



## STRATEGY: COMPETITION & TIME COMPRESSION Q4 2007

Over the last decade the time by which a company can maintain a competitive advantage has decayed. In this note Nicholas Assef explores a number of the reasons at the foundation of this shift, and the reason why CEOs today must strive to be market dominant. If they fail to get a grip quickly in this new economy then failure is a real possibility.

Firstly let's examine and acknowledge a number of developments that have taken place in the business environment over the last few years.

- **Availability of capital.** Whether it be private equity capital at the top end of town through to the ability of borrowing against the family home in start up land, capital has never been more abundant.
- **Consumers.** Are far from loyal. They will switch brands and offerings often.
- **Transparency.** The evolution of the Internet has delivered a new level of transparency to the business world. Via a variety of sources it is now possible to explore in detail the business models of all levels of organisation.
- **Technology.** Technology is now 'transportable' easily across geographic borders and business sectors. The bang for the buck also keeps getting better. What was a significant barrier previously has fallen away.
- **Non Linear Success.** Having a leading product today does not mean it will be leader tomorrow. An interesting observation is the mobile phone hardware industry – where brands such as Apple can wade into the market and immediately be a material player.
- **People.** Venture capital has bred a new generation of entrepreneurs. Loyalty to a Firm has never been lower with only economic incentives binding employees. The ability to transplant people into a new operation is therefore (subject to available dollars) a reasonably straightforward task.
- **Ideas.** Staying ahead of the pack is all about generating ideas that work. But ideas today are plentiful. Your competitors are all investing in trying to stay ahead of the pack as well – so you are far from the only one working on something.
- **Economic Conditions.** Across Australia positive economic conditions have prevailed for a decade. Few under the age of 35 would have suffered the pain of a double digit mortgage, nor known the sting of unemployment. Into this environment must be factored the decision to compete.

The hyper competitive environment can be witnessed in many industries – be that at the top end of town (*technology / telco*) through to micro businesses such as cafes – and my favourite simple recent example – juice bars. Whilst *Boost Juice* continues to be an Australian leader it is interesting to walk around major cities and look at all the 'fast followers' that have folded.

The takeaways from this are simple. The business world today has many factors swirling around the atmosphere that all result in a decay in the traditional defence of market position – time. CEOs cannot rest on their market position that competitors will take extended periods of time to become a threat. *LCC counsels its clients to plan for threats to occur much more rapidly than expected – and to have a reaction matrix available to know how the business model of the CEOs organisation can 'shift gears' to quickly accommodate change.*



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