

STRATEGY AND COMPETITIVE ADVANTAGE

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COMPETITIVE ADVANTAGE

- Competitive advantage refers to factors that allow a company to produce goods or services better or more cheaply than its rivals. These factors allow the productive entity to generate more sales or superior margins compared to its market rivals.
- Gives a position of superiority to any organisation
- When a company able to create more economic value than its rival firm, that is competitive advantage.

COMPETITIVE ADVANTAGE: features

- Focused externally
- Does not come automatically from core competence
- Has to be developed with the help of organizational competence acquired.
- $CA = EV \text{ of a firm} - EV \text{ of rival firm}$

ECONOMIC VALUE

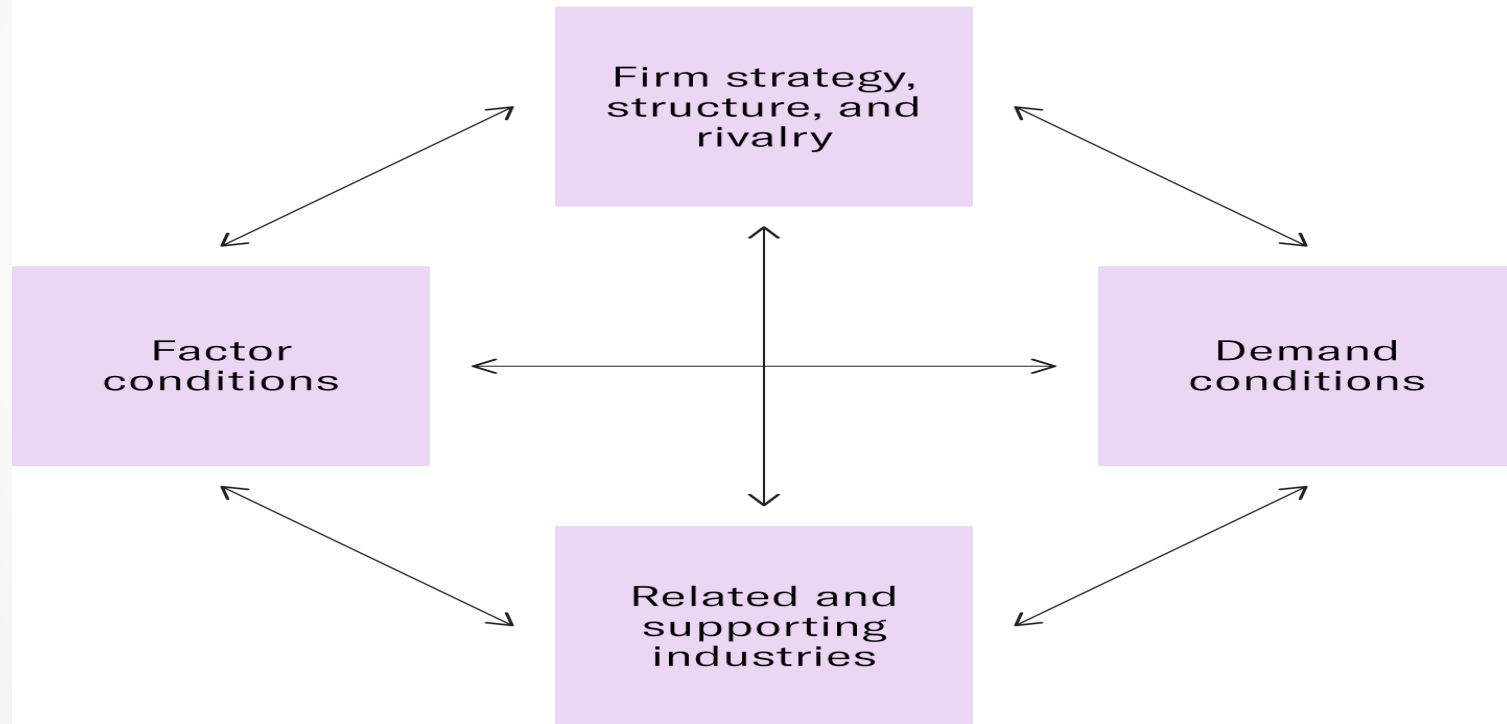
- What a customer can get over its cost
- Difference between perceived benefits and cost
- $EV = \text{Perceived benefits} - \text{cost of product}$

National competitive advantage

- a diamond-shaped framework that focuses on explaining why certain industries within a particular nation are competitive internationally, whereas others might not.
- Porter's theory stated that **a nation's competitiveness in an industry depends on the capacity of the industry to innovate and upgrade.**

Determinants of national competitive advantage

Determinants of National Competitive Advantage



Factor Conditions

Factor Conditions & Demand

- Inputs necessary to compete (labor, land, natural resources, capital, infrastructure). Nations are endowed with different factors, which relate to the competitive advantage role of those firms in the market. Stock of factors is less important than the rate at which these are applied and grown.
- **Human Resources-Quantity, skills, cost of personnel**
- **Physical Resources-abundance, accessibility, quality, location of physical resources**
- **Knowledge Resources-stock of trained people, university and market knowledge.**
- **Capital Resources- amt and cost of capital available to finance industry.**
- **Infrastructure-type, quality and user cost of inf. Available that affects competition**

Demand conditions

- Determine the rate and nature of improvement and innovation by the organisation that work towards training organisations for world class competition
- **Home demand holds,**
- Size and pattern of growth of home demand
- Composition of home demand
- Nation's home demand pulls the nation's product and services in to foreign market.

Firm strategy

The competitiveness of a nation is determined by the way different firms shape their strategies , both long run and short run.

An aggregate of strategy, structure, rivalry etc. that create advantage or disadvantages to competing firms in a country determines competitive advantage at the national level.

Support Industries

An industries competitive advantage is also determined on the basis of the conditions of related and supporting industries

Government

- Government is also one of the important determinant of national competitive advantage.
- Government may be direct or indirect in determining the national advantage.
- The policies of Govt. affect the various determinants described above.

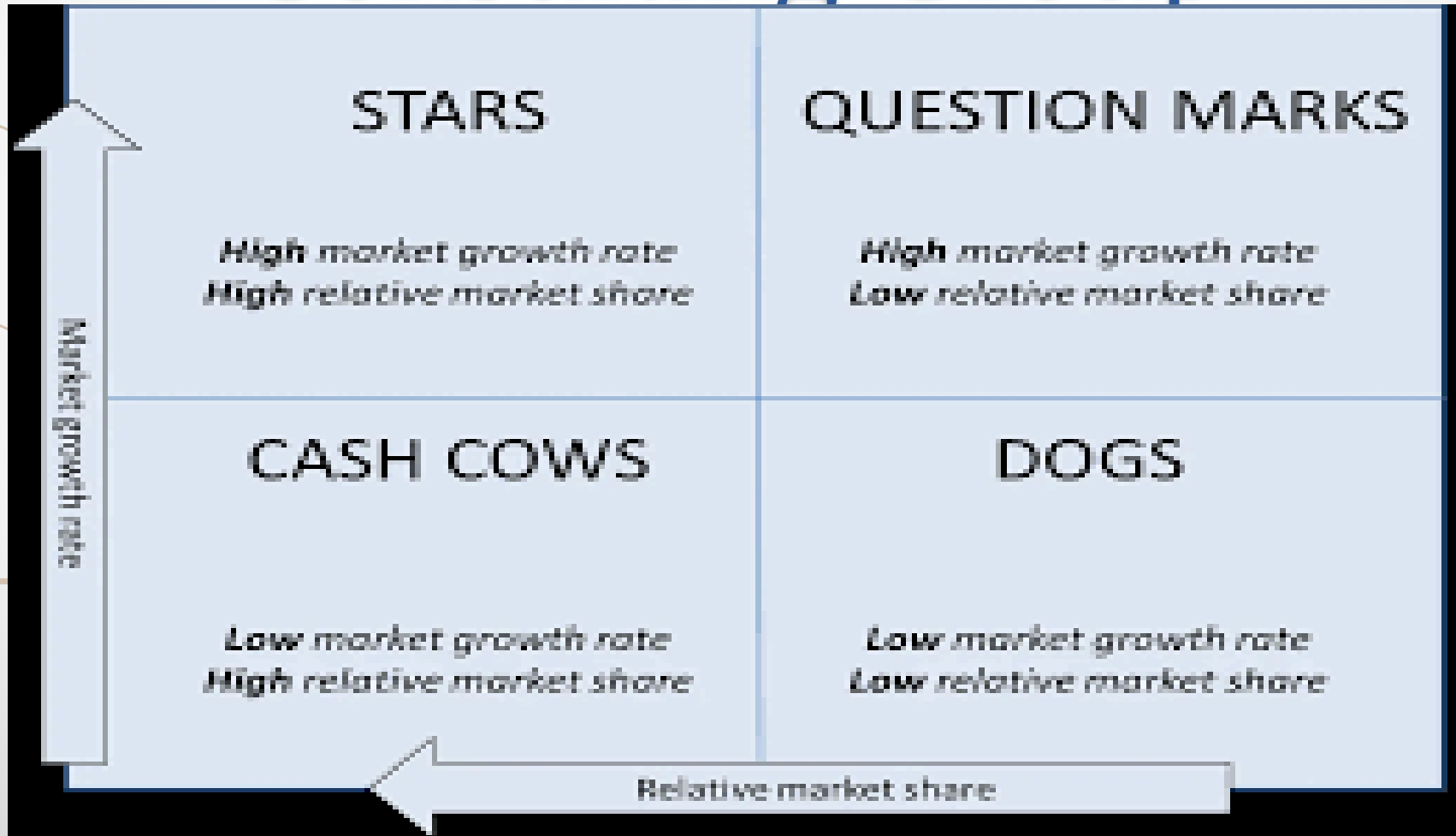
BCG matrix has been developed by Boston Consulting Group

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VOLUME: Profitability is linked with the size of market share. CA generated through either cost reduction or differentiation.

SPECIALISED: This quadrant exists when it is possible for an organisation to adopt many approaches to generate competitive advantage.

STALEMATED: It exists when meaningful product differentiation is not possible and at the same time the cost structure of the industry is rigid

FRAGMENTED: it shows that the organisation has many opportunities but profit there of is not much

Approaches for competitive advantage

- Generic competitive strategy
- Strategic intent
- Bench marking
- Synergistic approach
- Critical success approach

Generic competitive strategy matrix

It has two dimensions : competitive base and competitive scope

		Competitive Advantage	
		Lower Cost	Differentiation
Competitive Scope	Broad Target	1. Cost Leadership	2. Differentiation
	Narrow Target	3a. Cost Focus	3b. Differentiation Focus

Overall cost leadership

- Organisation produces at the least cost in the industry
- They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors.
- A low cost producer must find and exploit all sources of cost advantage.
- Organisation should have large market share to minimise cost of production.

Differentiation

- In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers.
- It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs.
- It is rewarded for its uniqueness with a premium price.

Cost focus

- The generic strategy of focus rests on the choice of a narrow competitive scope within an industry.
- The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others.

Focused differentiation

- To achieve advantage in a narrow segment of market or customer.
- Its based on the ability to create more customer value for narrowly targeted segment

STRATEGIC INTENT

- An organization's strategic intent is the purpose that it exists and why it will continue to exist, providing it maintains a competitive advantage.
- Strategic intent gives a picture about what an organization must get into immediately in order to achieve the company's vision.
- It motivates the people.

BENCH MARKING

- Benchmarking allows companies to identify their strengths and weaknesses compared to their competitors. This creates a level of awareness in the working environment, stimulating a culture of continuous improvement.
- **Competitive benchmarking** is a method for those who want to maintain an edge by knowing where they stand. It's a way of determining the best processes, strategies, and techniques for achieving your business goals via a set of metrics.

SYNERGISTIC APPROACH

- Synergy is important because it allows companies to achieve greater business efficiency and effectiveness as an organization. The effects of it can also boost employee morale, give companies a competitive advantage, increase customer satisfaction and expand market share.
- Synergy can be defined as the process of putting two or more elements together to achieve a sum total greater than the sum total of individual elements separately
- $1+1=3$ is the concept behind synergy

CRITICAL SUCCESS FACTORS APPROACH

- Key Success Factors (KSF) are the particular areas of an industry or business where a company can gain the most competitive advantage by focusing resources. They are the critical areas of “where to compete” and “how to compete.” Competing via the KFS means you attempt to do what everyone else does, but do it better.
- Key factors have significant importance on the success of an organisation.
- **Steps :**
 - **Generate critical success factors**
 - **Refining KSF in to objectives**
 - **Identify measures of performance**

Competitive advantage profile

- A Competitive Profile Matrix (CPM) is an analytical tool that provides necessary information of competitive advantage based on critical success factors and serves as the basis for an organization's strategy.

Competitive advantage profile

Key Success Factors	Weight	Company A		Competitor 1		Competitor 2	
		Score	Weighted Score	Score	Weighted Score	Score	Weighted Score
Innovation	0.25	4	1.00	4	1.00	3	0.75
Advertising	0.20	2	0.40	3	0.60	4	0.80
Brand Name	0.20	1	0.20	4	0.80	2	0.40
Product Quality	0.15	4	0.60	2	0.30	2	0.30
Customer Service	0.10	3	0.30	2	0.20	1	0.10
Price Competitiveness	0.05	3	0.15	3	0.15	4	0.20
Technological Competence	0.05	3	0.15	1	0.05	2	0.10
Total	1.00		2.80		3.10		2.65

THANK YOU