

Why Competitive Advantage Requires More Than Strong Teams

Why Strong Functions Can Still Create Organizational Silos

Attracting strong talent, developing deep functional expertise, and setting clear KPIs are fundamental to organizational effectiveness. Yet high performance within individual functions does not necessarily translate into strong performance at the organizational level. Different functions are accountable for different results. Sales focuses on revenue, HR on people, and manufacturing on productivity. Each therefore has legitimate reasons to optimize for its own objectives. The tension becomes apparent when an issue cuts across functional boundaries: decisions that make sense within each function can collectively work against the organization's broader objectives.

Companies often respond to functional silos by creating more opportunities for people across functions to interact through cross-functional forums, workshops, or informal networking. Such initiatives can strengthen relationships and mutual understanding, but they do not, by themselves, resolve the underlying issue. The source of these silos is structural, not simply interpersonal. Functions are designed around distinct objectives, priorities, and responsibilities. Addressing these structural barriers therefore requires more than bringing people closer together. Organizations need ways to align functions around what the organization as a whole is trying to achieve, despite their differing priorities and interests.

Value Creation Increasingly Spans Functional Boundaries

Strengthening individual functions remains important, but the sources of competitive advantage increasingly cut across functional boundaries. As companies move beyond standalone products toward services, subscriptions, platforms, and other models built around ongoing customer relationships, delivering a compelling proposition requires different parts of the organization to work together.

A manufacturer developing a subscription offering, for example, is not simply adding a new payment model to an existing product. Success may require product design, digital infrastructure, customer data, pricing, sales, and ongoing support to work together as a coherent system. Excellence in any one area may be necessary, but it is unlikely to be sufficient if the broader system fails to deliver the intended customer experience or business economics. As a result, sustainable competitive advantage depends not only on excellence within individual functions, but also on how effectively their capabilities are integrated to deliver value to customers.

Make Cross-Functional Collaboration Necessary, Not Aspirational

The need for cross-functional integration, however, does not mean that collaboration will emerge simply by encouraging people to work together. It takes shape when organizations tackle concrete business problems that no single function can solve independently. Examples include post-merger integration, supply-chain cost reduction, new business development, and operational improvements spanning sales, product development, and operations. Each requires multiple functions to contribute to a common outcome.

Consider post-merger integration. Sales may need to manage customer communication and integrate commercial organizations; HR may need to reconcile differences in performance management and compensation; and IT may need to integrate customer data and core systems. These workstreams cannot be managed independently. The design of the combined sales organization affects how people are deployed, and choices about systems integration can shape how customers are served. Addressing each functional issue in isolation is therefore unlikely to produce a coherent integration across the business.

The discussion therefore needs to move beyond what is optimal for each function and focus on what the organization is ultimately trying to achieve. Participants will naturally approach issues from the standpoint of the functions they represent. But if the discussion remains focused on reconciling individual interests, the shared objective can easily be lost. Reframing the discussion around the purpose of the initiative and the value it is intended to create for the organization shifts the focus from defending functional positions to determining what the shared problem actually requires.

Cross-functional collaboration should therefore not be treated as an objective in itself. The starting point is the problem to be solved, not collaboration itself. When that problem cannot be solved without contributions from multiple functions, the need to work across functional boundaries follows naturally. This sequence matters.

Turning Cross-Functional Success into Organizational Capability

A successful cross-functional initiative does more than deliver an immediate result. Its broader value lies in what the organization retains from the process and can apply to the next challenge. One successful project alone will not dismantle organizational silos, but it can begin to change how people work across them.

Examples might include sales and product development jointly translating customer feedback into product improvements, or procurement, manufacturing, and logistics achieving cost reductions that no function could have delivered independently. Even modest successes can matter. What is important is that the organization recognizes them as evidence that working across functional boundaries can produce results that isolated efforts cannot. Once the benefits of working across functions have been demonstrated in practice, subsequent collaboration becomes easier to initiate and execute. Psychological resistance to working across functions can diminish, while practical knowledge accumulates about whom to involve, how to divide responsibilities, and what principles to use when interests diverge. Teams no longer have to determine how to collaborate from first principles each time a new cross-functional challenge arises.

The critical step is to carry this learning beyond the initiative that produced it. As knowledge about how to work across boundaries becomes embedded in the organization, collaboration ceases to depend on individual projects or personal relationships and becomes a repeatable organizational capability that can be applied across different challenges.

Competitive Advantage Increasingly Extends Beyond the Boundaries of the Firm

The need to connect capabilities across functions does not stop at the boundaries of the firm. In many businesses, not all of the resources and expertise required to create value reside within a single company. Customers, suppliers, technology partners, and other external participants may hold capabilities that are essential to delivering the full value proposition. This means that strategy must account not only for the capabilities within the company, but also for those that reside across its broader business ecosystem.

Two Japanese companies illustrate this broader approach to value creation. Co-op Sapporo, a consumer cooperative based in Hokkaido, has expanded beyond grocery retail into services such as mobile retail and community-based health screening, working with local partners to address a broader range of community needs. MISUMI, a Japan-based provider of mechanical components for manufacturers, has developed a platform that connects customers with thousands of third-party manufacturers, enabling a broad range of components to be sourced through a single channel.

When the capabilities required for value creation are distributed across multiple organizations, competitive advantage depends increasingly on the ability to bring together participants with different interests and strengths around a shared purpose. This goes beyond simply forming partnerships. Companies need to determine who should participate, what role each should play, and how relationships among them should be structured so that their respective strengths reinforce one another.

Competitive advantage, therefore, depends not only on how strong an organization becomes internally, but also on how effectively it can integrate internal capabilities, collaborate across functions, and shape value creation across organizational boundaries.

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After joining Cap Gemini and Coca Cola, Kohki joined Revamp Corporation where he managed projects on global expansion and turnaround in various sectors including F&B, healthcare, retail, IT, etc. After joining IGPI, he has managed projects mainly on global expansion and cross border M&A in various sectors such as logistics, IT, telecom, retail, etc. In addition to his broad experience in implementing solutions that has been developed in Western countries, he has developed multiple methods to turnaround Asian companies with focus on setting clear vision and employee empowerment. Kohki has proven the practicality of these methods by turning around Asian companies not only as an advisor but also as senior management.

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