CHAPTER II
REVIEW OF LITERATURE

2.1 Service Firm Characteristics and the Sources of Competitive Advantage - Positional Advantage Relationship

Establishing a superior market position relative to competitors is an important intermediate step in achieving superior performance (Day and Wensley 1988). Bharadwaj, Varadarajan and Fahy (1993) propose that service firm characteristics may moderate the relationship between sources of advantage and the attainment of positional advantage. Service firms may draw on many different sources of competitive advantage. Bharadwaj et al. (1993) list 13 potential sources but stress their list is intended to be illustrative rather than exhaustive. Day and Wensley (1988) identify superior resources and skills as sources of competitive advantage in their sources-position-performance framework. Potential sources which have received more attention are new service innovation management practices, brand management (Aaker 1992, Berry 2000), information technology and market orientation.

The contribution of market orientation to performance is seldom integrated into a sources-position-performance framework but is considered to have a either a direct impact on performance (e.g. Narver and Slater 1990) or an impact moderated by the competitive environment (e.g Slater and Narver 1994). This lack of integration may be due to differing conceptualisations of market orientation where market
orientation may be considered as culture (the Narver and Slater perspective) or behaviour (the Jaworski and Kohli perspective) (Slater and Narver 1995). The market orientation as culture perspective would seem to treat market orientation as a resource and should therefore be integrated into the sources-position-performance framework.

Focusing on service innovation, brand management, and information technology and market orientation as sources of competitive advantage is consistent with Kay's (1993) framework in which competitive advantage is derived from innovation, reputation, architecture and control of strategic assets. Innovation would seem to encompass both new service development and information technology (we focus on web technologies); brand management would be encompassed within reputation and market orientation within architecture where architecture is the external and internal relationships and processes of the firm.

2.1.1 Service characteristics

Services may be characterised in many ways, with intangibility, inseparability, heterogeneity and perishability traditionally being used to distinguish services from physical products. Other characteristics, which may be used to classify services, include the time and place of service delivery, the level of customisation versus standardisation (Lovelock et al. 1999), the role of technology in service delivery (Dabholkar 1994), durability (Wilson 1972) and the complexity of the assets needed (Bharadwaj et al. 1993). The potential moderating effects of service
characteristics on the relationship between sources of competitive advantage and positional advantage are discussed below.

The intangible nature of services makes it difficult for customers to evaluate the service prior to purchase, and therefore, service purchase may be considered risky (Zeithaml 1981). To reduce risk customers may focus on tangible cues, such as a brand (Berry 2000) and firms may use branding to assure customers of reliable service quality (Onkvisit and Shaw 1989). In line with Bharadwaj et al. (1993), it is proposed that brand management contributes more to competitive position when services are highly intangible.

Services may also be classified with respect to their durability (Wilson 1972). Some services may become obsolete quickly through changing customer demand or technology. For these services, a market orientation, which focuses on understanding and responding to changing customer demands, and proficiency in new service development are likely to be more important. Conversely, it could be argued that the lack of a market orientation and new service development proficiency may contribute to faster obsolescence rates. For many services, the service brand is synonymous with the company brand (Berry 2000). If individual services become obsolete quickly, the company brand may be important in conveying continuity. For services, which are highly inseparable, the customer’s physical presence is required for the service to be performed and the consumption of the service process is a critical component of the
service experience (Gronroos 1998). As customers participate in the service process, they interact with company staff, all of whom may be considered to be ‘part-time marketers’ (Gummesson 1991). It is therefore proposed that company culture or market orientation will shape these interactions and be more important for highly inseparable services. The role of people and technology in making the service available and time(s) and place(s) of availability are aspects of service delivery. Where service delivery is people intensive, it again follows that culture or market orientation will be more important (Bharadwaj et al. 1993). Where services are more people intensive, firms have less potential to standardise service delivery. This again may increase purchase risk for customers and Onkvisit and Shaw (1989) suggest that the brand will have an important role in reducing risk. Services have great potential to make use of electronic delivery channels (Lovelock and Yip 1996). For services that make greater use of technology for service delivery, it is proposed that web practices and new service development will contribute more to competitive position. The use of Internet technologies will also contribute to competitive advantage when the service is widely, temporally and spatially available.

Similarly, new service development activities will be important in making services widely available. Services may be categorised as more standardised or more customised (Lovelock et al. 1999). Onkvisit and Shaw (1989) suggest that branding is more important for standardised
services Bharadwaj *et al.* (1993) consider experience required and credence attributes of the service and suggest that brand equity will be more important when these are in greater demand. It is proposed that brand management activities will be more important when services are complex and require customer learning.

In examining the process of competitive strategy Porter (1980) identifies the need to consider those factors both internal and external to the enterprise. The former comprises such things as enterprise strengths and weaknesses, and the culture or values of the management. The external factors consist of opportunities and threats, and the expectations of various external stakeholders. According to Porter (1980; 1990), there are five key influences within an enterprise's external environment:

1. Ease of entry and threat of new market entrants into the industry;
2. The threat of substitute products or services;
3. The bargaining power of suppliers;
4. The bargaining power of buyers; and
5. The extent of rivalry among industry competitors.

The main barriers to market entry within most industries are "economies of scale, product differentiation, switching costs, cost advantages, access to distribution channels, capital requirements, and government policy" (Porter, 1980: 132).
Buyer bargaining power is determined by such factors as the volume of an enterprise's product purchased by the buyer, the level of product differentiation and price sensitivity within the market, the presence of switching costs and the degree of backward integration of the buyer (Porter, 1980:24-25). Supplier bargaining power can be influenced by, the amount of concentration within the industry, presence of substitutes, level of product differentiation, switching costs and degree of forward integration of suppliers (Porter, 1980:27-28.)

2.2 Forces Driving Industry Competition and "Generic Positioning" for Competitive Advantage

A critical aspect of the environmental determinist approach to developing competitive advantage is the ability of an enterprise to position itself successfully within its industry. It is for this reason that Mintzberg (1990) adopted his description of the "positioning school" to describe the environmental determinists. Porter (1985:35-41) argues that enterprises can adopt one of three "generic" positioning strategies.

The first of these, cost leadership requires an enterprise to compete by achieving a lower overall cost structure to their competitors. The second, differentiation, "is the ability to provide unique and superior value to the buyer in terms of product quality, special features, or after-sale service" (Porter, 1990:37). This enables the enterprise to attract a premium price for their product or service in return for these unique or superior features. Finally, the third strategy, focus, involves selection of a
segment with an industry and attempting to compete within that segment on the basis of either a cost leadership or differentiation strategy.

Table: 2.1

<table>
<thead>
<tr>
<th>Generic Positioning Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Porter's Generic Strategies/ Target Scope</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Broad (Industry Wide)</strong></td>
</tr>
<tr>
<td><strong>Narrow (Market Segment)</strong></td>
</tr>
</tbody>
</table>


According to Porter (1980; 1990), there is no single "best" strategy for any particular industry. However, it is most important to follow only one strategy, to attempt to do otherwise risks becoming "stuck in the middle" which is likely to result in market failure. Figure 2.2 shows the relationship between these generic strategies and competitive advantage and scope.

### 2.2.1 Generic Strategies and Industry Forces

These generic strategies each have attributes that can serve to defend against competitive forces. The following table compares some characteristics of the generic strategies in the context of the Porter's five forces.
### Table: 2.2

**Generic Strategies and Industry Forces**

<table>
<thead>
<tr>
<th>5 Forces</th>
<th>Cost Leadership</th>
<th>Differentiation</th>
<th>Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entry Barriers</strong></td>
<td>Ability to cut price in retaliation deters potential entrants.</td>
<td>Customer loyalty can discourage potential entrants.</td>
<td>Focusing develops core competencies that can act as an entry barrier.</td>
</tr>
<tr>
<td><strong>Buyer Power</strong></td>
<td>Ability to offer lower price to powerful buyers.</td>
<td>Large buyers have less power to negotiate because of few close alternatives.</td>
<td>Large buyers have less power to negotiate because of few alternatives.</td>
</tr>
<tr>
<td><strong>Supplier Power</strong></td>
<td>Better insulated from powerful suppliers.</td>
<td>Better able to pass on supplier price increases to customers.</td>
<td>Suppliers have power because of low volumes, but a differentiation-focused firm is better able to pass on supplier price increases.</td>
</tr>
<tr>
<td><strong>Threat of Substitutes</strong></td>
<td>Can use low price to defend against substitutes.</td>
<td>Customers become attached to differentiating attributes, reducing threat of substitutes.</td>
<td>Specialized products &amp; core competency protect against substitutes.</td>
</tr>
<tr>
<td><strong>Rivalry</strong></td>
<td>Better able to compete on price.</td>
<td>Brand loyalty to keep customers from rivals.</td>
<td>Rivals cannot meet differentiation-focused customer needs.</td>
</tr>
</tbody>
</table>


The ability of an enterprise to successfully adopt more than one generic positioning strategy at any given time has been the subject of debate and empirical measurement (Karnani, 1984; Miller and Friesen,
1986; Mathur, 1988; Miller, 1992). While some studies (Dess and Davis, 1984) have produced support for Porter's contention that generic strategies are mutually exclusive, others (Hambrick, 1983) have been more equivocal. Both Hall (1980) and White (1986), in empirical studies of small scale samples of enterprises in selected industries, produced equivocal results suggesting that while most enterprises successfully followed single generic strategies, some enterprises could successfully combine both low cost and differentiation strategies simultaneously.

Miller (1992) has challenged the notion that an enterprise should not adopt both a cost leadership and differentiation strategy simultaneously. Supporting this view is the work of the Profit Impact of Market Strategy (PIMS) (Buzzell and Gale, 1987), which suggests that low cost strategies provide surpluses for reinvestment in future differentiation of product or service (Johnson and Scholes, 1993:241-242). Wright and Parsina (1988) have also questioned the assumption that only one generic strategy can be followed successfully at any time. By providing examples from corporate American, they attempt to provide evidence of the ability of an enterprise (particularly a large one) to follow both a differentiation and a focus differentiation strategy simultaneously. They note that small firms may find focus (niche) strategies more beneficial, while the larger firm is more likely to adopt broad market differentiation strategies.
Hill (1988), in an attempt to resolve this debate, has proposed a contingency framework in which an enterprise can use differentiation to simultaneously achieve a cost leadership strategy. According to this view, an enterprise can achieve both a low cost and a differentiation strategy when six conditions are met. These conditions are:

1. when consumers' commitment to the products of rival enterprises is low;
2. when market growth is high;
3. when market structure is fragmented;
4. when the production process is new and complex;
5. when economies of scale (particularly enterprise-level) are present; and
6. When economies of scope exist.

Not all six conditions are required for a combined low cost-differentiation strategy to be viable. However, as Hill (1988:409) states:

"It is not necessary that all of these contingencies exist concurrently for the strategy to succeed. However, some contingencies are critical if the strategy is to work. Specifically, if the enterprise's ability to differentiate the product is low, if switching costs are high, if the production process is well established, and if economies of scale and scope are negligible, the strategy will not work. Thus at a minimum, it must be possible to differentiate the product, switching costs must be
reasonable, and there must be potential for cost reduction from some source, whether it is from learning effects, economies of scale, or economies of scope."

Murray (1988) also considered the validity of Porter's 'generic strategies concept producing a contingency model of the process. According to this view, a cost leadership strategy is viable only when enterprises are faced with high transaction costs which can be reduced by either input factor reduction, or improvements in process technologies or employee learning effects. Input costs between rival enterprises can be varied via vertical integration, strategic alliance or some other means. This will enable the enterprise to achieve differential input factors thereby reducing its costs. The enterprise can also reduce its transaction costs by improvements in process technologies or learning effects. Finally, economies of scale usually need to be significant.

For a differentiation strategy to be viable it is critical that customers "attach weight to product attributes other than price when making purchase decisions" (Murray, 1988:396). Furthermore, the enterprise should be able to achieve significant product innovations by developing product technologies, and/or equally significant quality or service differentials that will distinguish their product from that of their rivals.

Focus strategies are viable only if the market is capable of effective segmentation, and if zero or negative synergies exist between different
market segments (Murray, 1988). This is illustrated in the case of restaurants that usually seek to position themselves in niche markets (e.g. Chinese, Thai, French, Italian and Indian). This focus strategy is frequently more successful than attempting to offer a comprehensive range of food styles and atmosphere in one venue.

According to Forster (1993), the problems associated with Porter's generic strategy concept are highlighted by the use of vertical integration strategies whereby an enterprise might adopt a combination of generic positioning strategies at the same time in different market segments. However, the weaknesses of the Porter generic strategy concept do not entirely exclude their value as a classification system. For this reason, they will be used as a framework for further analysis in this study.

2.3 The Resource Based View of Competitive Advantage

Aaker (1989) identifies three elements of a sustainable competitive strategy. The first of these relates to the way in which an enterprise competes. It considers those marketing, financial and manufacturing strategies that comprise the activities of an enterprise. The second element is where an enterprise chooses to compete. This considers the markets and market segments into which the enterprise conducts its business. The third element is the "basis of competition", or the assets and skills that the enterprise possesses. It is these internal enterprise resources (skills and assets) that are considered to be the foundation of a sustainable competitive advantage.
This resource based view of competitive advantage (also known as strategic selection) has emerged as a dominant paradigm for understanding competitive strategy (Collis and Montgomery, 1995). Central to the resource based view of competitive advantage is the notion of "enterprise resources". These include all assets, skills, capabilities, organisational processes, attributes, information or knowledge under the enterprise's control, which can be used to develop competitive positional strategies (Daft, 1983; Barney, 1991). Not all enterprise resources will be valuable to the development of competitive advantage (Barney, 1986a). Those resources which do offer competitive advantage are referred to as distinctive competencies (Lado, Boyd and Wright, 1992).

An enterprise's distinctive competencies were first described by Selznick (1957) with specific reference to managerial qualities. A variety of authors have examined the concept throughout the past three decades (Ansoff, 1965; Learned, Christensen, Andrews and Guth, 1969; Ansoff, 1976; Hofer and Schendel, 1978). Empirical examinations of the concept (Snow and Hrebiniak, 1980; Hitt and Ireland, 1985) generally conclude that distinctive competencies are sourced to internal rather than external environments, and derive from the way an enterprise uses its resources relative to its competition (Reed and DeFillippi, 1990). Further, they can be applicable to both large and small enterprises (Stoner, 1987).

Lado, Boyd and Wright (1992) have proposed a "competency-based model" of sustainable competitive advantage that identifies four areas of
competency. Figure 2.1 illustrates this model. Managerial competencies and strategic focus have an influence on all the other elements of the model.

Figure 2.1

A Competency Based Model of Sustainable Competitive Advantage

Managerial skills or competencies and personal values have a significant effect on the strategic focus adopted by the enterprise (Guth and Tagiuri. 1965; Hambrick and Mason. 1984). As noted by Byrt (1989:3): "Management is the process through which an organisation's strategy is formulated and then implemented through the organisation of work, people, finance and technology".

Resource-based competencies are tangible and intangible resources such as financial, human, equipment or reputation that offer an enterprise an advantage over its competition (Wemefelt, 1984). These resources are generally identified as "core competencies", which are "a function of the
tacit understanding, skills, and resources that an enterprise accumulates over time" (Mahoney, 1995). These competencies are linked to both the transformation and output based competencies (Lado, Boyd and Wright, 1992).

The transformation based competencies involve those resources and skills that convert organisational inputs into outputs (Day and Wensley, 1988). Porter (1980) refers to the "value chain" to describe this process of transformation through which an enterprise undertakes its activities. Originally developed by McKinsey and Co. (Lado, Boyd and Wright, 1992), the "value chain" provides a framework that can explain the elements of the transformation process. Figure 2.2 shows the value chain as conceived by Porter.

Figure 2.2

The Value chain

Michael Porter (1985) introduces the idea of the "value chain" as the basic tool for analyzing the sources of competitive advantage (CA).
The firm creates value by performing a series of activities that Porter identified as the value chain. In addition to the firm's own value-creating activities, the firm operates in a value system of vertical activities including those of upstream suppliers and downstream channel members. To achieve a competitive advantage, the firm must perform one or more value creating activities in a way that creates more overall value than do competitors. Superior value is created through lower costs or superior benefits to the consumer (differentiation). A competitive advantage enables the firm to create superior value for its customers and superior profits for itself.

Within the value chain model, the primary activities consist of inbound logistics where the inputs of the product process are received. From here the operations take place. Within manufacturing enterprises, these are the factory processes that convert raw materials into finished products. The completed products are then moved through the outbound logistics process to the customer. Marketing and sales and after sales service efforts are also critical to the successful operation of many enterprises (Cravens and Shipp, 1990). Output based competencies refer to both the enterprise's tangible product outputs, but also the intangible outputs such as reputation of product or service quality or corporate image (Itami, 1987; Lado, Boyd and Wright, 1992). For many enterprises, these intangible resources may be of more importance to achieving
competitive advantage than the tangible ones (Aaker, 1989; Hall, 1992; 1993).

Hunt and Morgan (1995) describe the current approach to inter-enterprise competition as The Comparative Advantage Theory of Competition. This assumes that an enterprise will gain a competitive advantage in relation to its external industry environment by first gaining a successful comparative advantage over its rivals through the development of unique and valuable distinctive competencies. A variety of potential sources of competitive advantage have been suggested. Of importance are those resources within the value chain that enable the enterprise to either differentiate its product or service, or develop a cost leadership position within its markets (Porter, 1980).

Aaker (1989), in a study of 248 United States enterprises drawn from cross section industries, found that managers attributed their sustainable competitive advantage largely to intangible assets. Managers were asked to rank the importance of 31 assets and skills. Those from High Tech industries attributed their sustainable competitive advantage primarily to "technical superiority", "reputation for quality", "customer service and product support". Those in service industries rated a "reputation for quality", "retention of good management and staff", and "name recognition/market profile" and "customer service" significantly important. Hall (1992) discovered similar findings in two separate studies of Chief Executive Officers (CEO's) in the United Kingdom during 1987
and 1990. Hall (1992; 1993) emphasizes the importance of intangible assets to achieving sustainable competitive advantage. In many cases, they offer the enterprise with defensible resources that competitors cannot easily imitate, as measured by the estimated time it would take to replace the asset. Table 2.3 summaries these findings.

Table 2.3

<table>
<thead>
<tr>
<th>INTANGIBLE RESOURCE</th>
<th>RANKING 1990</th>
<th>RANKING 1987</th>
<th>REPLACEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company reputation</td>
<td>1</td>
<td>1</td>
<td>11 years</td>
</tr>
<tr>
<td>Product reputation</td>
<td>2</td>
<td>2</td>
<td>6 years</td>
</tr>
<tr>
<td>Employee know-how</td>
<td>3</td>
<td>3</td>
<td>5 years</td>
</tr>
<tr>
<td>Culture</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Networks</td>
<td>5</td>
<td>4</td>
<td>3 years</td>
</tr>
<tr>
<td>Specialist physical</td>
<td>6</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>resources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data bases</td>
<td>7</td>
<td>10</td>
<td>2 years</td>
</tr>
<tr>
<td>Supplier know how</td>
<td>8</td>
<td>7</td>
<td>3 years</td>
</tr>
<tr>
<td>Distributor know how</td>
<td>9</td>
<td>8</td>
<td>2 years</td>
</tr>
<tr>
<td>Public knowledge</td>
<td>10</td>
<td>9</td>
<td></td>
</tr>
</tbody>
</table>

Source: (Hall, 1992)

2.4 A Model of Sustainable Competitive Advantage for Services

Bharadwaj, Varadarajan and Fahy (1993) have outlined a model of sustainable competitive advantage for services. This draws together much of the literature on sustainable competitive advantage with particular emphasis placed upon the "resource based view" outlined in section 5.6.
The model assumes that service enterprises possess certain potential sources of competitive advantage in the form of such things as economies of scale, brand equity or the expertise of their staff. These sources of competitive advantage can provide the basis for competitive positional advantages as identified by Porter (1990). Influencing this development of competitive positioning are such intervening variables as the characteristics of services, service industries and the service enterprise itself. For example "equipment intensive" service industries such as fast foods, create different circumstances to "people intensive" services such as education (Lovelock, 1983). Figure 2.4 illustrates this model.

The ability of a service enterprise to sustain its competitive advantage depends on the creation of barriers to the imitation of its resources or skills by competitors. This can be achieved either by "isolating mechanisms" (Rumelt, 1984) or "Resources/skills stock" (Dierickx and Cool, 1989). The former makes imitation difficult due to the inability of a competitor to fully understand what the source of the competitive advantage is. The latter achieves this either by the enterprise obtaining a lead over its competitors ('time compression diseconomies') which is hard to close, or by the sheer scale and scope of the resources and skills available to the enterprise and if successful the service enterprise can achieve long term performance in terms of financial profitability and market share growth and if the enterprise is willing to
reinvest in its resources and skills (the source of its original competitive advantage).

Figure 2.3:

A Model of Sustainable Competitive Advantage for Services
Bharadwaj, Varadarajan and Fahy (1993) note in the conclusion of their paper that the model is designed to address the research needs highlighted in the existing services marketing literature. In particular they point to the need for empirical testing and refinement of the proposed model: "However, for many of the constructs present in the model (e.g. brand equity, communication goods effect, and spatial preemption), psychometric scales are not currently available. Development and validation of psychometric scales for these constructs and empirical testing and further refinement of the proposed model constitute promising future research directions" (Bharadwaj, Varadarajan and Fahy, 1993 p.96).

2.5 A Model of Sustainable Competitive Advantage for International Education Services

Figure 2.5 given below illustrates a model of sustainable competitive advantage for education service enterprises in international markets developed from the theories of sustainable competitive advantage and services marketing which have been outlined so far. As a model of sustainable competitive advantage, it draws somewhat more heavily upon the environmental determinist view of competitive advantage than the resource based school. The development of the model commenced prior to the publication of the model shown in Figure 2.5, but has adopted many aspects of the model proposed by Bharadwaj, Varadarajan and Fahy (1993).
The model assumes that strategy is the result of both 'environmental selection' - responses by the enterprise to considerations of external environmental factors - and "strategic selection" - with consideration given to organisational resources and skills (internal environment). This process of strategic management is an iterative process and does not necessarily commence at any given point (Boseman and Phatak, 1989).

Mahoney and Pandian (1992) point to the substantial literature surrounding the development of suitable "isolating mechanisms" from which a sustainable competitive advantage might be developed. They call for an integration of the approaches taken by the resource-based and "industry analysis" (environmental selection) schools. It is in this spirit that the following theoretical model is presented.
In the sub-sections that follow the elements of this model will be explained with reference to the preceding discussion of sustainable competitive advantage. It commences with the institution's considerations of the external environment as constituted by the overall industry structure and the structure of their foreign markets.

2.6 Industry Structure

As noted earlier in this chapter, Porter (1990) describes the external forces influencing the industry within which the enterprise operates as comprising the five factors Barriers to entry; 2. Supplier power; 3. Buyer power; 4. Threat of substitutes; 5. Industry competitiveness. Within international education there are a number of potential barriers to market entry. Some of the more prominent are economies of scale, government policies, brand equity and access to capital requirements. This is illustrated by the reforms of the Australian higher education system which took place during the 1980's (Harman and Smith, 1972; Meek and Goedegebume, 1989). This amalgamation of institutions and the removal of the dual system of universities and Colleges of Advanced Education was undertaken to achieve economies of scale and increase the longer term economic viability of the system (Baldwin, 1991; Mahony, 1994). Despite the relative success of the newly emerging universities in Australia, the early financial troubles experienced by the privately owned Bond University in Queensland serve as an example of the barriers facing a new entrant into this industry.
In terms of supplier and buyer power, the growth of the international education sector and increased mobility and affluence of international students enhances their power. Over the decades since 1970, the international flow of students has become driven more by market forces than government policy (Scott, 1994). This makes the education institution more subject to consumer needs and requires it to be responsive to competitive forces that might shift consumer focus away towards other institutions.

Figure 2.5: Industry structure

In terms of substitution threats, the growth of offshore programmes, and the potential for education services to be delivered to students via interactive multimedia pose possible examples of such threats (lves and Jarvenpaa, 1996). The expansion of the tertiary education sector throughout the world has led to debate about whether adult further
education should be undertaken by education institutions or by industry
groups and enterprises (Flint, 1991). The role of management education
within universities (one of the growth areas of international education)
has also been the subject of discussion as to whether it is appropriate to
teach it there or within industry (Watson, 1993).

2.7 Contributions to the Sustainable Competitive Advantage (SCA)

Literature

Many researchers have contributed (either directly or indirectly) to
the literature pertaining to SCA. Table 2.4 given below presents an
overview of these authors along with their main contributions to the
concept of SCA. Specific contributions, including a focus on
distinctiveness or differentiation, potential SCA sources, and customer
perspectives of SCA are discussed below.

2.7.1 Early Contributions to the SCA Concept

Early literature on the subject of competition serves as a precursor
to the development of the SCA construct. For example, Alderson (1937)
hinted at a basic tenet of SCA, that a fundamental aspect of competitive
adaptation is the specialization of suppliers to meet variations in buyer
demand. Later, Alderson (1965) was one of the first to recognize that
firms should strive for unique characteristics in order to distinguish
themselves from competitors in the eyes of the consumer. He stated that
differential advantage might be achieved through lowering prices,
selective advertising appeals, and/or product improvements and
innovations. While these concepts lay the core foundation for firms in moving toward an SCA, one now knows that given the intense nature of competition today, firms must be more innovative and entrepreneurial in their strategy planning than just lowering prices or improving existing products. In following decades, authors such as Hamel and Prahalad (1989) and Dickson (1992) discussed the need for firms to be willing to learn how to create new advantages that will keep them one step ahead of competitors.

Table: 2.4

Summary of Contributions to the Development of the "Sustainable Competitive Advantage" Concept

<table>
<thead>
<tr>
<th>Author(s) and Date</th>
<th>Article/Book Title</th>
<th>Main Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hall (1980)</td>
<td>&quot;Survival Strategies in a Hostile Environment&quot;</td>
<td>Successful companies will achieve either the lowest cost or most differentiated position.</td>
</tr>
<tr>
<td>Henderson (1983)</td>
<td>&quot;The Anatomy of Competition&quot;</td>
<td>Continues discussion of those unique advantage(s) of one firm over competitors; those who can adapt best or fastest gain an advantage over competitors.</td>
</tr>
<tr>
<td>Author(s) and Date</td>
<td>Article/Book Title</td>
<td>Main Contributions</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-----------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Porter (1985)</td>
<td>Competitive Advantage: Creating and Sustaining Superior Performance</td>
<td>Introduces idea of the &quot;value chain&quot; as the basic tool for analyzing the sources of CA.</td>
</tr>
<tr>
<td>Coyne (1986)</td>
<td>&quot;Sustainable Competitive Advantage: What It Is, What It Isn’t&quot;</td>
<td>Explanation of the conditions needed for an SCA to exist; idea of capability gaps.</td>
</tr>
<tr>
<td>Ghemawat (1986)</td>
<td>&quot;Sustainable Advantage&quot;</td>
<td>Discussion of those advantages that tend to be sustainable: size in the targeted market, superior access to resources or customers, and restrictions on competitors’ options.</td>
</tr>
<tr>
<td>Day and Wensley (1988)</td>
<td>&quot;Assessing Advantage: A Framework for Diagnosing Competitive Superiority&quot;</td>
<td>Potential sources of advantage are superior skills and superior resources; in assessing ways to achieve SCA, both competitor and customer perspectives should be considered.</td>
</tr>
<tr>
<td>Dierickx and Cool (1989)</td>
<td>&quot;Asset Stock Accumulation and Sustainability of Competitive Advantage&quot;</td>
<td>Sustainability of a firm’s asset position is based on how easily assets can be substituted or imitated.</td>
</tr>
<tr>
<td>Hamel and Prahalad (1989)</td>
<td>&quot;Strategic Intent&quot;</td>
<td>A firm should not search for an SCA, it should learn how to create new advantages to achieve global leadership.</td>
</tr>
<tr>
<td>Author(s) and Date</td>
<td>Article/Book Title</td>
<td>Main Contributions</td>
</tr>
<tr>
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<tr>
<td>Prahalad and Hamel</td>
<td>&quot;Core Competence of the Corporation&quot;</td>
<td>SCA results from core competencies; firms should consolidate resources and skills into competencies that allow them to adapt quickly to changing opportunities.</td>
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<tr>
<td>(1990)</td>
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<tr>
<td>Barney (1991)</td>
<td>&quot;Firm Resources and Sustained Competitive Advantage&quot;</td>
<td>Discusses four indicators of the potential of firm resources to generate SCA: value, rareness, inability to be imitated, and imperfect substitution.</td>
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<tr>
<td>Conner (1991)</td>
<td>&quot;A Historical Comparison of Resource-Based Theory and Five Schools of Thought within Industrial Organization Economics: Do We Have a New Theory of the Firm?&quot;</td>
<td>With a resource-based view, to achieve above-average returns, a firm product must be distinctive in the eyes of buyers, or the firm selling an identical product in comparison to competitors must have a low-cost position.</td>
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<td>Peteraf (1993)</td>
<td>&quot;The Cornerstones of Competitive Advantage: A Resource-Based View&quot;</td>
<td>Discusses four conditions which must be met for SCA: superior resources (heterogeneity within an industry), ex poste limits to competition, imperfect resource mobility, and ex ante limits to competition.</td>
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<td>Bharadwaj, Varadarajan, and Fahy (1993)</td>
<td>&quot;Sustainable Competitive Advantage in Service Industries: A Conceptual Model and Research Propositions&quot;</td>
<td>Evaluates SCA in a services marketing context; an SCA exists only if it is recognized by customers.</td>
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<td>Author(s) and Date</td>
<td>Article/Book Title</td>
<td>Main Contributions</td>
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<td>Hall (1993)</td>
<td>&quot;A Framework Linking Intangible Resources and Capabilities to Sustainable Competitive Advantage&quot;</td>
<td>Identifies various intangible resources (including assets and competencies) that allow firms to possess relevant capability differentials which result in SCA</td>
</tr>
<tr>
<td>Day and Nedungadi (1994)</td>
<td>&quot;Managerial Representations of Competitive Advantage&quot;</td>
<td>A firm’s use of strategy and reaction to the environment depends on its orientation (customer-oriented versus competitor-oriented); CA is based on this orientation.</td>
</tr>
<tr>
<td>Hunt and Morgan (1995)</td>
<td>&quot;The Comparative Advantage Theory of Competition&quot;</td>
<td>Compares neoclassical theory and comparative advantage theory of the firm; comparative advantage in resources can translate into a competitive advantage in the marketplace; offers categorization of resources.</td>
</tr>
<tr>
<td>Oliver (1997)</td>
<td>&quot;Sustainable Competitive Advantage: Combining Institutional and Resource-Based Views&quot;</td>
<td>Proposes a model of firm heterogeneity which suggests that both resource capital and institutional capital are indispensable to SCA.</td>
</tr>
<tr>
<td>Srivastava, Shervani, and Fahey (1998)</td>
<td>&quot;Market-Based Assets and Shareholder Value: A Framework for Analysis&quot;</td>
<td>Delineates market-based assets into two primary types: relational and intellectual. Largely intangible, these assets may be leveraged to achieve SCA if they can add unique value for customers.</td>
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Alderson was considered to be "ahead of his time" with respect to the suggestion that firms search for ways to differentiate themselves from competitors. Over a decade later, authors such as Hall (1980) and Henderson (1983) solidified the need for firms to possess a unique advantage in relation to competitors if it is to survive and continue to exist. These arguments form the basis for achieving an SCA.

2.7.2 SCA Defined

The idea of a sustainable CA surfaced in 1984, when Day suggested types of strategies that may help to "sustain the competitive advantage" (p. 32). The actual term "SCA" emerged in 1985, when Porter discussed the basic types of competitive strategies that a firm can possess (low-cost or differentiation) in order to achieve a long-run SCA. Interestingly, no formal conceptual definition was presented by Porter in his discussion. Day and Wensley (1988) admit that there exists "no common meaning for 'CA' in practice or in the marketing strategy literature" (p. 2). Barney (1991) has probably come the closest to a formal definition by offering the following: "A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy (italics in original)" (p. 102).

Although lacking a formal definition, Coyne (1986) contributed to the construct by proposing that in order to possess an SCA, consumers
must perceive some difference between a firm's product offering and the competitors' offering. This difference must be due to some resource capability that the firm possesses and competitors do not possess. Also, this difference must be some product/delivery attribute that is a positive key buying criterion for the market (Coyne 1986). The key is being able to predict the actions of others in the industry over time; by matching the firm's resources to the gaps and voids that exist in the industry, a CA can be created. This advantage is sustained if competitors either cannot or will not take action to close the gap (Coyne 1986).

In order to offer a formal conceptual definition of the term, it may be helpful to consider the meaning and implications of all three terms. Webster's Dictionary defines the term "advantage" as the superiority of position or condition, or a benefit resulting from some course of action. "Competitive" is defined in Webster's as relating to, characterized by, or based on competition (rivalry). Finally, Webster's shows the term "sustain" to mean to keep up or prolong.

The next step in crafting a formal conceptual definition of SCA is to consider these dictionary definitions in a business-specific context. Based on the definition of "competitive" presented above, SCA should be viewed by a firm from an external perspective. Competition is based on rivalry between two or more parties; thus, the focus of SCA should be how long a firm can keep competitors at bay. A firm who approaches the achievement of SCA from an internal perspective is missing the point. A
particular strategy based on firm resources irrespective of what competitors are doing certainly could be sustained. However, it is the external focus – the focus on competitors – that allows a firm to recognize and/or create unique resources. This uniqueness is what gives a firm the advantage. The advantage (or superiority) is sustained (or prolonged) as long as the unique strategy provides added value to customers, and as long as competitors cannot find a way to duplicate it.

Therefore, the following formal conceptual definition is offered: "SCA is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy."

2.7.3 Sources of SCA

Following Coyne’s discussion of the types of capability gaps that a firm could possess over competitors (business system gaps, position gaps, regulatory / legal gaps, and organization / managerial quality gaps), the literature turned to an exploration of the potential sources of an SCA. Recognizing the importance of an effective strategy to firms (creating tomorrow’s CA faster than competitors copy the ones possessed today), Day and Wensley (1988) focused on the elements involved in CA. Specifically, they identified two categorical sources of CA: superior skills, which are "the distinctive capabilities of personnel that set them apart from the personnel of competing firms" (p. 2), and superior
resources, which environment, one might question whether personnel could truly be considered a sustainable competitive feature of a firm. But if these personnel truly understand customers' needs and are able to foster business-intimate relationships with them, then they most certainly qualify as an SCA (Srivastava et. al., 1998). As an example, Treacy and Wiersema (1995) point to successful companies such as Home Depot and Nordstrom who have embraced the idea of customer intimacy in order to deliver a highly customized end product to customers.

Other authors have elaborated on the specific skills and resources that can contribute to an SCA. For example, Barney (1991) contributed to the discussion by exploring the link between a firm's resources and SCA. He stated that not all firm resources hold the potential of SCAs; instead, they must possess four attributes: rareness, value, inability to be imitated, and inability to be substituted. Similarly, Peteraf's (1993) resource-based view of the firm designates four conditions that underlie SCA, including superior resources, ex-poste limits to competition (including imperfect imitability and imperfect substitutability), imperfect mobility, and ex-ante limits to competition. Dierickx and Cool (1989) discuss inimitable resources such as non tradable assets which are immobile and thus bound to the firm.

Other researchers have contributed to the SCA construct by more carefully delineating the specific resources and skills that aid in the development of an SCA. For example, Hunt and Morgan (1995) propose
that "potential resources can be most usefully categorized as financial, physical, legal, human, organizational, informational, and relational" (p. 6-7). They go on to state that a comparative advantage in resources can translate into a position of competitive advantage in the marketplace, but only if the criteria proposed by Barney (1991) are satisfied and the offering has some perceived value in the marketplace (Conner 1991). Prahalad and Hamel (1990) suggest that firms should combine their resources and skills into core competencies, loosely defined as that which a firm does distinctively well in relation to competitors. CAs are realized only when the firm combines assortments of resources in such a way that they achieve a unique competency or capability that is valued in the marketplace (Morgan and Hunt 1996).

Bharadwaj, Varadarajan, and Fahy (1993) discuss the specific combinations of skills and resources that are unique to service industries. For example, they propose that the greater the complexity and cospecialization of assets needed to market a service, the greater the importance of innovation as a source of CA will become. They also propose that brand equity becomes an important source of CA in service industries as the level of service offered becomes more intangible and when consumers have a great need to overcome perceptions of risk.

Intangible resources may indeed be better suited than tangible ones to achieve SCA. Given that the achievement of SCA is based on an external focus, it is interesting to note that those intangible assets that are
external to the firm may contribute the most to value generation and subsequently SCA. Srivastava et. al. (1998) delineate market-based assets into two types: relational and intellectual. Relational market-based assets are those that reflect bonds between a firm and its customers and/or channel members. Examples of such assets would be brand equity or a business-intimate relationship that allows a firm to work with a customer to produce a highly customized product. An example of an intellectual market-based asset would be the detailed knowledge that firm employees possess concerning their customers' needs, tastes, and preferences. Both types are intangible and employ an outward focus on firm customers and/or channel members. To the extent that they are rare, unique, valuable, and difficult to imitate, market-based assets provide an excellent potential source of SCA for a firm.

Therefore, no matter what type of business, firms may succeed in establishing an SCA by combining skills and resources in unique and enduring ways. By combining resources in this manner, firms can focus on collectively learning how to coordinate all employees' efforts in order to facilitate growth of specific core competencies.

2.7.4 Consideration of Customer Perspectives

Perhaps Day and Wensley's (1988) greatest contribution to the SCA construct is their framework for assessing a firm's competitive situation as the first step in achieving an SCA. Unlike past attempts of performance outcome measures (such as profitability and market share), Day and
Wensley (1988) suggest using perspectives of both the customer and the competitor to assess the firm’s performance. Measures of customer input such as satisfaction and loyalty balance the competitor focus and help to complete the assessment of SCA of a firm. Similarly, Day and Nedungadi (1994) propose that firms use different types of information to assess whether a CA has been obtained according to the type of orientation they have; a competitor-oriented firm emphasizes relative resources or cost positions, whereas a customer-oriented firm emphasizes segment differences and differentiation advantages. Bharadwaj, Varadarajan, and Fahy (1993) also stress the importance of customers in determining the sources of CA; they state that a firm’s skills and resources can be considered sources only if they offer benefits desired by customers.

2.8 Resource and Skill Based Potential Sources of Competitive Advantages

2.8.1 Scale Effects

Given the decentralization of the service production process to a local level in many service industries, the potential for achieving a competitive cost advantage by exploiting economies of scale has traditionally been viewed as modest. Nevertheless, opportunities for exploiting scale economies are significantly greater in equipment-based service industries than in people-based service industries. Service firms can also achieve economies of scale by centralizing service production facilities while decentralizing customer-contact facilities (Upah 1980) or
centralizing certain critical (and/or equipment-intensive) activities and localizing less critical (and/or people-intensive) activities. *All the newspapers produce the newspapers in a central production place and distribute them over a territory, so there is no scale differentiation with respect to newspapers.*

2.8.2 Cost and Demand Synergies

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. Communications and information handling technologies often facilitate distribution of a broader set of services to a more diffused customer base, as well as lower the marginal costs on old services, as equipment development and software investments are allocated over a broader line of services (Quinn and Gagnon 1986). Therefore, relative to single business firms, multi-business firms have the opportunity to (1) reduce costs by sharing activities between businesses; (2) increase revenues by cross-selling to customers of different businesses in the firm's portfolio; and (3) share knowledge and skills. More importantly, 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 skill base. *Dinakaran comes from a group of Sun network which also deals with DTH, Cable network, cine production and distribution.*
Dinamalar group runs educational institutions like KLN college in Madurai.

2.8.3 Product, Process, and Managerial Innovations

Product, process, and managerial innovations can be used to gain a competitive advantage, to the extent that the technologies underlying such innovations remain proprietary. Technology held proprietary through patents, copyrights, or secrecy can deter new entrants, as well as achieve a competitive advantage by exploiting economies of scale and scope and/or through differentiation. Teece (1988, p.48) characterizes regime of appropriability as those aspects of the commercial environment, excluding firm and market structure, that govern an innovator's ability to capture the rents associated with the innovation. Relative to goods industries, in service industries, technology suffers from a weak regime of appropriability, which implies that patents can be "invented around." Trade secrets, an alternative to patents, can offer protection from imitation, provided the secret is kept in the form of tacit knowledge. Whereas codified knowledge is transferable and more prone to be copied, tacit knowledge, being difficult to articulate, is difficult to transfer or copy (Teece 1981, 1988). A number of service firms have successfully used information technology to capture tacit organizational knowledge and retain property rights over the resulting innovations. For example, American Express developed an expert system called Authorizer's Assistant to facilitate credit authorization judgments. As a result, a
decision that traditionally created a bottleneck (involving the scanning of 13 data bases or necessitating a judgment calls) can now be made in a few seconds. The presence of co-specialized assets or the lack thereof also impacts on the imitability of innovations. When commercializing an innovation requires other specialized assets in marketing and/or production, and these assets are specific to the particular innovation, the imitability of the innovation will be impeded to the degree of complexity and number of co-specialized assets needed to put the innovation to work. Even if competing firms were to find it easy to copy the innovation, they might face difficulties in putting together the organizational apparatus needed to bring the innovation to market. A complex set of co-specialized assets may therefore protect the innovation and allow it to continue to yield value (see Teece 1987). For example, it took more than two years for competitors to respond to American Hospital Supply Corporation's ASAP system, because they needed to computerize their inventory systems first (Vitale 1988). Though entering certain service businesses could require a firm to possess complex and/or multiple co-specialized assets, entering into other service businesses may not be inhibited by such requirement. *Number of copyrights held by a publisher will give this CA.*

2.8.4 Brand Equity

Aaker (1991, p. 15) 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 that firm's
customers." He distinguishes between five categories of assets that give rise to a brand's equity: (1) brand loyalty, (2) name awareness, (3) perceived quality, (4) brand associations, and (5) proprietary brand assets such as patents and symbols. In the context of marketing of services, Berry and Parasuraman (1991) note that brand equity also could reside in the name of the firm itself. Here, the absence of a tangible physical product on which a brand name can be affixed often necessitates assigning greater prominence to the corporate brand name on the various physical products and facilities used to deliver the service. Strong brand names or symbols impact positively on brand equity, both directly and indirectly, through perceived quality. Brand equity (1) helps differentiate the product from competitors' offerings (Park, Jaworski, and MacInnes 1986); (2) serves as a proxy for quality and creates positive images in consumers' minds (Oster 1990; Kamakura and Russell 1991); (3) prevents market share erosion during price and promotional wars (Kamakura and Russell 1991; Johnson 1991); and (4) prevents market share erosion by giving a firm time to respond to competitive threats (Aaker 1991).

Nelson (1970) and Darby and Karni (1973) suggest that customers take a chance when they purchase an experience good. Unlike search goods, consumers cannot infer through simple inspection whether a product is of high or low quality with experience goods. A major challenge faced by a new entrant in an experience goods market is the need to convince consumers to take a chance on a new product when they
are aware of the quality of the incumbent's product because of prior use. *Old newspapers have brand equity whereas new ones have to create it.*

### 2.8.5 Relationships/Pre-commitment Contracts

In general, firms can enhance their performance by cultivating new customers and/or retaining their existing customers and selling more to them. Cultivating new customers is generally more expensive than retaining existing customers, particularly in mature markets. Several findings such suggest that service firms doing business with their customers from a long-term relationship perspective (rather than a single transaction perspective) either through an implicit or explicit pre-commitment have a greater potential of achieving cost advantages. Precommitment contracts, by removing a portion of the market from the competitive arena and thereby introducing an asymmetry between incumbents and potential entrants, act as entry deterents (Oster 1990). Those newspapers having reader retentions programmes of different types would have more CA. *Dinamalar Coultrallam contest, valikatti are some examples.*

### 2.8.6 Spatial Preemption

Because demand for many customer services is based on convenience, preemptive identification of ideal service locations is critical to achieving better facility utilization (Allen 1988). However, though the delivery of certain services could require a firm to invest in multiple service delivery facilities at locations that are convenient to the
served market (e.g., facilities for cash withdrawal and deposit), certain other services can be offered from a single centralized location. Hence, firms need to constantly explore new bases of competitive advantage. Newspapers having editions from several cities have this CA.

2.8.7 Communication Good Effects

The value of certain products (e.g., telephone network services, micro computer services) increases as the number of users or adopters increase. These products, called communication goods (Connor and Rumelt 1991), serve as a means of standardization, because a large user base brings a large number of complementary goods into being. When communication goods are also experience products (such as computer software, disk operating systems), there is a market for both standardization and reputation bonding. Therefore, a particular brand becomes the industry standard and a powerful means of coordination (Rumelt 1987). Developing or setting industry standards makes a firm's position more sustainable (Porter 1985). In cases of products in which evaluation is difficult, akin to reputation, the industry standard plays the role of an alternative cue that makes itself more salient to the customer. The importance of spatial preemption and communication good effects as potential sources of competitive advantage is also moderated by the order of entry of firms into an industry. Literature on pioneering or first-mover advantage, a major area of research in economics, strategic management, and marketing, suggests that on average, pioneers have higher market
shares than late entrants (c.f. Robinson and Forell 1985; Robinson 1988,12). Potential sources of first-mover advantage and disadvantages associated with market pioneering are reviewed by Lieberman and Montgomery (1988) and Kerin, Varadarajan, and Peterson (1992). The newspaper that sets the industry trend enjoys this CA.

2.8.8 Corporate Culture

An organization's culture is a complex set of beliefs and ways of doing things that influence the organization's perspective of itself and the world around it. A key element of corporate culture is the set of formal rules and structures that governs the way people relate to one another in the workplace. Another is the set of myths and traditions that help define the ideology of the organization (Mintzberg 1983). Most of the literature on organization culture and performance of a firm suggests that culture can have a significant positive economic value for a firm (Barney 1986a; Ouchi 1981; Deal and Kennedy 1982). The strong culture hypothesis suggests that firms that have strong distinctive traits, values and shared belief patterns will outperform organizations that are weak on these dimensions (Dennison 1984). Strong cultures can (1) help attain a shared vision and goal congruence among employees to meet organizational goals (Wilkins and Ouchi 1983); (2) empower employees to be flexible and achieve organizational goals (Pascale 1985); and (3) energize the employees of an organization. A recent study reports that firms with cultures that emphasize key managerial constituencies (customers,
stockholders, and employees) and leadership (at all levels) outperformed by a large margin firms that did not have those cultural traits (Kotter and Heskett 1992). Another recent study focusing on culture types as determinants of performance (Deshpande, Farley, and Webster 1993) reports that Japanese companies with corporate cultures stressing competitiveness (markets) and entrepreneurship ("adhocracies") outperformed those dominated by internal cohesiveness (clans) or rules (hierarchies). Services being primarily delivered by employees, the "people" component of service delivery as perceived by customers plays an important role in service differentiation. Hence, a critical factor that endows a service organization with a competitive edge is its employees, and the way they are influenced by the culture of the organization. The way the same news is expressed by different newspapers portray their corporate culture, this aspect also adds to or subtracts from CA.

2.8.9 Organizational Expertise/Producer Learning/ Experience Effects

Organizational learning, or the improvement in skills and abilities achieved through learning within the firm (Weston, Chung and Hoag 1990), can have at least two beneficial effects. The first is increased efficiency of individual workers or worker groups. Experience curves, an extension of learning curves, are the result of applying the learning curve principle to all value-added costs rather than to just production and labour costs. The presence of experience effects (the average total cost per unit, measured in constant current declining by a constant percentage with
every doubling of cumulative experience) have been documented in the context of both equipment-intensive service industries such as telecommunications and electric power utilities and people-intensive service industries such as life insurance (see Abell and Hammond 1980; Boston Consulting Group 1972). A second aspect of organizational learning is team effort. As members of an organization work together over a period of time, the Williamson principle can take effect—that is, an organization may realize economies of information interchange through common training and experience, repeated interpersonal interactions, and the possible development of a compact code (Williamson 1971, 1975). In other words, inside the organization, information flows more efficiently and transaction costs are reduced, and the firm becomes more efficient as experience is gained. Furthermore, firms, by changing task designs to form self-managed cross-functional and cross-trained service groups, could (1) improve the quality of service provided by controlling variance at source (Pasmore 1988), (2) improve the flexibility of the organization by empowering teams to respond to specific consumer requests (Tansik 1990), and (3) blend capabilities to solve complicated problems spanning several functional areas speedily and effectively. Enhanced performance resulting from employing teams has been documented in a number of empirical research studies (c.f. Johnson et al. 1981). Organizational learning or expertise can be a source of competitive advantage only when the (1) learning is tacit and not observable in use and (2) underlying
knowledge is complex (Winter 1987). Competitors free riding on a firm’s learning and expertise is more difficult under these conditions, as well as when few people are privy to the information and employee mobility is low. However, the characteristics of various service industries do not appear to moderate the role of organizational expertise as a source of competitive advantage. *Those newspapers that learn from their experiences can sustain their CA.*

2.8.10 Information Technology

Information technology (IT) refers to the collective means of assembling and electronically storing, transmitting, processing, and retrieving words, numbers, images, and sounds (Gerstein 1987, p. 5). IT’s importance as a source of SCA stems from its potential to impact the transformation of a service firm’s value chain (see Porter 1990). IT can aid in attaining an SCA by (1) providing companies new ways to outperform rivals, through lowering costs and/or enhancing differentiation; (2) building barriers to entry, building switching costs, and sometimes completely changing the basis of competition; and (3) spawning entirely new businesses (Porter and Millar 1985). *Those newspapers that use ITES more have CA.*

2.9 The Relationship of SCA to Other Strategic Concepts

Many ideas in strategy research have been linked to helping in the process of creating and maintaining an SCA. Table 2.5 provides an overview of many of these topics, along with contributing authors and
their relationship to SCA. Four of these topics will be more fully discussed here: market orientation, customer value, relationship marketing, and business networks.

2.9.1 Market Orientation

The marketing literature provides different conceptualizations of the term "market orientation," yet they share similar components. Kohli and Jaworski (1990) see market orientation as the implementation of the marketing concept by activities such as generating information (analyzing changing customer needs and wants), disseminating information (sharing information with all departments in an organization), and actually responding to customers’ needs. Other definitions of market orientation revolve around competitor-centered versus customer-centered firms. Day (1994), for example, views market orientation as a balance between being customer-centered and being competitor-centered, and that information technology can be used to help the firm to learn to act on available information faster than the competitors.

Narver and Slater (1990) share a similar perspective of market orientation. They view market orientation as an organizational culture that contains three behavioural components: 1) a customer orientation (understanding the target market), 2) competitor orientation (understanding the strengths, weaknesses, capabilities, and strategies of key competitors, and 3) inter functional coordination, which means using resources of all departments in a firm in order to create value for target
customers. An example of this latter component is provided by Ghoshal and Westney (1991), who find that a corporate culture of willingness to share information with all departments (interfunctional coordination) facilitates the learning process. Fiol and Lyles (1985) agree that a corporate culture in which all departments are flexible and are willing to accept change increases the probability that learning will occur. And the ability to learn (acquiring, disseminating, and interpreting new knowledge) is essential in a market-oriented firm.

Market orientation, then, presumes an outward focus on customers and competitors. For example, through a customer orientation, firms can gain knowledge and customer insights in order to generate superior innovations (Varadarajan and Jayachandran 1999). Also, through interfunctional coordination, teams may be formed and empowered to respond to specific customer requests and solve complicated problems that span across functional areas (Tansik 1990). Because a market orientation employs intangible resources such as organizational and informational resources, it can serve as a source of SCA (Hunt and Morgan 1995).

2.9.2 Customer Value

Wodruff (1997) also sees the next major source of CA coming from a more outward orientation, specifically toward customers. He suggests a customer value hierarchy in which firms should strive to match their core competencies with customers' desired value from the product or service. Slater (1997) aids Wodruff's call by suggesting a new theory of the firm
that is customer-value based. Under this theory, the reason that the firm exists is to satisfy the customer; the focus on providing customers with value forces firms to learn about their customers, rather than simply from their customers. With respect to performance differences, this theory suggests that those firms that provide superior customer value will be rewarded with superior performance as well as an SCA. Therefore, the idea of customer value extends the resource-based theory of the firm to take a more outward perspective (a market orientation) as one way in which a CA can be achieved and sustained.

2.9.3 Relationship Marketing

Morgan and Hunt (1996) examine the role of relationship building as a means of obtaining resources in order to create an SCA. They propose that resources can be combined in order to form higher-order resources, or competencies, from which the firm can eventually achieve a CA. For example, it is difficult for outsiders to replicate the process of building a long-term relationship. Resources such as loyalty, trust, and reputation are immobile and cannot be purchased. Therefore, Morgan and Hunt (1996) state that relationships formed to acquire organizational, relational, or informational resources will commonly result in sustainable resource-based CAs.

2.9.4 Business Networks

Webster (1992) offers a continuum of marketing relationships which moves from discrete transactions towards network organizations and just-
in-time exchanges. As the continuum moves further from discrete transactions, more administrative and less market control occurs, as well as a shift toward elements such as trust that are key to building relationships meant to last over the long term. Similarly, Iacobucci and Hopkins (1992) and Anderson, Håkansson, and Johanson (1994) view networks as a ‘step beyond’ dyadic relationships, or partnerships, just as Webster (1992) does in his "continuum of marketing relationships" (p. 5). Networks consist of multiple relationships, with each participating firm gaining the resources needed to build core competencies and obtain an SCA. According to Jarillo (1988), the establishment of trust and perceived goal congruence are two factors that assist in the development of organizational networks. Jarillo states that trust is an essential element to maintaining both effectiveness and efficiency in a network relationship. Similar to Frazier, Spekman, and O’Neal’s (1988) view of opportunistic behaviour within the Just-In-Time exchange relationship, Jarillo (1988) sees the presence of trust as an indicator that the relationship is one of value; therefore, opportunistic behaviour is less likely. If parties participating in this network exchange realize the opportunity for joint value creation, then the network can act to emphasize the individual firm’s CA by allowing that firm to specialize in the activities it performs best. Porter (1985) also discusses the formation of "coalitions" that allow the sharing of activities in order to support a firm’s CA. However, Porter’s "value chain" approach focuses on activities within a single firm.
<table>
<thead>
<tr>
<th>Concept</th>
<th>Contributing Author(s)</th>
<th>Relationship to SCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>Foxall (1984), Wolfe (1994), Rogers (1995), Gatignon and Xuereb (1997)</td>
<td>CA may result from those innovations which are consistent with the firm, both socially and technologically, and provide some distinct value to customers, either directly or indirectly</td>
</tr>
<tr>
<td>Customer value</td>
<td>Day and Fahey (1988), Woodruff (1997), Parasuraman (1997), Slater (1997)</td>
<td>The provision of customer value is a source of SCA; customers’ desired value changes, firms should monitor these changes via continuous learning about customers</td>
</tr>
<tr>
<td>Relationship marketing</td>
<td>Morgan and Hunt (1994), Morgan and Hunt (1996)</td>
<td>The building of trust and commitment make relationship marketing rare and difficult to imitate, thus rendering it a potential source for SCA</td>
</tr>
</tbody>
</table>
Duane Grove 2005, "Organizational communication competence can create a sustaining competitive advantage for companies that result in improvements to the bottom line. In the emerging knowledge economy where technical competence is increasingly viewed as a commodity, organizations that can communicate with greater effectiveness will enjoy a higher success rate than those who continue to rely on product superiority or even price."

2.10 Positioning for Competitive Advantage

According to Trout and Ries, (1969) "positioning is not what you do to a product. Positioning is what you do to the mind of the prospect. That is, you position (place) the product in the mind of the potential buyer". Since that time in marketing, positioning is the technique in which marketers try to create an image or identity for a product, brand, or company in the perception of the target market. What matters is how potential buyers see the product. It is expressed relative to the position of competitors. Typical positioning tools include graphical perception mapping, market surveys, and certain statistical techniques.
A successful positioning strategy is usually based on a sustainable competitive advantage of a company. Positioning can be based on several things, including:

1. Product features
2. Benefits, needs, or solutions
3. Use categories
4. Usage occasions
5. Placing and comparing it relative to another product
6. Dissociation of the product class

A well-positioned business is closely aligned to the needs of its target segments, both current and emerging. Companies which anticipate and shape market trends have the best opportunity for long-term prosperity. In business, often the best way to predict the future is to create it, and companies are often able to position themselves in ways which set and exploit the basis of competition to their advantage. There are two ways in which a business can gain competitive advantage by establishing a favourable basis of competition:

- Influence customers’ perceptions, their expectations, and the benefits & value which they are prepared to pay for (driving customers towards preferences in which your company has a competitive advantage in delivering against).
Establish a raw competitive advantage over rivals (present and future). The first method is obviously about shaping the nature of market demand to generate a desired market positioning. The second method - establishing raw competitive advantage - is about using the delivery or supply side of business to establish a market positioning that is usually quite tangible.

Marketing innovation can be used to drive opportunities in both types of positioning. The key elements of each type of positioning strategy are illustrated in the following chart.

**Figure 2.6: key elements of each type of positioning strategy**
2.11 Sustainable Competitive Positional Advantage (SCPA)

Sundar G. Bharadwaj (1993) has proposed a concept of sustainability in competitive positional advantage. The concepts such as differentiation advantage and cost advantage have been focused as a measure of long term performance with reinvestments in resource and skills Barney (1991) and Coyney (1986) have explored four essential requirements as valuable, rare, imperfectly imitable and no substitute.

Tamil dailies publishers strive for a competitive advantage as that of many other firms but few truly understand how to achieve and sustain the position in the market. According to Michael Porter, (1980-85) competitive advantage has been gained by offering three different generic strategies, viz., cost leadership, differentiation, and focus. A firm utilizing a cost leadership strategy seeks to be the low-cost producer relative to its competitors. A differentiation strategy requires that the firm possess a "non-price" attribute that distinguishes the firm as superior to its peers. Firms following a focus approach direct their attention to narrow product lines, buyer segments, or geographic markets. "Focused" firms use cost or differentiation to gain advantage, but only within a narrow target market. In order to maintain leadership in the competition, a company wants the gap between perceived value and cost of the product to be greater than the competition. The competitive advantages have been obtained by providing the customers with a value differentiation, product
differentiation, service differentiation, image differentiation, quality differentiation, and innovation.

According to Barney (1991) and Coyney (1986), a firm is said to have a "sustainable" competitive advantage when its competitors are unable to duplicate the benefits of the firm's strategy. In order for a firm to attain a "sustainable" competitive advantage, its generic strategy has been grounded in an attribute that meets four criteria. It has to fulfill the criteria such as valuable, rare, inimitable and non-substitutable. The first criterion 'valuable' means that the newspaper is of value to the reader. The second criterion of sustainability 'rare' indicate that it is not either available in common or easily obtained. The third criterion 'Inimitable' means that it cannot be easily imitated or copied by competitors. The last criterion of sustainability ' non-substitutable' means that consumers cannot or will not substitute another product or attribute for the one providing the firm with competitive advantage.

The notion of sustainable competitive advantage lies at the heart of competitive strategy. Despite its ubiquity in both teaching and research, a rigorous treatment of the topic is not in place, with even the definition of competitive advantage still being debated (Rumelt, 2003). While consensus in the literature has emerged that sustainable competitive advantage arises from the possession of scarce, hard to imitate resources (Barney 1991), this resource-based view is most successful in explaining the sustainability of an existing competitive advantage rather than in
offering a coherent theory of both the creation and sustainability of competitive advantage (Priem and Butler, 2001). For example, it remains unclear whether a strengthening of the factors that provide barriers to imitation and hence sustainability might actually reduce profits by making it more difficult and costly to establish an advantage in the first place. If one wants to explore rigorously both the creation and sustainability—as is a firm’s objective—one needs a working definition of competitive advantage. One approach is to equate competitive advantage with financial performance above the industry average (Besanko et al., 2000), an approach that dovetails nicely with the central concern of the strategy field, namely, understanding the drivers of firm performance. Another approach, going back at least to Porter (1985), is to equate competitive advantage with lower production costs or greater differentiation; with more recent treatments in this stream focusing on value creation (Brandenburger and Stuart, 1996), where value creation is defined as the difference between consumer’s willingness to pay for a product or service and the opportunity cost of production. An advantage of equating competitive advantage with superior value creation is that one can explore the connection between competitive advantage and profitability, in particular one can explore the extent to which the costs of establishing a competitive advantage offset the benefits. Finally, given the importance of resource scarcity for existing theories of sustainability, some connection to resources is desirable. We define competitive advantage as
resource heterogeneity that gives one firm superior value creation and hence a greater flow of profits. Thus, we think of a firm as having a competitive advantage at a point in time, which then allows one to talk about the sustainability of the advantage as the length of time that the advantage lasts. One is interested in a firm's discounted total profit, but one maintains this as a distinct concept from competitive advantage.

The principal aim of marketing strategy is to successfully position an enterprise or its products within its markets so as to develop a competitive advantage. Faced with the new commercial realities of having to compete institutions are adopting the aggressive marketing strategies. However, the application of the principles outlined in the s marketing theory is only part of a more comprehensive range of strategies designed to produce and sustain a competitive advantage. A wider understanding is required of the factors likely to contribute to an institution's competitiveness than can be answered by the marketing literature alone.

This concept draws upon the literature of industrial economics and strategic management in order to gain a better understanding of how an institution operating in markets might achieve and sustain a competitive advantage. It commences with an examination of the nature of competitiveness. Shoasck's (1987) has indicated various positioning alternatives of sustainable competitive advantage as reduced divergence (a standardized, cost-efficient service) increased divergence (greater customization for specific segments) and increased complexity (addition
of services tiding toward a multi-service poison) as differentiation possibilities. Each of these poisoning alternatives results in differences in customer's perception of value which lead to shift in customers from one competitor to other competitor.

The present researcher is able to propose the study by way of combining Competitive Positional Advantage and Sustainability of Competitive advantage as "Sustainable Competitive Positional Advantage (SCPA) in line with the conceptual and research propositions postulated Sunder G. Bharadwaj et al.(1993).
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