

# Sustained Competitive Success

By Harriett Lemer

Building a successful business that will survive **and** thrive despite shifting economic conditions is a matter of intense debate. In an article entitled *Characteristics of Sustained Competitive Success in Organizations*, Homer J. Johnson documents research pointing to key factors that must be in place to compete successfully in an ever-changing, dynamic and competitive environment.

The study examined companies with above-average annual growth and profitability rates over the last two decades and identified twelve characteristics central to their success. The sample was a diverse group of U.S. companies with a 10-per-cent or more annual revenue growth and a 15-per-cent or more annual return on equity from 1980 to 1992. They included large and small companies representing both the service and manufacturing sectors, and they seemed to be well-positioned to continue their success into the near future.

Common characteristics related to sustained success were identified. Of particular interest were "higher-order" characteristics - factors that transcended the type of industry, product category and size. The goal was to find out what these successful companies were actually *doing* that their less successful competitors were not doing.

Six essential characteristics and six support characteristics were found. Support characteristics were considered very important in allowing the first six to operate at their potential, but in and of themselves could not produce sustainable advantage.

The six essential characteristics are:

**Focus on high-growth/high-profit markets:** The niche chosen had sufficient growth potential to yield above average profit margins and to produce a good return on investment. These organizations also had the resources and capabilities to compete effectively in their markets.

**A high-value product/market strategy:** This is what customers "see" - what is offered for purchase. If there is a high-value product/market strategy, products and services satisfy a combination of needs considerably better than the competition. Customers believe they receive good value and that the products and services are superior to those of the competition. Additionally, they select the organization as a vendor of choice, they are loyal and they see no need to shop around.

**Superiority in key processes related to strategy:** The underlying processes that make the strategy work are "best-in-class". This means that the ways of doing business deliver something better or faster or at less cost (probably all three) than the competition.

**Excellence on other major processes:** These organizations also perform well on all organizational processes. Their ways of doing business are mapped out and systematized so that the outcomes can be measured and monitored, making improvements possible.

**Continuous improvement at an accelerated rate:** The key to sustained success is to improve faster than the competition. Improving at a faster rate makes it impossible for the competition to

catch up.

**Excellent strategic leadership:** There is a long-term strategy used to control and dominate markets in which the organization chooses to participate. The focus is on long-term thinking on a broad scale, and there is a plan that outlines goals, strategies and levels of performance.

The six support factors are:

**Structure, policy and strategy alignment:** These businesses are less bureaucratic and less rule-oriented. Decisions are made quickly and are more focused on the operational end of the business.

**Strong value culture:** The business is driven by a set of values that support the overall strategy and distinguish the company from its competitors. Values refer to the way a company conducts its business, how it treats employees and customers, how it meets its social responsibilities, and so on.

**High employee involvement:** There are high expectations for employees and they are given the responsibility and commensurate authority. There is broader decision-making - not all decisions are concentrated among partners or executives.

**Priority on people:** These businesses realize that people are responsible for continuous improvement and creativity, and need less managerial direction, supervision and inspection. High priority is placed on quality selection, training and development, and creating a climate that fosters retention.

**Strategic competencies:** After choosing an area in which the organization will develop expertise, it assembles (or develops) experts who keep it ahead of the competition. It becomes known as having a strategic competency, and customers seek out its expertise.

**Technological sophistication:** For these companies, strong, creative use of technology is a competitive advantage.

All of these factors are inter-related and inter-dependent, and must be present in order to claim sustained competitive superiority. There are valuable guideposts in this research for all businesses regardless of industry, and which are ever more important today than ever.