

Creating Competitive Edge- Looking Beyond Competition

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Abstract

Competition is the act of striving for dominance. Competition exists among different departments and people within the company for achieving departmental, personal and professional goals, and among different companies for market share. However, one of the most important considerations in formulating corporate strategy is the competitive advantage. The paper presents route to establishing competitive advantage in the present environment and stresses upon cooperation, interdependence and integration of thought processes for co-creation and turning the established advantage into an edge. A case study on cooperative and collaborative research in cement and construction sector is also presented.

INTRODUCTION

Organizations today are fiercely competing to mark global presence, and so are the people. But organizational competitiveness, as contrasted to individual competitiveness, is established by strategic planning and execution of plans by synergizing the efforts of people, which in itself is a contradiction, as most of the time people, while pursuing organizational goals, compete among themselves, and not along side. People have their own personal agenda, this none can deny, and forget the concept of customer-supplier chain. Priority is given to personal and professional interests. This results in animosity at the work place, politicking and transmission of negative vibrations, which pull the organization backwards.

All organizations have a culture of their own and establishment of competitiveness by the modern organizations, equipped with talented and competitive manpower, calls for considerable leadership and team-building skills. People development and retention, getting the best out of each employee by

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promoting conditions for competitiveness among them to get the best output, yet ensuring team effort and interdependence in an atmosphere of camaraderie, is a challenge for the progressive organizations.

COMPETITIVE ADVANTAGE

Competition implies rivalry between two or more interested parties for similar goals. It is the act of striving against another force, for achieving dominance or attaining a reward or goal, or acting out of instinct for survival. In business, it refers to strategizing and playing games for getting a larger share of the market pie. But, one of the most important considerations in formulating corporate strategy is the competitive advantage, which a company is said to possess, when it reaps sustained profits exceeding the industry average, over its rivals.

Ansoff called for establishing competitive advantage, for achieving goals of market share and profitability. Michael Porter said that a firm operates in a value system of vertical activities including those of upstream suppliers and downstream channel members, and creates value by performing a series of activities which he identified as the value chain. Porter identified two basic types of competitive advantage-cost advantage and the differentiation advantage, together known as positional advantage.

A resource based view emphasizes on utilization of resources and capabilities for creation of superior value. Ohmae distinguishes between 'operational' competitive advantages which may be of short duration and the 'strategic' competitive advantages which enhance and ensure long term profit potentials.

According to Davitt M. Associates, creation of competitive advantage takes time. So, annual plans have to be implemented within the frame work of long term business plans and attention focussed on key result areas and strategy developed accordingly.

COMPETITION VIS-À-VIS COOPERATION

It is a well known fact that US evolved into a vast industrial society in the atmosphere of natural competition, with no constraints or artificial barriers. Japan on the other hand has a culture of cooperation. It had no resources left after World War II and large scale destruction. Japan focused on quality, and in its unique cooperative style utilized people skills for controlling quality and increasing

production. Japan was able to penetrate the world market by concentrating its energy in nurturing people skills, discovering opportunities for improvement, training people in problem solving in team environment and adopting the PDCA and quality circles approach. It learnt SQC techniques from the west with the help of Dr. Juran and Dr. Deming and utilized them for improvement in products and processes. In due course of time, Japanese industry became capital and technology intensive and Japan developed strategic business competition as part of its national policy.

Popularity of Japanese cars in the West ushered in a new industrial era in Japan, which continues till today. Success of Japan is the biggest lesson in running of successful businesses. The reason behind the success of Japanese industry has been its unique culture of cooperation and people management. Product design, functionability, reliability, and quality as a whole, have been the unique selling proposition of Japanese goods. People worldwide trust Japanese goods. This trust is the result of cooperative and team culture of Japan and has led to the establishment of its competitiveness and creation of the perceivable edge.

Indian industry, on the other hand, worked in an atmosphere of protection till the nineteen eighties. While training courses on statistical quality control were started by the Indian Statistical Institute, Calcutta, even prior to Japanese initiative on this front, Indian industry applied statistical techniques to a limited extent only and the absence of competition led to stagnation.

ESTABLISHING COMPETITIVE ADVANTAGE

For devising corporate strategy in a workable time frame, companies need to conduct SWOT analysis. Ohmae suggested the following four ways of strengthening a company's position relative to that of its competitors:

1. Intensification of functional differentiation (key factors of success)
2. Exploitation of competitor's weaknesses (relative superiority)
3. Asking why-whys (aggressive initiatives)
4. Maximizing user benefit (strategic degree of freedom)

The key factors for success of different industries may lie in different functions, areas, distribution channels and so on. World over, most of the companies base their strategies on KFS and achieve success. Ohmae asked firms to pay attention

to a single strategically significant function and consolidation of the lead in the other functions by using the profit structure.

THE PRESENT ENVIRONMENT

Globalization, openness, WTO negotiations and dismantling of technical barriers to trade have brought forth new issues for the companies. While there has been so much technological advancement worldwide, the world itself has become a smaller place. Now technology is being imported, shared and adapted easily, and at rapid pace. The present decade is witnessing more acquisitions and mergers than ever before. Now firms cannot claim technology as the competitive advantage. A case in point is demerger of cement business by L&T in India, formation of a separate entity for it and then its buyout by Grasim Industries under Ultra Tech brand, about two years back. And Grasim declared 'people' and 'expertise' of L & T as the reason behind the strategic decision of acquiring Ultra Tech. Clearly, it is the precious human resource that commands value in the present environment. Human resource function and people management are the key success factors of the modern era, be it the case of infrastructure industry, a BPO, a KPO or service organization like Event Management Company or R & D organization. And companies have to build strategies around people. Because, it is the knowledge economy we are working in and the aim is to create sustainable businesses.

Key Factors for Success in the Emerging Environment

Standardization is one of the seven key factors for excellence, according to Masao Umeda. It is a requirement for performing repeat activities. While standardization and utilization of quality improvement tools help the organizations in continual improvement, enhancing customer satisfaction and fighting competition, sustainability and growth of business require attention to management of professional relationships, knowledge pooling and sharing.

We all know about cause and effect analysis and its diagrammatic representation as a tool of TQM. Although the concept of this analysis has been made popular as a management tool in the past few decades, it would not be out of place to point out that it is not a new concept and has been a part of Indian thought and philosophy from the ancient times. According to Swami Vivekananda, it is the cause that produces the effect; the effect cannot come by itself; and

unless the causes are exact and proper, the effect will not be produced. If we take care of the cause, the effect will take care of itself. The realization of the ideal is the effect. The means are the cause; attention to the means is the great secret of life and according to me, the main cause, i.e. the secret of success of the top performing modern organizations, is the people and their management. No two people have the same expertise, So, knowledge management in the changed scenario calls for professional prudence and restructuring of professional relationships. What is required for success of projects in the new environment is attention to super ordinate goals, setting and sharing of common goals, pooling and sharing of knowledge, specially implicit knowledge which is embedded in people, and application of knowledge for the realization of goals. Also, a new approach to thinking and finding solutions is required.

The key factors for success or the means to achieving desired results in the present environment can be listed as under:

- **Leadership**
- **Setting and sharing of common goals**
- **Sharing of principles, values, ideas and interests, and Interdependence**
- **Knowledge pooling and sharing of experiences**
- **Adoption of flexible management solutions**
- **Lateral thinking and finding out of the box solutions**
- **Parallel thinking**

Thus, competitive advantage should be built around people. Organizations which have knowledge workers and specialists, encourage and retain talent, promote creativity, and harness human potential to the maximum are going to win the race and will be sustainable in the long term.

Leadership

Planning and deployment are the main functions of leadership. Resources have to be provided by the management and properly deployed. Leader has to be conversant with organizational processes for deployment. Successful implementation begins with setting of goals and objectives. Along with company

goals, organizations should evolve common goals or super ordinate goals. Good leaders not only deploy right people but also monitor the implementation of plans and achievement of goals and objectives. Successful companies like Reliance, stress on execution and take pride in timely completion of projects. Planning, deployment, monitoring and appropriate actions, as depicted in fig.1, take the organization forward.

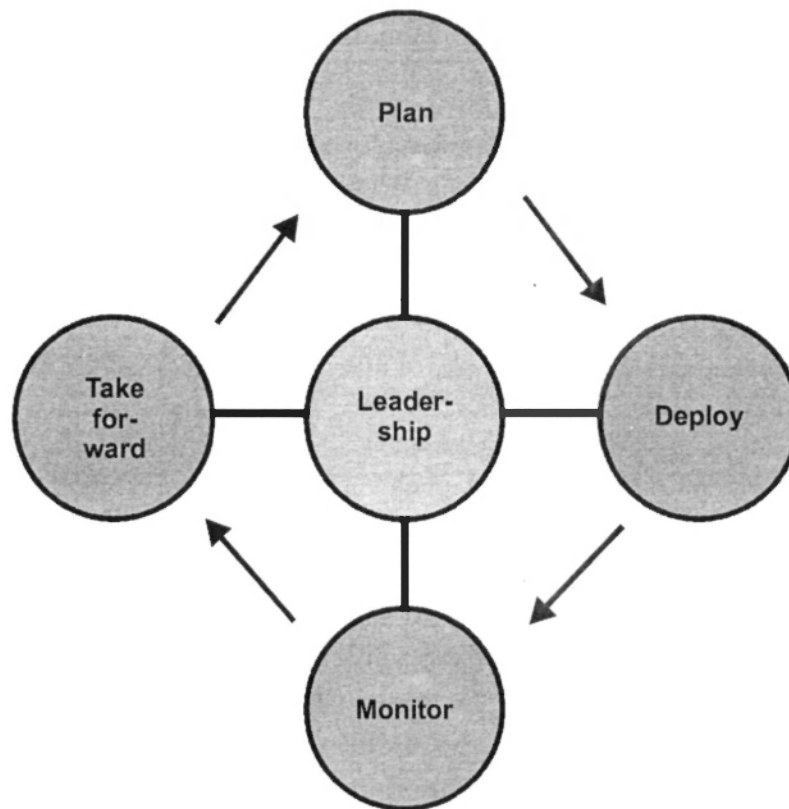


Fig.1: Role and Functions of Leadership

Value Creation-Sharing of Goals, Ideas, Values and Interests

Success in projects and processes requires collective efforts. A good leader always builds and nurtures the team spirit and encourages innovative ideas. Moreover, successful team management requires sharing of common goals and values and working with ethics. Leaders nurture the teams and teams build the

organizations. We all know how Quality circles identify problems at the work place and improve the processes in Japan. Success of Japanese industry is a testimony to the logic of the spirit of cooperation and team building. These teams are strongly integrated in the Japanese working system, wherein people interdepend and co-create value. Thus, best value is created when people commit, cooperate, complement each other in the team, create the product, customize it according to customer requirements, compare the processes (benchmark) for improvement and excellence and compete in the market. This concept of value creation, as envisaged by the author, is depicted in fig. 2.

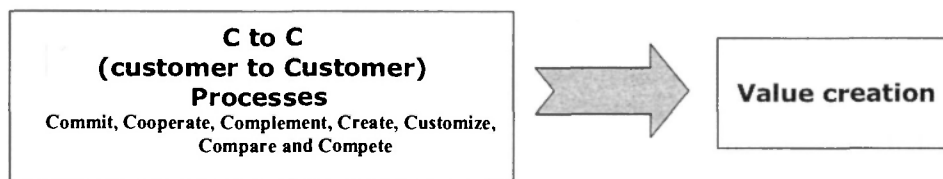


Fig. 2: Synergizing and Implementing-Process Approach

People First

Organizations have to cultivate ‘People First’ environment like Federal Express, promote a culture of interdependence and sharing and integrate the systems and processes. Wipro, the world’s largest R & D service provider and an Indian IT service company, has adopted integrated services approach and set up global alliances with software and telecom majors. It claims that people are the force behind Wipro’s innovative edge in the market.

When organizations commit to people satisfaction and respond to their fundamental questions about the work, people show commitment to the organizations, cooperate, work as a team and align their personal aspirations and interests with corporate goals. And goal alignment is the key to customer satisfaction and creation of competitive edge and sustainable businesses.

Interdependence

Interdependence is the dynamics of being mutually responsible to and sharing a common set of principles with others. It implies that participants in the relationship, unlike dependence, are emotionally, economically and morally

independent. Even leaders like Mahatma Gandhi and Martin Luther King have stressed upon interdependence as an ideal which ought to be practised by the society. According to Mahatma Gandhi, interdependence is and ought to be as much the ideal of man as self-sufficiency. Man is a social being. Without interrelation with society, he cannot realize his oneness with the universe or suppress his egotism. His social interdependence enables him to test his faith and to prove himself on the touchstone of reality. According to the author, interdependence is the pre-requisite to co-creation.

Knowledge Management

Knowledge has always been man's method of unravelling the mystery and understanding the truth behind facts, and Man's quest for knowledge is not yet quenched. In our country, pursuit of knowledge is termed 'Gyan yoga'. Contribution of new thoughts to the already existing vast pool of knowledge is leading to crossing new frontiers in knowledge. It is a global village we live in, and today companies and people are acquiring and implementing new knowledge, skills and experiences and competing globally. While we find new disciplines emerging and new specializations coming into vogue, we also see boundaries between different disciplines of science and engineering becoming hazier by each passing day. Professional interdependence is on the rise. Gone are the days of command and control type of organization structures, now we find more flexibility in structures and working. The concept of 24×7 is leading to the concept of working from home. Rigidity of past era is giving way to flexible thinking and flexible working.

System Management - Flexible and Effective

Flexibility means freedom of choice and exercise of varied options to manage situations. Provision of flexibility is empowerment. It is authorization to take suitable decisions, in the given circumstances. It is the speed at which a system can react to accommodate changes and deliver effectively. Flexibility in approach is a pre-requisite for maintaining competitive edge.

Sushil (1997) has taken a global lead in evolving the paradigm of flexibility and flexible system management. His idea of flexibility is built upon the concept of continuum of free will. He discusses flexibility as a dynamic interplay on the continuum by exercising freedom of choice exhibiting "systemic flexibility".

According to Sushil, flexible system management has three components-situation, actor and process. A situation is to be managed by an actor through a flexibly evolved self-organizing management process. The actor understands the situation and exercises the freedom of choice to flexibly and systemically evolve a management process. The process is flexible and a self-organizing system of management is to be evolved by actor using its flexibility for managing situations.

Flexibility is a fact of life, business processes and systems. Organizations imbibe new technology to meet competition. Problems needing technological solutions are identified and alternative solutions generated, analyzed and evaluated. Organizations and actors involved in managing situations and processes practice flexibility, knowingly or unknowingly. There is a need to adopt the concept of flexibility and flexible system management as conscious and systemic way of management in the new environment. What is required is a new approach to finding solutions, thinking flexibly (Sushil), laterally and parallelly (Edward de Bono), innovating continuously and excelling globally.

Thought Processes

Interdependence, integration and co-creation require integrated thinking. One has to work with team spirit. Thinking is required at super conscious level. Conversation with the inner self and drive for perfection, both within and outside, result in synergies. Integration and improvement of business processes and systems, at micro as well as macro level, within an organization and between different organizations, calls for continual efforts and perfection, as shown in fig. 3, which is quite akin to search for perfection within. And TQM also is nothing but attainment of efficiency and effectiveness of processes and drive for perfection. As in the internal world so in the external, because this universe is one and behind our individual mind is the universal mind. Thus, it is not the tools, statistical or other tools, which by themselves will lead to successful integration.

What is required is purity of mind, sincere efforts, attention to common goals, sharing of ideas and interests, looking beyond competition and working together. What is required is intellectual and spiritual alliance. Alliance is required on safety and environment related issues, which affect the humanity. The path thus, taken by individuals and organizations, both at normal and higher plane of consciousness, would lead to building of tremendous unifying force and creation of competitive edge.

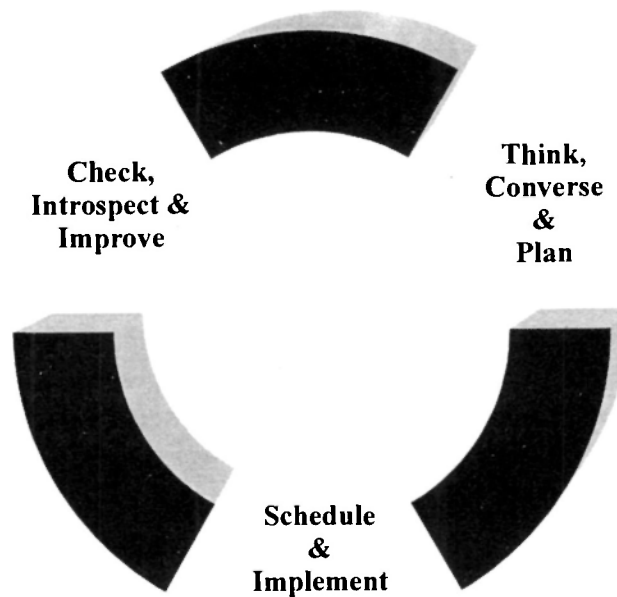


Fig. 3: Thought Processes for Attaining Perfection

Co-Creation - Looking Beyond Competition

In the present environment, organizations have to look beyond competition and share the knowledge, experiences and information regarding performances. Benchmarking has to become a way of life. This is more so required in the age of acquisitions and mergers and when companies are making forays into unrelated areas and entering new businesses. It is required in the case of companies operating in same sectors for saving precious natural resources, protecting the environment and ensuring sustainable development as also in different sectors for increasing process efficiency and setting new industry benchmarks. Author suggests the following roadmap for co-creation and establishing sustained competitive edge, in the unfolding business environment :

- **Establish motives (resource saving, efficiency, profits, moving up the value chain etc.)**

- **Develop quality and sharing mindset**
- **Set common goals and share principles (Promote Interdependence)**
- **Identify links in the value chain**
- **Identify strategic inter-firm links, relationships**
- **Integrate**
- **Ensure efficiency and effectiveness of cross-company processes**
- **Promote culture of cooperation and interdependence**

CONCLUSION

To be sustainable, businesses have to create competitive edge, which in the emerging environment requires sharing of aspirations by all stake holders, interdependence, efficient and effective process management, integration of thoughts, systems and processes and co-creation. It requires willingness of the firms to look beyond competition, change of mindset, sharing knowledge and information, forging intellectual and spiritual alliances at individual and corporate level and initiating drive for perfection.

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APPENDIX

Collaborative and Cooperative Research in Cement and Construction Sector-A Case Study

Organization studied: SWOT Analysis of National Council for Cement and Building Materials (NCB), New Delhi

Suggested: Approach to attaining strategic edge

NATIONAL COUNCIL FOR CEMENT AND BUILDING MATERIALS

An Apex National body of excellence set up in 1962 and devoted to -

- Research, technology development & transfer, testing, education and industrial services to cement, concrete and construction sectors
- Serves as the nodal agency for providing the government necessary support in its policy and planning activities related to growth and development of cement industry
- Protects the interests of consumers of cement in the country

NCB Vision

Be a preferred technology partner to Cement and Construction sectors in the sustainable development of a better infrastructure and housing.

NCB Objectives

- Research, Design & Development
- Technology Transfer
- Industrial Services & Support, and
- Sustaining the Growth of the Cement and Construction Sector Industries

Strengths

Source of Strength

- People expertise (1)
- Facilities (2)
- Industry acceptance (3)
- Networking and linkages (4)

Value of strength (1 to 4)

- High value
- Trouble shooting, training, education
- High
- Good & International reputation

WEAKNESSES**Type of Weakness**

- Ineffective strategic planning (1)
- Ambiguous system (2)
- Lack of People orientation (3)
- Lack of Quality philosophy (4)

Impact of Weakness (1 to 4)

- Directionless journey
- Ad-hoc decisions
- Dissatisfaction, low efficiency
- Customer dissatisfaction

OPPORTUNITIES

- Economy-Growing
- Infrastructure sector-Booming
- Business environment-Conducive
- Competitiveness-High

THREATS**From Outside**

- Establishment of company/Plant R & D centres
- Arrival of large global cement producers

From Inside

- Strategy
- Structure
- System
- Style

STRATEGIC EDGE-LOOKING BEYOND COMPETITION

Key Success Factors

- Leadership
- Strategy & communication
- People expertise, skills, attitude
- Transparency & objective driven planning
- Efficiency and effectiveness of Processes

Approach (Strategic Initiatives)

- Process approach (C to C)
- Promotion of culture of cooperation and interdependence
- Team work and Synergies
- Team awards
- Joint studies and implementation of findings
- Networking and collaboration at Macro level
- Drive for Perfection

CAUSES AND EFFECTS

“If the Means (causes) or factors are Right, Results (effects) are bound to be Right.”

Swami Vivekananda.