



Analysis

Stopping Healthy Competition Turning into Destructive Rivalry

Nick Hood



Nick Hood
Senior Business
Advisor
Opus Business
Advisory Group

Biography

Nick Hood is the Senior Business Adviser at the Opus Business Advisory Group (<https://www.opusllp.com>), the largest independent advisory, restructuring and insolvency firm in the UK.

Nick was a licensed Insolvency Practitioner, working in the business rescue market for 25 years. He is a committed internationalist, having created the largest global network of independent business rescue firms and having also worked overseas in Canada, Milan and Bahrain.

In his earlier career and after qualifying as a Chartered Accountant in 1970, Nick held senior executive positions in major companies in the construction, engineering and media sectors, as well as working for a boutique investment bank.

Nick's thought leadership and opinion blogs for Opus can be found at <https://opusllp.com/resources/>.

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Abstract

Competition is a natural part of doing business. The urge to succeed is hard-wired into entrepreneurs and will always bring them head-to-head with other businesses in their market. What happens next could be positive or it could escalate into bitter rivalry, which damages profitability, heightens risk and threatens reputations. In this article, the author looks at the drivers behind competitive behaviour, the impact on staff and both its upsides and downsides, as well as providing tips for avoiding being side-tracked by an obsessive rivalry.

Introduction

Those of a certain age and with long memories will recall the “Dirty Tricks” scandal¹ in the 1990s when British Airways (BA) tried to undermine its then new rival, Virgin Atlantic. Concerned by the prospect of this challenge to its aviation supremacy, the BA Chairman is alleged to have told his chief executive “Do something about Branson”.

This has eerie echoes of Henry II’s instructions to his Barons to rid him of ‘that meddling priest’, the Archbishop of Canterbury, Thomas Becket. For BA, the



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reputational damage that followed took a long time to repair, while history shows the campaign against Virgin Atlantic to have been futile.

Much more recently, the world was treated to the unedifying experience of seeing two tech titans, Elon Musk and Mark Zuckerberg bickering in public about a proposed cage fight² to establish who was the superior 'bro'.

What lessons should business leaders learn from these and many other examples of what happens when competitors turn into no-holds barred rivals?



Aren't competition and rivalry the same thing?

These words are often used interchangeably about business conduct, but they are two different behaviours that grow from quite different roots. Competition flows from the very natural desire to perform better than competitors, but usually observing goals and ethos of a business. Rivalry means going much further and can stem from an obsession with winning at all odds. Acceptable commercial behaviour can be a casualty of this approach, which can thrust aside the principles that are supposed to guide and govern the business. Too often, things escalate out of hand.

When corporate issues get personal

No matter that the public posture shows two or more corporate entities battling it out for supremacy, most times the real fighting is happening between dominant individuals or small C-suite cliques within those companies. Business will always be personal, whether it is for founder entrepreneurs of early-stage companies or high-powered executive running major corporations. In some extreme cases, the



combatants could be different elements within a warring family, where ownership of the dynastic empire has been split to accommodate generational transition.

The unpleasant side of rivalries

Until the electric car revolution came along, everyone remembered Thomas Edison, the inventor of such revolutionary devices as the phonograph, the moving picture camera and the light bulb, but few would have come up with the name of his protégé and eventually his arch-rival, Nikola Tesla.

The two fell out over a broken promise of a reward for an invention. Tesla went on to discover AC current, as opposed to Edison's DC current. This morphed into one of the greatest invention and corporate battles³. Edison tried all he could to discredit Tesla's discovery, staging outrageous demonstrations in the process, including publicly electrocuting an elephant to demonstrate the dangers of Tesla's idea. In the long run, Tesla's AC technology won the war of currents, but Edison's General Electric corporation won the business war.

Killing pachyderms would be seen as an unacceptable extreme these days and the worst possible public relations, but in these days of fake news there are surely examples of deeply unpleasant and underhand tactics being used to discredit and damage rivals.



When blind rivalry blots out a business's objectives

Despite public misconceptions, many entrepreneurs are focused on much more than just making money. They really do fret about their reputation both in the business community and the wider world. They worry whether their innovation, commitment and hard work does more than just generate wealth for themselves. They can be surprisingly thin-skinned about adverse comment on how they and their colleagues run their businesses and whether those businesses behave responsibly in the commercial world and in the communities of which they are a part.

When rivalry gets out of hand, it's all too easy for owners and executives to forget why the business was set up, its ethos and what it is supposed to achieve. Headlong pursuit of first place in the corporate race can trample these principles into the dust, leaving the business with no moral compass. The medium and long-term implications may not be positive.

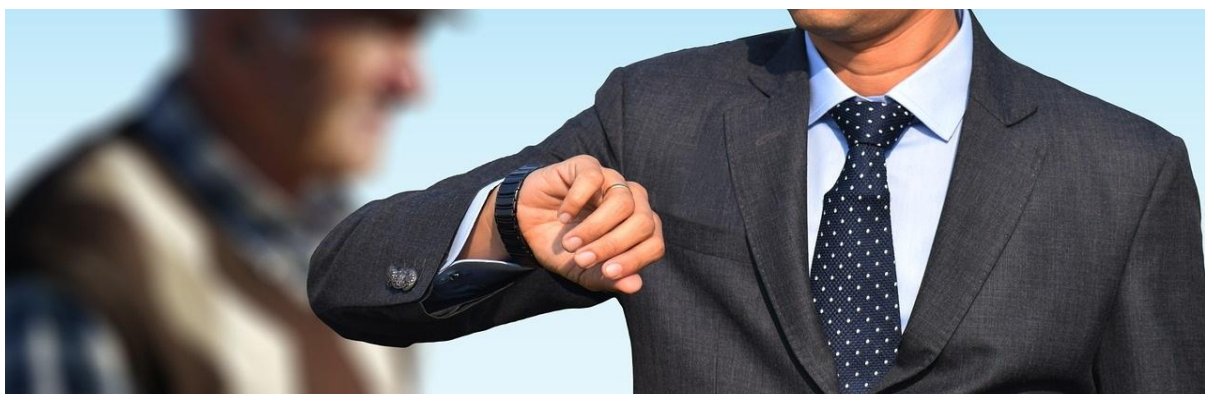


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Increased costs, lower margins, and greater risks

Excessive rivalry can distort a business model. Differentiation from a competitor can mean incurring significant capital investment. Winning greater market share may mean lowering prices or offering extra incentives to customers. It could also involve entering new markets with greater risk characteristics. There may be a temptation to relax credit management policies to win new customers or increase sales to existing customers, with the attendant risk of bad debts.



How do staff react to rivalries?

Employees are surprisingly aware of how their leaders behave, often more so than they are given credit for. The larger the company, the more hierarchical it will be and the more all levels are sensitive to corporate ethics. This is particularly true of younger Gen Z staff in their 20s and early 30s, who have far more complex instincts than the salary slaves of older generations. When rivalry goes wrong, the impact on morale can be disastrous, never mind if the business is a household name or a humble SME.

But there is another way to involve staff positively in healthy rivalries instead. Wise management can take advantage of competition to motivate staff and give them a role in the drive to succeed. Business-wide, objective competition can be wonderfully stimulating and productive, as opposed to ivory-tower commercial savagery which neither consults with staff, nor cares about their reaction.



Why competition can create a positive relationship not a rivalry

Competitors tend to have a lot in common and to know each other well. They can even form a sense of attachment over time, particularly in a market that regularly talks about them and their battles for supremacy. With goodwill and a positive attitude on both sides, competition can easily be turned into co-operation for each other's mutual benefit. During the pandemic there were many examples of competitors working together to solve common problems, or to help individuals, communities, and other businesses.

What lessons should be learnt?

The takeaways are surprisingly simple, though not always easy to apply in the heat of the moment:

- Stay loyal to business principles and objectives, no matter what the temptations may be.
- Never let rivalry push a business off course.
- Keep a sense of proportion about the wars fought with competitors.
- Listen to trusted advisers and key staff if they suggest a re-think of a competitive strategy.
- Be prepared to call a truce if a rivalry spirals out of control.

Reference

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- ² Frazier, K. (7 December 2023), 'Here's how the Zuckerberg-Musk rivalry escalated to that shirtless photo post'. Politico. Available at: <https://www.politico.com/news/2023/07/12/elon-musk-mark-zuckerberg-feuding-timeline-00105882>
- ³ Endesa (10 October 2019), 'Tesla versus Edison: the conflict that gave us alternating current'. Endesa. Available at: <https://www.endesa.com/en/the-e-face/biographies/tesla-edison-war>