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*Competitive Differentiation:
Separating Facts from Wishful Thinking*

*By Robert Lentz
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Competitive Differentiation: Separating Facts from Wishful Thinking



Most companies have reasonably well-established, gated, decision-making processes to ultimately decide whether or not to pursue an opportunity, as well as whether to prime or be a subcontractor. A commonly observed failing in this process, even in companies exhibiting otherwise best-of breed practices, relates to the mechanisms used to define competitive positioning and differentiation.

These mechanisms show up under various names: win themes, discriminators, and differentiators are commonly used. The commonly observed problem is that much too often the staff charged with fleshing out these characterizations are focused on issues that are either irrelevant to the opportunity source selection/scoring process or do not really focus on clear distinctions between their own company (or team) and those of the competition.

As a consequence, positioning appears rosier than it actually is, competitive differentiation appears to exist when in fact it does not, and the team appears to have the key competencies covered when in fact gaps exist that may remain unfilled.

As a leading provider of competitive analysis support to Federal contractors, ifour has observed a set of common problems that relate to this specific facet of the business development life cycle. This paper offers thoughts on some principles of strategic thinking that industry can adopt, which will materially reduce one's vulnerability to these common capture and proposal problems.

Carefully define terms of reference

- An *Asset* is anything you have that can be employed to create business
- A *Strength* is an *Asset* that represents something of relatively greater value in our marketplace than most other *Assets*
- A *Discriminator* is a *Strength* that is unique; that is, your organization has it, and no one else has it

Develop Relevant and Effective Discriminators

1. Define the characteristics of the kind of company that can win
2. Develop the list of most likely and potent competitors
3. Develop a candidate list of *Discriminators* using the results of Competitive and Customer Assessment
4. Develop a candidate list of *Discriminators* using the results of Competitive and Customer Assessment
5. Use these *Discriminators* to shape the procurement and position your team to win

Win Themes

6. End the process by using your *Discriminators* to develop thematic statements that embody the win strategy

Defining Competitive Differentiation

In assessing your positioning for a particular program or market, it is extremely important to precisely define the terms you use to characterize your position. Professionals throughout the industry use a variety of terms interchangeably, and as a result, they frequently mischaracterize the strength of their position. So, as a starting point, we need a precisely defined set of terms that enable us to at least eliminate miscommunication as a source of problems.

For purposes of this paper, we will discuss and distinguish among three terms: Assets, Strengths, and Discriminators.

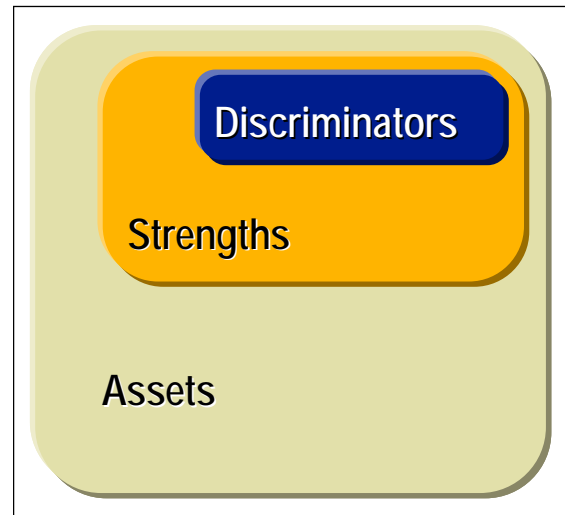


Figure 1: Strengths, Assets & Discriminators

Assets

An *Asset* is anything you have that can be employed to create business. Examples may include:

- Relationships: specific customer or industry relationships that are meaningful; notable past performance
- Contract vehicles
- Geographic presence
- Positioning
- Technology
- Capabilities: things that the organization knows how to do, expertise, processes and techniques, applied technology, etc.
- Other, non-capability, non-relationship characteristics of the organization that are or may be leveraged in the market (e.g., capital assets, network backbones, staff distribution and demographics, SCIF facilities, data center space, software tools, products)

Strengths

A *Strength* is an *Asset* that represents something of relatively greater value in the marketplace than most other Assets. To be classified as a *Strength*, the item must meet specific criteria. A *Strength* is:

- Something factual, not notional or a belief
- Not transient in time; that is, it has sustained value over time.
- Valued by customers in that they are willing to pay to get it. An example would be that there is evidence that this Strength shows up as being required in RFPs (in Section L) and being a subject of scored evaluation (in Section M).

- *Not generally possessed by a large number of competitors.* If a “Strength” is possessed by a large number of your competitors, it begins to look more like a commodity or “the price of admission” in your market. A so-called *Strength* possessed by many of your competitors has no substantive competitive value, and for purposes of positioning to win is not particularly useful to you.

Discriminator

A *Discriminator* is a *Strength* that is **unique**; that is, your organization has it, and no one else has it. The uniqueness test is the critical criterion for promoting a *Strength* to the status of *Discriminator*.

Developing Relevant and Effective Discriminators

1. Start by fully understanding “What kind of company can win this procurement?”

Understanding what the customer really wants/values, and what sorts of companies meet those criteria is the critical first step in the process. Not only does this help you to understand what the competitive landscape is likely to be, but it also provides the framework against which you can identify and assess your relevant *Assets*, *Strengths* and *Discriminators*. All too often capture teams assume their company fits the customers’ criteria without actually doing the diligence necessary to validate that intuition, whether it is because they have made incorrect assumptions about what the customer values, or because they haven’t assessed themselves critically against the criteria those values imply.

Either way, your success will improve if you start with an independent look at an opportunity and develop a fact-based assessment of what the customer is looking for, what you have to offer that addresses the customer’s criteria, and what competitors in the market bring to the opportunity. The answer will typically need to address multiple dimensions, such as:

- rates and financial structure,
- core strengths and capabilities (e.g., IT, services, development, etc.),
- past performance qualifications (potentially including requisite security clearances)
- applicable (and potentially) unique technology, and
- any other dimensions that might be important for a particular procurement.

2. Develop the list of most likely competitors

Now that customer needs are defined, you need a detailed and realistic understanding of the competitive landscape, normally developed through a formal Competitive Assessment. As above, this needs to be a fact-based assessment, as devoid of opinion as possible. The objective in this step is to evaluate your company and other companies as prime contractor candidates against the criteria developed in step 1, above.

Carefully consider how each competitor, your company included, fit the customer criteria, so that you can minimally answer the following questions:

- Based on this assessment, does there seem to be a favored provider or set of providers? Are you one of them?
- Do you have all the capabilities covered, or are there gaps?
- Are the gaps sufficiently minor that they may be filled with selected teaming? Or are the gaps central to program objectives and significant, perhaps implying that subcontracting may make more sense than attempting to prime?

3. Develop a candidate list of discriminators using the results of Competitive and Customer Assessment

This is the step “where the wheels tend to come off the track.” At this stage of the assessment, your capture team needs to identify fact-based differences between your company and the most likely competitor companies by working through two key questions:

- *How is your company **factually different** from the competitors?* The fact-based part of this is imperative. It is essential that the team have a factual, assertion-free foundation from which to complete the analysis. In doing so, you should list not only the positive ways you are discriminated but also the negative ways so as to develop a balanced perspective on the answer. Use the definitions above to start with a broad set of *Assets*, culling the first list down to *Strengths*, and then honing in on which *Strengths* are actually *Discriminators*, unique to our company/team.
- *What factual differences are relevant to this procurement*, that is, which of these match the criteria developed through the Customer Assessment and are likely candidates to be included in the RFP (sections L and M)? There may be any number of differences that exist, but only some of them will be important to the customer decision-maker and scored during source selection.

The differences you define that are both *fact-based* and *relevant* are actual *Discriminators* and may be used in the creation of effective arguments for why your company is best positioned to perform (and win).

What typically goes wrong: It is astonishing how often one will hear such things as:

- “...our customers really like us; they think we’re doing a great job...”
- “...we have cleared people and facilities...”
- “...the competitors are screwing up on a related job for the Customer...”

Such observations may be generally true, but they are rarely fact-based...and more to the point, may not be relevant to the exercise because they are not scored during source selection. Moreover, even if some are scored and based in fact, the likely absence of uniqueness disqualifies these examples as true *Discriminators*.

Such a pedantic approach to identifying discriminators may seem excessive, but without such discipline, win strategies developed for proposals either ring hollow or don’t actually set you apart from your competition. You do not want to develop a win strategy founded on elements that will not ultimately yield source selection evaluation points or set you apart from the

competition. So, what you need are hard, fact-based differences that when presented to the customer evaluation team will yield points for you, and not for ANY of your competitors. Such differences are true, and valuable, *Discriminators*.

4. Use these *Discriminators* to shape the procurement and position your team to win

If your team is out in front of the opportunity, you may find that the customers have not yet settled on critical elements of the procurement and are open to ideas from industry. In such a situation, the *Discriminators* you developed based on reasonable assumptions about the customer's needs may be effectively applied to shape the procurement, such that the result calls for, and scores, *Discriminators* that only your company/team can bring to the table.

Win Themes

5. End the process by using your *Discriminators* to develop thematic statements that embody the win strategy

A theme is an assertive statement, most often provided without any factual base on which to establish its credibility. Left to their own devices, inexperienced capture and proposal staff will develop and extensively use themes because they are much easier to create than *Discriminators*: no factual backup is required, and no relevancy or uniqueness tests are imposed.

If the capture team is permitted to use win themes *before* they have been required to go through the disciplined process of developing *Discriminators*, you may end up without a solid competitive foundation, often missing the essential uniqueness that would make your team stand apart from your competitors. Theme development should be prohibited until the capture team has slogged through the hard work of the competitive differentiation process and can tie themes to *Discriminators*. Starting with themes and then looking for supporting *Discriminators* is like constructing a building superstructure and then, after the fact, trying to create the foundation which will support it.

About ifour

Based in Vienna, Virginia, ifour, LLC helps companies identify, pursue and win business in the Federal IT, Homeland Security, DoD, Aerospace and O&M markets through superior market and competitive intelligence, business development support, and strategy consulting.

For more information on how ifour can help your business, contact:

Robert E. Lentz, President Emeritus
703.447.6833
rlentz@ifourllc.com



8100 Boone Boulevard
Suite 410
Vienna, VA 22182
www.ifourllc.com