



Beyond Competitive Advantage

Leading Learning Podcast Transcript for Episode 422

Celisa Steele: [00:00:00] If your learning business hasn't revisited its strategy in a while, now is a good time to assess the basis of your strategic advantage—and the viability of that source of advantage.

Celisa Steele: [00:00:16] I'm Celisa Steele.

Jeff Cobb: [00:00:17] I'm Jeff Cobb, and this is the Leading Learning Podcast.

Celisa Steele: [00:00:25] Strategy is of fundamental importance to the success of any organization, including learning businesses.

Jeff Cobb: [00:00:32] It is. Yet it's all too easy to gloss over learning business strategy in the first place or to fail to reassess the basis for the strategy.

Celisa Steele: [00:00:42] But failing to meaningfully engage around strategy and continuing to do what you've done is a mistake. To paraphrase Marshall Goldsmith, what got your learning business here won't get you there.

Jeff Cobb: [00:00:54] And, boy, is that true these days. If you keep doing the same things, your learning business will stagnate or, worse, lose ground. And that's increasingly true, as maintaining strategic advantage has gotten harder and harder. So we want to devote this episode, number 422, to a discussion of strategic advantage.

Celisa Steele: [00:01:15] We're going to talk about three types of advantage: competitive advantage, sustained advantage, and transient advantage. And then, stick around, because we're going to posit a fourth type of advantage for your consideration.

Jeff Cobb: [00:01:30] We'll note that we're learning out loud in doing this. We're trying to digest our own thinking about strategy and advantage right now, so I think this is probably the

*This transcript accompanies the episode of the Leading Learning Podcast
available at www.leadinglearning.com/episode422.*

beginning of something that we'll be revisiting. But maybe we can start off with that first one, which I think is well established at this point, though possibly overused, overemphasized, and that's competitive advantage.

Celisa Steele: [00:01:52] A competitive advantage is a condition or circumstance that puts an organization in a favorable or superior business position compared to its competitors.

Jeff Cobb: [00:02:05] This kind of advantage is going to allow a company or organization to generate more sales or margins and retain more customers than its competitors. A competitive advantage can stem from a range of things, such as your cost structure, your product offerings, your brand strength, your distribution network, customer service, or, say, proprietary technology.

Celisa Steele: [00:02:30] In general, those competitive advantages tend to be classified into two main types. There's a cost advantage—when an organization produces goods or services at a lower cost than its competitors. Walmart tends to be a big poster child of the cost-advantage approach. But then there's also a differentiation advantage classification, and that's when an organization can offer unique or superior products that then justify a higher price.

Jeff Cobb: [00:03:04] This concept of competitive advantage has been a foundational element of business strategy for many decades. If you've been to business school at any point in the past few decades, you have heard about competitive advantage, and you know, probably, that it is associated with Michael Porter, who's a Harvard Business School professor. He popularized and formalized the term in his 1985 book *Competitive Advantage: Creating and Sustaining Superior Performance*.

Celisa Steele: [00:03:33] In that book and his other work, Porter provided a framework for understanding how organizations can create and sustain superior performance by leveraging cost leadership, leveraging differentiation, or by having focus strategies.

Jeff Cobb: [00:03:52] You used the word "sustain" there in talking about what Porter is aiming for with competitive advantage. So let's move into talking about sustained advantage.

Celisa Steele: [00:04:04] A sustained advantage is when an organization can maintain its competitive advantage over a long period, and that's usually done by continuously reinforcing the factors that contribute to that organization's superior position so that you're, thereby, preventing competitors from eroding the advantage.

*This transcript accompanies the episode of the Leading Learning Podcast
available at www.leadinglearning.com/episode422.*

Jeff Cobb: [00:04:26] Sustained advantages are often derived from resources or capabilities that are valuable, rare, difficult to imitate, and well-organized within the business.

Celisa Steele: [00:04:38] Basically, you just referred to the VRIO framework. So the V is valuable—these are resources and capabilities that enable an organization to exploit opportunities or to neutralize threats in the environment. The R has to do with rare—resources and capabilities that aren't possessed by a lot of other organizations.

Jeff Cobb: [00:05:01] And then I is inimitable—those resources and capabilities that are difficult for other organizations to imitate. And then, finally, O is for organized—the organization is organized and ready to make use of its resources and capabilities to create and share value.

Celisa Steele: [00:05:19] So that's the VRIO framework. Now, as we were explaining that, we kept talking about resources and capabilities. Maybe it's worth, just for a moment, talking about what we mean by those. Those are terms that I think everybody understands intuitively or at a base level. But it can be helpful, I think, to spell it out a little bit more. Resources are assets, knowledge, and attributes that an organization controls, and these can be tangible. They can be physical assets. So think about equipment or buildings. Resources can also be intangible, things like brand reputation and intellectual property. Jeff, just speaking of brand reputation, I know that you are a strong advocate for a learning business really having a strong brand, particularly if it's housed within a larger entity, as is the case with a lot of trade and professional associations. You really want that strong brand.

Jeff Cobb: [00:06:13] Yes, definitely. You want people to be asking for your learning experiences by name and to know them as.... If you are part of, say, a trade or professional association, to not just be asking for the association, but, for example, NIGP: The Institute for Public Procurement, they have their Pathways program. You want people to be asking for Pathways because they understand how valuable that is. So your brand is a resource—and resources in general. And then the other element we talked about was capabilities, and these are the organization's abilities to use resources effectively. Capabilities are often embedded in the organization's processes and routines.

Celisa Steele: [00:06:55] Standard operating procedures, documentation—all those things can be part of your capabilities. Now, this idea of sustained advantage was also heavily influenced by Michael Porter's work in the 1980s. His theories on competitive strategy tend to inherently involve the notion of sustaining that competitive advantage over the long term.

*This transcript accompanies the episode of the Leading Learning Podcast
available at www.leadinglearning.com/episode422.*

Jeff Cobb: [00:07:20] It's hard to underestimate, I think, just how influential Michael Porter has been and how influential his thinking has been. His concept was further refined through what's called the resources-based view (RVB) of organizations, which emerged in the late 1980s and early 1990s, and the RBV, which was developed by scholars like Jay Barney, emphasized the importance of organization-specific resources and capabilities that, again, are valuable, rare, inimitable, and organized—that VRIO framework, again—in sustaining a competitive advantage.

Celisa Steele: [00:07:56] Again, we take the 80s and Michael Porter, and it's a focus on competitive advantage and, specifically, sustained advantage. Now, we get to transient advantage.

Jeff Cobb: [00:08:10] A transient advantage acknowledges that, in today's world, the rapidly changing markets we work in, those traditional sustained advantages are increasingly difficult to maintain.

Celisa Steele: [00:08:23] And so, instead of striving for long-term dominance in a single area, organizations with a transient advantage focus on a cycle of continuous innovation. They're trying to be agile. They're trying to adapt. And they try to rapidly exploit any temporary opportunities, scale up quickly, and then they move on to the next opportunity before competitors can catch up.

Jeff Cobb: [00:08:50] Yes, it's kind of a catch-me-if-you-can approach. It's an approach that requires a willingness to disrupt yourself, experiment, and pivot as necessary.

Celisa Steele: [00:09:01] Right, and to recognize the moment when you should move on. Don't stay too long. This concept of transient advantage is relatively recent, certainly more recent than Porter and his work. It was introduced by Rita Gunther McGrath in her 2013 book *The End of Competitive Advantage: How to Keep Your Strategy Moving as Fast as Your Business*.

Jeff Cobb: [00:09:23] Those are fighting words. That's a provocative title in this world of strategy because, if you're saying the end of competitive advantage, you are taking on Michael Porter and that institution in doing that. And, in this book, McGrath argued that in the modern, fast-paced business environment, organizations should focus on a series of temporary advantages rather than striving for long-term, sustained advantages, as you were saying, Celisa. Her work

*This transcript accompanies the episode of the Leading Learning Podcast
available at www.leadinglearning.com/episode422.*

highlighted the importance of agility, innovation, and the ability to quickly capitalize on emerging opportunities, which you have to have the ability to see.

Celisa Steele: [00:09:59] Exactly. You first have to see those opportunities before you can capitalize on them.

Jeff Cobb: [00:10:07] At Tagoras, we partner with professional and trade associations, continuing education units, training firms, and other learning businesses to help them understand market realities and potential, to connect better with existing customers and find new ones, and to make smart investment decisions around product development and portfolio management. Drawing on our expertise in lifelong learning, market assessment, and strategy formulation, we can help you achieve greater reach, revenue, and impact. Learn more at tagoras.com/more.

Celisa Steele: [00:10:43] That is our look towards the past—a look at what is common in terms of thinking about advantage, in terms of strategy, looking back at competitive advantage, sustained advantage, and transient advantage.

Jeff Cobb: [00:10:57] I would think probably a lot of listeners can relate to all of this. Even if you haven't heard about these things before, most likely you've at least heard of competitive advantage, but the idea of having a competitive advantage, of being able to sustain that advantage, I think that's desirable. People still want that. McGrath's point of view was that you may want it, but it's just very hard to do. I think we can probably all recognize the logic of this idea of transient advantage when you've got a market that's changing rapidly, and it can still feel like that's what we need to do, is to be looking for that transient advantage and capitalizing on that. In some situations, that probably is still the right thing to do, but we want to broaden out the perspective a little bit and add our thinking on it.

Celisa Steele: [00:11:40] And this is where we are working out loud, learning out loud here. But we started to think about the concept of collaborative advantage, and maybe, in part, it's because we were re-reading and discussing *The Inquiring Mind* by Cyril Houle recently. But it strikes us that learning businesses that serve this third sector of education have the potential to worry less about competition and to focus more on collaboration.

Jeff Cobb: [00:12:07] Yes, in that view, strategy doesn't have to be tied to competitive advantage, whether we're talking about sustainable or transient advantage. I think that's probably rooted in this idea that's so much about.... You heard when we were talking about competitive advantage and sustained advantage, even transient advantage had to do with resources and

*This transcript accompanies the episode of the Leading Learning Podcast
available at www.leadinglearning.com/episode422.*

capitalizing on resources and capability. But, of course, learning and the ability to facilitate learning is not an exhaustible resource, and it often requires—in fact, benefits from—collaboration and multiple perspectives.

Celisa Steele: [00:12:42] I will say that strategy in general, the way it's been written about historically, has somewhat rubbed me wrong because of the use of essentially militaristic terms. It's about defending your position, or it's about beating the competition. It's about exploiting things. There's always been a little bit of a negative feel to the language for me. And, just as you were saying, learning and lifelong learning is a high goal. It's a moral goal. It's an ethical goal, I would argue. And, if you're thinking about that, if that's the lens that you're really focused on—learning and helping others to learn—you don't want to beat anyone else. Anyone else who's helping those adults to learn, those people to learn, you want to join forces with them. Maybe that's a militaristic term there, but you want to do this together. You would be better served collaborating than competing.

Jeff Cobb: [00:13:37] You mentioned Cyril Houle and *The Inquiring Mind* and taking some inspiration from how he thinks about things. This is what we're doing. It's what we've arrived at in our own approach to things. Partnering with other organizations has become increasingly important to what we do. We're going to be co-locating an event with the folks at Professionals for Association Revenue (PAR) this fall because we see the collaborative potential there around learning and then expanding the learning opportunities that they had already begun at that event and that we can add to. We've had very meaningful relationships/partnerships, for example, with 1EdTech, and then we worked with them on Webinars, and we're looking at other ways to work together. When you collaborate like that, you're going to get a whole that's greater than the sum of the parts. For me, that's really strategic when you can achieve that, and collaboration very often is the root of being able to do that.

Celisa Steele: [00:14:35] I think that this idea of collaboration and a collaborative advantage, in some ways, is easier because you don't have to worry so much about competition. It takes the competition off the table, or at least greatly reduces it. But it does come with its own challenges, of course. It really ups the need to communicate. It ups the need to adjust what you're doing and adjust your strategy, not just based on your own organization but what others across the sector are doing.

Jeff Cobb: [00:15:05] And so you have to pick your collaborators well. You need people who are going to share your values, who are as bought into this idea of collaborative advantage as you

are, and that you're going to be able to work with well to, again, achieve that whole that's greater than the sum of the parts.

Celisa Steele: [00:15:22] Again, it feels like collaborative advantage is very much in keeping with this idea of learning because we know that learning itself requires collaboration. That's at the heart of learning because you have to have collaboration between the learner and whatever the vehicle of the learning experience is. A course, a conference, an e-learning module—none of that results in learning without the learner's participation, without the learner's collaboration. A strategy built around collaboration just feels like a truly natural, organic fit for learning businesses.

Jeff Cobb: [00:15:58] Maybe we can tie a bow around this for the time being—because I think this is something we will probably come back to at some point—by pointing out some of the key areas in which we see differences between these different approaches to strategy and to advantage with strategy, and there are three that we'll highlight.

Celisa Steele: [00:16:16] Yes. We'll touch on duration, stability, and then strategy in general. If you think about duration, we know that competitive advantage can be either sustained or transient. If it's sustained, then it's long-term. If it's transient, then that advantage is temporary, but it's renewable; you can move on to the next thing that's going to allow you to have transient advantage.

Jeff Cobb: [00:16:41] Like sustained advantage, collaborative advantage can be long-term, and it's also renewable like transient advantage, so you get the best of both of those worlds.

Celisa Steele: [00:16:54] If we think about stability, sustained advantages are stable. They're long-term; they're enduring. Transient advantages are dynamic, and they require that constant reinvention—keeping your eye on the opportunities out there and then moving rapidly to exploit them.

Jeff Cobb: [00:17:11] Collaborative is enduring, and it also requires ongoing attention.

Celisa Steele: [00:17:17] On these spectrums, we're seeing collaborative as, in many ways, combining aspects of sustained and transient. The final area is around the strategy, and, with sustained advantage, that is really a focus on maintaining and defending a position. With transient advantage, you're again focusing on that rapid exploitation. You're focusing on being

*This transcript accompanies the episode of the Leading Learning Podcast
available at www.leadinglearning.com/episode422.*

agile and being able to move from one thing to the next. I would say that collaborative is defining, rather than defending, a particular position.

Jeff Cobb: [00:17:56] I like that because I feel like that's what we're trying to do in our work is define this whole area of the third sector and the learning business and what that means and collaborating with the organizations that see that also and help make that make sense. That's defining rather than defending. And then collaborative advantage also focuses on the agility of relationships, so there's not a need to beat others here, but there is a need to work through implications with others and to rapidly iterate with them.

Celisa Steele: [00:18:26] So that's our current thinking on collaborative advantage, and we're pretty sure we'll be revisiting this topic.

Celisa Steele: [00:18:42] If your learning business hasn't revisited its strategy in a while, now is a good time to assess the basis of your strategic advantage—and the viability of that source of advantage. Competitive advantage, whether sustained or transient, is becoming harder and harder to maintain. Collaborative advantage may be the answer.

Jeff Cobb: [00:19:02] At leadinglearning.com/episode422, you'll find show notes, a transcript, and options for subscribing to the podcast. And if you haven't yet, please, please subscribe.

Celisa Steele: [00:19:14] We'd be grateful if you would take a minute to rate us on Apple Podcasts or wherever you listen, especially if you enjoy the show. Jeff and I personally appreciate your reviews and ratings, and they help the podcast show up when others search for content on leading a learning business.

Jeff Cobb: [00:19:29] And please spread the word about Leading Learning. You can do that in a one-on-one exchange, and you can do it through social media. In the show notes at leadinglearning.com/episode422, you'll find links to connect with us on LinkedIn, X, and Facebook.

Celisa Steele: [00:19:44] Thanks again, and see you next time on the Leading Learning Podcast.

[music for this episode by DanoSongs, www.danosongs.com]

*This transcript accompanies the episode of the Leading Learning Podcast
available at www.leadinglearning.com/episode422.*