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Types of Competitive Advantage and Analysis

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Abstract

There are many different internal sources of competitive advantage. An organization's significant competitive advantages are not only influenced by outside variables. A company's internal sources of competitive advantage are thought to be essential to its success. The study examines the vast body of research on competitive advantage. The notions of competitive advantages via appropriate management action when managing an organization's structure, process, culture, and people served as examples for the development of the major theories in the literature study. Consequently, connecting with the organization's resources, talents, and core competencies is the goal of competitive advantage recognition. by investigating and comprehending the hypotheses in the literature review, which serve as the foundation for the study.

Keywords: Organization, Culture, Resources, and Competitive Advantage

Introduction

When a company can provide the same advantages as rivals at a cheaper cost (cost advantage) or provide benefits that surpass those of rival goods (differentiation advantage), it has a competitive edge. Some of the objections of comparative advantage are addressed by the notion of competitive advantage. According to the notion of competitive advantage, companies and governments should implement policies that produce high-quality products that can be sold at premium rates. Porter (1995) highlights that national plans should prioritize productivity growth. The idea that inexpensive labor is widely available and that a healthy economy does not need natural resources is the foundation of competitive advantage. According to Ranko, Berislav, and Antun (2008), a competitive advantage is required for satisfied customers who will receive higher value in delivered products for higher income that the owners request from management. These requirements can be met with production organization, higher application, and as low as possible production costs. According to Barney (1991), resources that are valued and scarce at the same time may provide a company a competitive edge. If these resources are also hard to provide, replicate, or replace, the advantage can be maintained. An organization gains a competitive advantage when it develops or acquires a quality, or set of qualities, that enables it to outperform its rivals. Access to natural resources, such as premium ores or cheap electricity, or human resources with advanced training and expertise are examples of these qualities.

The capacity to keep ahead of current or future competitors is what the aforementioned literature refer to as competitive advantage; better performance attained via competitive advantage will guarantee market supremacy. Additionally, it gives insight into how a company's resources and business plan will significantly influence its ability to gain a competitive edge. Differentiation strategies are often built on a variety of attributes that must be challenging for competitors to copy, such as product quality, technology and innovation, dependability, brand image, firm reputation, durability, and customer

service (Mose, 2010). By creating customer and brand loyalty via high-quality services, advertising, and marketing strategies, a company using a differentiation strategy may gain a competitive edge over its competitors by erecting barriers to entry. As a result, a company that uses a differentiation strategy benefits from price-inelastic demand for its goods or services. Furthermore, Barney (1991) highlighted the capacity of businesses to create barriers to entry in order to stop rivals from copying them and to use their resources in order to maintain their global competitive edge. The internal components of management action to get a competitive advantage will be examined in this research. Examine how technology and innovation, human resources, organizational structure, and other resources affect competitive advantage and the connections between them.

Sources of competitive advantage

Technology and innovation for competitive advantage

Innovation differs from scientific research in that it has a commercial component. Innovation is crucial to a nation's economic growth because creative businesses create new, previously unimaginable value by commercializing their research and development findings. Additionally, a significant portion of the newly generated value goes to these same businesses. In this way, they are primarily generating wealth for the world, their nation, and themselves. Innovation encompasses both process and product/service advancements. Product innovations are goods that either the manufacturer or the consumer—which includes distributors and end users—perceive as novel. New procedures that either lower manufacturing costs or make it possible to produce new goods are referred to as process innovation (Harmsen, Grunert, and Declerck, 2000). Despite the growing significance of innovation and the role that technological capabilities play in a company's growth trajectory, little is known about how different organizations' technology strategies—the plans that direct the acquisition and application of technological resources and capabilities—drive technological innovation (Dasgupta, Sahay, and Gupta, 2009).

In other words, the most creative businesses are always looking for better goods, services, and methods. They make a constant effort to improve their resources and internal skills. The collective inventive potential of a country's businesses determines its aggregate innovative capability. A country's competitive edge increases with the number of creative businesses it possesses. Productivity, or the value of the output generated by a unit of labor or capital, is another benefit of innovation. A business uses its resources more effectively the more productive it is. A country utilizes its resources more effectively if its businesses are more productive (Knight, 2007). Long-term economic development is fueled by innovation and entrepreneurial activity. Innovative new goods and processes are often initially commercialized by entrepreneurs, and entrepreneurial activity contributes significantly to economic vitality. For instance, the United States' economy has profited immensely from a high degree of entrepreneurial activity, which has led to quick product and process innovation.

Human resources for competitive advantage

The word "human resources" refers to the people who make up an organization's workforce, but it may also refer to business sectors or even whole countries in labor economics. Businesses may only gain this competitive edge by producing value in a manner that is hard for rivals to copy. Value may be created via conventional sources of competitive advantage including technology, economies of scale, and natural and financial resources. The resource-based argument, however, contends that these sources are becoming more widely available and simple to copy. As a result, they have less of an impact on competitive advantage, particularly when compared to intricate social structures like employment systems. If this is the case, human resource practices and policies might be a particularly significant source of long-term competitive advantage (Jackson and Schuler, 1995). Internal career opportunities, the first practice in the best practices approach to strategic HRM, refers to the company's inclination to hire mostly from inside. Second, training systems pertain to the extent to which companies provide their workers comprehensive training opportunities or rely on socialization and selection procedures to acquire necessary skills. Third, outcome-based performance

assessments and the degree to which subordinate opinions are included in these ratings are used to construct appraisals. Fourth, the degree to which workers feel confident about staying in their positions is reflected in employment security. Organizations may have an explicit or implicit policy, even if institutionalized job security is often declining. Fifth, employee engagement has become a strategic HRM practice, both in terms of participating in decision-making and having the chance to share proposals for improvement. Sixth, the degree to which positions are precisely described so that workers are aware of what is expected of them is referred to as the job description. Lastly, profit sharing is a reflection of the desire for sustainable overall organizational success. Ulrich and Yeung (1989) contend that in order for future HR professionals to collaborate in the strategic management process, they must possess four fundamental competences (Akhtar1, Ding, and Gloria, 2008). These consist of professional and technical expertise, business acumen, integration proficiency, and change management skills. In order to optimize return on investment and ensure future survival and success, human resources aims to do this by matching the organization's present and future business goals and needs with the supply of competent and qualified persons and the skills of the workforce. The purpose of the human resource function in this context is to implement the organization's human resource requirements both effectively and pragmatically, taking into account legal, ethical, and, to the extent possible, practical considerations in a way that maintains the respect and support of the workforce.

1.1 Organizational structure for competitive advantage

One kind of clustered entity is an organization. Depending on its goals, an organization can be organized in a variety of ways. An organization's modes of operation and performance are determined by its structure. The explicit distribution of duties for various tasks and procedures to various entities, including the branch, department, workgroup, and person, is made possible by organizational structure. In an organizational structure, people are often recruited on either permanent employment contracts or program orders, or under time-limited labor contracts or work orders. Increased competitive pressure that forces businesses to concentrate on their core capabilities and redraw their boundaries around what constitutes and supports their competitive advantage further reinforces this correlation of evolving structures and processes. Businesses are moving toward smaller, more decentralized units as a result of this pressure, which is represented in the organizational structures' transition from functional to multi-divisional. Businesses are increasingly using strategic alliances to augment and occasionally improve their own competencies when superior resources or skills are available outside the organization. Businesses seem to be defining their boundaries around more limited areas of activity through alliances, outsourcing, or downsizing (Petison and Johri, 2006).

An efficient organizational structure may increase working efficiency within organizational units and enhance working interactions between different entities within the company. To allow for process monitoring, the organization must maintain a predetermined order and control. The organization will assist the command in handling a variety of directives and shifting circumstances while carrying out their duties. Individual abilities must be used by the organization in order to promote great flexibility and innovation. The spans of control and the chain of command will both grow as a company grows. An organization's innovation will wane and its adaptability will diminish as it ages. In order to facilitate healing, organizational structures may sometimes need to be changed. Turning down the organization to get ready for a re-launch in a completely different setup is the last resort if such an adjustment is prohibited within.

2. Strategies for Competitive Advantage

The strategies of cost leadership and differentiation aim to gain a competitive edge in a variety of market or industry sectors. The differentiation focus and cost focus strategies, on the other hand, are used in a specific market or sector. A company uses its strengths to position itself. According to Porter (1985), a company's strengths eventually come into one of two categories: distinctiveness or cost

advantage. Cost leadership, distinctiveness, and focus are the three general methods that arise from using these capabilities in either a wide or restricted scope. The business unit level is where these tactics are implemented. Because they are neither business or industry dependent, they are referred to as generic strategies. Porter's generic tactics include the following:

2.1 Differentiation as a strategy

This tactic entails choosing one or more criteria that consumers in a market utilize, then positioning the company in a way that best satisfies those criteria. This tactic is often linked to charging a greater price for the goods, which frequently reflects the increased manufacturing costs and more value-added features offered to the customer. Charging a premium price that more than covers the higher manufacturing costs and providing buyers with compelling reasons to choose the product over less unique ones are the two main components of differentiation. Businesses that are successful with differentiation strategies often possess the following internal strengths:

Strategy - Cost Leadership

The goal of this approach is to become the industry's lowest-cost manufacturer. The industry's market segments are supplied with a focus on cost minimization in many (possibly all) of them. The lowest-cost manufacturer will, in principle, make the most money if the attained selling price can at least match (or be close to) the market average. This tactic is often linked to huge companies that provide conventional items that are completely acceptable to most consumers and have no uniqueness. Sometimes a low-cost leader will also offer a product at a discount in order to maximize sales, especially if it has a substantial cost advantage over the competition and can thereby expand its market share. The following internal qualities are often present in businesses that achieve cost leadership:

- Access to the capital required making a significant investment in production assets; this investment represents a barrier to entry that many firms may not overcome.
- Skill in designing products for efficient manufacturing, for example, having a small component count to shorten the assembly process.
- High level of expertise in manufacturing process engineering.
- Efficient distribution channels.

Strategy - Differentiation Focus

A company using the differentiation focus approach seeks to stand out within one or a few target market categories. Because of the segment's unique client demands, there are chances to provide items that are distinctly different from those of rivals who could be aiming for a wider range of consumers. Businesses that apply targeted differentiation tactics create specialized goods for niche markets. They may be successful if the requested level of customization (or differentiation) exceeds the capabilities of the industry-wide differentiator, or if the quantities involved are too small for industry-wide competitors to handle profitably. Making ensuring that consumers really have distinct requirements and desires—that is, that there is a legitimate foundation for differentiation—and that current rival goods are not satisfying those needs and wants is crucial for any company using this method.

Strategy - Cost Focus

Businesses that compete by using cost leadership tactics to cater to specific market niches often focus on the industry's smallest consumers (those who buy in such little amounts that industry-wide rivals cannot service them at the same low cost). In this case, a company looks for a lower-cost edge in one or a few market categories. The product will be simple; it could resemble the more expensive and well-

known market leader, but it will still be appealing to enough customers.

Conclusion

The purpose of this research is to investigate the connection between technical innovation and competitive advantage. Innovation cannot result from competitive advantage alone. For a competitive edge, it should be combined with other organizational elements. By examining the process of technological innovation, an organization's technology strategy may be comprehended. The significance of integrating sources of analysis and competitive advantage is emphasized in the study. The technological strategy for innovations may be supported by modifying HR and training and development strategies. The company would gain from a synergy between technology management and softer aspects management.

In order to maintain the advantage, the sources must be expanded and improved, moving them up the hierarchical structure to more sustainable forms. Additionally, it necessitates adjustments; the business must take advantage of industry trends rather than ignore them; it must make investments to obstruct attack routes. In order to develop new, high-level advantages, the organization may need to eliminate its current ones (Porter, 1990). In conclusion, it makes sense for a company to comprehend the sources of competitive advantage first as it enables the company to assess its own chances of gaining the necessary competitive advantage. It is thought that one can adequately analyze the external and internal elements that might provide a company a competitive edge. It is important to note that each generic source of competitive advantage can cooperate to give a company the greatest competitive advantage rather than having to be independent.

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