

Reducing Risk Through Sustainable Competitive Advantage

Sustainable Competitive Advantage

To outperform the market and reduce risk, organizations must formulate and deploy at least one sustainable competitive advantage (SCA). SCAs embody much more than the external characteristics that customers and stakeholders use to distinguish one organization from another. They are the manifestation of unique value-added qualities and can be viewed as the outcome of continuous differentiation. There are several key steps to creating SCAs:

- organizing information;
- selecting improvement portfolios; and
- designing, executing and maintaining strategy critical processes.

SCA Opportunities

Organizations generally encounter five events that expose them to significant risk but also provide opportunities to implement SCAs. These include:

- **Performance Enhancement**-improving specific processes to enhance market performance
- **Due Diligence**-conducting organizational evaluations as a prelude to an affiliation
- **Integration**-combining the operations of two or more entities as a result of a consolidation
- **Transformation**-changing the way the entire organization does business
- **Commercialization**- increasing substantially an organization's presence in the market

Each of these scenarios presents the organization with the task of collecting and organizing information.

Organizing Information

A fundamental barrier to successfully deploying an SCA is the lack of a common, integrated framework for businesses to organize information. Businesses are typically organized by departments. But the departmental view has an insidious problem-- processes cross departmental boundaries and therefore distort the information available to executives who must make key decisions.

A more logical way to organize information would be process-based. Instead of looking at a business as a set of departmental silos, a process perspective allows a horizontal view of the organization and cuts across departmental boundaries. In addition, intangible processes--such as decision-making, leadership, innovation and tangible processes--should be afforded more equal footing. Intelligence regarding each intangible and tangible

MGA has developed an Enterprise Process Map© (EPM) that provides a framework around which businesses can build common metrics, knowledge and insights to determine and implement sustainable competitive advantages. The EPM features 72 tangible and intangible processes that are critical to the success of every business and stresses the identification of strategy critical processes. It also employs detailed definitions, over 300 criteria, and approximately 1300 questions to elicit valuable information about each process. Now, enabled with new perspective and knowledge, businesses can target those processes that will allow them to achieve market dominance.

process should be catalogued and analyzed. And *explicit* emphasis should be placed on identifying and evaluating the “strategy critical processes” that have the most impact on developing SCAs.

Organizations can reduce risk and improve overall results by adopting a rigorous, balanced and objective approach to identify and implement SCAs. Starting with the right information increases the likelihood of success.

Selecting Improvement Portfolios

The steps involved in selecting improvement portfolios are fairly straightforward. It requires settling on a prioritization method, selecting relevant criteria, and finalizing a manageable list of projects that can be well executed. Selecting the criteria is typically the most difficult part of the process. Large organizations are prone to leaning in one direction: being over-reliant on ROI calculations—thus dismissing projects from the prioritization list that cannot be evaluated using financial calculations. The way to overcome this barrier is to ensure that the list of criteria is balanced between the tangible and intangible aspects of the business.

Designing, executing and maintaining strategy critical processes

Once an organization has identified processes that are strategy critical, it becomes incumbent on management to nurture those processes. Nurturing involves evaluating processes to ensure that they are as efficient as possible. It also may involve redesign work to ensure that they meet leading practices. Execution is inextricably linked to process maintenance since many of the execution metrics such as internal performance indicators and achievement of customer requirements are also used to establish performance ranges in the maintenance process.

Intangible processes are a primary source of suboptimal business performance. Fifty to eighty percent of an organization’s value is embedded within intangible processes. However, intangibles are defined inconsistently and at gross level of detail typically using three categories: culture, leadership and management. MGA defines and evaluates intangibles using twelve (12) processes using clearly stated criteria and questions. While the qualitative aspects of intangible processes can never be totally removed, using consistent criteria facilitates objective analysis and allows organizations to identify and build sustainable competitive advantages that are based on intangible processes.

Maintaining Sustainability

The key to maintaining a SCA is to recognize that it must be actively managed and supported. As the competitive landscape shifts or customer preferences change it is essential that organizations exercise vigilance over their current SCAs and awareness that they may need to develop new SCAs over time. Sustainable does not mean forever...it means a long term advantage that can be eroded slowly and whose loss may be quickened by inattention.