

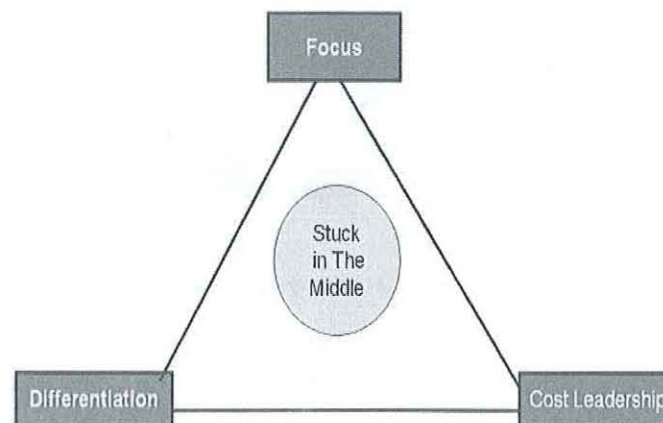
9 **COMPETITIVE ADVANTAGE - CREATING & SUSTAINING SUPERIOR PERFORMANCE.**

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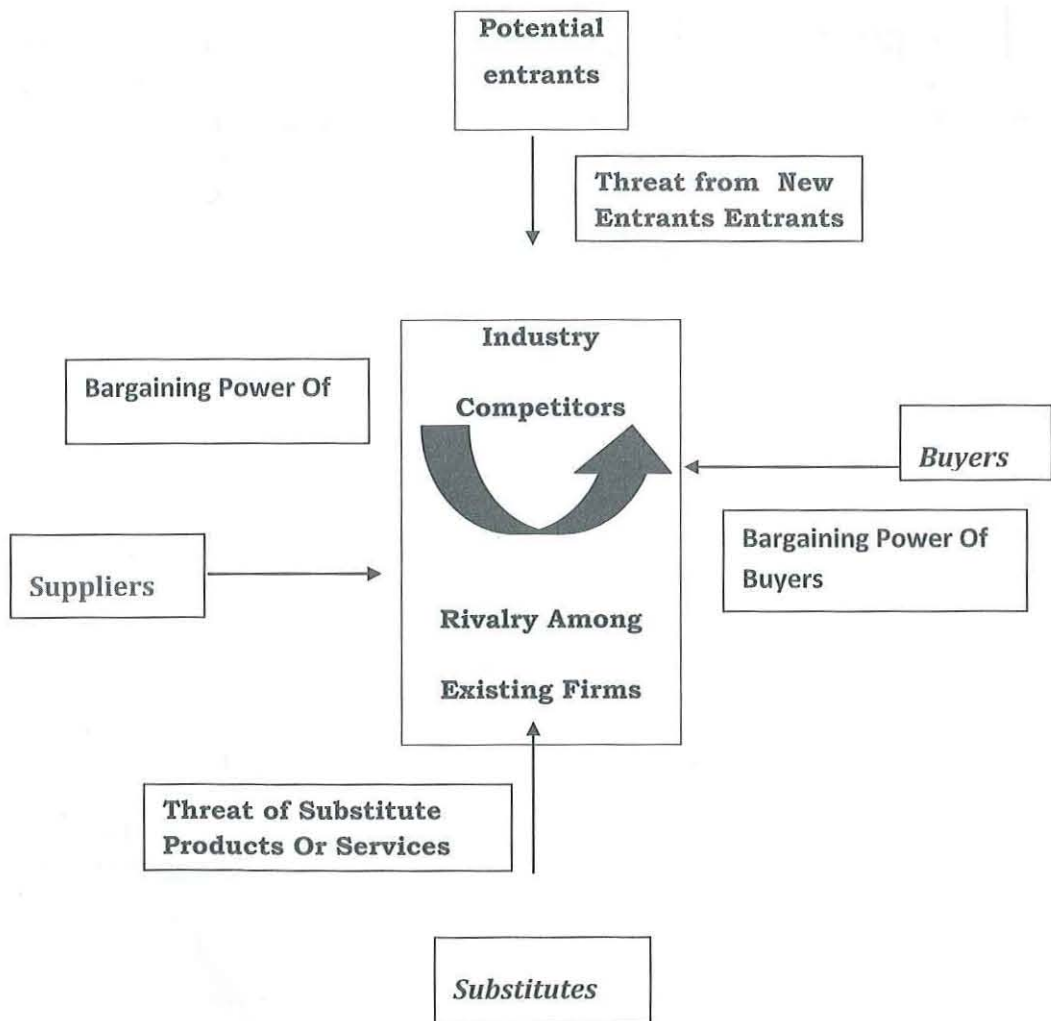
This book is the Winner of The Academy of Management's George R. Terry, Book Award for Outstanding Contribution to the Advancement of Knowledge in the Field Of Management. Michael Porter wrote competitive strategy in early 80's and wrote competitive advantage in 1985 on the essential companion to it. Competitive strategy concentrates on the industry where as competitive advantage concentrates on the firm. Competitive advantage is at the heart of a firm's performance in competitive marketing & this book is about how a firm can create & sustain it. The concepts in the book help to build a bridge between strategy formulation & implementation. Porter's research on competitive strategy set forth a framework for analyzing industries & competitors. He also described three generic strategies for achieving competitive advantage normally,



Competitive advantage is about how a firm actually puts the above - mentioned generic strategies into practice. Porter's this book – competitive advantage- creating & sustaining superior performance- shows direction for the answers to questions like -

- How does a firm gain a sustainable cost advantage?
- How can it differentiate itself from competitors?

- How does a firm choose a segment so that competitive advantage grows out of a firm strategy?
- When & how can a firm gain competitive advantage for competing with a coordinated strategy in related industries?
- How is uncertainty introduced into the pursuit of competitive advantage?
- How can a firm defend its competitive position?
- Michael Porter has used a tool- which he called- "value chain" to disaggregate buyers, suppliers & a firm into discrete but interrelated activities from which value stems.



This book cuts across many disciplines, because marketing, production control, finance & management activities in a firm have a role in competitive advantage. Competitive advantage cannot be truly understood without combining all these disciplines into a holistic view of the entire firm.

The Five Competitive Forces That Determine Industry Profitability.

Generally competition decides the success or failure of firms. The author here says that the first fundamental determinant of a firm's profitability is industry attractiveness. In any industry, whether it is domestic or international, produces a product or service, the rules of competition are embodied in five competitive forces :

1. the entry of new competitors,
2. the threats of substitutes,
3. the bargaining power of buyers,
4. the bargaining power of suppliers &
5. the rivalry among the existing competitors.

The collective influence of these five competitive forces determine the capabilities of firm in an industry to earn, an average, rates of return on investment in excess of the cost of capital. The strength of five forces varies from industry to industry.

Potential sources of competitive advantages are everywhere in a firm. Porter says that, every department facility, branch office & other organizational unit has a role that must be defined & understood. All employees, regardless of their distance for the strategy formulation process, must recognize their role in helping a firm achieving & sustain competitive advantage.

Conclusion:

This book is extremely useful not only to the students but is also crucially important to businessmen for facing their barriers in business especially in the prevailing global competitive scenario.