

# Competition – the Ultimate Energizer

By C. Richard Panico

Measuring the performance of your company's functions in absolute competitive terms is a great motivator to develop "best practices."

What would happen if tomorrow you no longer had competition and the market still demanded your product or service? I believe many would respond, "Great!" It is likely that the company would do very well... for a while. Or at least until nature took its course and complacency began to engulf the culture.

Even in well-intended, aggressive organizations, performance would assuredly erode slowly and steadily. I guarantee it; it's in our nature! Competition is not only good, but essential to maintain and continually improve any aspect of what we choose to pursue. It is the catalyst that ignites our survival instincts, which in turn stimulates and melds our human senses. As human beings, we respond to threat... and competition describes a threatening force.

## Competing on All Levels

In primitive times, man competed for food and territory. This made him agile, strong, and forced him to develop strategies. It is likely that if primitive man had an abundance of

food, no enemies, and unchallenged territories, he would have become grossly lethargic and ultimately become prey to a lesser species!

The same thing occurs in business. Competition drives improvement, creates the challenges and threats to motivate us to become healthier, excel in our professions, and generally accelerate our performance and progress toward any goal.

I, like many other Americans, have for many years employed a regimented routine to keep in shape and counter the negative affects that come with my non-physical profession. I chose bodybuilding because it allowed me to be totally reliant upon my self-discipline and could be adapted to my aggressive work schedule. I made reasonably good gains and improvements for my first three years working out in my home gym. During this time, I was competing with myself and sparring with the image of what I wanted to create.

This worked well for a while. At the start of my

fourth year, I joined a gym. At first, I was intimidated and had to overcome this perceived threat. As time went on, I became increasingly motivated by the competitive environment and began to realize unprecedented improvements to the point that I was ready to enter competitive events. The gym served as the catalyst I needed to escalate my performance to a new level. It also provided unbiased benchmarks that allowed me to objectively assess my progress.

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Today, 35 years later, I continue to regularly train in my home gym, primarily to maintain my level of fitness. I can tell you that it requires an extraordinarily greater amount of discipline to get the same performance and quality of workout in the comfort of my home. For this reason,

from time to time I have to return to “the jungle” to rekindle the instincts that fueled my desire to continually “better my best”.

So why am I spending so much time addressing and defining competition through a non-business perspective? The reason is that the same factors that fuel and accelerate our individual performance, physical or otherwise, apply directly to business and an organization’s ability to survive and excel. If I may reapply one of my earlier analogies, man quickly learned that by socializing his approach to survival, that is, enlisting the support of other aspiring survivors, the odds of victory increased exponentially. Of course, this socialization introduced other challenges, one of the most formidable being learning how to distribute the rewards. Hasn’t the practice of business followed a similar evolutionary path?

**Ask yourself whether the function could compete independently in an open market where competitors deliver the same product or services. If the answer is no, then the function is a competitive disadvantage.**

Businesses absolutely require competition to stay on top of their game. This said, the focus of this article will be narrowed to address internal activities often referred to as support functions. Support functions

may include Human Resources, Payroll, Engineering, Maintenance, and a host of others. These internal functions are not uniform from business to business for obvious reasons. A company whose purpose is to develop and manufacture a technical product is unlikely to refer to engineering as a support function but rather a core function. Businesses often confuse the definition of what functions are and should or should not be considered core competencies.

I’d like to offer a rather simple litmus test at the risk of alienating some support function leaders. First, however, I’d like to set the facts straight. Defining a department as a support function does not imply that it is unnecessary or not adding value; if this were the case, it should be eliminated. Let me start with a definition: core functions are those activities that are directly influenced by competitive forces and whose performance is directly and regularly measured against the competitive forces either overtly or by default. The latter occurs when the negative impacts and consequences of poor or

failed performance exert their influence on the business in real and measurable terms. The more functions within an organization that “feel” the competitive influences directly, the greater the likelihood that the function will evolve and keep pace with respective “best practices”.

Let me provide a simple example related to our industry. When I started my career as a project engineer for a healthcare and personal products company, we designed many of our own packaging machines. We set out to design and develop a blow molding process to manufacture our own bottles.

As much as we enjoyed the challenge and ultimately got the process up and running, it cost much more money and took more time than had we outsourced the project to one of the several equipment manufacturers competing in this market. What was difficult to accept was that we were not in the business of machine design; our business was making and selling lotions, shampoos, conditioners and other consumer products. As bright as we were, we did not create a competitive advantage for the company. Those who headed up the function within our company were not operating under the same competitive pressures and constraints as the equipment and design firms whose very survival relied upon their ability to out-think, out-perform, and out-sell their competitors. The fact is that we had no competitive justification for being in the bottle making business!

**Deliver an Advantage**

There is a landscape full of similar examples across every industry. I would like to apply a simple measure to assess whether an internal function is delivering an advantage or deficit. Ask yourself whether the function could compete independently in an open market where competitors are focused on delivering the same product or services. If the answer is no, then the function is creating a competitive disadvantage. This scrutiny is an absolute approach to benchmarking that is invaluable. There was good justification in the packaging example to maintain a reasonable level of engineering support to work in conjunction with the expert machine builders to clearly define our specific requirements and ensure a smooth transition into our manufacturing operation. However, there was little justification to carry the overhead and burden of a large engineering group performing an equipment design function.

Some companies head down the right path, analyzing which competencies need to be retained or developed as core and which should be outsourced. Companies continue struggling to determine the optimum balance of outsourcing and in-sourcing. Often, the dilemma is fueled by an "all or nothing" mentality. The fact is that often a company can realize great benefits by developing a "blended model" that allows it to keep a minimal number of personnel in a function while outsourcing a portion of the responsibility to a firm that specializes in the function and can continually feed the internal function with "best practices".

As much as this can be a great approach, it can be very threatening to the internal group unaccustomed to measuring its performance and contributions in absolute competitive terms. The employment of such an approach typically requires

a strong functional leader with a high degree of personal confidence, unthreatened by real competition.

I understand that is very difficult to accept that others may be better at performing functions that have customarily been managed internally. However, consider the consequences carefully. Acknowledge that the industry leaders are gaining greater advantages with each passing day by focusing internal talents to the greatest value-generating activities. As you assess your business model in an effort to optimize your competitive advantage, consider the possibilities if tomorrow you could apply "best practices" capabilities in your support functions. Would this capability impact your growth and profitability? ■ **GCI**

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