How to innovate competitiveness with moderate investment costs

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To innovate, a company needs to meet the following conditions in order to be competitive at a moderate investment cost:

a) innovate with products that are suitable for the target market;

b) Identify the attributes of the product and/or the company that meet the client's wishes and expectations, as well as creating a differentiating factor in relation to competitors;

c) identify the operational techniques that can generate a competitive advantage for the company; and

d) seek to align the level of performance of the operational techniques with the attributes of the product and/or company in order to make them visible to the customer.

These are the conditioning factors of competitiveness that derive from the thesis of the model of fields and weapons of competition - CAC (Contador, 2008), whose model has its origins in the business environment and was born from a simple idea: to separate the so-called competitive advantages according to the customer's interest, distinguishing those that interest them from those that do not. The formers are related to the fields of competition (these are the attributes of the product and/or company, such as price, product quality and the image of a reliable company), and the latter are related to the weapons of competition (these are the aforementioned operational techniques, such as improving the production process, process quality, ethical procedures in relationships).

The CAC model spells out 14 fields of competition which, according to hundreds of applications, seem to mirror all the alternatives for obtaining competitive advantage. That's where competitive advantage lies. To meet the second competitive constraint mentioned above, the company must choose three or four fields in which to compete. This represents the company's competitive business strategy, which leads it to position itself in the market.

A medium-sized or large company uses more than a hundred weapons. According to the vast experience of applying the CAC model, around 50 of them have strategic content (they can generate competitive advantage in at least one field of competition). The appropriate choice of these weapons meets the third condition mentioned above and they are called competition weapons. They are the source of competitive advantage.

These weapons can be grouped, according to their relevance to competing in the fields that represent the business strategy, into three groups of similar size: relevant weapons, irrelevant weapons and semi-relevant weapons.

It is by strengthening the relevant weapons to compete in a field that a company can become a leader in that field, placing it in a superior position to its competitors. This justifies a high level of investment in order to achieve significant competence in these weapons. The level of competence of a weapon is expressed by the variable intensity of the weapon, evaluated in five levels (1 to 5), according to the CAC model.

On the other hand, irrelevant weapons do not provide the company with a competitive advantage in any of its strategic business fields and should therefore receive little investment, assuming a level of competence that is only sufficient to keep the company running (low intensity values). Semi-relevant weapons, on the other hand, occupy an intermediate role between the others and should have medium intensity values.

The correct classification of the weapons according to their relevance to competing in the fields of the company's business strategy and the proper definition of the intensity of these weapons (alignment with the business strategy) is what ensures that the last two competitive constraints mentioned above are met, and determines the company's operational competitive strategy.

Research carried out by the author of the CAC model, involving 12 different business segments and 176 companies, has shown that there is a high correlation between the intensity values of the relevant weapons and the company's revenue growth. This shows that the most relevant condition for increasing a company's competitiveness is to have high performance in just 15 to 20 competitive weapons, those that are relevant for competing in the fields of competition that represent the company's business strategy. This is the thesis of the CAC model.

In the twelve studies carried out by Contador (2008), it was also identified that both the most competitive and least competitive companies choose similar fields in which to compete. This shows that business strategy alone does not explain why one company is more competitive than another. In fact, the competitive differential lies in the operational strategy.

Compliance with the four constraints on competitiveness can be achieved by formulating a competitive strategy using the process provided by the CAC model. The software www.strategy.camposearmas.com.br (Contador, 2019) helps with this task. It is a self-instructional tool that presents a step-by-step procedure that leads the user to their goal. All it takes to use it is a good knowledge of your company's activities.

Finally, it is important to highlight two of the main characteristics that recommend adopting the CAC model. The first is that it offers a step-by-step procedure for formulating a company's competitive strategy that is easy to understand and use. The second lies in the possibility of increasing the company's competitiveness at a moderate investment cost and timeframe. It's enough to raise the competence of a few competitive weapons. In a period of 12 to 18 months (depending on the current state of your weapons) it is possible to implement the company's strategy.

References

Contador, José Celso (2008). Fields and Weapons of Competition: A new model of strategy. São Paulo: Saint Paul. 608 p

Contador, José Luiz (2019). Software for formulating competitive strategy using the fields and weapons of competition model. Available at: www.strategy.camposearmas.com.br

Further Reading

Contador J. C.; Contador J. L, & Satyro W. C. (2023). CAC-Redes: a new and quali-quantitative model to increase the competitiveness of companies operating in business networks. *Benchmarking: An International Journal, 30* (10), 4313-4341. DOI https://doi.org/10.1108/BIJ-03-2022-0204.

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