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CHAPTER 2

THEORETICAL BASIS AND LITERATURE REVIEW

1. INTRODUCTION

An extensive body of literature focuses on a broad range of issues with regards to competitive advantage. A study of the literature on a sustainable competitive advantage (SCA) for businesses around the world resulted in the discovery that most focuses on two areas in which businesses must look for an SCA: superior resources and superior skills. Since the focus of this study is the role of the *marketing practitioner* in creating and maintaining the SCA of a business, this study will place specific and special focus on an additional area, **preferred or differential positioning**. A further distinction of this study will be broadening the area of skills to **superior competences** and dividing resources into **superior finite** and **superior infinite resources.**

The word ***superior*** may mean different things to different people, but this study will take the standpoint that, as long as the attribute or asset of the business is perceived as superior, in whatever manner or means, by customers and/or stakeholders/constituents of the business, that attribute will contribute to the SCA of the business. In addition, attributes or assets which directly or indirectly contribute to the improved financial performance of the company can be labeled as superior. The word ***superior*** is therefore clearly used in relation to the same or a similar attributes or assets, of any one of the businesses' competitors in the same industry or business, which are competing for the same dollar (rand/franc/mark/yen) of the same consumer.

This study is also of the view that, for different industries and different locations, different attributes or sources of advantage will play a role in the creation of a SCA. Therefore, rather than offering a linear model, of which the shear nature of the module would have forced the writer to place certain contributors at the top or bottom of a list, a circular model is presented. The circular conceptual model also illustrates the changing

or revolving nature of business; that is, the fact that the attribute or issue that led to a business's rise to fame and fortune today, may not do so in the future and visa versa. The model therefore suggests that sustainable competitive advantages can only be achieved through continued reinvestments in new competencies and new finite resources, supported by constant search for and investment in the most suitable market positioning. In the absence of constant monitoring of internal and external market forces, erosion of current competitive advantages or the critical strengthening thereof in the face of competitors' onslaughts, may lead to the long-term stagnation of the business and ultimately to the loss of CA(s) or even the closure of that business.

The circle with it radiating spokes further illustrates the interdependence and interrelation of the SCA issues and shows that the absence of one of the attributes or issues will break the links, and therefore the strength of the SCA Wheel. To reflect the belief of this study that each key source or issue will over time play a different or proportionally more or less important role as a source of or issue in the SCA of a business, each segment, represented by a spoke of the wheel, is of equal distance to the next. The sectors are represented as equal in size so that the size of each segment would not influence readers' perceptions. [Hereafter, resources, skills, competencies and positioning will be called "sources of SCA" or simply "sources".]

2. POTENTIAL CONDITIONS FOR AND SOURCES OF SUSTAINABLE COMPETITIVE ADVANTAGE (SCA)

2.1 CONDITIONS FOR SCA

A number of studies have explored the requirements for and conditions under which businesses will haveSCAs. (Bharadwaj et al. 1993; Barney 1991; Hamel and Prahalad 1991; Coyne 1985). Bharadwaj et al. repeat the four essential requirements for a resource or skill to be a source of SCA as set out by Barney (Italics in the original):

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1. It must be *valuable.*
2. It must be *rare* among a firm's current and potential competitors.
3. It must *be imperfectly imitable*.
4. There must not be any *strategically equivalent substitutes* for this resource.

The term *valuable* implies that the source contributes to the efficiency or effectiveness of the business and thus to the business's performance. A valuable resource, skill or strategic positioning can contribute to the sustainability of the business's CA only if it is simultaneously rare, that is, not held or possessed by and cannot be easily obtained by a large number of present or potential competitors. The author is of the opinion that this is only true in the case of finite resources, in which case, owning a part or parts of this rare resource will place the business in a superior position to its competitors. It is proposed that in the case of infinite resources, such as energy, passion, commitment, flexibility, and adaptability, the lack of rareness is not a problem. In this case the way in which these infinite resources are employed, honed and improved will deliver the SCA to the business.

The concepts and requirements for a SCA is based on the assumption that a value-creating strategy is executed by a business and is not being implemented simultaneously by a competitor, while the strategy also resists the eroding effects of competitors' short term counter-actions and medium- and long-term strategies. According to Lippman and Rumelt (1982) and Coyne (1985) resources, skills, and positioning can only be sources of SCA if they cannot be copied or imitated easily and cheaply or quickly.

Finally, they must not be able to be substituted by similar resources that would enable the current or future competitors to implement identical strategies, using similar or even very different resources, skill, or positioning mechanisms to obtain a SCA. These criteria support the argument of the author pertaining to infinite resources, since finding or creating superior levels of infinite resources, such as motivation, recognition, attitude, and innovation, could be either time-consuming or expensive or both. Further, although competitors may pursue similar strategies or resource applications or imitate specific

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application, for example, code-of-conduct agreements, the specific combination of attributes that constitutes the competencies and key drivers of their success, may elude them. The study recognizes and accepts the fact that unlimited resources, such as passion, motivation and creativity, are found in or are encapsulated by limited resources, such as human capital, recognition, awards and technological advancements. One has merely to look back to the original statements concerning limited resources as reflected by Barney and Lippman.

As argued earlier, the value of each resource or competency, and of preferred positioning does not lie merely in the source itself, but in its ability to enable the business to produce attributes or elements in the value chain at lower cost, or in such as way that it is of perceived value to the business's customers or potential customers in terms of their unique key buying criteria (Coyne 1985; Bharadwaj et al. 1993).

Another critical condition added by Treacy and Wiersema (1993) is the ability of a business *to adapt to* the changing internal and external environment, customers' key buying criteria and behavior, and/or its *ability to influence* the market place to such an extent that the source of SCA remains valid and real to the business and its current and potential customers. Therefore, ongoing investment in market research and reinvestment in new and improved sources of SCA is of utmost importance to the sustainability of a business's competitive advantage. Thus, sources of competitive advantage are sustainable only if they are valuable to the business and its customers; they are rare (i.e. not easily duplicated) and they have no easy strategic substitutes or imitations.

2.2 SOURCES OF SCA

Drawing on the work of Porter (1985), Hamel and Prahalad (1990), Hunt and Morgan (1995), sources of SCA exist only if they enable the business to produce a market offering that will be of value to a market segment (a set of customers) or potential segments. That is, a source will be considered a possible source of SCA, only if is allows

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the business to perform tasks in the value chain (Porter, 1985) more effectively and efficiently than its competitors.

Day and Wensley (1988) identified two main categories of sources of competitive advantages:

1. superior skills
2. superior resources.

Many authors have since elaborated on both categorical sources, expanding on the details of the specific skills and resources; as well as additional characteristics and requirements of these sources. Hunt and Morgan (1995) categorized these sources of SCA differently when they proposed that "potential resources can be most usefully categorized as:

1. financial,
2. physical,
3. human,
4. legal,
5. organizational,
6. informational, and
7. relational".

As expressed in the operational definition of SCA in this study, businesses need to conceive and implement value-creating strategies for sustained superior financial and market performance. "Superior" implies that a business seeks levels of application for its heterogeneous resources in the value-chain and in support of their differentiating strategies, to produce the necessary financial performance that exceeds their competitors'. (Hunt and Morgan 1995). These sources are, therefore, not merely the tangible ones, such as property, the labor force, technology and money; but intangible sources such as competencies, leadership skills, alliances, and time management, play a role that must be considered. In fact, some of the most important resources to be considered are those

intangible ones that collectively constitute the competencies and the culture of the business. Furthermore, although_infinite resources may be in available in abundance (and earlier in this study it was proposed that resources are only valuable if not employed by or available to the firm's competitors), the author is of the opinion that they have an important place on the model, since not all businesses are aware of the role they can play in creating and maintaining a competitive advantage and since firms must actively and proactively seek to bring these sources into there business and build and maintain them through the necessary actions and strategies.

It is therefore up to management and the leadership of the business to identify the finite and infinite resources, the complement of competencies, and the preferred positioning of the business that will be of greatest short-term, medium-term and strategic benefit to the business. The author argues, like Hunt and Morgan (1995), that resources, skills and positioning are significantly heterogeneous across firms. "This means that every firm has an assortment of resources that is at least in some ways unique" (Hunt and Morgan 1995). The author also argues that a unique assortment of resources has the potential to translate into a position of SCA, but that it will not necessarily do so.

Therefore, model should rather be seen a continuum of interrelated and interdependent potential sources of SCA, rather than as a bundle of sources or contributors from which management makes a selection. It is clear that the existence of superior resources on its own, without the necessary direction, strategy, and competencies to apply them, will not be sufficient to claim a SCA. Similarly, identifying a niche market and differentiating the business to claim a preferred position in that market, even when supported by highly competent management providing good direction, will not lead to superior financial performance, unless this positioning is supported by, for example, the correct cost structure, effective and efficient processes, market-orientated staff and products.

As discussed, a common thread throughout the literature that was investigated during this study, is the fact that researchers distinguish between two broad categories of sources of competitive advantage: resources and skills. For the purposes of this study two

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additional constructs will be added. A special category, "*preferred positioning*" will be added due to the nature and objectives of this study. Also, the category "unique resources" will be subdivided into "*superior finite resources* and *superior infinite resources*". This study will also broaden the area of distinctive skills (Barney 1985, Williams 1992, Lado, Boyd and Wright 1992) to *'superior competencies'*.

2.3 ADVANTAGES AND BENEFITS OF COMPETITIVE ADVANTAGES

Researchers and marketing practitioners agree that principally the sources in themselves are not the competitive advantage. Rather, they ignite, act as catalysts, or enable a business to perform the primary and secondary value activities that compose its value chain, either at a lower cost than its referents, who are often its closest competitors, or in a way that is perceived to have a differentiation advantage (Porter 1990; Barney 1991; Hamel 1991; Prahalad 1990; Hunt 1995). Superior resources and superior competencies do not inherently give the business a competitive advantage. They merely provide "the business an opportunity to leverage is skills and resources to achieve competitive cost and/or differentiation advantages" (Bharadwaj et al. 1993). Superior infinite and finite resources, superior competencies and preferred positioning facilitate the achievement of a SCA in the form of

1. superior customer value through a differentiated market offering, and/or
2. lower relative cost through cost leadership. (Porter 1985; Hunt and Morgan 1995; Bharadwaj et al. 1993.)

Hunt and Morgan (1995) argue that these two factors are really only secondary objectives, since the primary objective is "superior financial performance, which it pursues under conditions of imperfect information about customers and competitors." The author's view parallels that of Hunt and Morgan, and supports the view that "financial performance is indicated by such measures as profits and return on investments" and that "the rewards that flow to firms include not only stock dividends, capital appreciation, salaries, wages, and bonuses, but also promotions, prestige,

expanded career opportunities and feelings of accomplishment." (Porter 1990, Hunt and Morgan 1995).

A research study by Doyle and Wong (1997), reports that business performance could be assessed in the short-term by financial results, such as profits, return on capital, return on investment and in the long-term in market performance, such as sales growth, market share and customer satisfaction. They have found that "successful companies will seek to balance financial and market performance." "The best performing companies scored significantly higher on both financial and marketing measures of success. The finding suggests that these companies were pursuing robust strategies." The study also revealed that the most important driver of this performance was a differential advantage. Businesses do much better in the short- and long-term, if they are the preferred supplier, that is, if customers preferred to do business with them . The second most important driver of performance was seen as a market orientation, that is, a business philosophy rather than a set of activities executed by the marketing department. In this case, the business is seen to have real value-adding market offerings, "rather than trivial differences in packaging or advertising."

In the past accounting ratios and market measures have been used to indicate the financial performance of businesses. These measures have been criticized for "a) handling intangibles inadequately and (b) improper valuation of sources of competitive advantage" (Day and Wensley 1988; Bharadwaj et al. 1993). However, it is not the aim of this study to propose ways to *measure* performance outcomes or to provide *empirical tools* to evaluate SCA; therefore, further discussion of the merits and shortcomings of performance measures available to marketing practitioners, or those used in pervious studies, is beyond the scope of this study.

2.4 ADVANTAGES FROM THE CUSTOMER'S PERSPECTIVE

As discussed earlier, competitive advantage is expected to lead to superior financial and marketplace performance. This can be measured either through and inward focus on the

business's performance outcome measures as defined by management or the shareholders or through an outward focus, as measured and assessed by customers and competitors. Day and Wensley (1988) suggest using outwardly focused perspectives as provided by customers and competitors. As Bharadwaj, Varadarajan and Fahy (1993) note, all sources can only be considered sources of CA, if the offered benefits are desired by customers. Performance will then be linked to constructs such as branding, customer value, relationship and database marketing, alliances and business networks, continued investment in core competencies, etc. Drawing on Day and Wensley (1998) and Bharadwaj et al. (1993), the author is aligned with the proposal to use many different types of information to assess whether a SCA has been obtained, including measures of customer input such as satisfaction and loyalty, plus a competitor orientated focus such as relative resources and cost positions.

2.5 DURABILITY OF COMPETITIVE ADVANTAGES

"Every industry was once a growth industry. But some that are now riding a wave of growth enthusiasm are very much in the shadow of decline. Others, which are thought of as seasoned growth industries, have actually stopped growing. In every case the reason growth is threatened, slowed, or stopped is **NOT** because the market is saturated. It is because there has been a failure of management." (Theodore Levitt 1964 – Boldface and underline added.)

This quote from the early work of Theodore Levitt, and a quote from Emerson that says "Invention breeds invention", confirm what we can see daily in the marketplace; that is, that CA depreciates either slowly, or in quite fast in some cases, if not maintained, adapted or revised. Since the primary focus of all businesses, is to seek superior financial performance (with the obvious exclusion of non-profit organizations), businesses will by nature attempt to gain the comparative advantage and will through actions and strategies attempt to neutralize their competitor's advantages (Hunt and Morgan 1995).

Hunt and Morgan (1995) further argue that "sustainable superior financial performance occurs only when a firm's comparative advantage in resources continues to yield a position of competitive advantage despite the actions of competitors." The author proposes adding to this argument skills or competencies and the firm's positioning and other intangible such as brand, reputation, alliances and networks, information and communication. Further, drawing on the work of Brahadwaj et al. (1993), certain sources of CA "may be more enduring than others". Clearly the durability of a business's competitive advantage is contingent on many internal and external aspects involved in the practices, activities, policies and strategies of the business **and** those influencing the business.

Although the many papers could be found on the topic of sources of CA, not many focused on which advantages are **sustainable,** or why certain sources of CA would be more **durable** than others. Robert Grant (1991) points to four determinants of SCA: (1) durability of the source itself, (2) transparency, (3) transferability, and (4) replicability. In his paper "Sustainable Advantage", Ghemawat (1986) attempts to answer the question: " Which advantages tend to be sustainable and why?" He identifies three categories, they are: (1) targeted market, (2) superior access to resources or customers, and (3) restrictions on competitors' options.

Based on these and other studies (Barney 1991; Coyne 1985; Bharadwaj et al. 1993; Day and Wensley 1988; Doyle and Wong 1997), the author proposes that the sustainability of CA sources need to be discussed in close relation to the source itself. However, since the advantage is not only inherent to the sources, it is also dependent on the composition and combination of sources, management's ability to apply them in value-chain activities (Porter 1985, 1991), also in terms of certain overriding or generic and multi-dimensional issues.

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2.5.1 Competition

2.5.1.1 Competition in micro and macro economies

Hunt and Morgan (1995) explain the role of competition in the micro and macro economies and the "radical heterogeneity " of firms throughout the world. This study supports the Comparative Advantage Theory, as opposed to the Neoclassical Theory, in three ways. First, demand within an industry is "significantly heterogeneous and dynamic"; i.e. demand and even business motive are motivated by the constrained self-interest of customers and firms, and is constantly changing" (Dickson 1992). Second, relative competitive success is based on creating and maintaining a comparative advantage, rather than on quantity adjustment of either the produce or the plant and various resources. Third, the environment severely influences the businesses' conduct, market and financial performance.

2.5.1.2 Imperfection of information

Customer and competitive information is imperfect - and too costly in terms of time and money to perfect. With this in mind, it is obvious to deduce that some business achieve comparative advantages over their competitors through an element of "luck" (Barney 1986; Bharadwaj 1993; Hunt and Morgan 1995) as well as through the "sub-optimal decisions made by competitors" (Bharadwaj et al. 1993). This study argues that although perfect information is both illusive and practically impossible, the way to reduce the proportional role that so-called luck will play in the durability of a CA of a firm, is to adopt a strategy of constantly gathering and analyzing better environmental and organizational information than one's competitors (Barney 1986; Hunt and Morgan 1995; Bharadwaj et al. 1993).

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2.5.1.3 Barriers to sustaining an advantage

Although management's ability to identify, implement, monitor and adapt strategies, play a large role in sustaining a CA, one has to add the point as reflected by Ghemawat (1986) in the article "Sustainable Advantage": "Not all industries offer equal opportunities to sustain an advantage. First-mover advantages tend to be most potent in industries characterized by durable, irreversible, market-specific assets, either tangible or intangible. Industries that evolve gradually offer more room to sustain advantages than those that are regularly rocked by drastic changes in technology or demand. And sustainability is more accessible in industries with more than one dominant strategy because competitors may not have the same options they do."

2.5.1.4 Barriers to competitors

A large body of research and several articles exist on barriers to entry and barriers to imitation. They conclude that in the absence of competition there is obviously a greater chance that a business will retain its SCA. For this reason entry barriers, an asset of the industry rather than of the business, will be of benefit when aiming at ensuring the durability of a CA. Most authors also agree that, in the presence of competition, the durability of a firm's CA can be sustained and even prolonged, by introducing barriers to imitation and transferal. (Dierickx and Cool 1989; Grant 1991; Bharadwaj et al 1993; Hunt and Morgan 1995.)

Bharadwaj et al. proposes that barriers to imitation can be erected by using *isolating mechanisms*. These mechanisms are not merely "casual ambiguity" that would exist in the marketplace, but consciously designed factors to prevent rivalry in the industry. The **speed** at which competitors can imitate the firm's CA, will affect the sustainability of a firm's CA. (Grant 1991). Three ways in which to affect the speed, is through (1) the transparency, or access to information, of which source or specific assortment of sources underlies the rival's CA(s), (2) the

ability to duplicate, replicate these capabilities or sources, and (3) acquisition or transferability - amassing the resources, competencies and/or positioning required for effective rivalry. Lippman and Rumelt (1984) contend in their article on "*uncertain* imitability" that the greater the uncertainty within a market over how successful firms achieve their success, the more inhibiting to entry or imitation by rivals and the higher the level of profits established firms can maintain within the market. In contrast to this, Grant (1991) claims that pure *access* to a resource (take oil, precious metals, innovative skills and technology as examples) could be a limiting factor in duplicating a successful strategy. Further, transferability of resources - even if one's rival is aware of which resources they need to amass - could be limited by: geographical immobility, firm-specific resources and immobility due to the assortment of or combination of resources required for the CA (Grant 1991). Should imperfect transferability or a unique blend of firm competencies prevent a rival from duplicating sources of CA, a rival business could invest in internal capability replication. Some sources are easily replicated (e.g. accounting systems and associations), while others are much less easily replicable, such as those based on complex organizational systems and processes – "the inter-connective ness of resources/skills stock" (Fahy 1993). In some severe cases, "time compression diseconomies", referring to difficulties in "catching up", as well as "mass efficiencies" of replicating sources, may reduce the effectiveness of the replication by the rival business (Grant 1991; Bharadwaj et al. 1993). Bharadwaj et al. further argue that the use of tacit knowledge (more than codified knowledge) and presence of co-specialized assets will impede a rival's abilities to imitate new or sustained sources of CA.

2.5.1.5 Disadvantage of imitation

The author has made several points about preventing other businesses from benefiting from the success of our enterprise. In contrast to this, imitating successful competitors' activities and strategies could lead to a decline in a firm's

own SCA, since this may result in the firm overlooking vital environmental and organizational changes which may impact the future (Bonoma 1992).

2.5.2. Marketing Inertia

Levitt (1964) points out that it is through the failure of management that a business will lose its CA or growth potential. Thomas Bonoma (1992) labels the inability of management to adapt to market changes as "marketing inertia". The title of his article: "Market success can breed 'Marketing Inertia'", points to the reluctance of successful businesses to change practices and strategies, in the face of market and customers' attitude changes. [Bonoma mentions at least 5 ways in which to deal with management inertia, but the scope of this study prevents the further discussion thereof.] The author proposes that some of the most critical tasks of management with regards to SCA, is therefore to (1) to seek ways, pro-actively and consciously, in which to continually gather accurate information in order to recognize and understand current strategies, marketplace structures, market practices (including competitor actions and strategies), market conditions, customer preferences and customers' key purchasing drivers and behaviors better; (2) to select new or preferred strategies and tactics; (3) to implement or manage the chosen strategies and (4) to modify them as information becomes available.

Although management's ability to identify, implement, monitoring and adapt strategies, play a large role in sustaining a/the CA(s), one has to add the point as reflected in the article *Sustainable Advantage* by Ghemawat (1986): "Not all industries offer equal opportunities to sustain an advantage. First-mover advantages tend to be most potent in industries characterized by durable, irreversible, market-specific assets, either tangible or intangible. Industries that evolve gradually, offer more room to sustain advantages than those that are regularly rocked by drastic changes in technology or demand. And sustainability is more accessible in industries with more than one dominant strategy because competitors may not have the same options they do."

The real test for leadership is to identify the need to and the direction for change, before failure or disaster strikes!

3. INTRODUCTION TO THE DISCUSSION OF THE MODEL

Brief mention must be made of the interrelations and interdependence of the constructs and concepts encapsulated by the model before attempting to classify information into clearly defined segments. The reader will quickly notice that the concepts discussed might equally well have been discussed under a different construct, forming part of a different area (e.g. positioning, resources or competence), than in the area the author has selected. One example would be the importance of management's role in promoting and recognizing innovation. This concept could have been discussed under the headings "Leadership - and its Role in Defining Culture", " Role Models: Acting as Coaches and Mentors" , "Innovation and Creativity", "Recognition" or even "Human Capital".

Firstly, it is the view of the author that it will be impossible to find an absolutely, unassailable single category, since all aspects are interrelated and inter-connected. Secondly, the model is not a linear model as it does not attempt to classify sources, but rather to make sure that most, if not all, sources of competitive advantage are mentioned and that readers understand their possible role in creating a SCA for their businesses. Lastly and most importantly, corporate strategy and CAs is a system of interdependent parts. Their success depends not only on a diversity of elements and the quality of that element, but also on the combinations of these elements and their ability to reinforce one another.

3.1 PREFERRED POSITION

Most literature on CA broadly categorizes two **positional** advantages:
(1) cost leadership and, (2) differentiation advantages (Levitt 1980; Porter 1985; Bharadwaj et al. 1993; Pitt 1997). Cost leadership means delivering a parity market

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offering to the customer, whilst performing most activities at a lower cost than competitors. Differentiation advantages entails delivering an offering to customers for which they perceive the important attributes to be consistently different that the competitors' market offerings. Seen in the light of a global marketplace, with increasing levels of consumerism and competitors from previously non-competing industries entering the marketplace, to achieve a CA is becoming more difficult and more important.

The author argues, in agreement with others such as Levitt (1980), Gale (1994) and Pitt (1997), that marketers are - and will be increasingly - expected to balance their ability to be considered by the customer (i.e., have "qualifying attributes") and to be chosen by the customer (i.e. have "determinant attributes"), with the firm's need to keep costs to a minimum. It has been predicted - and reality has confirmed - that it will be increasingly "minor" attributes of market offerings that will distinguish competitive offerings, since there will be parity of the important attributes (Levitt 1980; D' Aveni 1994; Pitt 1997). As competition intensifies and customers become more demanding and sophisticated, marketing strategists and practitioners will increasingly need to identify dynamic sources of key value that can create a CA, not to mention a SCA.

The author further argues that the firm's choice about the place it owns in the mind of the customer is going to become of imperative value, and may even be the *only* distinguishing factor for imperfectly informed customers to make their buying decisions. Differentiation in terms of the firm's top-of-mind position, or perception of "conformance" (Gale 1994) may be the only difference in the customer's perception of value. Since customers have imperfect information and since it will be both too costly in terms of time and money to attain "perfect" information, they "take and chance" when buying products or services. The more information, choices, alternatives and qualifying attributes firms offer, the riskier and more complex their buying decisions, and the more they are likely to base buying decisions on "minor" attributes and proxies (e.g., reputation is a proxy for quality [Bharadwaj et al. 1993]), such as brand equity and value propositions. Further, the more difficult it becomes to evaluate the quality/value of key

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buying criteria, the more likely buyers are to allow brand reputation to act as a proxy for key buying criteria.

Finally, the author concludes that the marketplace of the future will increasingly be dominated by market players with new game strategies and by firms that have gained competitive advantages by "breaking the proverbial mold". Innovative new game strategies and strategic innovations have given businesses new ways to influence the environment, reshape market and customer behavior and will increasingly do so in the future. In addition to this, changes to almost all aspects of the business and its environment happen and will continue to happen at an increasingly rapid pace (Harvey and Denton 1999).

It is for these reasons that the conceptual model proposed here, gives recognition to this increased importance of positioning through differentiators, cost positioning, category definition and selection, and tactical and strategic leadership, including effective change management.

Following is a look at the individual constructs of Preferred Positioning.

3.1.1 Cost Positioning or Cost Leadership

Creating a market offering – a product, a service or a marketable idea - at a low cost, while achieving high value, is one of the many alternative sources businesses might wish to pursue in order to attain a CA or even SCAs. There are two clearly distinguishable areas of differentiation for cost: Low cost/ perceived high value and high cost/perceived high value (or exclusivity).

A study done by Doyle and Wong (1997) explored ways in which marketing can contribute, within the broader business model, to international competitiveness. One of the hypotheses researched was this: " Successful companies seek balanced financial and marketing performance". Their results showed very

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clearly that high performers set out to and achieve balanced performance in both financial and sales results.

In today's marketplace where many market offerings are forced to become commodities, identifying cost-cutting opportunities through economies of scale and economies of scope requires considerable insight, and is almost critical to the long-term survival of the enterprise. Economies of scale can be employed to take best advantage of, for example, large production plants, efficiencies of systems and procedures, on-going R&D investments, large supplier and distributor networks; thus reducing the unit cost of production and finally the cost to the consumer.

"Economies of scope are realized when a firm is able to market entirely new services with little added costs through networks or systems previously established for current services" (Bharadwaj et al. 1993. Marketing practitioners looking for SCAs may have to look no further than their current customer bases. Offering a broader set of products or services to their customer bases – with whom they should have intimate relationships and a collection of highly personalized data – may improve the firm's effectiveness and efficiency of dealing with their own customers, making it difficult for competitors to enter or expand.

For multi-business firms, opportunities to use cost and demand synergies in their favor and to the disadvantage of their competitors, may be encapsulated in:

1. the reduction of costs by sharing activities between businesses
2. increased revenues by cross-selling between different businesses in the firm's portfolio; and
3. shared competencies, resources, experiences and shared benefit of corporate reputation.

An important additional benefit stressed by Bharadwaj et al. (1993) is that "competitive cost and differentiation advantages associated with synergy are less

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likely to be imitated, because they are often achieved under a unique set of circumstances as well as on the basis of unique firm specific resources and skills base."

3.1.2 DIFFERENTIAL ADVANTAGES

The study by Doyle and Wong (1997, showed that " higher performers had considerably greater ratings for possessing a strong differential advantage." Firms have to do more than merely gain advantages through product and service innovations. That strategy will simply provide temporary advantages. They also have to prove to be a partner to do business consistently in the long-term. Successful business will have differential advantages in terms of products, services and overall company reputation. (Hamel and Prahalad 1994, Doyle and Wong 1997).

Differentiation or performing at a *distinguishable level in comparison to competitive businesses,* is obviously central to the concept of comparative advantages. It would, therefore, not be surprising to have the reader question the need to incorporate a separate construct for differentiating strategy under the heading "Preferred Positioning". In parallel with, and expanding on the works of, authors such as Hout et al. (1982), Porter and Millar (1985), Day and Fahey (1988), Baharadwaj et al. (1993), Hunt and Morgan (1995), Doyle and Wong (1997), Parasuraman (1997), Slater (1997, the author proposes to focus on the concepts of multi-unit businesses, global enterprises and issues such as size, scope and scale.

A dynamic strategy demands that businesses actively search for differentiators in the value chain. The strategy of differentiation entails becoming a long-term partner to customers, integrated into their value change and cost structure in such a way that the firm becomes indispensable as a business partner.

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In the arena of international competition, companies rely on global strategies to succeed in the marketplace - and market space. " That calls on the company to think of the world as one market instead of as a collection of national markets and sometimes requires decisions as unconventional as accepting projects with low ROIs, because of their competitive payoff. An organization with such a global focus formulates long-term strategy for the company as a whole and then orchestrates the strategies of local subsidiaries accordingly." Such businesses place their entire global system of product and market position against their competitors (Hout et al. 1982). They do business as a collection of multi-domestic firms, but rather as one enterprise with a common mission and vision in mind. "They all perceive competition as global and formulate strategy on an integrated, worldwide basis. This line of strategic analysis and strategy design may differ substantially from a strategy concerned with competitive advantages based on a small local competition base, or even a larger nationally confined competition base, and from businesses that performs as a group of multi-domestic stand-alone businesses."

This brings us to the issue economies of scale and economy of scope. (These economies of scale and scope have obvious implications on cost structures and costing strategies, but since it is of particular importance for global firms, it will be dealt with here.) These two issues are of obvious importance as potential source of competitive advantage for both goods and services industries and have been extensively researched and discussed in business literature. (Upah, 1980; Quinn and Gagnon, 1986; Porter, 1990; Peters, 1992; Bharadwaj et al., 1993).

Not all firms aspire to or even lend themselves to becoming a global market player. Should the economies of scale not lead to benefits with regards to a) reduced unit costs or, b) superior resource assortments and/or c) superior positioning (e.g. company reputation or service) that are greater than the additional cost of service that market, a firm may want to refrain from becoming a global player (Porter, 1985).

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There are almost always heavy investments required to realize the global potential, and there are obviously no guarantees that businesses will succeed. In taking the risks involved in globalization, such as having the CA compromised due to early mistakes, and increased investment in distribution costs, government barriers to trade; the business may gain some cost positioning benefits, and first-mover advantages such as access to limited or restricted resources and creating barriers to entries by competing firms, but the greatest CA might lie in gaining a proprietary advantage and brand equity, plus achieving high levels of market penetration due to early entry (Biro 1998). Mention must be made here of the risks of quick imitation by competitors, and thus questions about the sustainability of the CA should be thoroughly researched. A viewpoint offered by Bharadwaj et al. (1993) is that " competitive cost and differentiation advantages associated with synergy are less likely to be imitated, because these are often achieved under a unique set of circumstances as well as on the basis of unique firm-specific resources and skills base."

The issue of brand equity deserves a dedicated study of its own, but the author will attempt to do it justice under the construct of *Category* in the section: Preferred Positioning.

3.1.3 Distinctive Category

In their Book *The 22 Immutable Laws of Marketing*, Al Ries and Jack Trout (1994) refer to the second law of marketing as "the law of category". They content that a business will achieve increased levels of marketing success if it is able to find a distinguishable category (either in market offering, in brand positioning or in industry sector) in which to compete. They also contend that once a firm has attained the leadership position, in terms of perception by customers and potential customers, new entrants will actively search for ways in which imitate or replicate the firm with the CA. Given this argument, setting up

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barriers to entry and barriers to imitation and implication will distinguish the astute marketer from the rest of the pack. Since durability and ability to imitate and replicate has been discussed earlier, the author points out here merely that trade barriers may help a category leader to bar competitors from penetrating the market or limit their effectiveness upon entering the industry category. To slow competitors' responses down, marketers may use such discouragers or strategies, as the *brand equity* they have achieved by being a first-mover, "*owning*" the largest or most important *customers* in that industry segment, *blocking* competitors' *access* to distributors or retailers and *spatial preemption* (i.e. "taking the best spots" (Hout et al.1982).

Numerous articles of academic nature and in business literature refer to the concept of brand assets or brand equity. Aaker (1991) defines brand equity as "a set of brand assets and liabilities linked to a brand, its name and symbol that add or subtract from the value provided by a product to a firm and/or a firm's customers." Five categories of assets are set out in his article: (1) brand loyalty, (2) name awareness, (3) perceived quality, (4) brand associations, and (5) proprietary brand assets such as patents and symbols. Berry and Parasuraman (1991) add that in the case of services, the name of the firm itself could provide a firm with brand equity. This could be a source of CA, since a well-established brand will allow firms to expand or diversify into new market offerings and even new market categories at lower acquisition cost than their competitors. In an empirical study of marketing and competitive performance, Doyle and Wong (1997) have found that high performers understood branding values better, and invested more effort in training staff in marketing, than lower performance companies. In addition, higher performers "appreciate clearly expressed brand values were effective means of differentiating themselves and adding value."

To attain and retain a CA in the global market place, requires insight and vision, since business managers will have to preempt market trends, trends in consumer buying behavior, emerging markets and even marketplaces. Since most industries

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or industry categories have only a few customers that dominate the market (80/20 rule), category leaders should cement their CA by attaining and retaining the most important customers and prospects in that industry category. By blocking access to major customers, the category leader prevents current or prospective competitors from generating sufficient sales. (Hout et al. 1982) In similar vein, competitors may be denied access to distributors and retailers, through pre-emptitive and exclusive contracts.

Estate agents refer to physical location of a property or building as the 'location'. The value of the property is directly affected and in some cases absolutely determined by the location of that property. Similarly, in the sales of goods, there is clear evidence that the placement (location, geographic placement, shelf-space, etc.) of the goods plays a vital role in the sales success, especially when launched. In service goods, Allen (1988) argues that demand for a service is mostly based on convenience; ideal service location is of critical importance to initial and future successes. Taking a first-mover position in a new category, gives the pioneering firm spatial preemption by allowing it to identify prime property and strategic locations, denying competitors access to achieving better facility utilization. As discussed earlier increased response lag time will, in most cases, lead to a cost advantage and often differentiation and positioning advantages (Bharadwaj et al 1993). This is especially true in the case of multi-domestic, multi-unit and global companies. The sustainability of the advantage(s) will depend on both the firm's the leader ability (normally displayed by the leadership corps) to explore ways to sustain the advantage(s) and the competitors' (followers) ability to neutralize the advantage(s) enjoyed by the pioneering firm or leader.

3.1.4 Global Strategic Focus/(Leadership)

The selection and employment of business leaders could for obvious reasons resort under the heading *"Superior Competence"*. In this section the author looks mainly into the directional, leadership and executive role of management;

which is to recognize, understand, create, select, implement and modify strategies. In other words, to steer the business in defining its preferred positioning, finding and keeping superior resources and superior competencies, or combining resources in unique assortments and monitoring their success in order to modify in time, should it be necessary. In their article *The Comparative Advantage Theory of Competition*, Hunt & Morgan (1995) states: " The accumulated evidence, therefore, strongly supports our theory's position that environmental factors merely influence, not totally determine firm performance. In short, human agency matters. Strategic choices matter."

In parallel with this, Petrick et al (1999) points to four management practices for improving strategic competitiveness:

1. Global leadership skills
2. Executive oversight responsibilities for global corporate reputation
3. An annual global reputation audit and global awards
4. Rankings to focus momentum on the key intangible resources for SCA in the 21st century."

In short, leaders must make the decisions. Although the market place clearly plays a critical role in the success or failure of the firm, the marketplace does not determine the businesses' success. Superior resources and superior skills do not naturally migrate towards each other. It is the premise of the author that specialized resources are attracted and combined, channeled and developed into a synergistic whole to achieve a SCA. Similarly, the positioning (i.e. reputation, image and brand value) of a business is determined by a large number of factors, steered by people of the business. In the same vein, decisions about the assortment and combinations of resources is up to someone or some group of leaders. "Like all organizations, business corporations reflect the attitudes of the people who run them" (Doyle and Hooley, 1992).

In an article by Hout, Porter and Rudden (1982), they attempt to answer the question: " How do these American producers hold and even increase profitability against international competition?" Their answer was, "By forging integrated, global strategies to exploit their potential; and by having a long-term outlook, investing aggressively, managing factories carefully." The author believes that this is true of many global and multi-unit businesses around the world. Leaders are responsible for preempting market trends and setting organizational goals. They drive the direction or act as the role models for the *corporate culture* and mould their businesses over time with important decisions about, for example ethics, values and business procedures. It is the leaders who orchestrate the synergies and make sure that all energies drive in the same direction and towards to same corporate global goal (*capability leadership*). It is also these leaders who synchronize the strategies of multi-unit business into a harmonic whole. They hold overall responsibility for the integration of strategies and offer guidance and direction. They are often the *change catalysts* and *change agents* as well as the change managers of the enterprise. These leaders are, in effect, the CA. The rest of the resources and skills, are merely their tools to achieve their dreams and execute their strategies and visions. Although serious academic and popular business magazines of the nineties do not necessarily agree on the exact importance or priority of visionary leadership, they do seem to agree that leadership who fail to be visionaries, will not remain a competitive force for long (Giordan 1995; *Fortune Magazine* 1993)

It must be added that (1) not all leaders will be a source of CA for a business, and (2) the sustainability of this specific CA will depend largely on the individual leaders and their ability to communicate their insights and expertise and to optimize the potential of *all* the resources, both finite and finite, and all the competencies under their leadership. However, neither of these factors distracts from the importance of owning and honing the CA of leadership for the enterprise.

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The author has referred to the strategic orientation of the leadership corpse in the previous paragraphs. Much has been written about businesses' attempts to cope effectively with global competitive pressures while attempting to build and maintain CA(s). The scope of this study does not allow us to expand further on the important concept of a long-term, market-driven global strategy in creating a SCA. (See Day and Nedungadi 1994; Stalk et al. 1992; Day 1990; Hamel et al. 1989.)

The last word on leadership must be dedicated to the role of the management team to inspire and enthuse the employees, suppliers and customers about the value the business can add to their lives, or their jobs. It is said that the single biggest contributor to the success of two of the most famous business people, Bill Gates and John D. Rockefeller is/was their ability to inspire the people under their management. It is they who are/were responsible for getting people to believe in their visions of the future and helping them make those dreams realities. In the same vein, responsibility for exploring new basis of CA will almost always remain squarely and ultimately on the shoulders of leadership.

In his article:" Toward a General Theory of Competitive Rationality" (1992), Peter Dickson states, "Firms that are more competitive have a stronger drive to improve their marketplace performance, information systems and decision makers that are more sensitive tot changes in the environment, and superior implementation skills. The drive to improve depends on personal motivations, which in turn depends on personality, the reward system and ***the leadership and encouragement provided by superiors"*** *(Italics and boldface added).*

3.2 DISTINCTIVE OR SUPERIOR COMPETENCIES AND CAPABILITIES

Researchers generally capture this source of CA under the concept heading *unique skills (capabilities)*. Certain arguments, however, led the author to label the concept "distinctive competencies". Firstly, the author shares Bharadwaj's position that a unique

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assortment of and unique way in which leadership combines and extracts the optimal contribution of each one of its resources, provides the CA(s) by contributing to the value-chain. Secondly, skills in itself do not provide the SCA, but they provide only the opportunity for business leaders to "leverage its skills (and resources) to achieve cost and/or differentiation advantages" (Bharadwaj et al. 1993). Therefore, skills without the necessary experience and implementation expertise, coordination, synergy, organizational structures and business processes, will not achieve the desired SCA(s). Thirdly, in our opinion word *skills* is normally linked to a human being and, in the new era of technology-embodied competencies and knowledge and information-based economies, it would be an oversight to limit SCA to human skills and human competencies only.

The word *skill* could not be found in the 5 Marketing Dictionaries approached, but the Webster Encyclopedia Dictionary of the English Language (1970) defines *skills* as "having a familiar knowledge". Synonyms provided are: *adroit, clever, expert* and *apt. Competence*, in contrast, is defined as "the ideal psychological ability providing the basis for action". The Dictionary of Marketing Terms defines *distinctive competencies* as "the strengths of the firm". That is, "the particular characteristics of the firm that make it uniquely adapted to carry out its task(s) and to fulfill its purpose(s) in the industry within which it participates". Lastly, according to Stalk et al. (1992) most companies do not start out as capability-based competitors. Although the same skills and capabilities may be present, using them as sources of CA requires senior managers to undergo a paradigm shift. "The starting point is a fundamental shift in perception that allows them to see their business in terms of strategic capabilities. Then they begin to identify and link together essential business processes to serve customer needs. Finally, they can reshape the organization – to encourage the *new kind of behavior* necessary to make capabilities-based competition work" (italics added).

There is obviously a huge spectrum of competencies, not just across the border of different industries, but even within the same focus segment within the same industry. Competencies that work well and contributes successfully to the SCA of one business, may not necessarily work well for all companies. What will prevail though, are

competencies that are consistent with the vision and strategies of the specific business, given the operating context and different kinds of resources of that business (Collins and Montgomery 1998).

In their article "The Comparative Advantage Theory of Competition", Hunt and Morgan (1995) reconfirm the author's earlier argument that a comparative advantage will exist only if the *competency assortment* enables it to produce a market offering or offerings that, relative to extant offerings by competitors, (1) is perceived by some market segments to have superior value and/or (2) can be produced at lower costs. So, again, superior competence can translate into a CA, or even a SCA, but it will not necessarily do so. "Capabilities are often mutually exclusive; choosing the right ones is the essence of strategy." (Stalk et al. 1992).

The following two issues surfaced over and over in the literature on competencies:

1. Continued review of and reinvestment in core competencies, and
2 The ability of the leadership corpse to identify important competencies and skills and to assist all levels of staff to learn from the market and from each other.

Stalk et al. (1992) suggest four basic principles of capabilities-based competition and, therefore, CA: "(1) The building blocks of corporate strategy are not products and markets but business processes. (2) Competitive success depends on transforming a company's key processes into strategic capabilities that consistently provide superior value to the customer. (3) Companies create these capabilities by making strategic investments in a support infrastructure that links together and transcends traditional SBUs and functions. (4) Because capabilities necessarily cross functions, the champion of a capabilities-based strategy is the CEO."

Merely owning a set of capabilities will not provide a *sustainable/durable* competitive advantage. Once more, the role of leadership in recognizing, optimizing and nurturing the opportunities provided by a set - even a very good set - of capabilities, comes into play and must be stressed. (Prahalad and Hammel 1990; Dickson 1992; Stalk at al 1992;

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Lado et al. 1992; Bharadwaj et al. 1993; Terpstra 1994; Doyle and Wong 1997; Collins and Montgomery 1998.).

This brings us to the issue of *strategic selection.* It is obvious from earlier statements that the author argues that the role of management - in attaining the CA and sustaining the CA provided by the superior competencies - is of strategic value to the firm, and that although "luck" will play some role in the success (or failure) of a business's earning potential (Barney 1986, Manke 1974), the author argues, in parallel with Lado et al. that good fortune, or luck, may become a factor at the point where opportunity and acquired/cultivated firm-specific competencies and resource meet. The acquisition of superior competencies (and resources) is in contrast with *natural selection* , to the extent that a set of pro-active strategic actions and decisions leads to the CA, rather than "luck". In parallel with Lado et al. (1992), the author supports the perspective that SCA may be obtained when leadership creates and grasps internal and external opportunities - therefore the word *selection* - for superior competencies and capabilities , rather than executing mere choice from a set of given alternatives. This approach acknowledges management's pro-activeness in influencing market and financial performance and focuses attention on organizational variables important for creating and sustaining CA(s).

The concept of superior competencies with regards to the sustainability of CA, needs to be further developed by relating competencies to *ambiguity* (De Fillipi 1990, Lado et al. 1992). Lippman and Rumelt (1982) defined casual ambiguity as the "basic ambiguity concerning the nature of the causal connections between actions and results". They argued that creating and maintaining a CA requires continued investment in core competencies and expertise development that are (1) non-codifiable and non-explicitly replicable, (2) complexly interrelated to other knowledge-based competencies and (3) not easily transferable to alternative use without substantial costs (Reed and DeFillipi 1990; Williamson 1985; Winter 1987).

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Lado et al. (1992) produced a competency-based model of SCA, based on four components of a firm's distinctive competencies, that is, managerial competencies, and resource-based, transformation-based and output-based competencies.

3.2.1 Managerial & Leadership Competencies

The role of leadership in defining and directing resources and competencies towards a common vision and global strategy has been discussed under the heading "*Preferred Positioning*", but in order to give their contribution the merit it deserves, the author will place special focus on the role of management as it relates to competencies, which will be referred to as "managerial competencies". The basic premise is, in parallel with that of Lado et al. (1992) and Bourgeois (1984), that resources do not merely "accrue" but may be - and must be - systematically developed by the conscious choices and actions of the business's strategic leaders. The author further argues that defining and implementing a vision for the firm is a task of management that will form the core or foundation of the firm, around which all resources must be selected, developed and mobilized.[3)] Furthermore, top managers will have an instrumental role in interpreting and analyzing information received from the environment in order to identify opportunities and threats to the firm and its CA(s) and, in return, influencing the environment for best results. Similarly, the management team will play a pivotal role in identifying the strength and weaknesses of resources and exploiting all opportunities to optimize the contribution of the resources to the performance of the business.

Lado, Boyd and Wright further define their competency-based model in terms of resource-based, transformation-based and output-based competencies. The author will deal with the concepts of resource and output-based competencies under the

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[3)] This is in obvious contrast to the viewpoint of Kerr and Jackofski (1989) that management should be selected to "fit" the strategy.

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headings of *Infinite and Finite Resources*, below. (For a more detailed treatment of their line of thought see Schoemaker (1990), and Lado et al. (1992.))

Concerning transformation-based competencies, Lado, Boyd and Wright refer to concepts such as organizational culture, economies of scale and cost, value-chain contributors, change management and innovation and differentiation and have been dealt with or will be dealt with in other areas of this model, so the brief discussion ends with the following observations:
(a) All factors in this list do not accrue naturally, but are pro-actively created and driven by the efforts of the firm's agents; (b) all factors could, but will not necessarily contribute to SCA(s) and must be idiosyncratic to the business in order to provide a SCA; (c) all gains may be eroded over time through imitation, replication and shifting consumer buying trends and, therefore, reinvesting in competencies may not be enough to sustain the CA of a firm; (d) the afore-mentioned shifts and erosion of advantage must be monitored and countered by pro-active strategic decisions and tactical actions; and (e) should firms invest in competencies or resources (potential sources of CA), these sources should have the potential to generate exceptional/superior/above normal returns (Barney, 1986).

Collis and Montgomery (1998) profess that competencies and key resources are important to the firm, in that they are "at the heart of the corporate strategy". This corporate strategy, in return, is guided by how the business as a whole should and will create value. Since business is a system of interrelated parts, the success and CA depends not only on the "quality of the individual parts, but also on how the elements reinforce one another."

3.2.2 Human Resources/Human Capital/Employee-based Competencies

This study attempts to broaden the concept of managerial competencies by adding human resource management (HRM) or human capital (HC) as another important potential source of SCA. The nature of this study does not allow the luxury of in-depth study or discussion of the field of HRM, and the following brief statements will have to suffice in leading marketing practitioners to their own conclusion. Firms will have to find ways to become more productive, more efficient and more competitive. Empirical research confirms that businesses with sound staffing practices are more profitable than those without (Terpstra and Robinson 1992). Another article by David Terpstra (1994) identifies nine HRM practices that will contribute to CA by boosting employee performance and work-force productivity: The source of CA can be found in their HRM practices. These practices are (1) recruitment studies, (2) validation studies, (3) cognitive aptitude and ability tests, (4) biographical information banks, (5) structured interviews, (6) goal setting , (7) rigorous evaluations of development activities, (8) job design and (9) motivational practices. We share Terpstra's last word and overall sense of importance of the matter : "In the increasingly competitive environment that is emerging, managers will have little room for error. Potential employees and potential HRM (*and other management practices)* should be chosen on the basis of empirical data *(or thoroughly tested pilot cases)* " (Italics added).

3.2.3 Technology-Embodied Competencies

New technologies have, over the ages, offered in almost all industries, new avenues of competitive advantage(s). Take telemarketing and e-commerce as two cases in point. For those businesses eager to learn and to embrace the opportunities, the technological advancement have often opened doors to SCA(s). This is true in some cases, but not in all. Firms have to identify the opportunities offered by technological advancements, analyze their abilities to contribute to the key competencies (Collis and Montgomery 1998) and/or the value chain (Porter

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1990). They also have to analyze the probability of providing new ways to outperform competitors, the possibly build new or strengthened barriers to entry (Bharadwaj et al. 1993) or change the rules of the game completely (Porter and Millar 1985). After all this, they must decide how to implement/adapt it to suit their strategic imperative in the best possible way.

This study refers to a number of technologies, other than IT. These include all contributions by science to improve the efficiency of any of the business processes through tangible resources such as new production fibres like Polartec; new ways to communicate with customers such as by Internet and Short-Message Systems on cellular phones; new ways to distribute products, such as via direct channels, new product categories such as DVDs; new ordering methods, such as direct satellite communication systems and online inventory.

In this era of marketing in an information and knowledge intensive environment, it seems appropriate to dedicate a section to highlight some key points concerning the specialized area of information technology (IT). Gernstein (1987) defines IT as the collective means of assembling and electronically storing, transmitting, processing and retrieving words, numbers, images and sounds. This capability, is technology-based competence and is of obvious importance to firms, all of which have masses of data to collect and store. A large body of detailed insights from diverse fields of study (management, processes, project management, engineering, etc.) is available on this topic, and IT's obvious importance as a potential source of SCA cannot be denied. Drawing on the work of Bharadwaj et al. (1993), Glazer (1991), Little (1991), Porter (1990), and Prahalad (1990), this section will highlight some key points.

1. IT can assist in gaining a CA by providing firms with new ways to lower costs and/or to enhance differentiating value-chain contributors through benefits such as information bundling, service and product personalization.

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2. IT has the potential to make new technologies feasible, leading to new businesses, access to new markets or new products to existing markets.
3. IT can deter exit of customers by introducing or increasing the costs of switching, thereby making it more difficult for new entrants or competing businesses.
4. IT can reduce the response time to market and demand changes.

Several studies over the last decade or two can provide useful insights into the potential opportunities for capitalizing on information technology and the importance of IT as a source of CA: Bharadwaj et al. (1993), Benjamin et al., (1984), Cash and Konsynski (1985), Glazer (1991), Hawkins (1992), Little (1990), Porter & Millar (1985), and Weill (1992).

Businesses should continually invest in skills and capabilities that are strategically aligned with the business (Lado et al. 1992), causally ambiguous (Lippman, Rumelt 1982; Reed and DeFillipi 1990), not imperfectly mobile (Dierickx and Cool 1989). SCA requires the constant monitoring of and reinvesting in the present sources of advantage, as well as investing in other potential sources of advantage. In the words of Michael Porter (1985), " A firm must offer a moving target to its competitors, by reinvesting in order to continually improve its position."

3.3 Superior Resources

Normally the word *resources* bring to mind limiting factors and mostly tangibles, such as money, equipment, people, and technology. Since the purpose of this study is to provide marketing practitioners with a model against which to compare the businesses' strategies and tactics, "and rise above their current market and financial performance", the section on resources will be divided into two separate, but interrelated and interdependent concepts in order to give recognition to the diverse sources that should be considered

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when planning to achieve SCA(s). These are **superior infinite resources** and **superior finite resources.**

Superior infinite resources are those resources which, if nurtured and extracted to its full potential, can be considered to be in infinite supply. By definition, infinite resources are only limited by manager's and leadership's ability to exploit it to its fullest. The author;s self-designed list includes: Energy and Passion, Attitude & Balance, Self-worth & Self-responsibility, Motivation, Rewards & Recognition, Direction & Synergy, Creativity & Innovation, Flexibility/Responsiveness, Market-orientation , Quality, Ethics & Values, and Communication.

Finite resources are any and all resources that are limited by the capacity of the firm, the operating environment or simply by forces of nature such as: Data/Information; Time; Money; Technology; Assets, Capital, Patents; Human Capital; Alliances/Networks & Contracts. This distinction between finite and infinite resources is based on the a study of successful business leaders at the London School of Business (1999), which concluded that most exceptionally successful business people attribute their success to their possession of and focus on, optimizing the contribution of infinite resources, in contracts to popular belief that an abundance of finite resources may provide a "lucky few" with comparative advantage(s).

3.3.1 Superior Infinite Resources

"Business corporations reflect the attitudes of the people who run them " (Doyle and Hooley 1992). The author proposes that business reflect also, even if it is to a lesser extent, the attitudes, beliefs and values of the business agents who work in and for the firm. Although the premise of this study is that the exploitation and optimization for cost-benefit of all resources to a greater of lesser extent, plus the firm's ability to differentiate itself from its competitors, are the two means of ensuring SCA(s), the author considers the people who embody finite and infinite competencies/resources to be of greatest value, since all other sources and resources are mere tools and vehicles for the

thoughts and dreams of the individuals who execute the strategic and tactical plans. It can also be argued that cost and differential advantages can be realized when the infinite resources are present; and further, the more fine-tuned these infinite resources, the more likely it is that the contribution of finite resources will be optimized. The role of culture, motivation, innovation, and other infinites such as organizational culture has long been recognized by authors such as Alberts (989), Buzzell & Gale (1987), Hansen & Wernerfelt (1989) and Lado et al. (1992). In fact, it has been empirically shown that only 15 to 40% of a firm's performance can be attributed to economic factors, the rest is explained by factors such as managerial competencies and organizational climate or culture (Hansen & Wernerfelt 1989).

The following are two very important arguments to consider.
(1) As Day and Wensley (1988) point out with regards to all resources, superiority in infinite resources must translate into benefits desired by customers by reducing costs or by contributing to differential advantages for the firm. An example is that increased efficiency or self-drive of workers or work groups would lead to increased output and ultimately to lower costs. (2) Since by definition these resources are available to all firms in abundance, business will have to achieve some level of ambiguity over the factors responsible for this superiority or distinction to maintain some level of durability for advantage(s) gained (derived from Williamson 1985). Firms will have to consciously limit the imitability and transferability of their ability to optimize infinite resources. Constant review of methods and strategies, and reinvestment in existing and new ways to optimize infinite resources and build barriers to imitation or transfer, will be imperative to prevent the erosion of the competitive advantage(s) obtained through infinite resources.

Let's look at each concept (Energy and Passion, Attitude & Balance, Self-worth & Self-responsibility, Motivation, Rewards & Recognition, Direction &Synergy, Creativity & Innovation, Flexibility/Responsiveness, Market-orientation , Quality, Ethics & Values, Communication) under the construct of Infinite Resources, individually.

3.3.1.1 Energy, Passion, Attitude & Balance Self-worth, Self-drive & Self-responsibility

Although each of these sources could be dealt with - and probably deserves a special discussion - they are so intertwined and interdependent, that they will be dealt with as a unit. Furthermore, although these potential source of SCA has been taken from the fields of Human Resource Management (HRM) and psychology, the clever marketing practitioner will not ignore the role they can

play in creating a superior enterprise and will therefore actively plan for and seek ways in which to activate and enhance positive energy and a positive attitude to the business of the firm, as well as to the role each individual agent and constituent plays in building and maintaining the success of the firm. The prudent marketer will search for partners in other business areas who will take responsibility - or at least co-responsibility - for this human-resource-related focus areas.

One does not have to read many journals and niche magazines on successful salesmanship to how highly rated personal and individual attitude and passion are to their own success and, therefore, collectively to the success of the firm. Robert Heller, author of *Achieving Excellence* (1999), defines drive, passion and energy as the ability to concentrate mental and physical powers; to be determined and persevering reaching goals; to devote drive and energy to planning and action and to react forcefully to failure and reinforce success.

Stephen R. Covey , the highly renowned author of *The Seven Habits of Highly Effective People* (1992); Dennis Waitley, author of *The Psychology of Winning* (1999); and Anthony Robbins (1997), author and TV personality, agree that self-confidence and self-esteem (and, therefore, developing them in employees from the business's perspective) are critical attributes to reaching for superior performance and, ultimately, durable success. In addition, Stephen Covey

dedicates an entire section of his book to his 7th habit, "Sharpening the Saw". He discusses ways for humans (as employees) to have balanced lifestyles, where physical, mental, social, spiritual and emotional needs can be met, refreshed and renewed in order to optimize time spend on the previous six habits; which have to do with setting goals, finding ways to achieve them in an independent and interdependent fashion and generally achieving success in life and in one's chosen career.

In building further from the field of Human Resource Management (HRM) and psychology, Dickson (1992) confirms that organizations that encourage the self-improvement drive and reward learning and creativity are more likely to (a) attract self-driven employees and (b) develop as sense of shared learning and responsibility for the success (or failure) of the business. Managers who create a sense of urgency in improving information systems and promote a sensitivity to market changes and the individual's responsibility to alert the business and find solutions to market challenges, are far more likely to succeed than those who don't. Bill Gates, CEO and founder of Microsoft, mentioned "fundamental curiosity" and "honest, ethical and hard-working" as two of the 10 top-most qualities he looks for in the best and brightest employees. To unlock the true potential of each human resource, marketing practitioners will do well to search for superior and distinctive ways in which to enhance the natural energy, passion, confidence and self-drive of *all* employees of the firm or at least to act as catalyst in this regard.

3.3.1.2 Balance

Although balance is infinitely available to all who seek it - "when you need it, you have access to it" - balancing all the activities, goals, resource allocations and responsibilities of the business seem to be very difficult for most businesses to achieve. Robert Kaplan and David Norton (1997) designed the balanced-

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scorecard (BS) framework, which could assist firms to make potential sources of competitive advantage more tangible. Theirs is a systematic approach that translates the firm's strategy into objectives, measures, targets and initiatives. The emphasis of their system is that the business will find ways in which to focus on, monitor and control, report and rate all firm activities and the conformance (or non-conformance) of business units within the firm to the business's focus in 4 areas: (1) customer satisfaction, (2) internal financial performance, (3) internal business processes and (4) learning and growth. Each business is responsible to define its own "balance" and to measure the ability of all resources to work. There will be many scorecards for an organization; in fact each strategic business unit will/should have its own set of scorecards. "The BS is a performance measurement and reporting system that strikes a balance between financial and operating measures, links performance rewards and gives explicit recognition to the diversity of the organizational goals" (Horngren et al. 1999).

The effort to measure and control all activities should align the business's finite and infinite resources to its vision and goals and should lead to increased synergy. Further, the balance referred to in this chapter also highlights the need for all four elements to be monitored, controlled, and actively pursued for the business to be healthy and to use balance as a source of competitive advantage. How sustainable is this source? Since balance is very firm specific and directly related to the vision, goals, resources and daily activities of the firm, it is as durable as those variables are complex, immobile, non-replicable and not transferable.

3.3.1.3 Selection, Motivation, Rewards & Recognition

Modern human resource specialists seem to propose that motivated employees are hard to come by and that their motivation is almost solely their own doing or being. This author finds this view too narrow and too restrictive. It is obviously so that employee motivation is not totally within the control and influence of management, but opportunities to heighten employee motivation through a variety

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of ways exist and if missed, may rob the business of taking advantage of the abilities and capabilities of their agents to the fullest, thereby limiting their access to this source of SCA. The author acknowledges, however, that different employees will be affected differently by any and all proposed motivational efforts and that not all methods will motivate uniquely endowed employees in the same way. Similarly a suggested method may affect the same way. Similarly, a suggested method may affect the same employee in different ways at different times; under different conditions, needs, moods, personal goals; and at different career points (Grant, 1990).

A large bank of literature exists concerning employee motivation, but this discussion will be limited to the following principles discussed at length in Philip Grant's book *The effort-Net Return Model of Employee Motivation.*

1. Employees will be motivated when they perceive effort leads to performance,
2. Employees will be motivated when they perceive performance leads to rewards,
3. Employees will be motivated when they perceive a Performance-supportive cost structure, and
4. Employees will be motivated when they perceive little attraction from competitive goal and reward systems.

So why do competitive businesses need/want motivated employees? Several studies examine (a) the productivity gains, (b) reduced acquisition and retention costs of staff, and (c) increased job effectiveness through selecting, motivating and rewarding staff appropriately. (Boudreau 1979; Grant 1990; Hunter et al. 1983; Kernis 1995; Lawler 1995; Schmidt 1984; Schmidt et al. 1979). These results have obvious implications on financial and market performance measures, which in turn, measures the success of a business.

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Peter Dickson (1992) points out that selecting appropriate and task-structured rewards which relate to *rate of improvement* in performance rather than to the level of performance will attract and motive people that are never satisfied with stagnating or the status quo. He concludes his study on competitive efficiency by pointing out that high-performing businesses have a strong competitive drive that depends on personal motivation, "which in turn depends on personality, the reward system and the leadership and encouragement provided by supervisors." He suggests three implications for management: (1) to encourage a self-improvement drive in all levels of staff with incentive progammes that support this philosophy, (2) a "clan culture" (first suggested by Ouchi 1979), which nurtures shared learning a team work, and (3) rewards for individual employees for insights and ideas that lead to innovations or cost savings; with group profit sharing to encourage interdependence and efficient implementation.

3.3.1.4 Direction, Goals & Synergy

The author support the view of Hambrick et al. (1987) and Shrivastava and Nachman (1989) that managers are responsible for the development of and overall sense of direction and purpose of the business enterprise, and they guide the integration of strategy and implementation in the organization. The ability or inability of managers to offer all agents a sense of contribution, thus contributing to their sense of self-worth and ultimately to their energy and passion, will therefore, either contribute or detract from the contribution of these potential sources of SCA. All of the businesses' efforts need to be harnessed and coordinated in order to facilitate the achievement of preferred positioning, distinctive competencies and superior resources – with one ultimate goal: to offer value or perceived value to all potential and existing customers. This brings us once again to the conclusion of the importance of managerial competencies and strategic leadership as a potential source of SCA.

In the article "Strategic Intent," Hamel and Prahalad (1989) frames the phrase "strategic intent." This refers to a company's vision of a desired leadership position and leadership-established criteria the organization will use to chart its progress. They are quick to add, though, that strategic intent must also be more than simple ambition. "The concept also encompasses and active management process that includes: focusing the organization's attention on the essence of winning; motivating people by communicating the value of the target; leaving room for individual and team contributions; sustaining enthusiasm by providing new operational definitions as circumstances change; and using intent consistently to guide resources allocations." In terms of our focus at this time, an important addition is "Strategic intent sets targets that deserves personal effort and commitment."

In the field of HRM, David Terpstra (1994) provides conclusive evidence that organizations that employed the principles of goal setting, "reported median improvement in worker performance of 16 percent." Some other studies found goal-setting improved productivity with up to 95%. (Locke et al. 1980; Katzell & Guzzo 1983). Not only does goal-setting and goal-directed behavior increases productivity, but with increased feedback come increased effort and goal achievement as well. "Goal-setting applications are based on solid principles of motivation theory and the empirical evidence indicates that they work for many organizations" (Terpstra, 1994)

3.3.1.5 Creativity & Innovation

As the size and intensity of global competitiveness increases, so will businesses' search for new ways to identify new prospects, access existing and new markets and finding new means to achieve sustainable competitive advantages(s). Japanese product innovation strategies have enjoyed much attention and gained popularity in recent years (Flynn, 1994). "Total quality management (TQM) and "just in time" (JIT) concepts have been bandied about in the last few decades.

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What these leading concepts have in common, is the ability of the firm to generate creative new ways in which to use core and auxiliary competencies to increase positive rent.

In an aggressive and increasingly sophisticated marketplace, firms will need to embrace business reinvention, in order to hold their own. "Business reinvention will help firms improve total customer profitability, achieve sustainable growth and bolster shareholder value. A 4-step process is crucial to the success of any reinvention initiative. The process requires firms to understand the forces that drive market changes and be prepared to act on them; identify all potential members of the value chain, to identify needs, competences and weaknesses, and rectify any deficiencies, and finally achieve competitive advantage by envisaging and selecting new winning combinations." Four approaches are (1) reconfiguring the value chain, (2) channel innovation, (3) leveraging information and technology, and (4) product or value innovation (MCB Univ Press 1996).

In a study of 30 companies that had survived for more than 75 years, Shell Oil discovered that more than anything else, these companies' leaders had the ability to learn about changing marketplaces (De Geus, 1988). They were able to change their business models of consumer and competitor behavior and of their own businesses much more quickly than their competitors. Fast insight into marketplace changes gave them more lead time for innovation and imitation and, most importantly, for avoiding waste in crisis management. De Geus (1988) professes that manager's ability to learn faster and adapt more quickly than their competitors may be the "only (sustainable) competitive advantage the company of the future will have".

Although we have just referred to the insight, attitude and orientation of leadership, a culture of innovation and creativity must flow through and inspire the way of working for **all staff** (Peter Drucker 1985). All systems, processes, reward structures and development forums should consciously and actively assist

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in developing the mindset to question and build on the status quo in all levels of staff. According to Peter Dickson (1992), "firms that are more competitive have a stronger drive to improve their marketplace performance, are more sensitive to changes in the environment, and have superior implementation skills. This drive to improve depends on personal motivations, which in turn depend on personality, the reward system, and the leadership and encouragement provided by superiors."

Innovation is often based on some form of "adapted" imitation. The effectiveness and value of innovation/imitations often depends on accuracy of information and analysis of a firms' competitive environment, plus the competitive alertness and responsiveness of a firm (Dickson 1992). This brings us to the issue of responsiveness.

3.3.1.6 Flexibility/Responsiveness/Managing Change

Many researchers point out the importance of (a) sound market and competitor information and (b) the ability of a firm to coordinate the flows of information, to their responsiveness and flexibility (Drucker 1954; Eisenhardt and Brown 1998; Hayes and Wheelright 1984; MCB University Press 1996; Simon 1976). Dickson (1993) captures their sentiment: " The formal and informal flows of information within the organization are also critical determinants of the competitive alertness of a firm." The adept market practitioner and business leader will therefore invest effort in encouraging all agents and constituents to make use of readily available information and to openly share skills, knowledge and experience. "It *(the firm)* might also invest in training that encourages and open-minded use of readily available information" (Russo & Schoemaker, 1989).

The ability to react fast and timeously, is of obvious importance in a highly competitive marketplace with savvy customers and more demanding constituents. (Dickson 1992) Since most businesses cannot predict or plan for changing buyer behavior and discontinuities in competitor actions and strategies, (a) the open-

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minded market expertise of staff and (b) their responsiveness to shifts and threats of shifts are of utmost importance and a critical source of CA. This responsiveness and alertness may be compromised, affecting the durability of the CA, should a high enough proportion of resources not be spent on organizational learning and on continuous and accurate information gathering processes.

Hayes and Wheelright (1984) points out that unbalanced expenditure of intellectual and monetary resources on opportunistic profit-seeking methods, such as tax minimization by finding loopholes, restructuring of current assets and exploiting information about property and shares markets, may take critically needed limited resources away from areas such as marketing, research and development, and product and technological expertise. This will make the firm less alert, less responsive and ultimately less competitive in the marketplace. In an empirical study by Doyle and Wong (1997), there was a statistically significant difference in performance at innovation between successful and non-successful companies. Successful companies tend to rate much higher on innovation in product development, service and distribution channel development; and it was further shown that these successful companies place much greater emphasis thatn others on learning about customers and their problems. "Staff were expected to be more pro-active in searching for new market opportunities and more comprehensive training programs were expected to be in place" (Doyle and Wong 1997).

The alertness to a deliberate, relentless, conscious search for competitor and customer need-changes and ways for the firm to address them, forges an explicit connection between competition, the marketing concept of serving the customer and the self-interest and rent-seeking interest of businesses. (For more details see Day and Wensley 1988; Dickson 1992).

3.3.1.7 Market Orientation

A large body of literature exists with regards to the role of market orientation in SCA. Studies can be traced back to the work of Day and Wensley (1988) and the earliest work of Kohli and Jaworski (1990). But more recently, almost any business article or academic study on competitive advantage(s) refers to or includes a section on the potential role of this **internal** resource which involves a understanding of and deliberate pursuit of meeting the challenges of the changing strategies and actions of competitors and needs of customers and constituents. (Narver and Slater 1990; 1995; Jaworski & Kohli 1990; 1993; 1996; Hunt and Morgan 1996).

Although not all authors provide the same conceptualization of the term, they share similar components: it defines an outward focus on customers and competitors. Kohli and Jaworski (1990) view market orientation as the implementation of the marketing concept as a process of (a) gathering and analyzing information on customer needs and wants, (b) sharing the information throughout the organization, and (c) responding with actions and tactics to meet customer's needs. Day (1994) focused on the increased ability of firms to react to customer's needs faster than competitors.

Narver & Slater (1990) highlights an important aspect of market orientation in viewing it as an organizational culture containing three behavioral components: (1) understanding the target market (customer orientation), (2) competitor orientation (SWOT of key competitors), and (3) inter-functional coordination (all departments contribute to the value-chain for targeted customers). The latter point is reiterated by a number of more recent articles (Doyle & Wong 1997; Garvin1995; Hunt & Morgan 1995; Varadarajan and Jayachandran 1999; Naver and Slater 1994; De Loitte and Touche 2000) which points toward the ability of firms to gain insights which could potentially provide them with differentiating and superior innovations or adaptations to current processes and strategies.

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Since market orientation employs intangible resources such as informational and organizational resources, it can serve as a source of SCA (Hunt and Morgan 1995). As has been said many times before, the durability will depend on the rarity, imperfect imitability, immobility and ambiguity of the resource. So is market orientation rare? Hunt & Morgan (1995) answers this question in their article "The Comparative Advantage Theory of Competition". They refer to two studies (Narver and Slater (1990); Jaworski and Kohli 1993) which confirm that it is indeed a rare both in commodity and non-commodity businesses and that "it is an important determinant of profitability". In their empirical study, Doyle and Wong (1997) postulates and proves beyond doubt that, "companies with a strong market orientation are much more likely to be high performers. *A market orientation is the route to building customer preference.* Not surprisingly, a market orientation was the second most important driver of performance [4]. In high performing companies marketing was seen as a total business philosophy rather than an activity undertaken by the marketing department" (italics added)

3.3.1.8 Quality/Company Reputation

" The global leadership skills of behavior complexity and stewardship development that contribute to corporate reputational capital are key intangible resources that leverage sustainable competitive advantage in the 21st century. Reputational capital is an important component of social capital that solidifies credibility, reliability, responsibility, trustworthiness and accountability." (Petrick et al. 1999). Petrick et al. identify four management practices for enhancing reputational capital and CA(s): (1) the provision of global leadership training at all levels of the global unit, (2) the creation of reputational oversight responsibilities for all executives, (3) conducting an annual global reputational audit and (4) competing for selected leadership awards and reputational rankings.

[4] The most important driver was possessing a differential advantage. See Doyle and Wong (1997) for details.

The first practice builds collective learning and knowledge at all levels. The second practice coordinates processes across functions to reduce strategic risk. The third management practice will allow the firm to pinpoint and prioritize focus areas for reputational improvement and enhancement, and the fourth contributes to a SCA in that it develops external benchmarking to counteract *hubris* or strategic arrogance.

3.3.1.9 Ethics & Values/Culture

Davis (1984) defines culture as: "the pattern of shared beliefs and values that give the members of an institution meaning and provide them with rules of behavior". In the author's opinion, culture can be considered a source of CA insofar it influences the processes and behavior of resources under the management and control of the enterprise, and only if those resources contributes to, or affect the value-chain and/or income. By definition, it guides the actions of all members of a firm, enabling it to drive resources in a systematic strategic direction (Meyer 1982; Reger et al. 1994).

Corporate culture also provides constituents with information against which to compare firms, allowing some cognitive structure for evaluations of the rent-earning potential, working conditions, etcetera of the firm as compared with its competitors. In this way, ethics and values effect the resource attraction and allocation to the firm. (For further information of the role of constituents see section 3.3.2 "Finite Resources".)

The sustainability of culture as a source of competitive advantage(s), depends on whether the pattern of shared beliefs and values are valuable, rare and difficult to imitate (Spender 1993; Barney 1986; Fiol 1991).

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3.3.1.10 Coordination and Communication

Businesses are often segregated into many functional areas, and even totally diverse competency areas. Leyland Pitt (1999) calls their inability to communicate successfully and their inability to focus on common goals, the "silo effect". This may lead to a lack of co-ordination and even to interdepartmental competition and conflict. This type of culture will obviously limit synergy and sharing of scarce resources, thereby not allowing the business to fully exploit its core competencies, and in affect negating the possibility of a SCA through infinite resources (Petrick et al. 1999; Finkelstein and Hambrick 1996). "Core competencies are the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies. It is about harmonizing streams of technology, it is about the organization of work and the delivery of value." (Prahalad & Hamel, 1992) Although there are more and more communication and project management tools available to all enterprises, communication seems too difficult to achieve and more difficult to optimize. "Core competence is communication, involvement and a deep commitment to working across organizational boundaries." (Prahalad and Hamel 1992) In line with the thinking of Prahalad and Hamel, and other scholars, we conclude that businesses which are adept at finding ways to promote shared competencies and ways to coordinate the efforts of all resources - finite and infinite - are more likely to achieve a SCA, than those less harmonized. "Unlike physical assets, competencies do not deteriorate as they are applied and shared. They grow. " (Prahalad and Hamel 1990)

As seen in section 3.3.1.7 on *Market Orientation,* unhindered and continued flow of information to and from all departments, and inter-departmental cooperation and willingness to share skills, knowledge and insights, will provide the business with greater potential to generate differential advantages and solve complicated problems that span across functional areas. The likelihood that learning will

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occur is increased, and leveraging this knowledge to generate an effective response to market changes is far more likely (Doyle and Wong 1997).

3.3.2 FINITE RESOURCES

3.3.2.1 Data/Information Management

There are very few, if any, managers who would underestimate the strategic significance of data/information management in the toolbox of those astute intrapreneurs and entrepreneur. Michael Porter and Victor Millar (1985) have already shared their opinion on the matter in the following statements. " The information revolution is sweeping through our economy. No company can escape its effects. Dramatic reductions in the cost of obtaining, processing and transmitting information are changing the way we do business." Later in their article "How information gives you competitive advantage", they add, "In any company, information technology has a powerful effect on competitive advantage in either cost or differentiation. The technology affects value activities themselves or allows companies to gain competitive advantage by exploiting changes in competitive scope". In the same article, the authors list five steps executives can follow to take advantage of opportunities and possibilities created by the information revolution. Right at the outset of the study, they also list the three ways in which the information revolution is affecting competition:
(1) by changing the industry structure and altering the rules of competition, (2) by creating competitive advantages by offering firms new ways to outperform rivals, and (3) by allowing new businesses to grow, often from within the firm's existing businesses.

Each and every activity that forms part of the value chain (Porter 1985) performed within a business affect its financial and market performance in one way or another. Each action and decision within the value chain is, or should be, based on information. Either one, or some or *all* of the following information-

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management activities is required at each step in the production or value-creation chain of the firm: capturing, manipulation, storage, analysis or implementation of data and information. The significance of information acquisition and processing should, therefore, be clear to all marketing practitioners and senior managers. Similarly, it should be clear that the integrity of the data is imperative for qualified and sound decision-making at all levels of the business.

Porter & Millar (1985) are quick to emphasize that information and IT do not only affect individual value-chain activities, but also enhance the "firm's ability to exploit linkages between activities, both inside and outside the company." In addition to the internal linkages, IT affects competitive scope, in that it allows the coordination of value-activities in distant areas as well as among business allies. This new capacity and access to skills and knowledge will not only lead to new alliances may even lead to spawning new businesses. Companies can sell information they own or even information that is a by-product of their business operations. In a similar manner, information access may lead businesses to spawn "derived demand" businesses. Information about market needs and knowledge of capabilities and competencies could be combined to point the astute business leader toward new sources of SCA in either cost reduction or differentiation.

Obviously not all information is good information, and lots of money could be wasted on acquiring, capturing, manipulating, analyzing or storing useless information. It is, therefore, important to measure the value of information. (A detailed discussion on this matter can be found in Glazer (1991) and Parker and Benson (1988).)

3.3.2.2 Time Management

Most readers are certain to agree that time has played and will keep on playing a major role in the success or failure of many enterprises. Time relates to the "when" of marketing strategies, tactics and campaigns. Issues such as the

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seasonality of marketing campaigns, product life cycle and industry life cycle, market trends and product fads, cyclicity of some outputs, and, perhaps most measurably productivity, affects the competitiveness and SCA of an enterprise.

Further, the Law of Leadership and Timing (Ries and Trout 91994), will affect the way in which the market, especially early adopters and laggards, see a firm's outputs. Being the first (timing) in an industry sector or category will provide that market player with CA(s) that followers will not have. Their ability to sustain that advantage, though, will depend on a combination of and/or the specific application of a number of the other factors discussed in this paper by each individual business.

"The best competitors, the most successful ones, know how to stay on the cutting edge. Today, time is the cutting edge. The way leading companies manage time – in production, in new product development and introduction, in sales and distribution – represent the most powerful new source of competitive advantage" (Stalk, 1988). Although this quote is from an article written in the previous century, it is still true. The importance of sound time-management principles to the business is increasing. In fact, a video report by Kenneth Balding (1998) states that the rate of change is accelerating at an exponential rate, and that companies' ability to adapt to and react to marketplace changes and their ability to manage time will be imperative to their success and maybe even to their survival.

Earlier time-management practices focused on achieving high levels of productivity, thus lowering production costs and providing companies with a cost-based advantage. Japanese (and other) companies have added new dimensions to time-management, which also address the second competitive-distinction factor, differentiation. In most firms, costs fall into two categories: volume- or scale-related costs and cost affected by variety of offering . The sum of these two costs, represents the total cost of production or manufacturing. In order to reduce cost

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or to differentiate the firm, both these costs need to be driven down.

Japanese manufacturers were the first to develop ways in which to achieve both at the same time - the flexible factory (Stalk1988). In this type of system, variety costs start lower and increase more slowly as variety grows, than in traditional manufacturing systems. Most of this is achieve through structurally different methods rather than clever long-term pro-action or massive reactive spending. The structural changes enabled their operations to execute their processes much more quickly. Traditional companies normally measured time as a basic performance variable and seldom with the same accuracy as recording sales and other costs.

New-generation companies compete by expanding variety and increasing innovation, through rapid-response systems and close customer orientation. These companies focus limited resources on reducing and eliminating delays and using their response advantages to attract the most profitable customers. Time, therefore, has become the yardstick of performance and a new source of competitive advantage. The elimination of delays does not only affect the production/manufacturing arena, but also planning, information gathering and distribution, sales and distribution and, ultimately, innovation.

In production, time delays are minimized by reducing run lengths, optimizing factory layout, minimizing handling, reducing parts idle time, increased shop-floor decision-making, reducing the time-consuming loop back to management for approval. (Stalk, 1988). In sales and distribution delays are cut to a minimum and customer service improved. With regards to time-based innovation: "A company that can bring out new products three times faster than its competitors enjoys a huge advantage. While the traditional companies track costs and size, the new competitor derives advantage from the time, staying on the cutting edge, leaving its rivals behind." (Stalk, 1988).

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3.3.2.3 Constituents & Stakeholders

Most researchers focus theories of competitive advantage on the internal environment and the effect of competitive interactions of rivals. We argue, consistent with the stakeholder theory of Freeman (1984), that stakeholders or constituents have a very influential role to play in the creation and maintenance of CA. Business leaders and marketing practitioners should therefore focus some of their energies and resources on winning favorable interpretations from the group of constituents and intermediaries. They should, in addition to this, consciously seek ways to influence the way in which important constituents and groups of constituents develop industry paradigms – "shared understandings among constituents about how firms in an industry create value" - and how they define success (Rindova and Fombrun 1999)

This study shares the view of Rindova & Fombrun (1999), that businesses and their constituents jointly shapes and constructs the environment within which they compete and operate. They argue that the way in which constituents interact with and interpret the contribution of a business to the marketplace, will affect decisions constituents make, which will affect availability and use of resources as well as the CA that a firm will enjoy in the marketplace. Further, firms are each other's competitors as and when they compete for the attention and the approval of the same constituents and the resources they control.

The influence of constituents on the competitive position of the firm needs to be viewed from the interactions between the firm and its constituents (Rindova and Fombrun 1999). Interpretations of the firms and it's perceived success or failure with regards to issues such as value-creator, legitimate community player, the firm's effects on the environment and other reputational rankings, will affect the way constituents (a) make direct statements about the success of the firm and (b) allocate resources in the form of buying and selling decisions, investment decisions and employment decisions. The assessment of success or failure is not

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only based on the constituents' own unique definitions of success and how the firm ranks relative to meeting their expectations (Rindova and Fombrun 1999), but also on limited and often second-hand; that is, via the media or specialized organizations. (Abrahamson and Fombrun 1992).

These assessments are not only difficult to control and direct from the view of the firm, but also affect the macro-environment within which the firm operates, often changing the rules of the game and sometimes even the playing field. (Reger and Huff 1993). Constituents will observe, interpret, and exchange information and even take collective action to influence firms (Hill and Jones 1992). They will "categorize competing firms into strategic groups, rank-ordering them in reputational rankings and even feature them as exemplars" (Rindova and Fombrun 1999) in the media or by word of mouth. This will affect the way in which they themselves and other stakeholders channel their limited resources. Resources are normally channeled to favored firms, thereby creating changes in market conditions and, as a vicious circle, affect the resources the firm will have access to.

3.3.2.4 Strategic Investments & Projections

Much research has been done and reported about firm's investment in property, equipment, and intellectual property to build competitive advantage through new-product development, increased constituent communication, improved distribution channels or production quality and capability; and the impact of decisions in this regard on the financial and market performance of the business. (Caves and Porter 1977; Kim and Mauborgne 1997; Penrose 1959; Porter 1980; Rumelt et al. 1991). A firm will only invest in capital, assets and resources, if it can create opportunities for earning positive rent (Rumelt et al. 1991) and/or provide the firm with "a more favorable configuration of industry factors" (Porter 1980). Firms use investments to obtain favorable configurations of industry and competitive factors; then they use further investments to protect their attained CA

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or favorable position from competitors (Caves and Porter 1977; Porter 1980). Penrose (1959) points out that (a) resources available to a firm, and (b) top manager's interpretation of its uses and productiveness in earning rent, drive strategic investments. The accuracy of this interpretation or the correctness of business leaders' analysis of trends and consumer behavior shifts will play a large role in whether or not the investment will bear fruits and contribute to a (sustainable) CA. Thus, strategic investment as a source of CA originates from the firm's resource base, its culture, and leadership's access to accurate consumer and competitor information.

The growth of the investment obviously contributes to the growth in value of investment capital and access to improved finite resources such as money, production capacity, human talent. But, of equal importance is the contribution it makes to the perception of increased value for specific resource-holders and constituents. Satisfying needs and creating/or highlighting new needs can create value. "By making investment choices about customer groups, product functions and the resources and technologies necessary to serve them, a firm satisfies its constituents, as well as defines its business and its competitors" (Abell 1980; Rindova and Fombrun 1999). In this way, the firm's decisions about strategic investments have an impact, not only on the investing firm, but also on the different competitors in an industry. Again, the imitability of investment decisions will affect the sustainability of such actions, and the transparency will affect the way in which the marketplace reacts to the strategic investments of a firms or group of firms in an industry (Lippman and Rumelt 1982).

The full benefits of strategic investments can only by realized if their value and contribution is apparent to stakeholders and constituents. Firms can enhance the favorable impression constituents have about the firm's investments, and their interpretation of future value, by using strategic projections. A variety of methods can be used, including press releases and media exposure, advertising, financial and annual reports, prospectuses. According to Rindova and Fombrun (1999),

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firms achieve these 3 objectives through strategic projections: (1) provide information constituents will use to make decisions, (2) offer constituents ready-made analysis and interpretations of investments, and (3) create favorable perceptions and impress desirable symbols and associations on the minds of constituents. As inadequate investments will undermine a business's CA, inadequate projections will too. Misrepresented or inaccurate representations of strategic projections are not only illegal, but will ultimately destroy the firm's reputation and credibility, and finally its rent-earning ability (Fombrun, 1996).

4. CONCLUSION

A sustainable competitive advantage is a highly sought-after business imperative for businesses with a long-term view. To identify sources of SCA(s) in a highly competitive global marketplace is a grueling challenge for most marketing practitioners. In nearly all cases though, SCA(s) should result in either point(s) of differentiation or price advantage(s) that is(are) valued by the customer.

This chapter further points out in several different discussions that finding ways to attain and maintain CA(s) will be assisted in almost all cases, by doing a thorough analysis of customer motivation or needs, the value-chain of the business, the business's vision and goals and its industry competitors. Although many sources exist, not all sources will provide similar benefits. As brilliant as a strategy may be for one business, it will not necessarily work well for another. This is because every company works in a different context and has fundamentally different competencies, resources and a market positioning. There is unfortunately no easy recipe or formula for SCA – not even for a specific industry segment.

"Like competition itself, competitive advantage is a constantly moving target. For any company in any industry, the key is not to get stuck with a single simple notion of its source of advantage" (Stalk 1988). Although there are many potential ways to succeed,

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and an unlimited combination of sources of CA, many strategies are not effective or even feasible. Sometimes an objective and thorough analysis will conclude that the development of a preferred positioning, superior capability or superior resources is so costly that it is not feasible for the business to pursue. Sometimes the marketplace is so entrenched with the status quo, that the suggested or researched change will not be credible and therefore not be feasible to implement. The last barrier to SCA(s) is an internal implementation issue. If the culture, people, systems, incentives and production capabilities are not geared to the change, such a change may cause substantial harm (Aaker, 1989) and may, therefore, be best not to pursue or implement.

The author trusts that the Competitive Advantage Wheel, which is presented in Chapter 3 and 4, and the model described in this chapter will provide a range of options and possible strategies that will be a useful starting point for developing or benchmarking the marketing strategy of a business.

"There are many ways to succeed. Creativity and intuition are hallmarks of great corporate strategies. So too, however, are discipline and rigor. Brilliant strategies begin with good ideas. These are followed by deliberate investments in resources made over many years, the development of clear understanding of the businesses in which those resources would be valuable, and the painstaking tailoring of organizations to make the strategy a reality. Ultimately strategies that prevail are well-constructed systems that deliver tangible benefits" (Collis and Montgomery 1998). May this study provide the reader with the inspiration to tailor strategy to reality and a tool to help work down some rough edges to existing plans.