Competition: Turning problems into improved business results

If we were to follow the "common sense" of economic theory, the current sluggishness in the electronics industry could be considered an anomaly and good times were just around the corner. If Adam Smith is correct, natural selection, driven by the competitive nature of man, will weed out the weakest technologies and companies and the industry will again begin to build profitably. But as it was pointed out by an another equally brilliant economist, Smith was only half right. Competition is actually killing the industry, not the weakest links.

General Electric, Bell Labs and IBM at one time spewed forth brilliant people who created the EDA industry we have today. But competition in the EDA industry has brought a halt to real innovation. All we get today is incremental improvement in limited arenas because too much energy and too many resources are being expended by EDA companies, large and small, undercutting the profit margins of competitors.
In the meantime we've reached a point in the physics of manufacturing the next level of semiconductors and electronic systems where progress is not possible without radical restructuring of the design and manufacturing process. Physics is now trumping economic theory in getting to the next level of profitable technology.

One of the great ironies of perceived competition is that it causes companies to instantly expend great energies to engage as combatants, when often real opportunities exist for collaboration that benefits both parties. The problem generally begins as soon as two companies perceive themselves to be selling the “same product” and perhaps into the “same market.”

An alternative view might be that that the real goods for sale are much more than the “native product” with additional elements of price, performance and delivery. Realistically, if a company’s offering across all these dimensions is dissimilar to the perceived competitor, or the customer base is not truly identical, then is there any true competition, at all? Surely, if the “total products” and markets of each match up quite differently, then on any given sale the needs of the customer will often delineate an obvious choice.

Let us consider the "real" nature of a product that might be offered by almost any participant in any market, where there is more than one player. Again consider a "total product," broadly defined by Price, Performance and Delivery. Any particular offering may have Pricing driven by volume incentives, long-term commitments, bundling options with other products, royalty streams, licensing fees etc,. with any number of permutations and combinations. Next there is Performance in the many forms ranging from speed to throughput, from quality and defect level and documentation through technical support, training and maintenance alternatives; clearly here again the range of permutations available from a single provider offers huge variations. Lastly, contemplate the permutations of an offering that are defined by Delivery. A product can be purchased singly or in large numbers, alone or with any multitude or combination of supporting or related features and associated and complimentary parts, be installed or shipped to any number of locations by any number of means; this leaves the element of Delivery as complex a part of the entire offering as both Price and Performance. Realistically, when we consider more complex products and markets, how would two "competitors" ever have the SAME offering, given the diversity inherently attached to (say) "high tech" products?

Interestingly, the differences in products, go much deeper. Any provider that offers a particular attribute to a product, generally has infrastructure directly associated with this feature of the product. Consider some of the elements of Price, Performance and Delivery, as described above. A commitment to (say) volume sales of a product might necessitate a different manufacturing process, different supplier relationships and certainly shipment schemes; it may even be indicative of a different class of performance of the product which means different product definition and development practices and maybe even different skills-sets in the R&D and operations workforces. Even the Salespersons might need different tools, skills and training to make the sale. Yet, on the face of it, this provider may be offering the "same" product as it's major "competitor," located just across town.

Another intriguing factor is the customer and how he/she plays into this scenario. Customers have needs which they would like to suppliers to meet, perfectly. They have their own unique and specific view of what they want in Price, Performance and Delivery. Interestingly, this view is built around the current and future set of challenges they are facing and the (again) unique infrastructure they have built for running their own operation. What are the chances that in any given instance, the precise needs of the buyer will match the total product, offered by the supplier? What are the chances when we consider a complex, high-tech product, that there is ANY product choice EVER made, that is much better than a "best fit" scenario?

It is in such situations that the risks of competition are at their most dangerous. It would seem that in many cases the product selection would have a degree of inevitability in for a given sales opportunity. Any given product purchase must have a set of selection criteria associated with it that make the vendor selection a foregone conclusion. Yet, for any given opportunity, suppliers circle and vie for a sale that invariably has only one likely outcome, one probable solution. This is the nature of a sales process, where buyers never really expose their true needs and turn suppliers upside-down pushing for features or attributes that may involve infrastructural changes for providers, often not in the best interests of smooth internal operations. Lastly, after all these machinations, suppliers are invariably played-off against one another, purely on price. This disruptive process takes large amounts of time and yields only one "winner," assuming the final deal leaves that supplier with profits appropriate to sustained and healthy growth.

Why does such a disruptive and hit-or-miss process exist? Certainly if the specific needs of customers were more clearly articulated, relationships with suppliers more communicative and product offerings more clearly differentiated and articulated, then the problematic events outlined above would be less pervasive and easier to avoid. It would seem that both customers and suppliers should be striving for relationships and standard business practices that would ensure long-term benefits for all and provide a healthier road map and growth in any given market. The lack of such focus and practices is indicative of the maturity level of an industry. Those that drive such practices and standardizations in business and indeed into product offerings, ultimately grow the fastest and survive during the inevitable consolidations that accompany industries with such characteristics.

So, why fight it? Immature markets typically have poorly differentiated providers fighting over customers and opportunities with limited visibility of the real selection criteria and needs. Rather than invest sales, marketing, management, operations and engineering calories to reverse an often inevitable purchasing selection, perhaps resources would be better spent emphasizing product differentiation, better securing a more appropriate market segment and upgrading sales and business models to better articulate and deliver the product. Even more interesting, in a maturing industry it is often the case that a perceived competitor would be better embraced as a partner and ally, who can then help grow a larger total market from which all parties can then prosper.

Some amount of market competition can be healthy in weeding out bad products and weak, poor-quality suppliers. However, when all is said and done, competition is productive and healthy only when protagonists adapt and redefine themselves and their product offerings. Industries risk decline and stagnation when focus shifts from differentiation and innovation, to price-centric and destructive sales conflict.

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