FINANCIAL POST

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Here's when to pay attention to the competition — and when to ignore it

Brad Cherniak | February 9, 2015

Ben Nelms for Postmedia News files *Knowing when to focus on your competition comes down to timing.*

Should small business owners care what their competition is doing? One school of thought says the minute you start caring what your competitors are doing, you have lost your mojo. Another says, to paraphrase legendary baseball pitcher, Satchel Paige, you should definitely look back, because something is gaining on you.

The question is a tricky one for entrepreneurs, and it is time-dependent.

First and foremost, it is a question of need. If things are going great in your business, you are growing and gaining customers, your offering is being continually enhanced, and your internal resource pool deepened and broadened, then the question is, why bother monitoring your competition? It would seem to be a redundant use of resources that are probably already strained given your growth.

Growth almost always strains the resources of any small- to medium-sized business. Funding tends to follow growth, but meantime, growth uses up internal resources voraciously. So the optimal time to start focusing material resources on tracking your competition is probably when your core business growth arc looks to start slowing. Until that point, your internal resources are probably best spent on keeping your core business on track.

Another trigger for looking over your shoulder comes when you begin to think about your exit planning, harvesting the fruits of your labour. Your competitors may be prime candidates to sell your company to, or you might want to acquire them. It depends on your strategic plan, and your personal time horizons and objectives.

Finally, it can be an important element for growing companies looking to ultimately develop formal corporate governance and performance-tracking mechanisms. This is usually through boards of directors or advisory boards, and the use of key performance indicators.

KPIs are figures that track critical performance levels and trends, and compare them to key competitors as part of guiding the performance of the company on a forward-looking basis.

Second, it is a question of expediency. Once you have gone through your core business's main growth spurt, you may be in need of ideas to tuck-in to your business to bolster and maintain growth. This can come from investments in research and development and engineering, or acquisitions of new customer bases or product lines, or it can come from something as simple as copying what your best competitors are doing.

The big companies do it all the time. It's called keeping up with the Jones's. It is the somewhat darker side of business, the spying on and poaching ideas from competitors, legally of course. But it is done all the time. Why? Because it can be cheap and very productive, but takes some effort and commitment to do effectively.

Third, it is a question of what makes your business tick. There are those businesses that do everything by today's playbook. They are the 'best-practices' standard-bearers. Respected, but not necessarily loved or feared.

At the other end of the spectrum, there are those that don't seem to play by anyone's playbook. They seem to reinvent, or invent, the rules as they go. They are often not respected (at least in their own time), but can be admired, even loved or feared.

It comes down to the basic tenet that there are no iron-clad rules of small business akin to physical laws of nature, such as gravity or the speed of light. Social media and universal information and experience sharing can lend itself to the notion there is a right answer to any business decision — you just need to ask the right people, read the right blog, or collect enough opinions and take the average, also known as crowdsourcing.

This is largely a fallacy. They are tools, not outright solutions, and need to be applied to your specific situation along with a heavy dollop of gut instinct and intuition.

To sum up, there are tactical reasons to care what your competition is doing, but it is not necessarily the highest return-on-effort action you can take at any particular moment.

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