Transient Advantage

Idea In Short

In today's fast-paced business world, maintaining a competitive advantage is more challenging than ever. The concept of a "sustainable competitive advantage" is no longer relevant, as industry disruptions, technological advancements, and shifting customer preferences have shortened the lifespan of traditional advantages. Instead, companies must learn to embrace the concept of "transient advantage," constantly adapting and evolving to stay ahead of the competition. In this blog, we will explore the concept of transient advantage, its benefits and challenges, and provide examples of companies that have successfully embraced this strategy.

In the past, businesses strived for sustainable competitive advantages that would allow them to dominate a market for years or even decades. However, in today's dynamic business environment, such advantages are becoming increasingly rare. As markets become more saturated and new technologies disrupt traditional industries, companies must learn to adapt and evolve quickly to stay ahead of the competition.

With volatile business environments, companies continue with strategies from stable times. A business plan put together during good times can comfortably draw from resources. Continuing with such a plan in difficult times can leave you with depleting resources and increasing costs. And soon, the advantage will run out of steam and your company will be left in the lurch. This is where the concept of "transient advantage" comes into play.

Transient Advantage

This is novel because the norm has always been to build a business around something that is lasting and will provide an enduring competitive advantage.Transient advantage is a strategy that embraces the idea of constant change and evolution. Rather than relying on a single competitive advantage, companies that adopt a transient advantage strategy are constantly looking for ways to innovate and stay ahead of the curve. They are not afraid to

pivot when necessary, and they actively seek out new opportunities to differentiate themselves from the competition.

The Columbia Business School professor, Rita Gunther McGrath, argues in her book, The End of Competitive Advantage: How to Keep Your Strategy Moving as Fast as Your Business that in many industries, it's become much tougher to erect and then maintain barriers to entry. Hece, companies should focuses on innovation strategies that continually build new advantages. Instead of building one advantage and defending it, a transient strategy focuses on the velocity of competitive advantage.

A sustainable competitive advantage is the practice of finding a profitable opportunity that can deliver an advantage that competition cannot match for many years. This advantage can take the form of differentiation, new business model, entry barriers, ownership of critical resources, etc. anything that blocks competition for a long time.

> For example, SouthWest Airlines'' business model of flying short hauls between small city airports gave it an advantage that competition could not match for years. Dell''s strategy of mass-customization gave it an advantage that lasted many years.

Changing times have propelled a move towards the concept of transient competitive advantage. At a time when scenarios shift dramatically in a short period of time, executives are recognizing the merit of looking at the short term rather than the long term.

How to Build Transient Competitive Advantage

Constructing a transient competitive advantage entails five stages:

1. Launch
2. Ramp Up
3. Exploit
4. Reconfigure, and
5. Disengage

Launch

At this very first stage, you need to launch your new idea. After brainstorming and researching thoroughly, you and your team must have selected the best available opportunity in the market as your next step. To launch this idea, you have to organize the necessary resources to leverage the opportunity. Often, you can''t do it alone, so you should handpick those employees who are enthusiastic about the idea, welcome change and embrace new ideas. Only astute employees know that quickly responding to the market demands is vital for existence.

Ramp Up

If you have the appropriate resources for your idea, all you need to do is scale them up at the appropriate moment. The second stage is ramping up, where you gather your resources to turn your theoretical concept into a tangible reality. Your team members must possess efficient organizational and planning abilities to execute this stage proficiently.

Exploit

After seizing your window of opportunity in the market, you have now entered the Exploit stage where you can generate profits, gain market share, and attract more customers. Your focus has shifted to responding to your competitors and capitalizing on your advantages.

Throughout this stage, it is crucial for you and your team to stay aware of market trends and develop strategies for potential mergers and acquisitions. Effective decision-making and the use of analytical and conceptual skills will be key to successfully executing your advantage in the industry.

Reconfigure

After completing your strategy, it may be tempting to relax. However, the possibility of competitors copying or improving upon your strategy can erode your advantage and diminish its effectiveness. This situation requires you to reassess and revamp your advantage in order to maintain its uniqueness. To achieve this, you need employees who are willing to take risks and manipulate the situation to your advantage. Review your strategies and resources and make incremental improvements to differentiate yourself from competitors.

Disengage

Thus, you are now finished with this competitive advantage. Think to create a new advantage after a short interval.

Advantages

The primary benefit of a transient advantage strategy is the ability to stay ahead of the competition. By constantly innovating and adapting, companies can ensure that they are always offering something new and exciting to customers. This can lead to increased customer loyalty, as well as increased market share and revenue.

Another benefit of a transient advantage strategy is increased agility. Companies that are able to pivot quickly in response to changing market conditions or customer needs are better equipped to survive and thrive in today's fast-paced business world.

Disadvantages

While there are many benefits to a transient advantage strategy, there are also some challenges that companies must be aware of. One of the main challenges is the need for constant innovation. Companies that adopt a transient advantage strategy must be willing to invest in research and development, as well as be willing to take risks on new products or services.

Another challenge is the potential for cannibalization. When a company introduces a new product or service, there is always the risk that it will cannibalize sales from existing products or services. This can lead to a decrease in revenue and market share if the new product or service is not successful.

Additionally, a transient advantage strategy requires a high degree of flexibility and adaptability. Companies that are unable to pivot quickly may find themselves falling behind the competition, as market conditions and customer needs change rapidly.

Case - Amazon

One company that has successfully embraced a transient advantage strategy is Amazon. The company started out as an online bookstore, but over the years, it has evolved into a behemoth that dominates the e-commerce market. Amazon's success can be attributed, in

part, to its ability to constantly innovate and adapt to changing customer needs.

For example, when Amazon noticed that customers were increasingly shopping on mobile devices, the company invested heavily in mobile optimization and created a mobile app. Similarly, when customers expressed frustration with long delivery times, Amazon introduced same-day and one-day delivery options. These innovations helped Amazon stay ahead of the competition and maintain its position as the top e-commerce retailer.

Case - Netflix

Originally a DVD rental service, Netflix has evolved into a dominant player in the streaming video market. The company's success can be attributed, in part, to its willingness to take risks and innovate.

For example, when Netflix first introduced its streaming service, it faced significant push back from the movie industry. However, the company persevered and continued to invest in its streaming technology, eventually becoming the go-to platform for streaming movies and TV shows.

Case - Apple

Apple has a long history of innovation, from the introduction of the iPod in 2001 to the iPhone in 2007. Apple's success can be attributed, in part, to its ability to identify new opportunities and pivot quickly in response to changing market conditions.

When Apple noticed that consumers were increasingly using their phones for photography, the company invested heavily in improving the camera technology in its iPhones. This investment paid off, as the iPhone has become one of the most popular cameras in the world.

Case - Fuji

Fuji is a renowned photography company. It was Kodak''s biggest competitor. The control of silver severely affected the company. At this time, the company decided to adopt a transient competitive advantage. The company realized that if it depended on the costs of chemicals, it will always stay vulnerable. So, they founded ways that would make photography less

dependent on chemicals. By 2014, it was the leading photography company with a revenue of $560 billion.

Case - Milliken & Company

Milliken & Company is a chemicals manufacturer. By year 1991, all of Milliken''s competitors became victims of the surge that shifted all the textile manufacturing business to Asia. Milliken adopted transient competitive advantage to have an edge over its competitors. It gradually started shutting down its American textile plants in the 1980s and continued to do so till 2009.

Simultaneously, it invested in new technologies and new opportunities that were within its reach. The company evolved from being a textile and chemicals producer in the 1960s to become a provider for flameproof products and advanced materials. The progress didn''t stop there; in 2000's, the company became a leader in specialty materials that required significant research and intellectual property.

Summary

In conclusion, transient advantage is a strategy that embraces constant change and innovation. While there are challenges associated with this strategy, including the need for constant investment in research and development and the potential for cannibalization, the benefits of a transient advantage strategy are significant. Companies that are able to pivot quickly and adapt to changing market conditions are better equipped to survive and thrive in today's fast-paced business world. Examples of companies that have successfully embraced a transient advantage strategy, such as Netflix and Apple, serve as proof that this strategy can be highly effective when implemented correctly.