

# DEFINING “COMPETITIVE ADVANTAGE” IN THE ENTERPRISE



Change is the only constant in the enterprise segment. Change also brings risk and instability to organizations failing to embrace it. On the other hand, adapting to changes proactively yields key competitive advantage. Globalization of technology-driven markets makes it critical for organizations to pursue Competitive Advantage and propositions that make traditional metrics of business competition, such as organization size, market share and age, irrelevant. Competitive Advantage in the modern enterprise world therefore lies in the organization's adaptability, establishing new business models, product innovation, scalability and technology orientation, among other aspects. This means that there may be no unique way to represent or define Competitive Advantage that an organization holds against others, until it translates into tangible business returns only intended as a long-term goal.

**Competitive Advantage** by definition refers to the conditions that enable a company to outperform its rivals in terms of profitability, productivity, market share and growth. The advantage may be attributed to the organization's lower cost to deliver products and services, strategic focus toward fewer but more profitable target markets or a product or service differentiation that attracts greater market interest. Defining competitive advantage goes beyond the process of literary meaning of the term and requires organizations to compose an operational definition that would later be used to measure its competitive strength based on appropriate parameters. This may involve exhaustive evaluation of complicated and unobservable constructs identified through close collaboration with the executive level management and experts in the market. These constructs may constitute three key aspects:

1. **Opportunities:** An important requirement of competitive advantage is to produce new opportunities. These opportunities may refer to cutting costs, creating new business lines, new product or service development, improving productivity or engaging new markets, among others. In context of competitive advantage, the ability to identify, create and exploit an opportunity may also be recognized on a scaled measurement against competitor performance. Executives may need to find how well or extensively does the competition take advantage of the given opportunities, and how their own organization can outperform the competition in taking advantage of the same opportunities. The attributes that empower their organization to meet or exceed such expectations in exploiting the opportunities can constitute a definition of Competitive Advantage for the organization.
2. **Threats and Risks:** Business survival is very much about taking risk and responding to situations of instability. Taking no action in itself is a risk, but so is the change. Therefore, the organization's ability to adapt to situations proactively and embrace the change determines how well it can perform in comparison with its competitors. The attributes that allow the organization to neutralize the competitive threats and reduce the impact of internal or external risks due to requirements to adopt a change would also fall within the operational definition of Competitive Advantage. Through these attributes, organizations can maintain market share under situations of uncertainty. The flexibility also allows organizations to experiment with their offerings, business models and organizational structures. The ability to successfully experiment without incurring negative impact to the business sets apart agile organizations and allows them to compete against established enterprises. Progressive startup firms that overturn competition from their larger counterparts use their agility to continuously innovate, at a pace faster than their competition. Therefore, agility to reduce the impact of risks constitutes the operational definition of Competitive Advantage for small firms and startup organizations. More recently through DevOps and Agile software development methodologies, technology-driven enterprises are embracing similar capabilities as their competitive strength. The strength is no longer measured in terms of revenues, profits, market share and global presence alone. Instead, the operational definition of Competitive Advantage focuses more on how organizations respond to situations, especially under conditions of uncertainty.
3. **Improvements and Productivity:** Competitive advantage is not only about access to new opportunities but also about maximizing the value of existing resources. Since the workforce itself is the greatest resource for any organization, the capability to improve on business processes can also translate into tangible business benefits. Therefore, any organization that can do more than their competitors with less, holds an advantage over their competition. Improvements and productivity are increasingly considered as key components of Competitive Advantage. In fact, leading enterprises ranging from Facebook and Google to fast growing startups such as Uber and Lyft have adopted the methodological approach such as Agile/DevOps to reduce waste processes and yield productive development processes at a faster pace. The capability to execute the methodology effectively is considered as a competitive advantage for the organization. Therefore, the modern operational definition of Competitive Advantage is not only about owning an advantageous resource, but also about the ability to leverage the available resources for the maximum advantage against the competition.

## Measuring Competitive Strength

After developing an operational definition of Competitive Advantage, the next step for businesses is to gauge their performance in pursuing the defined attributes and dimensions. In many ways,

competitiveness against rival organizations may have unobservable constructs. However, there are always the observable attributes associated with competitiveness that can help organizations evaluate their standing against market competition. They may need to find evidence on how their specific resources and strategies correlate with tangible results such as Returns on Investments, revenues, time-to-market and customer satisfaction. They may also need to evaluate their ability to exploit these capabilities and resources to their advantage. For instance, to what degree can the organization evolve their culture to facilitate effective implementation of [DevOps](#) principles? What accounts for the differences in market performance of competing business organizations selling similar products or leveraging similar resources? How do the organizational systems and structure respond to variations in business processes employed to achieve productivity, to create new business models and market opportunities, or to reduce expenses in comparison with the market competition.

Measuring attributes and experiences in response to such questions can help organizations develop appropriate metrics that can help them quantify their Competitive Advantage over other firms. An industry average for these metrics may be required to gauge the performance of competing organizations. It is important to note that metrics defining attributes that translate into tangible Competitive Advantage evolve continuously, so does the industry average performance on these metrics based on changing market trends.