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Building Competitive Advantage: A Strategic Tool for Global Competition

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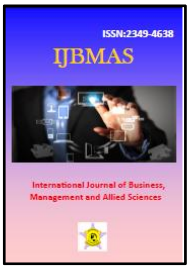

ABSTRACT
Today we are in the world where business organizations dominate global economies. Companies operate under heavy competition and to survive they need to perform little extra than the competitor to give them that edge called Competitive Advantage. Competitors that make their living in the same ways can't coexist, no more in business then in nature. A company must be different to have a unique advantage. If you consider organizations like Wal-mart, Tata, Reliance, you see this competitions played out. Each continues to survive, in some cases to go significantly. They have done so differentiating themselves. They have shaked out a position that they feel gives them competitive advantage in the eyes of the customer. Strategy is a search a plan of action, which will give you, your company and your product a competitive advantage. This begins by first looking at where you are and what you have at this point in time. The competitor who is most like you is your most dangerous competitor. The differences you uncover between you and that competitor are the basis of your competitive advantage. Whatever the company or product strength one must find a position in the product business areas where you can best defend yourself and your product. The purpose of this paper is to explore the relationship between Competitive priorities and competitive advantage and discuss different perspectives and approaches related to competitive advantage.
Keywords: Competition, Organizations, Competitiveness, Competitive Advantage.

Introduction

Globalization improved trade liberalization among nations that alter the historic patterns of investment, production and distribution of firms and organizations. While organizations are internationalized, strategic planning becomes an important tool for the growth of the firm, the improvement of competitiveness and the configuration of competitive advantage against other enterprises-competitors. At present the way in which customers, suppliers and enterprises interact has been seriously altered and so is the nature of competition. It has become increasingly necessary for the survival of the firms to remain ahead of the competitors and predators by differentiating themselves. Creating and sustaining completive advantage is one way of achieving this goal. To achieve competitive advantage, firms need to constantly focus on the identification of differential product strategies, building core competencies, acquiring unique technologies, and accumulation of intellectual property, all of which can be harnessed to make the company successful in a highly competitive marketplace.

Objectives of the study

1. Understanding the relationships between competitive priorities and competitive advantage.
2. Learning the concept of competitive advantage through considering different perspectives and approaches related to competitive advantage term.

Customer Orientation

Some of the most beautiful phrases have been coined to address the god like creature called customer. These include, customer – delight, customerisation, customer – orientation, customer focus and customer - centricity, and customer – astonishment. With globalization and internet, the status of customer is truly that of a very important person, though many organizations are still groping with the processes on how to treat him. For large business spread across large geographical areas and organized around functions and divisions, the new customer focus philosophy calls for a complete transformation in the very mental models of business administration. In the wake of BPR firms realized that value addition can be maximized only with a total customer focused approach, leading to the theoretical constructs such as TPM and TQM. TQM starts with the value chain and works out backwards. The task of adding value continuously is dynamic in nature and calls for continuous innovations in terms of reduction of costs, and tangible and intangible features like Kaizen approach.

Developing Partnerships

There should be a sense of Partnership between the concerned value creators and value users, which is developed by close interaction right from the design and conceptual stage. It calls for merging the artificial walls between the suppliers on the end and buyers on the other. Partnerships are necessary for promoting teamwork realizing a common purpose – which at minimum level means that each partner gains from the association as much as be able to survive, to sustain grow.

The passing away of "cost or differentiation theory"

According to Michael Porters generic competitive strategy firms have to either focus themselves on low cost strategy or on a differentiation strategy for superior performance to build competitive advantage. New evidence and technology development suggest that it is time firms consciously started pursuing both low cost and differentiation strategy simultaneously. Eliminating wastes, inventories and rework can minimize costs. Investing in brand equity and delivering superior services can maximize value. Thus along the value chain, firms have to innovate the process and activity which are pure costs, such as inbound and outbound logistics, sourcing, raw material inputs, production, administration etc. to minimize waste and maximize efficiencies. For downstream activities (closer). Towards the consumer firms must deliver augmented. In mass market customer has always wanted customized products at minimum prices. It was a limitation of technology and human imagination which could not deliver products on services on these two basic parameters with strides in it, it is much easier now for the firms to offer simultaneously offer differentiated product and delivering them at lower cost.

Leveraging Organizational Credibility

There is little doubt that the biggest intangible resource a company has is its market credibility and reputation as a business system (and not just the value of its brands). The frameworks for ethical systems must receive central attention in the strategic management of the firm. It must also be reflected in its day to day behaviour and in handling crisis situations where such systems are likely to be most severely tested. A credible supplier always supplies the right quality and quantity at the right time, a credible buyer always pays up by the agreed dates, and an a credible automobile salesman does not push third rate cards with second rate prices to unwary and trusting customers.

Product Brand – Equity: A brand reflects distinct identity roots and associations. The swoosh symbol of Nike has the distinctive image and association of athletic competitiveness anywhere in the world. In the hyper competitive globalized environment, a credible brand is the probably the best price differentiator and creates an effective entry barrier.

Firm Level Credibility: The TATA name connotes quality, assurance and trust. Nirma has an ambience of assurance for the common man of a reasonable quality detergent at a very competitive price. Obviously, firm level credibility is the outcome of several internally consistent strategic choices denoting a firm's competitive value.

Through Entrepreneurship and Innovation

Entrepreneurship and innovation plays a very important role in building competitive advantage for a company. It is the entrepreneurial manager who uses his engineering technology and marketing skills to introduce innovative products and make peoples life happy. That technological and managerial innovations will shape up tomorrow's competition more intensely is no doubt with the fusion of computers and telecommunications technology.

The entrepreneur constantly reorients his firm towards shifting consumer wants through a series of Market Research blended with intuition. The vision of Modern day Manager is of a Dynamic Professional, who combines risk taking with risk managing, infuses academic rigor to practice vigor, merges cold analysis with creative synthesis and learns from hindsight to build a distant foresight.

R&D and Technological innovations are closely linked

Though innovations in investment management and research and development are inextricably linked to firm's future competitiveness, the essential difference between the two is that the former is an organizational mindset and an output condition while the later is a tangible commitment of senior managers to create an infrastructure for carrying out the innovation. The essence of corporate entrepreneurship is captured by three interrelated components. Viz., product innovation, proactiveness and risk taking.

Product innovation:

It refers to the ability of the company to create new products or modify existing ones to meet the changing demands of the current or future markets. It is mostly the result of problem solving behavior.

Proactiveness: It refers to a company's capacity to beat competitors in introducing new products, services or technologies to the market. It also means the offensive or defensive measures a company may take before a event has occurred.

Risk Taking: It indicates a company's willingness to engage in ventures whose outcomes and results are uncertain. The employees understand that the leadership accepts failure as a logical outcome of risk taking behavior.

The point is that if organizations are to survive tomorrow, they need to act and think beyond cost cutting or seeking operational efficiencies and shift towards a culture of innovation and creativity. Organizing itself into a responsive, flexible, adaptable structure thereby creating conditions for a satisfied employee, organizational transformation and innovative solutions can do this.

Through Organizational Learning

For creating a competitive advantage and sustaining capacity to survive shocks, organizational needs, capabilities of learning, firms must invest time and energy in creating a culture of mutual learning and sharing. Managers that deny such investments are putting the very future of the firm on the block. The history of bank corrupt organization is replete with examples which became t3wo arrogant from one time success and simply refuse to learn that the modules of success may have undergone drastic changes. IBM and WANG laboratories pioneers and leading edge computer firms had to undergo sever pain and dislocation, as they stumbled in making internal changes in response to completion.

One of the benefits of globalization has been cross border and cross cultural teaching and learning. Large firms have the advantage of improving existing product, introducing new products and removing process bottlenecks by cross fertilization of ideas, exchange of information and transferred learning across geography. ICICI is one of the later entrants to retail banking in India. To keep itself in the leadership position ICICI bank insist that its employs are equipped with latest skills through conventional classroom training as well as cross functional mutual learning seminars.

Some of the distinctive competences of a learning organization are:

- **Retain customer focus**

For this to happen firms must encourage a culture of experimentation action and learning in such a model the organization can identify the weak links in its value chain and work towards reinforcing them.

- **Unique Integrative competences**

Integrative knowledge, held among a collection of employees is a unique resource which cannot be duplicated giving a distinctive competitive advantage to the organization for example, in a large hospital neurology and ophthalmology specialist can cool their knowledge to diagnosis say, a simple but sporadic and non curing head ache.

- **Technology management**

The democratic thinking sensitizes the organization and provides it the needed levers and mind sets to cope with shifts in the process adoption and creation of new technologies.

- **Developing process based group of thinking employees**

A group of highly motivated, dedicated peoples can synergies the institutional purpose and co ordinate activates towards increasing productivity.

Empowerment through learning – innovation

Empowerment results in ownership of problems and taking responsibility foe one’s decision –through managerial process and encouragement, even operational level – workers are converted in to leaders. The concept of Just – in – Time and SQC permits each machine operator to halt the entire assembly line if in his observations; the quality parameters are violating the acceptance limits. They need not go to the supervisors who in turn will ask for permissions from bosses sitting in far away regional or corporate headquarters.

Through Global Efficiencies

Through Globalization has received criticism on the basis that it is a threat to the domestic companies a closer analysis reveals that it can be an efficient tool to the companies in building competitive advantage. The global trend today is towards mergers and consolidations and towards complete solutions under one roof. Globalization is another name for optimizing and leveraging resources through global efficiencies economies of scale and scope. A global company buys in one part of the world, processes materials at other locations, and sells anywhere across the globe. Through technology and innovation, global companies seek to reduce wastages and improve throughput while maintaining to customize products and services to the local population. This process is called “Think Global and act Local”.

Global integration (GI) strategy provides strategic advantage to global firms over purely domestic firms because of greater economies of scale due to greater market access. Global economies of scale can be in the production as the production volume increases, per unit costs drip. It can shift labor – intensive operations to countries having abundant labor, and produce key components in countries enjoying comparative advantage in that particular business.

Learning on core competencies

Core competencies are those capabilities that are critical to a business achieving competitive advantage. The starting point for analyzing core competencies recognizing that competition between businesses is as much race for competence mastery as it is for market position and market power. Senior management cannot focus on all activities and competencies require undertaking them. So the goal is for the management the focus attention that really affects competitive advantage. The central idea is that over time companies may develop key areas of expertise, which are distinctive to the company and critical to the long – term growth.

Figure 1: Global competitive advantage: A 4Cs framework

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