



GOING GLOBAL: WHAT IS YOUR COMPETITIVE EDGE?

Creating an effective competitive advantage is an essential component of any corporate strategy and is critical for success in today's dynamic global environment. Not surprisingly, competitive advantages are not available in one-size-fits-all packages. In fact, they vary greatly depending on the unique circumstances of the company, product, market and culture of the target audience. For that reason, what works well in one market may fail in another, even with the same product! To make matters worse, even the most powerful competitive advantages may not last long. Accordingly, businesses with the skills to rapidly identify, innovate and exploit new competitive advantages quickly and repeatedly will be formidable competitors both at home and abroad.

LOOKING FOR DISTINCTION

By definition, a competitive advantage refers to the manner in which a company distinguishes itself to gain market share and establish both a niche and customer base. Thus, establishing a foundation from which it can compete in a particular business and gain leverage over competitors. A competitive advantage is achieved when a business offers a product or service in a distinctive way by developing an attribute that allows it to outperform its competitors. In some cases, the attribute may include access to scarce resources, talented personnel or sophisticated technologies. In all cases, it makes one product stand out amongst all the others.

Without a competitive advantage, businesses become a commodity and compete on price alone. This approach often leads to slashing costs and other non-value added measures, resulting in a short lifespan for any product or service. The reality is: competing on price alone rarely generates product differentiation, corporate recognition, brand awareness or any distinct advantage that is tied more directly to ongoing profitability. Fortunately, for globally minded U.S. businesses, the opportunities to create a valuable competitive advantage are unlimited and waiting to be discovered.

CREATING A COMPETITIVE ADVANTAGE

In an effort to gain a competitive advantage, many companies strive to become the biggest and the best. While both represent worthwhile ambitions, neither is necessary for obtaining a true competitive advantage.

“In an age of infinite choice, there’s a better way to achieve competitive advantage. There is no best auto company, there is no best car,” explains Michael E. Porter, Harvard Business School. “You’re really competing to be unique. One can now become a very, very large company by really meeting a well chosen set of needs – but, doing so on a global basis.” (“How To Hit A Moving Target” *Business Week* Aug. 21, 2006).

For example, to develop a competitive advantage, S&C Electric of Chicago

decided to meet specific technological needs of underserved markets. This was accomplished by not only offering high-tech solutions, which may be popular in the United States, but also offering the “right” technology for emerging markets. After all, many countries are either too poor, lacking the necessary infrastructure or without the need to utilize state-of-the-art technology. In addition,

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many clients around the world are still looking for mature designs which represent the best lifecycle value for their specific needs and available infrastructure.

By adapting what was leading technology in the 1970s or 1980s with newly developed applications, many products can still meet the unique needs of many emerging markets today. Such an approach, however, requires an in-depth understanding of how business is conducted in the target market.

“It’s important to learn, accept and work along the established lines for how business is performed in various regions/markets,” comments Salvador Palafox, vice president of international sales and marketing. Only then is it possible to understand both a market’s needs and limitations and how to align a corporate strategy to capitalize on both. Most importantly, it requires a shift in mindset and acceptance that business around the world can be conducted differently than in the United States.

Another potential opportunity for developing an effective competitive advantage comes through collaboration and the forging of strategic alliances. Strategic alliances offer a significant competitive advantage in that they are, by definition, unique to each organiza-

tion. Cedar Concepts Corp. (CCC), a mid-size chemical manufacturer, currently generates 15 percent of its revenue from international sales.

“Fortunately, we’ve been able to take advantage of new markets without stretching beyond our goals or means,” President Linda McGill Boasmond explains. “We ask ourselves, who is where we want to be? How can we take advantage of going there with minimal issues? What do we make that other markets want and can easily use? What can we handle? As it happens, the answers often lay in our established relationships with customers, competitors and CCC’s diverse work force. We form strong alliances with long-term customers that lead to opportunities in new markets.” CCC also seeks opportunities that harmonize with overall corporate strategy while addressing export issues around logistics, currency, collection, customer service and cultural differences.

A third strategy for developing a competitive advantage may come from green initiatives. Some companies recognized early on the increasingly and globally aware mindset of consumers and their demand for ethical, social and environmentally responsible corporate missions and visions. Consider The Body Shop. Once ridiculed for far-out corporate pledges to protect animals, save the planet and engage in fair trade, this organization managed to open more than 2,000 stores in 50 countries and was recently purchased by L’Oreal for more than \$1 billion. By recognizing the values held by its targeted audience, The Body Shop was able to develop a brilliant strategy to differentiate itself in the highly competitive retail cosmetic sector.

Today, many businesses are attempting to “outgreen” the competition as an effective competitive advantage. “The old strategies for success – outmining, outdrilling, outconsuming, outperforming and outspending – no longer offer a sustainable competitive advantage in our hyper transparent, connected and environmentally distressed world,” noted

Dov Siedman, columnist for *Business Week* in “Outgreening Delivers Sustainable Competitive Advantage,” from Dec. 5, 2008. However, to truly gain a competitive advantage through this strategy, it is important for companies to integrate green principles into their culture and create a mindset that lives, breathes and embodies green principles as an overall corporate strategy. Internationally, behaving green is often a necessity. General Motors (GM), for example, was required by the Brazilian government to build a plant in accordance with higher environmental standards and policies than those required in the United States. In addition to meeting these building standards, GM also was required to allocate approximately 180,000 square meters of land to be preserved as a natural habitat.

It’s a fact that many regions of the

globe are now more environmentally conscious than the United States, making it important for U.S. businesses to adopt new and upgraded ways of operating to compete and succeed abroad.

THE ROAD LESS TRAVELED

In his poem, “The Road Not Taken,” Robert Frost writes “Two roads diverged in a wood, and I took the one less traveled, and that has made all the difference.” The global marketplace is literally a maze of untraveled roads and the “difference” can result in unparalleled growth if the approach to selecting the right market is carefully executed with commitment, purpose and direction.

Taking the road less traveled, however, requires a company’s commitment and a long-term strategy to define a product’s uniqueness and present that to a marketplace in a manner that truly distinguishes

TAKING THE ROAD LESS TRAVELED REQUIRES A COMPANY TO DEFINE A PRODUCT’S UNIQUENESS AND PRESENT IT TO A MARKET IN A WAY THAT TRULY DISTINGUISHES ITSELF.

itself. Developing a successful strategy requires research and careful introspection to answer questions such as:

- > Can the existing product or service be modified to appeal to another market/region?
- > What is the expected demand in those other markets? China? Africa? Europe? Consider tastes, buying habits and financial abilities which vary widely by region.
- > How much will the modifications cost? Is it within budgetary constraints, and how much can be invested to create a competitive edge?
- > What is the best/worse case return on investment? How will companies measure potential and actual success?
- > What opportunities will justify the investment and create the best ROI with consideration of both risk and proposed time frames?
- > What legal issues must be addressed?

Whenever product modifications are required, always opt for the adaptation that brings the most value to the targeted buyers with the least relative cost to the business. In other words, what market offers the greatest demand with the least amount of alteration to the actual product and the way it is currently offered to the market?

Going the road less traveled also requires a significant investment of upfront resources in terms of understanding the marketplace. Thoughtful consideration of cultural habits and perceptions will assist in forecasting buying habits, calculating expected sales volumes, anticipating trends, sizing up existing competition and understanding the region’s overall economy.

This process may require unbiased and

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objective oversight and coordination by independent global experts who are skilled at anticipating issues because of their extensive experience operating in foreign markets. An independent expert also can improve communication between the company's various departments and up the chain of command to senior management. From product development to marketing, sales and finance, each department will have an important role in the planning process. An international project manager, familiar with all aspects of the process, keeps each department focused on their tasks and prevents the teams from pulling too far in their own direction, which often leads to disaster.

AVOID THE PITFALLS IN THE ROAD

Selecting an effective competitive strategy requires an organization to bring unsurpassed value to a targeted audience. Hence, it is vital to understand the concept of value from the perspective of the targeted marketplace. After all, "value" is an exceedingly relative term. With absolute certainty, a company must be equipped to understand what each target market wants and needs. Only then can the company begin to evaluate both the options and feasibility of aligning its expansion strategy with the needs and desires of any particular region or market. Still, the road to global expansion can be perilous and warrants close examination of common challenges faced by many other businesses. Often, challenges result from unclear strategy, inaccurate assessment of risk and inconsistent alignment between vision, mission, resources, strategy and operations.

Another common stumbling block is cultural ignorance. It's critical to know the customer! Do consumers in a particular culture eat out or in, walk or drive, are the women at home or working, do they discard or repair, are they brand loyal and who in the family makes purchasing decisions?

Secondly, make sure all employees are aware of the global vision, understand it and accept it. A firm must also design



international programs that appeal to global customers as well as represent a cultural fit in terms of values and product design. Just adding the word "international" to a strategic plan is not enough.

Lastly, assess risk but focus on opportunities. Part of assessing risk is to understand the region's legal environment. For example, across the United States, Lands End possesses a strong competitive advantage through its pledge to stand behind quality by offering a life-time guarantee on every item it manufactures and sells. However, when it attempted to duplicate that strategy in Germany, it was quickly rebuked by the German courts. Such a guarantee violated German law which prohibits companies from offering incentives with purchases that can cause unfair competition. Fortunately, in this instance, Lands End was able to turn the incident into an international marketing campaign. But, the company is still prevented from directly telling consumers about the life-time guarantee unless directly asked. This example represents an important lesson when it comes to understanding and assessing risk. Remember, success in

the home market, when duplicated without planning, understanding and knowledge, does not guarantee global success. Make sure global expansions don't get "a life of their own" and that good money doesn't follow bad.

As competition continues to intensify domestically and around the globe, so does the need to identify key competitive advantages. Quality products offered at competitive prices, although important, will not guarantee long-term success. Rather, businesses must answer one critical question: "Why should customers choose my products/services over those of the competition, and what is my long-term plan to remain competitive and succeed in growing the business globally?" If this can not be answered with clarity, it is time to step back and identify a position from which your product can be distinguished and set apart from all the other competing products, before it's too late. **mt**

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