УДК 339.13.2:802.0

COMPETITIVE ADVANTAGE

Dmitriyeva O.P.
Scientific supervisor - Associate professor Rizhova S.V.
Siberian Federal University

"Skill at creating, exploiting, and exiting crucial alliances beats ownership of fixed assets" Tom Peters

"Know thy enemy and know thy self and you will win a hundred battles." Sun-Tzu

"Lead, follow or get out of the way." Arab Proverb

Sustainable competitive advantage is achieved by the efficient synergy of resources and core competences within an organisation. This takes place through effective strategic management. Such management requires a strategic leadership able to adapt to an increasingly dynamic international business environment.

When a firm sustains profits that exceed its competitors, that firm can be said to possess a competitive advantage. The primary goal of strategic management is the achievement of sustainable competitive advantage.

Clever market positioning can provide many opportunities for temporary advantage, but these are easily emulated by competitors.

It is not sufficient for a company to distinguish itself by positioning; there must exist relative advantages for a certain organisation to fulfil that particular role.

By considering the sources of each force on an organisation, their market position can be better understood. Combined with the other external factors, this is known as the business macro-environment.

In Porter's model, competitive threats to a company can exist in five forms.

- Suppliers may force higher costs.
- Buyers might be able to bargain down prices.
- New entrants bring new production capacity and substantial resources
- Substitution of the companies' product with a rival's equivalent.
- Existing industry competitors are able to gain market share.

The appropriate competitive behaviour for an organisation depends not only on the macro-environment, but also on an analysis of the internal attributes of the organisation.

Considering the Micro Environment: Core Competencies and the Value-Chain

A common method of analysing the value of the activities performed by a commercial entity is the value-chain model. The process of value creation is segregated into distinct fields. As we move to the right, value is being added by the organisation; value recouped when the product is sold.

Organisations must evaluate where in the value-chain profits are created. These activities ought to be considered core competencies. Core competencies are those activities by which a organisation justifies its continued existence.

At least three tests can be applied to identify core competencies.

- Provides access to a wide variety of markets.
- Makes a significant contribution to the perceived customer benefit of the end product.
- Difficult for a competitors to imitate.

Core competencies are often tightly linked to critical success factors.

(CSF): those attributes that customers value in a supplier when choosing it in preference to others. The critical success factors differentiate a company from its competitors.

Effective strategic management seeks to develop and strengthen core competencies. It is through these that sustainable competitive advantages are achieved.

In order that core competencies can be identified and nurtured, the strategic leadership requires strategy. Without strategy there will be no coherence to the actions carried out further down the organisation. (If no strategy is needed, the question of why the strategic leadership's role is necessary must be answered.)

Numerous schemes for strategy formation have been proposed; ways of viewing strategy are often referred to as lenses. Each lens is valuable in considering strategy; but success is dependent on having a fact-based approach where options are considered dispassionately.

Commonly Used Lenses

Design: Strategy is a logical process that is arrived at the scientific analysis of facts. Planning should be driven by top management using logical tools.

Experience: The best course of action is whatever worked in the past. Historical knowledge is kept and referred to as a guide to future policy. Change tends to be an adaptation of past behaviour.

Ideas: Drawing on insight provided by scientific theories of complexity and evolution, this lens embraces the emergence of new behaviour through diversity. Management must be open to new ideas, while striving to promote a diversity of viewpoints and people.

As technology transforms the macro-environment, business are turning away from top-down planning schemes, towards more emergent bottom-up means of organising. It is felt that this will allow rapid adaptation to discontinuous changes in the marketplace

By persuasion, right-sizing or sheer charisma, the strategic leadership can and must deal with internal political conflict. It should be remembered that staff often oppose new ideas, because they are unworkable and bad for profits. Employees have a large stake in the future success of any organisation. Their opposition may be due to fear or laziness, but it can also be due to good judgement.

Fostering a culture of discussion between diverse views is important to planning: highlighting potential opportunities and obstacles.

There is a difference between intended strategy at the corporate level, and realised strategy on the business level; that is to say: what management wishes to occur, and what is in fact carried out. It is important to correct problems as they arise, not when they become impossible to ignore.

The core competencies which ought to be concentrated on are determined by the resources available. Interpreting strategy as the deployment, acquisition and disposal of resources means adopting a resource-based view.

Resources underpin strategic capabilities: capabilities that provide for the customer's needs. We can define strategic choices as either being fitting or stretching.

Fitting choices develop core competencies that make the most efficient use of existing resources. Stretching choices acquire resources to better match chosen core competencies. An organisation must properly balance stretch and fit in order to build sustainable competitive advantage.

There are four basic Types of Resource:Human Resource, Physical Asset, Intellectual Property, Financial Resources

Efficient synergy of resources and core competences within an organisation is aimed at improving cost efficiency. Cost efficiency is the amount of resources needed to produce a given product.

The relationship between an end-product and the resources needed to create it is often referred to as a value-network. A value-network is drawn outwards from a product to its components and their sub-components.

The definition of resources or their utilisation is never clear cut. Cost efficiencies can result from the sharing of knowledge, experience, branding, technology and skills. These too are resources.

In many service orientated business the primary resource of the firm is the social network of their employees. (Such intangible resources may make the appropriate size of a corporation greater than classical economics might predict.)

A resource-based view provides a framework within which the strategic leadership of an organisation can consider issues of scope. The scope of an organisation are those activities which it seeks to perform internally. Necessary activities which are outside of this scope are performed by suppliers.

Scope follows from an organisation's core competencies, but may include support functions. The scope of an organisation is the area of the value-network that it seeks to own. If the scope is well-aligned with the firm's core competences, then this will bring added value to the network.

A firm may operate more of the network than is efficient, if so it will destroy value, rendering itself less profitable. Often the centre of a corporation grows at the expense of firm's overall profits.

For this reason the overwhelming majority of mergers and acquisitions fail. The aim is to profiten, not necessarily to grow.

Competitive strategy must consider the long-term direction of the organisations which operate in its market. These directions will affect which parts of the value-network are attractive areas for expansion or profitable divestment.

In expanding a corporation might chose to move upstream in the value-chain, displacing its current suppliers; or downstream, displacing its customers. This is called vertical integration. A firm might also practicehorizontal integration, serving the same role across several different markets.

It may be that another organisation can better operate a area of a business. This can be exploited by selling the area [it is worth more to the other party], or transferring the functions to the more efficient organisation [it will be cheaper there]. The latter is often referred to as outsourcing.

The increasing ease with which products can be moved across borders is now beginning to affect all organisations. Even organisations which operate in only one nation are influenced, as competitors and partners alter their behaviours.

Consolidation across national boundaries can produce large cost savings for companies. The European Union's free trade system is leading to single warehouses and factories servicing several countries. Dell operates large sections of its technical support out of India, and maintains only two factories (both subcontracted) in the EU.

Areas of the developing world have relative advantages to the developed; making outsourcing to developing countries an attractive option. Often this is to exploit cheap labour (or for local labour to exploit foreign firms). China's manufacturing boom is driven by such outsourcing. Increasingly skilled labour is outsourced, particularly information technology roles.

With operating abroad comes a number of issues: 1) Expatriot staff must be properly compensated and assisted; 2) Local legal systems can be difficult to manuever through; 3)Culture can be a barrier, effort is needed on both sides.

Management should consider the potential problems alongside the benefits.

Sustainable competitive advantage is achieved through matching an organisation's core competencies to the value-network. Effective strategic management requires knowledge of the macro-environment and of the organisation itself.

Strategic leadership must consider changes in the business environment, seeking new opportunities for the organisation to adapt to. Internationalisation provides significant chances to achieve advantages though cross-border consolidation.