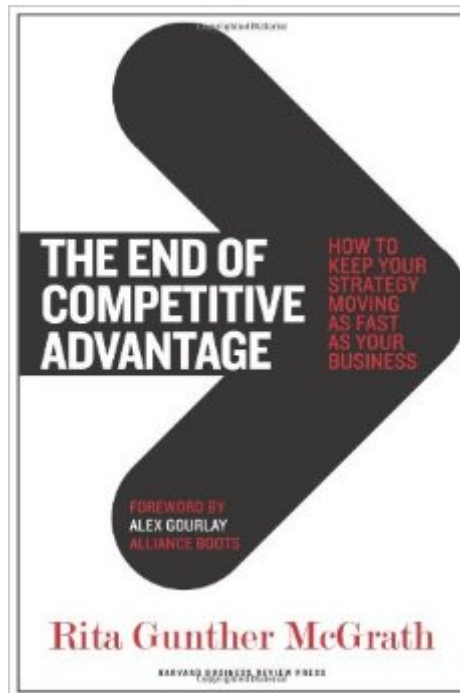


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# The End Of Competitive Advantage: How To Keep Your Strategy Moving As Fast As Your Business



## Synopsis

Are you at risk of being trapped in an uncompetitive business? Chances are the strategies that worked well for you even a few years ago no longer deliver the results you need. Dramatic changes in business have unearthed a major gap between traditional approaches to strategy and the way the real world works now. In short, strategy is stuck. Most leaders are using frameworks that were designed for a different era of business and based on a single dominant idea—that the purpose of strategy is to achieve a sustainable competitive advantage. Once the premise on which all strategies were built, this idea is increasingly irrelevant. Now, Columbia Business School professor and globally recognized strategy expert Rita Gunther McGrath argues that it's time to go beyond the very concept of sustainable competitive advantage. Instead, organizations need to forge a new path to winning: capturing opportunities fast, exploiting them decisively, and moving on even before they are exhausted. She shows how to do this with a new set of practices based on the notion of transient competitive advantage. This book serves as a new playbook for strategy, one based on updated assumptions about how the world works, and shows how some of the world's most successful companies use this method to compete and win today. Filled with compelling examples from growth outlier firms such as Fujifilm, Cognizant Technology Solutions, Infosys, Yahoo! Japan, and Atmos Energy, *The End of Competitive Advantage* is your guide to renewed success and profitable growth in an economy increasingly defined by transient advantage.

## Book Information

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## Customer Reviews

Author McGrath contends that businesses need to stop basing their strategies on the idea of sustainable competitive advantage, and instead focus on exploiting short-lived opportunities with speed and decisiveness. That sounds good, but obviously doesn't fit any industry with large capital or customer reputation investment requirements - they must have a sustainable niche to ensure worthwhile financial returns. Further, what does a large company such as H-P, with 330,000 employees do when confronted with adversity, a position Meg Whitman finds herself now in? Her predecessor found himself out on the street when he proposed selling off its floundering core PC business that now lacks a sustainable competitive advantage, as author McGrath's thesis might lead one to do. Instead, Whitman declared that H-P was going to start by fixing what it had. (H-P's \$19 billion in acquisitions over the past decade have been disasters, not the paths towards new transitory competitive advantages that McGrath proposes.) McGrath is also too quick to dismiss Michael Porter - he identified the threat of substitutes decades ago. And his concepts of supplier power and buyer power are still essential, even if technology has made competitive advantage less sustainable today. As for the 'empire building' trap she cites - we learned long ago that conglomerates and acquisitions may be good for egos, not so good for ROA. The 'quality trap' - old news, the TQM fad faded almost 20 years ago. Further, McGrath's focus on 'transitivity' is hardly new - as she herself points out, Blockbuster, Circuit City, broadcast TV, and others (eg. Sears, Borders, G.M., Chrysler, and KMart) have stumbled because others moved into their territory and/or innovated into new segments.

The End of Competitive Advantage claims to provide key insights into how business strategy needs to change, moving on from the foundations laid down by Michael Porter all those years ago. A few even called it an "important" book, as they see it as the first proof that sustainable competitive advantage is a thing of the past. My problem with the book is in three parts: 1. The book provides insufficient argument and data to prove its thesis. 2. The book ignores the fact that Porter's work was shown to be lacking at least as far back as 2006. 3. The simple analysis and lack of research into what is driving the shift results in trite recommendations. The usual response to these points is along the lines of: "But everyone is using Porter still" which is an observation and not an argument. They point out that the book is from a professor at Columbia Business School and published by HBR which is just appealing to credentials. "But the book is based on lots of analysis" which it is, but the analysis is riddled with holes. Let's handle the second point first. Do Porter's theories still work? Porter's work on competitive strategy might be one of, if not the most, cited works by business academics. This doesn't mean that it's any

good. Academia is riddled with frameworks that either have little or no evidence behind them, or which have been proved to be irrelevant in the modern context. This hasn't stopped them being used as the foundation for new work. Abraham Maslow and his pyramid of needs, for example, has been shown to have no basis in fact[1] – it's just something Maslow made up one day – and yet it's taught in every business school in the world.

Ms. McGrath provides a strategy for how to deal with turbulent times. Instead of trying to do things cheaper and compete on price, she offers a strategy that's focused on seeking opportunities created by the changing needs of one's clients. One reviewer argued that her approach isn't applicable for companies that have large capital investments. I totally disagree because even companies with long track records of success and large capital investments still need to adapt to the current environment. In the book, she points out how Kodak didn't address the changing times and went bankrupt. Bethlehem Steel was a company with huge capital investments that went bankrupt because it didn't adapt to the changing steel industry. An important point she makes in the book is if you wait too long to make the necessary changes it might be too late. The size of a company offers no protection if it is not in touch with the current marketplace. Compare this to your health - if you catch a disease early enough you have a much better chance of being cured. The book explains that strategy is a journey - not a destination; therefore it's essential that companies are constantly tweaking their strategy in order to adapt to the changes that are occurring around them. Clayton Christensen explores the perils of disruptive innovation. Ms. McGrath provides a strategy for companies to deal with that reality. Jim Collins has pointed out that the most successful companies are realistic about conditions. This book provides a realistic solution to today's turbulent times. Hoping that conditions will return to the good old days places your company at risk! Not reading this book places your company at risk! Not heeding the advice in this book places your company at extreme risk!

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