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Abstract

Today, the Business Environment is highly dynamic. Customers are demanding for competitive products/services. Firms are expected to be customer responsive and highly agile. To sustain their position in Industry, firms are performing external analysis to identify their opportunities/threats and are also performing Internal Analysis to identify their core competency. This is followed by developing and implementing strategies around their core competency which is considered as their source of Sustainable Competitive advantage. Some of the sources of Sustainable Competitive Advantage (SCA) include Low cost leadership, Quality, Speed, focusing on specific segment of the market, Innovation, developing human assets, Outsourcing, entering into Strategic Alliances, creating virtual organization, Knowledge Management, building a learning organization, etc. Today, the mantra to survive is ‘Bigger the Better’. Apart from exploiting the individual firm’s unique competency, firms are also entering into mergers and strategic alliances to improve their competitiveness in their industry. This study explores the various source of competitive advantage of selected companies that have employed them successfully. The strategies adopted by individual firms to sustain in market place will be explored and firms which are successful by merging or entering with strategic alliance with other companies will also be discussed.

Keywords: Competitive Advantage; Strategy; Mergers; Strategic Alliances

1. Introduction

Irrespective of the Industry, Firms profitability is attributed towards the way in which their resources and capabilities are identified, nurtured and utilized. In general, firms adopt any of the following two approaches to formulate and implement their strategy. One – The Market Focus Strategy and two – Resource based Strategy Rao, (2013) explains that in Market Focus Strategy, Firms study the external environment; identify an industry with the potential for above average returns and utilize the firm’s strength to grab the opportunity. But, in Resource based Strategy, Firm’s first identify and determine the potentials of their resources and capabilities, locate an industry that can be exploited by the firm’s capabilities and then utilize them to exploit the opportunity. In either of the approaches, the key for the firm to succeed
is to identify their core competency which serves as a source of SCA. This article discusses on how top strategists of various companies have identified the core competency of their company, nurtured/developed and exploited them to maximize their growth. By capturing the various sources of core competency and citing industrial example in a nutshell, this paper serves as a guideline to learn and explore on the various sources of SCA. The main objectives of the study are 1. To identify the core competencies that serves as sources of SCA, 2. To illustrate and discuss about successful companies employing various core competencies as their sources of SCA, and 3. To describe how each company is able to exploit their core competency as source of SCA.

2. Sustainable Competitive Advantage (SCA) – Meaning

Competitive Advantage is the distinctive competencies that set an organization apart from its competitors (Tiwana, 2002). Firm’s resources and capabilities are considered to be the source of Competitive Advantage (Figure 1). Resource based view (RBV) is the concept widely adopted to perform internal analysis of a firm and identify its Competitive advantage (Wang, 2014). It is formulated with the premise that firms possess a bundle of resources and capabilities (Wernerfelt, 1984) that provide the basis for SCA and superior profitability as shown below. A firm is said to possess Sustainable Competitive Advantage if its resources and capabilities are Valuable, Rare, In-Imitable and Non-Substitutable as per the Valuable Rare Inimitable Organization (VRIO Framework) capabilities to exploit resources efficiently (Barney, 1991). By using the RBV as the broad guideline, firms adopt Value Chain Analysis (VCA) or SWOT Analysis to aid Strategic Analysis and identify their strategies to compete in the market.

![Figure 1 Strategies, Resources, Capabilities and Competitive Advantage](source: Pearce and Robinson (2005) “Strategic Management – Formulation, Implementation & Control”)

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Value Chain Analysis deals with analyzing the various business activities of the firm, identifying critical activities that add value to customer of them improving them to delight customer similarly. SWOT Analysis is one of the traditional ways to analyzing strength, weakness opportunities and threats. By focusing and building strengths and maximizing the favorable opportunities in market place, firms gain competitive advantage.

Both, Value Chain Analysis & SWOT Analysis help firms to introspect themselves of identify their competency. This is followed by working & building their competency of exploiting their competency innovatively, firms can get sustainable competitive advantage.

3. Review of Literature

Soliman (2013) examined the critical role of ‘innovations’ as a driver for sustainable competitive advantages and has introduced a new model of global strategy based on Innovation, which was an addition to the other three well-known perspectives of global strategy (industry-based, resource-based, and institution-based views). He advocates that the four perspectives of strategy could lead to a complete set of factors that need to be analyzed for the formulation of global strategy. The model could assist organizations in sustaining their competitive advantages.

Gaya, Struwig, & Smith (2013) examined the role of resource based and activity based view of the firm in creating a sustainable competitive advantage and has conducted a case study on a consistently high performing firm in motor service industry in Kenya. The key findings of this study are that tangible resources should possess the characteristics of rarity, valuability, inimitability and unsubstitutability which create sustainable competitive advantage.

Mnjala (2014) analyzed how a firm can create a competitive advantage that enables it to be on the forefront in the market and in its general operations. In this article the importance of tangible resources and its role in creating sustainable competitive advantage is well analyzed and discussed in detail. In their discussion, they highlight that ‘sustainability’ is increasingly seen as an important element in responding to core strategic challenges of companies.

The author He, (2012) investigates the reasons for organizations which were not able to sustain their competitive advantage. The author views on how to maintain sustainable competitive advantage is also provided. They concluded that competitive advantage of organizations has a life cycle which starts from planned selection and subsequent resource accumulation and implies the continuous improvement and innovation. The author aims at helping the firm leaders to solve
complicated, uncertain management issues arising from today’s dynamic business areas.

Oliver (1997) suggested that the process of resource allocation have an important motive on business heterogeneity and sustainable competitive advantage. The author argues that a firm’s sustainable advantage depends on its ability to manage the institutional context of its resource decisions. He suggests that theory and research on external sources of competitive advantage should look beyond the resource and market characteristics of firms to government, society, and inter-firm important influences on firm variation.

Amit and Shoemaker (1993,) define capabilities in contrast to resources, as ‘a firm’s capacity to deploy resources, usually in combination using organizational processes, and effect a desired. They are information-based, tangible or intangible processes that are firm-specific and developed over time through complex interactions among the firm’s resources’.

Competitive advantage is an important concept because it defines the ‘uniqueness’ of an Organization vis-à-vis its competitors. The strategy by which the sustainable competitive advantage is gained is known as business level strategy of the organization. The internal resources capabilities of the organization that are a source of competitive advantage over rival firms are collectively known as the core competency of the organization (Zekiri, & Nedelea, 2012)

![Figure 2 Source of Competitive Advantage](source)

**Figure 2 Source of Competitive Advantage**


In the Contemporary contributions to Strategic Management, several sources of competitive advantage were identified and companies are already utilizing
them to succeed in their market (Rao, 2013). The various sources of Sustainable Competitive advantage are shown below:

Figure 3
Sources of Sustainable Competitive Advantage
Source: Author compiled

With reference to figure 3, the author justified the various sources of competitive advantage in the real-time with industry examples below.
4a. Speed as a Source of SCA

‘Agility’ is the buzzword today. Any firm which uses ‘Speed as the SCA’ will succeed in the digital world. Some of the Companies employing Speed as SCA include Google, Reliance Industries, Dell, ICICI Bank, etc. The Key competency of Reliance Industries is its ability to execute mega projects at great speed. Rao (2013) mentions the Critical Success Factor of ICICI bank is asset creation and funds consumption at remarkable speed, aggressive marketing efforts and technology driven initiatives. Rao (2013) discusses the case of Google, the leader in ‘Search engine’ and mentions “speed” of its Search Engine which is between 0.06 to 0.12 seconds as its SCA. ‘Speed’ has made these companies to attract and retain their customer base and have made them leaders in their own industry.

4b. Innovation as a Source of SCA

Any firm which cannot innovate cannot sustain in the dynamic market. “Innovation” has become the minimum pre-requisite in the global market. Some of the companies reaping the benefits of Continuous Innovation include Amazon, 3M, Cadbury’s, Intel, Apple, Toyota, etc. 3M is popular for its fast innovation, Rao (2013) mentions Cadbury’s is able to sustain its leadership in Confectionary market by innovating and introducing products in regular interval. Being considered as a risk-averse company concentrating on processes ‘Toyota’ has now emerged as a company, which always focus on creating and developing innovative products. Amazon, the market leader in ‘e-commerce’ has transformed itself to deliver value to customer by innovating continuously.

4c. Technology as a Source of SCA

The world has become very small and people are able to get their products/services at their doorstep within no time. This is made possible by ‘Technology’. The technology of an organization’s production processes can serve as source of SCA. Some of the companies employing technology to the maximum include Microsoft, McDonalds, Wal-mart, Intel, etc. At ‘Wal-mart’, all the transactions are monitored through electronic Information systems and it utilizes technology to manage their supply chain very effectively. Microsoft and Intel are well known for their excellence in developing, managing and using technology that lead to higher customer value.

4d. Quality as a Source of SCA

The credit to identify ‘Quality as a source of SCA’ is to be given to ‘Edward Deming’ and Japanese Industry (Besterfield, Michna, Besterfield, & Sacre, 2011). In a work ‘Out of Crisis’ by Groberg (n.d.) about Deming’s 14 points, the
The author stated that more productive environment would lead to increased profits and quality. He defines “Quality is the Continuous Improvement of all processes”. Many companies are adopting Quality as a source of SCA. Some of them include Toyota, Sony, Hero Honda, Xerox, IBM, etc. (Besterfield et al., 2011) Xerox – awarded with ‘Malcolm Balridge Quality Award’ is a pioneer in practicing Quality and had become the leader in ‘Document Management’. Toyota is the symbol of quality and most of the quality management practices emerged there. It always strives to operate efficiently and deliver unmatched quality. Hero Honda, the undisputed leader in Indian two wheeler industries relied on high quality manufacturing and represented durable resources that last over many product life cycles.

4e. Cost Leadership as a Source of SCA

‘Cost Leadership’ is one of the generic strategies (Figure 2) adopted by companies to attract mass customers (Thompson, Peteraf, Gamble, Strickland, & Jain, 2013). Some of the companies excelling in this regard include Wal-Mart, Dell, Southwest Airlines, Nike, etc. Wal-Mart adopts cost leadership by having enormous power over its suppliers. Even big companies like P&G are forced to offer great discounts to Wal-Mart which has become the destination for low price products. Similarly, South west airlines are positioned as low fare, short-haul and high frequency point to point carrier.

4f. People as a Source of SCA

‘People’ are key assets who can lead companies to greater heights. FedEx, Cisco, Hindustan Unilever, Walt Disney, Canon, Microsoft are some of the companies who value their employees to create SCA. FedEx delivers packages to the right person within no time because of its deliveryman who is highly dedicated and dynamic. Walt Disney and Coca-Cola are highly benefitted by creating synergy among their workforce.

4g. Supply Chain Management as a Source of SCA

DTC, Amazon, Wal-Mart, Pepsi, Coca Cola, Starbucks are employing Supply Chain Management as source of SCA. Starbucks, well known for its chain of coffee shops maintains excellent Supply chain and ensures that it will have supply at a reasonable price. Pepsi and Coca-Cola, the big giants in beverages industry are able to compete by establishing global supply chain. In the mid 1980’s, Dell concentrated on the delivery system and by eliminating the middleman, sold products to customers directly by integrating the company’s logistics with its suppliers. This helped as Competitive advantage in PC Industry.
4h. Knowledge Management as a Source of SCA

‘Knowledge’ is the understanding gained through experience or study. Awad and Ghazari (2007) defined ‘Knowledge Management as the process of capturing and making use of a firm’s collective expertise wherever it resides and distributing it to where it can help produce the biggest payoff’. Globally, industry has moved from production based culture towards knowledge based culture. Any company exploiting knowledge has a competitive edge. Knowledge Management include Knowledge Acquisition, Knowledge Sharing and Knowledge Utilization. Some companies are adopting KM as source of SCA. Awad and Ghazari (2007) include Canon, Texas Instruments, Motorola, Wipro, Hughes Software, Ernst & Young, etc.

4i. Outsourcing as a Source of SCA

Drucker (1989), Father of Modern Management said “Do what you do best and outsource the rest”. In business, ‘Outsourcing’ involves the contracting out of a business process to third party. Outsourcing has created modular organization. Modular Organization is an organization where the final product/service is based on the combination of several companies’ self-contained skills and capabilities (Pearce and Robinson, 2007). Dell, Philips, Motorola, Sony, Cisco are some of the companies adopting modular organization, Boeing, the leader in aviation industry is working with an Indian Software Company for developing its cockpit control software. P&G is implementing R&D Outsourcing strategy. Outsourcing serves as SCA by reducing cost, helps to focus on core critical activities and potentially utilize the expertise of the vendor company (Pearce and Robinson, 2005).

4j. R&D as a Source of SCA

Research and Development can become the Strength of an organization and serve as source of SCA. Companies like 3M consider R&D as investment and not as cost. They invest a portion of their profit in R&D efforts (3M Research & Development, n.d.). Other companies concentrating on R&D include Dr.Reddy’s, Ranbaxy, Microsoft, Intel, Samsung, Novartis,etc. R&D helps improve product differentiation (Figure 2), reduce marginal costs and introduce new product/services Rao (2013).

4k. Operations as a Source of SCA

Companies gain a commanding competitive advantage by managing the operations process which transforms inputs to high value adding products and services. Though Standardization help companies to produce high volumes at low cost, more variety is the expectation of customers (Stevenson, 2007). This is
accomplished by Mass Customization – A Strategy of producing standard products but with some degree of customization. Companies like 3M, Dell, United Colors of Benetton (UCB), HP adopt this method to gain SCA. Mass Customization includes delayed differentiation and Modular design. Delayed Differentiation is adopted by UCB. It manufactures sweaters in white collar and distributes it to different countries. Based on the choice of colors in specific country, dying is done. Similarly, PC manufacturer Dell employs modular design and manufactures various components of PC. Depending on the configuration requirement of customer, assembly is done after receiving order. This helps in simplification & catering to customers effectively.

4l. HR Process as a Source of SCA

The way an organization coordinates its people and resources serve as a source of SCA. McDonalds, FedEx, Gillette have excelled in coordinating their workforce and were able to achieve SCA. Though many companies can compete with McDonalds in fast-food industry, the manner by which McDonalds operate, coordinate their people and resources to produce hamburgers is still not able to be imitated by any other company. This makes HR as a source of SCA from a management process perspective (Rao, 2013). Quality of 3M R&D personnel is the key for its sustained growth. Committed people and their passion for excellence is the root cause for Pfizer’s success. Other companies successful in this regard include HCL, Citibank, Maruti, etc.

4m. Differentiation as a Source of SCA

Michael Porter advocates ‘Strategy is about setting yourself apart from the competition. It’s not just a matter of being better at what you do – it’s a matter of being different at what you do’. Mintzberg, Ahlstrand, Lampel (1998 ) Offering unique products/services than the competitors is a source of SCA. Companies adopting Differentiation include Rolex, Mercedes, FedEx, Apple, etc. Differentiation is adopted to serve customers who are ready to pay additional amount for the advantages they expect. Customers are ready to pay extra to Rolex for its Style, Mercedes for its Engineering Design and Performance, LG for its superior service. The drivers for Differentiation include unique product features, performance, technology, services, etc.

4n. Integration as a Source of SCA

Rao (2013) Integration is part of Michael Porter’s Grand Strategies. Broadly speaking a company can integrate horizontally and vertically. If the company integrates any other business in the same level of value chain then, it is called as Horizontal Integration. If the company integrates either in the forward or backward of the value chain; then it is referred to as Vertical Integration. By integrating forward or
Backward, companies are able to build SCA. Backward Integration helps the company to get control on the quality of supplies and Forward Integration help companies to control the way in which its products and services are sold and serviced. Amazon, Levi Strauss & Co, Starbucks are some of the companies which were able to build SCA through Integration.

40. Mergers as a Source of SCA

Companies can grow their business by adopting “Mergers & Acquisition as their growth strategy. Mergers occur when two organizations unite to form single enterprise and acquisition occurs when a large enterprise acquires a small firm are vice versa (David, 2008). Mergers take place when two firms decide to work together as a single entity. The combined big entity has many competitive advantages such as buying bulk quantities in discount, ability to store large inventory, mass distribution facility, advantageous pricing, etc. P&G, Reebok-Adidas, Vodafone-Idea, Airtel-Telenor are examples of mergers. It helps to make their facilities to be used to full potential, intense marketing can be done and operating costs can be cut down. R&D can be strengthened and they can compete with more strength and resources than before.

5. Summary

In the above paragraphs, the various sources of competitive advantage were identified and real time industrial examples are highlighted. Though there are various sources of SCA, each company has its own way of looking at things and transforms their SCA to improve their business performance. Though, Porter’s Cost Leadership, Focus and Differentiation are still in practice, the other sources of SCA play a significant role in the modern industrial world.

6. Conclusion

This paper provided a snapshot of the various sources of competitive advantage and cited several industrial examples by adopting secondary research. It focused on ‘Red Oceans’ – the industries in existence today – the known market (Kim and Mauborgne, 2005). In Red oceans, boundary is known and competitive rules are known. Here companies outperform their competitors to grab major portion of the market by employing the various sources of Sustainable Competitive advantage as discussed above. From the above discussion, it is clear that resources which are Valuable, Rare, In-Imitable and Non-Substitutable provide SCA for firms to grab a major share of the market share in their existing competitive world. With the emergence of Blue oceans – the industries that are not in existence today – the unknown market space where competition becomes irrelevant and opportunity to grow is abundant, it is suggested to explore the various sources of competitive advantage in
Blue Ocean market as scope for further research. Blue Ocean strategy focuses on Value Innovation – a blend of Cost and Differentiation, strives to increase the boundary of the market and emphasizes the role of fairness and Leadership. These three themes form the core of blue ocean strategy and a research focused on identifying the key sources of competitive advantage in this area is suggested.

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