

Competitive advantage sustainability

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A competitive advantage is a feature that allows a business to outperform its rivals. This helps a company beat its competitors in terms of profit margins, creating value for its shareholders.

A competitive advantage must be difficult to imitate, if not impossible. It is not considered a competitive advantage if it is easily duplicated or replicated.

Competitive advantage examples

- Natural resources that are not available to competitors
- High-skilled workforce and a one-of-a-kind geographic location
- Ability to create things at the lowest cost due to access to innovative or exclusive technology
- Image recognition of the brand

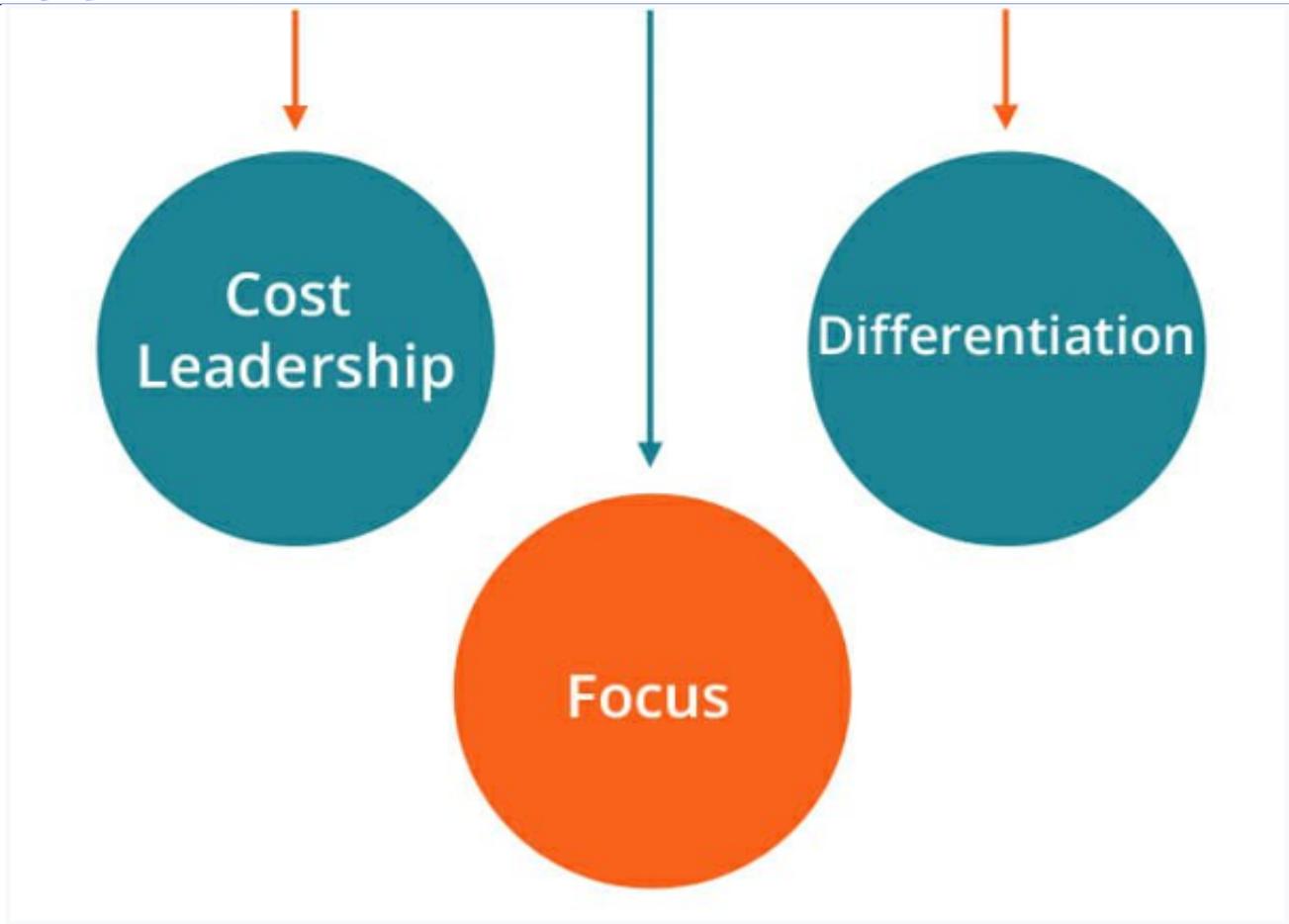
Creating a competitive advantage is a process that involves putting together a strategy that will help

It is critical to understand the following before establishing a competitive advantage:

- **Benefit:** A business must be clear about the benefits that its product or service offers. It must provide significant value and pique people's interests.
- **Target Market:** A business must determine who is buying from it and how it can cater to that market.
- **Competitors:** To succeed in the competitive landscape, a company must first understand its competitors.

For a business to gain a competitive advantage, it must articulate the benefit they bring to their target market in ways that other businesses cannot.

Strategies for Competitive Advantage



Cost leadership, differentiation, and focus are three tactics for gaining a competitive edge (Cost-focus and Differentiation-focus).

- Competitive pricing

The goal of a cost leadership strategy is to become the lowest-cost producer. This is accomplished through large-scale production, which allows businesses to benefit from economies of scale. If a business can take advantage of economies of scale, it will be more successful. As a result, a company that pursues a cost leadership strategy can profit from a large cost advantage over its competitors.

- Distinctiveness

A differentiation strategy distinguishes a company's products or services from those of its competitors. This can be accomplished by providing customers with high-quality products or services or developing new products or services. For instance, at IPC we offer human resource-related services, if done perfectly, we have a head start over other consulting companies.

If a corporation effectively differentiates itself, it will be able to charge a premium for its products or services.

- Concentrate

A focus strategy is when a corporation concentrates on a specific market segment. If the organisation can successfully offer products/services that cater to these clients, this strategy will be successful. There are two variations of the focus strategy:

- Focus on cost: The lowest-cost producer in a specific market sector.
- Differentiation-focused products/services in a certain market segment

Competitive advantage's importance

A competitive advantage sets a corporation apart from its rivals. Higher prices, more customers, and brand loyalty are all benefits. One of the essential goals of any organization is to achieve such an advantage.

Sustainability

A rising number of businesses are incorporating sustainability into their business strategy, realizing that doing good may help them succeed. According to a recent McKinsey poll, 70% of respondents indicated their organizations have formal sustainability governance in place. But what does it mean to be "sustainably" successful in business?

In business, what does "SUSTAINABILITY" mean?

Sustainability in business refers to conducting business without negatively impacting the environment, community, or society as a whole.

In general, there are two types of sustainability in business:

- The impact of industry on the environment
- The impact of business on society

The purpose of a long-term business plan is to impact at least one of these areas positively. When businesses refuse to take responsibility, environmental degradation, inequality, and social injustice can arise.

When making business decisions, sustainable enterprises evaluate various environmental, economic, and social concerns. These organizations monitor the impact of their operations to ensure that their short-term profits don't turn into long-term liabilities.

What is the importance of sustainability?

Sustainability may help businesses succeed in addition to addressing global issues. Several investors now evaluate an organization's ethical impact and sustainability practices using environmental, social, and governance (ESG) measures. Investors consider a company's carbon impact, water usage, community development activities, and board diversity, among other things.

According to research, organizations with strong ESG ratings have reduced loan and equity costs. Sustainability activities can help companies improve their financial performance while gaining public support. According to McKinsey, the most powerful motivators for adopting a sustainable mentality are aligning with a company's aims, missions, or values; and building, maintaining, or improving and developing new growth opportunities.

The shared value opportunity is the intersection of social and environmental development and commercial gain. To put it another way, "doing good" has a direct impact on your company's potential to "do well." To integrate your business strategy with your goal and produce shared value, follow these four actions.

How to create a business strategy that is more sustainable?

A company's actions, behavior, goods, and services are all determined by a thorough awareness of the environmental and social context in which it operates. As a result, it works within well-understood social and ecological constraints and reflects societal expectations. It also assures that it has a neutral or beneficial influence on the environment and society. The mechanism for transforming an unsustainable organization into a sustainable one is a sustainable business strategy. Such a strategy should lay out a path that will allow the company to continue operating as a going concern in the long run.

The following essential aspects are required to deliver a strategy:

- **Recognizing the strategic context** - being aware of global and local sustainability issues that may impact the company. Getting a handle on the most critical (material) concerns that need to be addressed.
- **A clear sustainability vision** — a picture of the company's long-term goals in relation to critical environmental, social, and economic factors.
- **Action plans** - a strategy for achieving the goal includes actions and plans that are likely to succeed.
- **Timescales** - a timeline that corresponds to the identified trends in material environmental and social issues.
- **Communication and reporting** - clear, meaningful, and consistent messages to internal and external stakeholders displaying authenticity, transparency, and progress.

Also important to note is that there are various approaches you can take to turn your organization's mission into results. Here are a few actions to take to develop a better long-term business strategy.

- Determine the problem and set goals

Assessing what sustainability means to your team, company, industry, and client is the first step in creating change. Consider the major issues that each of these groups considers to be a top concern.

Consider asking questions like,

- How much trash does the organization produce?" to help guide this process.
- Is our company's culture in trouble?
- Are we attracting a diverse pool of job seekers through our hiring practices?
- Is our product designed to assist a certain group of people?
- What effect does our business have on the community?

These types of inquiries will assist you in determining your company's sustainability goals.

- Define Your Mission

You're ready to define your company's mission once you've decided on concrete goals. A clear mission statement is a crucial component of establishing a more sustainable company.

Your company's focus on "doing" is outlined in an effective mission statement. It should effectively convey the values and purpose of your organization and serve as a guiding light for why you do what you do. In other words, your company's five Ws should be defined in its mission statement: who, what, when, where, and why.

- Create a Strategy

You're ready to realign your firm with a sustainable business strategy once you've produced a clear mission statement. It's critical to guarantee your firm stays profitable while developing a long-term business strategy. If you can't stay in business, you can't help your cause. As has been demonstrated, your sustainability efforts may assist you in becoming more profitable.

- Implement the strategy and evaluate the outcomes

It's one thing to talk about a newfound desire to do well and do good; it's quite another to take a public stand, promise concrete outcomes, and then follow through. You're ready to make progress toward your goals now that you've established your mission and approach.

Remember to revisit your strategy's implementation process regularly as you go along.

Ways to sustain competitive advantage

The key to company success is a long-term competitive advantage. It's the force that allows a company to have more focus, more sales, larger profit margins, and better customer and employee retention than

its competitors. It's the most critical factor in determining long-term business value, and it's what buyers look for when trying to buy a company.

You risk becoming another "me too" company that muddles along with less-than-satisfactory results if you don't have a lasting competitive advantage. There are three main types of sustained competitive advantage at their most fundamental level;

- The company has a cost advantage since it competes on pricing.
- Value advantage: the company offers a unique product or service that is deemed to be of higher value.
- Focus advantage: the company concentrates on a certain market niche, with a customised solution created just for that market segment.

Most small businesses lack the market share and purchasing power to compete on price effectively, and they aren't large enough to serve all of a market's clients. Therefore, small businesses must build a durable competitive advantage based on providing higher value to a specialised niche to compete successfully.

Another advantage that is frequently mentioned is the first-mover advantage. The first-mover advantage occurs when a new market's first entrant gains a competitive advantage over later entrants.

[Five steps to establishing a long-term competitive edge](#)

1. Recognize the market and its many parts. Look for niches that are underserved by competitors and can be targeted and marketed profitably.
2. Develop a clear grasp of what customers genuinely want and create a value proposition that appeals to them.
3. Determine the most important things you must execute exceptionally effectively to support and deliver the value proposition. Service standards, quality, branding, pricing, and so forth are examples.
4. Recognize your strengths and critical competencies, then consider how you might apply them in novel ways to add value to your target market.
5. Create a business model that will help you support and deliver the value proposition.

You will have a very clear definition of Who you will be selling to (customers and market segments); Why they will buy from you rather than your competitors (value proposition); and the essential things you must excel at to continuously provide your value proposition.

Once you've identified your long-term competitive edge, you should put it to work in various ways. Customers will understand why they should part with their money and give it to you rather than your competitors if you use your sustainable competitive advantage in your sales and marketing. As a result, your employees will have an easier time selling your products or services and knowing that their promises will be kept.

They understand that the entire company is focused on preserving and capitalizing on the company's long-term competitive edge. Your long-term competitive advantage can help you make better decisions by giving you direction and a clear focus. If a new business opportunity does not support your long-term competitive advantage, you should reconsider whether or not to pursue it.

The following are three techniques your organization can use to maintain a competitive advantage:

- **Cost leadership:** A corporation that can create and sell its products and services at a lower cost than its competitors is said to be in cost leadership. This allows a low-cost leader to make higher-than-average earnings. For most businesses, especially small and medium-sized businesses, cost leadership is not a viable strategy. This is because achieving economies of scale necessitates a significant investment.
- **Differentiation:** It is a marketing approach in which a firm sets itself apart from its competitors by emphasizing the qualities and benefits of its products and services. A corporation creates a product or service that customers view as unique in the industry by differentiating it. As a result, you'll be able to charge a premium and profit with higher-than-average margins. For many businesses, a differentiation approach is a more popular and realistic option. This is due to the fact that while industry can only have one cost leader, there might be multiple companies that differentiate features and benefits. However, being a dominant leader in your sector through distinction can be costly. It necessitates in-depth research, product creation, and marketing to a target audience.
- **Focus:** It is a marketing technique that allows a corporation to dominate a specific market. A focus strategy narrows your company's focus to a specific segment of the market. Companies that succeed with a focus strategy comprehend their market niche's dynamics and distinct consumer needs. You can attract a larger share of clients in that market segment by producing and promoting "niche" products and services. Focus is the easiest and least costly of the three strategies for most companies. There are three marketing ways you can sustain a competitive advantage with a focus strategy. These include; a) focus on a narrow target market, b) develop customer intimacy, and c) limit promotional [channels](#).

Companies that have a single, long-term competitive edge may be successful. Finding companies with many durable competitive advantages increases the likelihood of finding a real value stock.

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