CONSTITUENCY ADVANTAGE - COMPETITIVE, COLLABORATIVE, AND COOPERATIVE

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An enterprise's constituencies are the six key groups that influence its success: employees, customers, suppliers, investors, regulators, and competitors. An enterprise's advantage rests with these groups. The challenge is finding it.

Employees, customers, suppliers, and investors participate with an enterprise as primary constituencies because they contribute to the value-creation process. Regulators and competitors participate as secondary constituencies. Regulators develop laws granting the right for enterprises to do business in certain arenas, and competitors impact enterprises by forcing them to select counter-moves in response to competitive initiatives.

The community-at-large can be considered to be a tertiary constituency, which can be local-to-global as an enterprise develops markets for customers and participates in markets of suppliers around the world.

A constituent is a member of a group of employees, customers, suppliers, investors, regulators, or competitors, i.e., a specific individual or enterprise. Whether "B to B" or "B to C," all constituents whether incorporated or not, are made up of people. Without people there is nothing in business, because people make the decisions.

Three types of advantage can be built with constituencies: competitive, collaborative, and cooperative.

Competitive advantage...

Competitive advantage about the position and posture that offers consistencies better value than competitors. Competitive advantage applies to employees, customers, and investors. The advantage results for employees in terms better working conditions and opportunities; for customers in terms of convenience, quality of products and/or services, and price; and for investors in terms of returns above the cost of capital.

Successful enterprises have tight coupling between people and processes. Tight coupling of constituencies with business processes increases the likelihood of realizing competitive advantage. The result of tight coupling is a differentiated, distinctive enterprise that is hard to replicate by others, but easy to duplicate by the enterprise itself.

Employees whose activities are efficiently integrated with the enterprise reduce inefficiencies and increase competitive advantage.

An example of the use of tight coupling is Southwest Airlines, which has built an entire culture around its processes for providing air transportation. Southwest relies upon a high degree of standardization in processes, facilities, and equipment.

Southwest also demonstrates that competitive advantage is found in the intangibles - people and the resulting culture and processes are difficult to separate because they are so tightly coupled. For example, the employees "luv" to work at Southwest (New York Stock Exchange: LUV - for Love Field - Southwest's home base).

Other airlines have tried to mimic Southwest but have been unable to replicate the concept because they could not achieve the same degree of coupling between people and processes.

Customers become tightly coupled with the enterprise through loyalty programs and products and/or services that convenient and easy to use.

For example, frequent flyer programs tightly couple customers to airlines; internet banking systems tightly couple customers to banks. When tight coupling occurs, switching from enterprise to enterprise is hard and costly to customers - therefore, competitive advantage results.

The Walt Disney Company is another example of an excellent fit between people and processes. Disney uses its employees, who are in effect "cast members," and processes to bring magic to its customers - the product is very much vested in the experience.

Competitive regulatory advantage exists when an enterprise finds a loophole in laws and regulations that others have yet to find. For example, North Carolina National Bank found a loophole in banking laws that enabled it to expand into Florida. It went on to become NationsBank, and eventually acquired Bank of America, making Charlotte, North Carolina a major international financial center.

Collaborative advantage...

Collaborative advantage is about the relationships between suppliers, or customers, or peers as a partnership with a common mission, and operating dependently for mutual value. This type of arrangement is common in general contractor/subcontractor relationships, where many different enterprises are working together to complete a common project, such as in the aerospace and construction industries.

No major project can be completed without collaborative efforts from multiple parties who bring diverse knowledge and skills to the endeavor.

The more tightly coupled the supply chain is between suppliers and customers, the more advantage the participants have in the chain collaboratively. The use of information technology can make a big difference in the tightness of the coupling.

For example, suppliers who send package tracing information to their customers as provided by Fedex and UPS establish a three way relationship between themselves, their suppliers, and the customer.

Suppliers who share information with customers, and vice versa, about demographics and psychographics of customers, product preferences and usage, have a much greater advantage than those who are locked out of the chain.

Cooperative advantage...

Cooperative advantage is about the relationships between suppliers, or customers, or peers as an association with a similar mission, but operating independently for mutual value. This type of arrangement is common in outsourcing relationships, where one enterprise is providing services for another, but is managed independently.

For example, in the business of outsourced telemarketing call centers, the service provider initiates and responds to telephone calls in the names of their clients - the customers think that they are talking to employees of the enterprise itself.

Cooperative relationships are popular when enterprises move away from being fully vertically integrated, and no longer control the entire process from raw materials to finished products and/or services.

Enterpriship...

Understanding constituencies and building competitive, collaborative, and cooperative advantage through tight coupling are enterpriship (entrepreneurship, leadership, and management) competencies that are essential to value creation.

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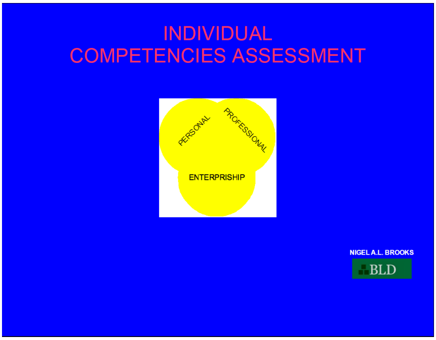

About Nigel A.L Brooks...

Nigel A.L Brooks is a management consultant to entrepreneurs, business enterprise owners, executives, and managers, and the enterprises they serve. He specializes in developing the entrepreneurial, leadership, and managerial competencies that build sustainable advantage from vision to value. He is an author and a frequent speaker.

He obtained his professional experience as a partner at Andersen Consulting (now Accenture, Ltd.), as a vice president at Booz Allen Hamilton, Inc. (now Booz and Company), as a senior vice president at the American Express Company, as president of Javazona Cafes, Inc., and as president of The Business Leadership Development Corporation. He has been a contributing editor for the Bank Administration Institute magazine, and has served on boards of entrepreneurial networks. He was educated at the University of Exeter, Devon, United Kingdom.

His clients are in the financial services, food services, high-tech, manufacturing and distribution, pharmaceuticals, oil and gas, professional services, retail and wholesale, transportation, and government industries.

He has experience in North and Latin America, Europe and Asia-Pacific.

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About The Business Leadership Development Corporation (BLD)...

The Business Leadership Development Corporation is a professional services firm that works with entrepreneurs, lifestyle business enterprise owners, executives, and managers, and the enterprises they serve.

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