the corner store used to possess a semblance of ownership via their unique location (a physical resource) the sandwich van who applied different resources carves out a job - at the expense of the shop-keeper.

In summary, when seeking to establish what supplies the impetus to create value in your business, you can use the following (in descending order) to explain competitive advantage (but this is not yet giving your business sustainable competitive advantage)

Once you can identify what rung of the ladder your business occupies, you can create ways to step up a rung… or two.

1. Specific ownership through invention or discovery
2. Ownership through possessing exclusivity in the rights to use someone else's invention or discovery
3. Ownership as in (2) above coupled with specific ownership of needed resources
4. Defendable ownership of resources
5. Neither ownership nor exclusivity nor defendable possession

Kind Regards,

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