Ensuring the Competitive Advantage for the Firm

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Abstract: Providing and maintaining a competitive advantage especially depends not only on understanding the value chain of the company, but also its inclusion in the overall value system. The value chain of a company is only part of a broader set of value-added activities, i.e. the value system. Therefore, the value chain of the company shall be understood more as a part of a system that relates and other value chains of suppliers, customers and competitors. Value chains of companies in a particular field of activity are different from each other, depending on each company's history, the strategy adopted by successful implementation. Keywords: the value chain, cost, competitive, technology

Introduction

In a competitive market, the pursuit of achieving a competitive advantage is a central objective of the company. If competitive strategies establish the theoretical framework for the analysis of economic sectors and competitors, achieving a real competitive advantage refers to the manner of implementation of these strategies.

Competitive advantage is reflected in the value that a company creates for its customers. This advantage may be given by a lower price than the one applied by its competitors for similar products/services, or providing unique benefits that compensate for any increase in price. Providing and maintaining a competitive advantage depends especially not only on understanding the value chain of the company, but also its inclusion in the overall value system.

1. The Value Chain of a Company

The value chain of a company is only a part of a broader set of value-added activities, i.e. the value system. Therefore, the value chain of the company shall be understood more as a part of a system that relates with other value chains, those of suppliers, customers and competitors.

Value chains of companies in a particular field of activity are different from each other, depending on each company's history, the strategy adopted and by their successful implementation. Value, on the field of competition, is given by the amount that buyers are willing to pay to purchase products offered by the company. The company is profitable when the value obtained is higher than the costs incurred to achieve product.

In order to gain maximum profit from the sale of goods/services produced it is necessary that the resources of the sector be directed to the production sector of such goods/services to ensure in a best way the consumers' needs. A special role is played here by the information system that if it is lacking, it will lead to inefficient use of resources and increased costs, which ultimately reflects negatively on the profitability of the entire sector. Decrease the profitability of the entire system will lead to the disappearance of entities involved, the balance will break and it will be necessary to reorganize in a way or another whole sector.

- Primary activities are the actual activities of product development, its sale and the after-sale service.
- Supporting activities intend to support the primary activities by providing material resources, human ones, technology at the level of the society.

The above mentioned examples mean that procurement, human resource management and development of technology can be used both in each specific primary activities and the whole chain. Infrastructure helps the whole value chain. Competition in any economic sector requires the existence
of five different primary activities: logistics of the inputs, operation, the output logistics, the market researches and sales, the after-sales service.

- **Entries logistics** includes all actions related to the entry, storage and handling of components needed for the product.
- **Exploitation** refers to the actions of changing the input into a finished product: processing, assembling, subjecting the samples and testing, packaging, etc.
  
  - **Outputs logistics** includes actions related to the processing, storage and distribution of the product to consumers.

Marketing researches and sales include activities such as product distribution and consumers attraction (promotion, advertising, choosing distribution channels, establishing prices etc.). **Service after-sales** refers to actions after sales, designed to increase the value of the product (installation, repair, provide replacement parts and so on). Each type of activity may be crucial in ensuring a sustainable competitive advantage.

In turn, the four supporting activities consist of several distinct actions. The **infrastructure of the company** refers to actions related to planning, accounting, legal and general management. **Human resource management** includes activities related to recruitment, selection, hiring, training and remuneration of labour force. This activity can have an effect on the competitive advantage through its role in determining the costs, of hiring and training, in establishing professional skills.

### 2. The Role of the Technology Development in Product Improving

Each activity is based on one or more technology meant to improve product and the manufacturing process. It manifests itself in various forms, from basic research and product design to the plants designing process and procedures to ensure service.

Technology development can provide a significant competitive advantage irrespective the economic branch in which it operates. **Supply** refers to actions related to the acquisition of input elements. The supply function is practically found in all primary activities of the company. It is focused on raw material inputs – supply department, inputs of personnel, work equipment and facilities, and also in expertise advice – at the level of the general director.

Improving supply practices has a major effect on the cost and quality of inputs, on the relationship between suppliers and society. However, the value chain is not a summation of independent activities but a system of activities that interact. Competitive advantage can be created as well through the links between activities, just as it can be created for each activity apart. Thus, through a better **coordination and optimization** of the links you can get a competitive advantage.

A better coordination of activities would lead to the elimination of downtimes and reducing costs for each activity. Also, by optimizing the links between activities one can obtain a decisive competitive advantage. A more elaborate design (and therefore more expensive) of a product can significantly reduce costs of post-sales servicing. The links within the value chain, although crucial to ensuring a competitive advantage can often pass unnoticeable. Exploiting these connections often require different information, allowing the optimization and the coordination of activities. Therefore, companies need to ensure in priority a powerful information system, in order to discover new connections and increase the ability to achieve the old ones.

### 3. The Cost Advantage and the Differentiation

The cost advantage and the differentiation are two types of competitive advantage that a company can own. The customer is the most important to the firm, so Orange Romania is seeking the best quality at the best price. This is possible because small investments in mobile communications compared to those fixed ones, which allows the use of competitive prices for customers.

Orange Romania uses mainly, as external competitive advantage, the brand. In a competitive telecommunications market, the brand is one of the strengths of an operator. A brand is born hard and can disappear easily. As it be always preferred by consumers, the brand must continually adapt to their needs and expectations, it must offer them at any time, new perspectives from which it be appreciated.
Since the launch of Orange Romania, consumers have appreciated the very surprising freshness of this brand and the way in which it highlighted communication.

Orange has maintained a clear identity of the brand and its message, according to the permanent renewal of how these attributes are transmitted. The freshness of that brand should not come only from the publicity but from other activities of the so-called "below-the-line" (sponsorships, promotions, competitions), as well as through the diversification of offered products and services.

A brand must speak through its activity, through direct interaction with its customers. Employees are the ambassadors of the brand, they are the ones through which the brand lives, they give life to it and they "confirm" every day, its relation with the clients or business partners.

The company has built a solid brand in time, around a product / service quality of a constant quality. Brand means not only image and advertising, the brand value relying on a constant relationship that is built between the owner of a brand and the consumer. A strong brand allows the company a surplus of money and provides a superior market share. A brand does not work by itself.

To build and sustain a brand, the company must work every day. Orange brand strength comes from the way it manages to insinuate itself into the customers’ mind and soul. It is a brand that carries magnetism able to maintain emotional connection with the audience.

A strong brand sells, and sells repeatedly, and that is why branding is the goal of any marketing people. When speaking of the brand, one must consider not only the products / services, but also the people. The Orange brand has managed to create a fashion, a certain culture, so to create a community around it. It is based on a set of values very well developed and meets a range of customer needs.

By adapting to local needs, the Orange brand was able to take the product / service out of the crowd, to make it unique and so special and thus to stir the attention of a great mass of consumers.

4. The Technology and the Competition Advantage

The technological change is one of the main driving forces of competition. It plays a major role in the structural change of the branches, as well as the creation of new branch. It is also, an extraordinary equalization factor, even eroding the competitive advantage of heavily fortified firms and pushing others in front. Many of today's major companies have developed with the help of technological changes that they have been able to exploit. Of all the things that can change the rules of competition, technological change is among the most prominent.

Yet despite its importance, the relationship between technological change and competition is generally misunderstood. Technological change tends to be seen as valuable in it - any technological change that may initiate a firm is considered good. In general perception, to compete with "high tech" branches is a ticket to profitability, and other sectors, regarded as with an "inferior technology" are regarded with disdain. The recent success of foreign competition, largely based on technological innovation, has encouraged more companies to invest in technology, in some cases without any judgment.

Technological change is not important in itself, but it is important if it affects competitive advantage and industry structure. Not every strategic technological change is beneficial, sometimes it makes it worse the competitive position of the company and industry attractiveness. High technology does not guarantee profitability. Indeed, many high-tech industries are much less profitable than some branches with "inferior technology" because of their unfavourable structure.

But technology is omnipresent within the value chain of the company and it does not resume just to the technologies directly associated with the product. In fact, we can not say that there is a low technology industry, if we adopt this larger view. Considering a branch as being mature from a technological point can often lead to strategic disaster. Moreover, many important innovations for competitive advantage are prosaic things and do not imply any major scientific discovery. Innovation
can have important strategic implications for companies with low technology, as well as for the high-tech.

The technology influences the competitive advantage if it has a significant role in determining the relative cost position or of the differentiation. As the technology is embedded in each value adding activity and it is involved in creating links between activities, it can have a considerable effect on both cost and differentiation if influencing the driving forces of cost or uniqueness of the added-value activities. The technology that can be used in a valuable asset is often the result of other driving forces, such as scale, coordination in time or interdependence relations. A firm that can discover a better technology for executing an activity compared to its competitors obtains thereby a gain of the competitive advantage.

Besides that it affects cost or differentiation, the technology has an effect on competitive advantage by changing or influencing other cost drivers or uniqueness. Technological development may increase or reduce the economies of scale, to make possible interdependence relations, where they could not be created before, and influencing almost any of the other driving forces or uniqueness. Thus, a business can utilize technological development to change the driving forces in such a way as to favour, or it may be the first and possibly even the only capable to exploit a certain driving power.

4.1. The Technology and the Competition

Any business requires a large number of technologies. All that a firm does requires a certain type of technology, even if it appears that one or more technologies dominate the product or the production process. The importance of technology for competition does not depend on its scientific value or distinctive importance in achieving the physical product. Any technology required by a firm can have a significant impact on competition. A technology is important for competition if it significantly influence the competitive advantage of the firm or branch structure.

4.2. The Strategy Regarding the Technology

The strategy regarding technology is how a company deals the problem of technology development and use. Although the role of the traditional organizations includes research and development, it should also have a wider coverage because of the omnipresent impact of the technology upon the value chain. Given the power of technological change to influence industry structure and competitive advantage, the technology strategy of a company is an essential part of its overall competitive strategy. Innovation is one of the main ways of attacking well entrenched competitors. However, the strategy regarding technology is only one element of the overall competitive strategy, and should be consistent with, and be reinforced by, the choices made on other valuable activities. A strategy relating to technology designed to achieve differentiation in product performance will lose much of the impact, for example, if there is not a sales staff technically trained to explain the buyer the performance benefits and if the production process does not include suitable measures for performing quality control.

The strategy regarding technology must address the following three issues:

− What technologies to be developed
− Whether to pursue the technological supremacy on those technologies
− Role of technology licensing

The options for each issue must be based on how technology can increase the maximum sustainable competitive advantage of the firm.

Conclusions

In the very centre of gravity of the strategy regarding technology there is the type of competitive advantage that one company is trying to achieve. Technologies that should be developed are those which contribute most to the overall strategy of the company, balanced with the probability of success in their development Strategy regarding technology has great potential for efficient tool with which the company can track any of the three generic strategies.
In many companies, the research and development programs are directed more of the interest having a technical-scientific nature, than by the competitive advantage sought. Research and development activity of a cost leader as concerns the performance of the product must take into account the maintenance of parity with competitors, rather than adding new expensive features, such the research-development objectives will not be in accordance with the firm strategy.

It is also important that the strategy regarding the technology of a firm to go beyond the research-development activities dedicated to the products and processes, as they are traditionally defined. The technology is present in the value chain of a company and the relative positions of cost and differentiation are a function of the chain as a whole. Therefore, a systematic analysis of all technologies company will highlight the links that can be done to reduce costs or enhance differentiation. For example, the department of information systems can have a greater impact on technology change in some contemporary firms compared to the research and development department. Other important technologies, such as transportation, material handling, communications and office automation operations, are worth more than an occasional concern with an unofficial character.

References