

The world is changing and technology is slowly taking over. Does technology give you a competitive edge over other businesses? For us to answer the question, we need to understand a few terms first:

### **What is strategy?**

The Wharton school defines strategy as “a set of actions and tactics to answer a series of questions...” For me, my school principal put it well when he said, “strategy is simple as saying, I want to go to a certain town and ask yourself how you would like to get there, bus, own car, or by plane...then choosing the next best choice of transport.”

Let's get back to the Wharton definition. What questions should be asked? These can include:

- What objectives are we, as a business, trying to achieve?
- Why do customers come to us and not our competitors?
- What is our value proposition? That is, what is our customers' willingness to pay and your businesses cost drivers. Because simply put your competitive advantage equals willingness to buy minus cost.
- What is it that allows us to make money in this business? Is it high prices or lower costs or a combination of both? In our discussion, can technology allow you to charge higher prices, and achieve lower cost or both?
- Where do we want to compete? In other words, what is the scope of our strategy in terms of:
  - Product
  - Customers
  - **Technology**
  - Geographical areas.

These are the main four aspects of strategic competitive advantage. But, the most important of all is the question, “where are we not going to compete (what is it that we will not do?) In other words, are we not going to be selling certain **products** in certain **areas**, to certain **people** using or adopting certain **technologies**?

### **What is a competitive advantage?**

Simply put, it is a business' position compared to its competitors. The question is, is the business in a position to outperform its competitors/peers? Is the business able to charge higher prices than competitors? Is the business able to operate at a lower cost than competitors? What is that special ingredient that set them above the competition?

In our discussion, we are asking if technology can be that special ingredient that can set a business above the competition. That is, can technology allow a business to charge higher prices while being able to operate at lower costs? Lower cost may imply operational effectiveness.

### **What is Operational effectiveness?**

Operational effectiveness arises from achieving industry best practices. It also comes from businesses copying each other. For example, all accounting firms adopting cloud accounting technology does not result in a strategic competitive advantage. It results in all accounting firms looking the same in the eyes of the customer, and this is what results in fierce competition. This leads us to the next question or term, that is **Strategic Positioning**.

### **What is strategic positioning?**

As opposed to operational effectiveness, strategic positioning is about doing different things that will make a business look different in the eyes of the customer. It is not about focusing on operational effectiveness because operational effectiveness on its own is not sufficient. It is about having a variety of activities that work together to give you that slight edge over the rest, thereby making it harder for competitors to copy your activities or advantage. If they are brave enough to copy you, it should result in their costs going up or prices going up to an extent that it almost pushes them out of business.

Remember, operational effectiveness may result in strategic convergence (a situation where your business will look the same as other businesses in the same field as your competitors.) Therefore, the question we should be asking in this discussion is whether technology can create this distinct positioning (where your business stands out) for your business. Let's answer this question at the end of this discussion. For now, let's think about something else. Does strategic positioning come from doing one thing differently?

### **Should implement one or many things?**

Can strategic competitive advantage come from doing one thing or many things differently? Can one piece of technology give your business the edge? Remember, the objective is making it harder for competitors to copy you. Therefore doing one thing may result in the competition being able to copy and even overtake you. If you base your competitive advantage on one piece of technology, your competitive advantage may be short-lived.

### **Uber vs taxify and inDrive:**

Let's consider these companies briefly. Uber was the first one to start, setting up in 2009 when a 19-year-old student founded the business, then inDriver in 2012 and then Taxify in 2013. All three companies offer an almost exact kind of service build on the same kind of technology. A technology that relies on car owners moving people across cities on their respective platforms.

Having used all three service providers, Uber stands out for me. You can also see that Uber can charge slightly higher prices and have lower costs than their rivals. Uber did not rely on one thing to give them this edge. If you have used uber you will agree with me that they have put security, safety and customer service at the heart of what they do.

So, can technology given your business that slight edge over your competitors?

### **Does technology give you a strategic competitive advantage?**

To answer this question, a few questions come to mind. Can technology answer these questions:

- Can technology improve the quality of your products over that of your competitors? Yes, it could, but if all firms in the same industry are using the same technology who then gets the edge over others in the industry?
- If it can improve the quality of your products over that of your competition, what technologies can you use to do this that your competition is not using?
- Can other businesses copy and use the same technology as our business? If the answer is YES then that technology alone may not result in strategic competitive advantage. You may need other activities that complete this technology and that your competition will find it hard to copy because it can either drive their prices or costs up.

- Can you block other businesses from using this technology through registered IPs? This would be ideal but may be very difficult in other industries. It would work well where your business develops its technology that can be patented.
- Can technology make your customers happy and willing to pay more for your products? There is a huge possibility of this happening. But as said earlier, can you stop other players in your industry from doing the same?

**Conclusion:**

There is no doubt that technology can result in lower operating costs and operational effectiveness. For your business to derive strategic competitive advantage from technology, then it has to develop a specialized and patented piece of technology that no one else can copy. Otherwise, your business will have to rely on other factors that can bring about competitive advantage. I do not know what businesses you are involved in. But, you can think about looking at how the following activities can complement technology and bring about a competitive edge over your rivals:

- Investment in research and development
- Investment in aggressive marketing plans
- Investment in brand management
- Investment in relationships
- Customer experience

Doing one thing different is not enough. You need a web of interconnected activities that make it difficult for competition to copy from you.

**About the author:**

Lazarus Kasek Magora, CA (SA), is the CEO at Eva Financial Solutions (a digital accounting and consulting firm) and Co-founder and member of BCA ( a group of CAs seeking to help each other solve real-life problems and to develop each other through information sharing.)

Contact details:

Company: Eva Financial Solutions

Position: CEO

[lazarus@evafinancialsolutions.co.za](mailto:lazarus@evafinancialsolutions.co.za)

021 823 9684

