
Competitive Strategy for Sustainable Competency: A Theoretical Study

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“The future never just happened. It was created” Will Durant.

ABSTRACT

Business must be strategically aware in order to be successful. The need for all managers is to be able to think strategically. Decisions by managers have a strategic impact and contribute to strategic change. Strategy can be looked at as war planning, interpreting the business landscape, mapping the moves, determining where to attack and where to defend, timing when and where to enter the field of battle and when to withdraw, and preparing how to isolate, encircle, or outflank the competition. Strategic success requires a clear understanding of market scenario and customers move. Today's organizations have to deal with dynamic and uncertain environments. In order to be successful, organizations must be tactically aware. They must understand how changes in their competitive environment are unfolding. They should actively look for opportunities to exploit their strategic abilities, adapt and seek improvements in every area of the business, building on awareness and understanding of current strategies and successes. Organizations must be able to act quickly in response to opportunities and barriers.

Keywords: Strategic Business, Competency development, Sustainable Growth, Competitive Advantages, Business Progression etc.

INTRODUCTION

Competitive Strategy is defined as the long term plan of a particular company in order to gain competitive advantage over its competitors in the industry. It is aimed at creating defensive position in an industry and generating a superior ROI (Return on Investment). Such type of strategies plays a very important role when industry is very competitive and consumers are provided with almost similar products. One can take example of mobile phone market. Before devising a competitive strategy, one needs to evaluate all strengths, weaknesses, opportunities, threats in the industry and then go ahead which would give one a competitive advantage.

According to Michael Porter (1985), competitive strategy is devised into 4 types:

Cost Leadership

Here, the objective of the firm is to become the lowest cost producer in the industry and is achieved by producing in large scale which enables the firm to attain economies of scale. High capacity utilization, good bargaining power, high technology implementation are some of the factors necessary to achieve cost leadership.

Differentiation Leadership

Under this strategy, firm maintains unique features of its products in the market thus creating a differentiating factor. With this differentiation leadership, firms target to achieve market leadership. And firms charge a premium price for the products (due to high value added features) Superior brand and quality; major distribution channels, consistent promotional support etc. are the attributes of such products

Cost Focus

Under this strategy, firm concentrates on specific market segments and keeps its products low priced in those segments. Such strategy helps firm to satisfy sufficient consumers and gain popularity.

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Differentiation Focus

Under this strategy, firm aims to differentiate itself from one or two competitors, again in specific segments only. This type of differentiation is made to meet demands of border customers who refrain from purchasing competitors' products only due to missing of small features. It is a clear niche marketing strategy.

MOVES OF COMPETITIVE STRATEGY

There are four broad categories of competitive strategic moves, two with threatening moves and two with non-threatening moves. Threatening moves take two general forms, offensive and defensive strategies. Similarly, non-threatening moves are also classified into two broad categories; collusive strategies and strategic alliances. Porter defines them as moves that 1) improve the firm's position and that of rival firms even if they are not matched, 2) improve the firm's position and that of rival firms only if they are matched my most rival firms, and 3) improve the firm's position because they not matched by rival firms. These strategic moves are discussed below.

Offensive Strategies

Offensive strategies involve strategic moves that improve the firm's position relative to that of rival firms in the industry. There are six basic offensive strategies; strategic moves that 1) neutralize, match, or exceed the competitive strength of rival firms, 2) turn competitive attention to the weaknesses of rival firms in brand perceptions, demographic/geographic reach, and organizational resources, 3) throw rival firms off balance with multiple tactics (new product introductions coupled with increases in advertising and reductions in price) across a wide range of market segments, 4) lead to a first-mover advantage in un served or uncontested markets by manoeuvring around rival firms rather than meeting them head on (end-run offensives), 5) selectively captures market share from rival leaders when the lack of resources or market visibility prevents a full scale offense (guerrilla offensives) and 6) secure a first mover advantage that is difficult to imitate with initiatives such as expanding capacity beyond current market demand and securing pricing advantages with long-term supply contracts. Successful offensive strategy are almost always a source of a competitive advantage because they are moves intended to yield a cost leadership position, differentiation advantage, or provide the best value product/service to industry consumers. At the core of these strategies are the firm's competitive resources – the tangible and intangible assets and organizational capabilities that are linked to what industry consumers value. Offensive strategies can be launched by existing rival firms seeking to improve their position or new entrants seeking to establish a position in the industry.

Defensive Strategies

Defensive strategies are those moves that reduce the ability of rival firm strategies to threaten the firm's competitive strength or organizational resources. Because of this, they are rarely a source of a competitive advantage. It is said that “Best defence is a good offense.” Their intended purpose is to defend an industry position, protect competitive resources from imitation, and sustain an existing advantage by lowering the risk and weakening the impact of rival firm offensive attacks. There are five basic defensive strategies; retaliation, commitment, government intervention, strategic flexibility, and avoidance. Retaliation strategies described by Porter as discipline, denying a base, and commitment are efforts to discourage rival firms from attacking. Discipline involves one immediate response directed at the initiator so that rival firms can always expect retaliation to occur. Denying a base involves preventing a new entrant from meeting its goals so they withdraw or deescalate their efforts. Commitment strategies include those that 1) deter retaliation by communicating a commitment to unequivocally follow through on offensive moves, 2) deter threatening moves with a commitment to direct and continued retaliation if rival firms make certain moves and 3) create trust by communicating a commitment to make no new moves or forego existing moves in an effort to deescalate a competitive battle. Government intervention strategies involve the use of political and legal tactics to prevent rival firms from changing the rules of the game. Strategy flexibility protects firm resources through the ability to move quickly out of declining markets into more prosperous ones. Lastly, avoidance strategies dodge confrontation by focusing on market segment of little interest to rival firms.

Collusive Strategies

Collusive strategies involve collaborative efforts that tamper with the industry balance of supply and demand. Price/output collusion occurs when rival firms reduce the supply of an output below its competitive level in order to raise price above its competitive level and earn a greater than economic

return. Because this strategy is illegal tacit forms are more common than explicit forms. There are a wide range of tacit forms and discussion of them is beyond the scope of this module. It is suffice to say that Axelrod found a simple "tit for tat" strategy in which rival firms cooperate with each other until one of them cheats to generate the highest industry-wide profits as long as at least a few key industry players are implementing collusive strategies.

Strategic Alliances

Strategic alliances are cooperative arrangements of rival firms that don't involve the reduction of industry output to control prices. They are perceived to be non-threatening when performance improvements arises across participating firms that wouldn't be possible without the cooperative efforts of those involved. They enable rival firms, 1) to manage risks and share costs when the economies of scale and learning are lacking, 2) facilitate low cost entry into new markets, industries, and industry segments by rival firms that individually lack the required products, capabilities, and resources, and 3) provide rival firms with strategic flexibility and a point of entry without incurring the cost of full-scale under conditions of high uncertainty. Strategic alliances take many forms but fall into three broad categories, on-equity alliances (licensing and distribution agreements) are cooperative arrangements enforced by contractual obligations without any equity position being shared by rival firms. Equity alliances are the same as non-equity ones except that one rival firm or the other or both make an equity investment in the arrangement. This involves supplementing contractual relationships with stock purchases. Joint ventures involve the formation of an independent firm in which participating firms invest and share the profits. Strategic alliances are a commonly used today by rival firms. Traditionally, only small firms and niche players considered this type of cooperative arrangement to manage risks, share costs and remove entry barriers. Global economic growth and advanced communication methods have furthered the use of strategic alliances by small firms. They have also made it necessary and possible for large firms to use strategic alliances to reduce cost and enter global markets that were previously untapped.

APPLYING COMPETENCY MODELS TO ORGANIZATION

The most critical part in nurturing competency-based performance management intervention is the successful launch and sustenance, that is, application of competency models to real life situations. This means grooming an organization on the curriculum and structure of competency models. This involves organization-wide revolution in terms of change in systems, practices and people. Following steps are indicated as suggestive of this process:

Applying Competency Model to Systems:

Application phase must begin with reorienting systems requirements and standards that include altering policies and procedures in organization in line with competency models. For example, human resource policies covering compensation, training, performance appraisal system, must be transformed to reinforce competency-based management strategy. However, an organization which initiates implementation of all the seven strategies of performance management discussed in this book just needs to check whether systems are correlating with conditions of competency models.

Applying Competency Models to Practices

Every organization follows a distinct way of carrying out tasks and running organization and functions. This method of working pattern varies depending on the nature of organization and its perceived and real environment. This pattern of working also gets internalized in some organizations because of decades of practicing it. One of the biggest challenges to bring change in practices is much easier to make change in system in comparison to practices. Persistent approach must be adopted in realizing changes in practices to make them competency model friendly and as catalysts of competency-based performance management.

Applying Competency Models to People

Next important step which needs to be implemented simultaneously along with applying competency models to practices is imparting or developing people drawing competency models as basis. This needs elaborate assessment strengths and weaknesses of people performing different roles in reference to job competency models. This initiative may provide different results. Firstly, it helps in mapping competency profile of people. This mapping paves a way for matching right people with right jobs. There are instances where applying competency models to people led to re-engineering of human

resource placements within. It means there is a feasibility that people may be performing roles in which they are neither comfortable nor their competency profile matches with demands of the role. Secondly, as pointed out, competency models application highlights areas of concern, i.e. in what areas people need to be made competent through developmental intervention. This can be the most significant contribution of job competency models to people in particular and organization in general. Application of competency models can be complete only when the competency profile of people exactly matches with that of competency model of jobs. Application of competency models is an integrated activity which involves systems, practices and people. It possesses a systemic effect implying successful application of competency model to one sphere leads to positive gains not only to that segment, but also for other two segments. For example, effective application of competency models to systems automatically tends to strengthen the practices. Likewise, practices built on competency models called in this context functional competency, automatically contributes for enhancement of people competencies while competent people give a fillip to competency-based practices. There must be equal emphasis and balance in applying competency models to these three spheres of organization.

Evaluation of Competency Models

Efficacy and contribution of competency-based performance management must be evaluated at three levels such as organizational, functional and employee level. This can be initiated only when execution of competency models at job, functional and organizational level through the means of systems, practices and people is complete. Some of the methods and approaches followed in this context can have similarity with approaches and methods adopted which are important like pilot testing competency models. Basically to establish the content validity and reliability of measures, whereas the basic objective of the evaluation is achieved or not through the contributions of competency models to organization, functional areas and people in specific terms.

Organizational Level Evaluation: Evaluation at organizational level can be done in many ways suiting to organizational context in which competency-based performance management strategy is introduced. Most popular among them are indicated as:

Competency Index Assessment: Efficacy of competency model application can be checked through the assessment of competency stock in organization. This can be measured by assessing and accounting the quantity and quality of competencies available in organization prior to application of competency models and repeating the same study after implementation of competency models for a period of two consecutive years. The difference obtained can express the contribution of competency management.

Customer Satisfaction: This refers to measuring internal and external customer satisfaction in the context of competency models application. Customer satisfaction figures obtained prior to implementation of competency models must form the basis for the analysis of gain.

Financial Perspective: Evaluation of competency models in financial perspective involves verifying the turnover, sales, profits, earnings per share prior and after the execution of competency models. This evaluation must be carried out implementing the competency-based performance management at least for a period of four to five financial years.

Productivity: This involves checking whether competency models have contributed for improvement in efficiency, utilization of physical resources, and growth rate of production figures.

Organizational Health/Effectiveness: Efficacy of competency models can also be examined through perceptual study of organizational effectiveness. This assessment can be conducted through questionnaire survey method, collecting perceptions of people on competency models and their contribution to organization.

Functional Level Assessment: This type of assessment is to understand the contribution of competency models in functional improvement. For example, measuring the extent to which competency models have improved the contribution of functions like operations, marketing, finance, human resource management, research and development, in attaining organizational objectives, other level of measurement is understanding how competency models have helped to improve its own working and performance. For example, (i) two people may be producing the same results, both in terms of quantity and quality in the place of three people earlier (ii) there may a possible change or (iii) value addition to functional excellence.

Employee/Job Level Assessment: This type of competency evaluation model is assessing the utility and contribution of competency models in enhancing knowledge, skills and attitudinal characteristics of individual employees performing on different roles/jobs. This can be done using the usual assessment centre method customized to the requirements of organization in the context of competency-based performance management. The assessment is measuring actual performance of employees after the application of competency models and referring these results with that of pre-competency model period. Assessment is also measuring work satisfaction through survey of employees' views and perceptions. It is also useful if the audit is conducted to find out the degree of fulfilment of developmental needs of employees. Developing right measures, instruments and administering them scientifically is the most essential feature in the assessment of competency models. Expertise built at the stage of testing competency models and trained resource persons can be of good support in the assessment exercise. An objective, sincere and systematic assessment provides great insights and learning into competency management as an art and science of new generation people management.

FREEZING COMPETENCY MODELS

In nurturing of competency-based performance management intervention is standardizing competency models as benchmarks. This is a sequential step on refining competency models. It essentially means that competency models that organization adopted should be followed in all spheres of functioning. These benchmark competency models also must be subjected to revision and review based on the experience and results that these models produce from time to time. However, a clearly laid down procedure must be clamped for such reviews and revisions. Employees can be invited to make suggestions for further improvement of competency models on regular basis. These suggestions can be scrutinized periodically by a committee of experts and valuable suggestions need to be shortlisted. Once in six months or so a high level committee of experts can peruse these shortlisted suggestions and decision for applying them must be determined. This exercise is desirable because of two reasons. Firstly, the freezed models must form the basic foundations of competency management and no deviation or aberration must be tolerated. Any tolerance to such deviations and dilution of commitment in implementation of competency models can cause large-scale loss to the organization and users of competency models. There must be a firm administration. Such strict form of competency management should not discourage and constrain continuous improvement of competency models. Inherent philosophy of competency is that there will be always scope for improvement and nobody can believe what they have done is ultimate or peak of the activity. Therefore, there must be suitable windows for carrying out improvement. Above-discussed procedure acts as this window. Raider on the driver of freezing competency models is that (i) in reality competency modelling is a dynamic activity and not static, which requires (ii) continuous appraisals and revitalization must not be forgotten.

INSTITUTIONALIZATION OF SUSTAINABLE COMPETENCY

Sustainable competency through competitive strategy is to use the strategy as a critical mechanism in realization of improved performance in organization day by day. Competencies build at organizational, functional and job levels must be capitalized to institutionalise better performance through means of reinforcing other strategies such as reward, career, culture, measurement, leadership and team-based performance improved systems. Sustainable competency achieves institutionalization through (I) internalizing competencies with people, (II) driving people to move from middle order motivational levels to higher order, (III) enabling people to exploit infinite potential to create benchmarks and (IV) turning people to link every activity with performance. Through the application of competitive strategy organizations can nurture sustainable competency culture. Any company can create a sustainable competency from its culture by instilling processes designed to keep it going

Creating Competency-Based Reward System

Competency models conceived, developed, freezed and practiced as a part of competency-based performance management assists in creating a reward system that is performance centric. Basically, this can be achieved through three principal ways. Firstly, competency models help in deciding position-based compensation. Knowledge, skills and attitudinal characteristics identified for performing a role with excellence form one foundation for determination of compensation structure of different jobs in an organization. This is called adopting job level competency model for creating the

structure of basic compensation for a job or a family of jobs. Secondly, competency management also builds a huge data regarding competency profile of employees together with their professional strengths and weaknesses. This data can be used to determine person-based compensation. Employee competency profile is beneficial in equitably rewarding an employee for his/her superior knowledge, skill and characteristics. Third use of competency models is supplementing data for determining performance-based compensation structure. Performance related data of individual employee also get collected while evaluating job-based competency models. This data can be used to cross-verify and validate the performance-based incentives depending upon actual performance and targets achievements on the job. As described here, competency management not only helps, but also drives the three-tier compensation system to become performance focused. This competency-based reward enables in institutionalization of sustainable competency in a scientific and progressive manner.

Creating Competency-Based Career and Succession Planning

Competency models can enhance effectiveness of performance-based career and succession planning system. Competency lies at the core of career and succession planning. Competency management can support career designs, progression and availability of competent managerialism and adequate measures. While doing so, competency management successfully institutionalizes performance management not only in its own area, but also in the segments of careers and successions. Competency models in particular and application competency models in general paves away for competency-based career and succession management in three ways. , firstly, competency mapping administered as a part of competency modelling can provide the data regarding the functional and job complexity, depth, scope as well as knowledge, skills and attitudinal characteristics required for performance excellence in various jobs. This helps in building career architecture for different functions in an organization. Secondly, Profiling of individual employees on competency index can generate the data that is useful in career-related decisions of individual employees. Third utility of competency is that it can contribute towards succession planning that ensures continuous availability of managerialship in an organization by facilitating identification of people who can succeed as well as the method in which they should succeed.

Creating Competency-based Measurement Systems

Competency models are enormously beneficial to measurement system in innumerable contexts. Fundamentally, competency management pushes measurable indices and indicators while building competency models in organizations. This approach helps measurement-based systems in its super ordinate goal of transforming all management functions of people into measurable form. For example, competency index and data obtained using competency assessment and mapping helps in identifying key result areas and also fixing up performance targets. The role of measurement-based management becomes easier and meaningful when it is juxtaposed with competency-based management. Secondly, competency-based work culture makes the case of measurement-based management easier in terms of its acceptability and encouraging its adaptation. Competency culture seeks measures for managing various aspects, particularly people-related issues. Thirdly, respective competency models can ensure introduction and success of measurement management. One of the competencies identified for the purpose such as operations research or strategic planning will be finally responsible for developing measures. Accurate measures can be developed only when competency capable of developing it exists in an organization.

Creating Competency-based Leadership

The strategy of leadership-based performance management, an important step in developing performance stimulated leadership is identifying knowledge, skills and attitudinal characteristics required for performing the role of a leader in the most effective mode. Further, development of leadership competency dictionary in the context of organization, i.e. organization specific leadership development index and customizing it to build pools of talent at various levels in organization, is another basic function. In both these objectives of leadership-based performance management strategy, competency management plays a key role. Competency management performs catalyst role in creating leadership effectiveness through identifying (i) what needs to be done, (ii) how it is to be done, (iii) what needs to be developed and (iv) how it is to be developed. To put it simply, competency management identifies, defines, tests, refines and standardizes the competency model of leadership. This mutual inclusiveness of competency management and leadership development when strengthened in the backdrop of performance management creates an organization that is par excellence.

Creating Competency-based Team Spirit

Effectiveness and successful deployment of team-based performance management strategy is contingent upon creation of distinct interpersonal competencies. Ever increasing interdependence of work in organizations solicits collective effort. Usually, available competency profile becomes short in making teamwork progress. Chief reason for this is team competency profile is different in content and structure to that of individual based competency profiles. Competency-based management supports team-based performance management in identifying the nature of social and interpersonal competency model that is essential for teams' functioning. Individual competency profiles apart from providing fitness for employees to participate in teams also maps their developmental journey in attaining social competency.

Creating Competency-based Culture

Culture has become an intriguing concept and operationalization of the same is viewed as an arduous task for more than one reason. Dominant among them are: (i) what kind of culture an organization must nurture, (ii) how this nurturing or imparting culture to people can be done, (iii) how to measure progress of this nurturing and (iv) to what extent culture needs to be made inbuilt in the job profile of people. Competency management by virtue of its objectives, tangible and measurable approach helps culture management to emerge from an intangible and a climatic managerial feature to that of a very visible management system apart from clarifying all aspects of complexity. Important dimension in competency modelling at all levels, i.e. organizational, functional and job is that culture is its integral part. This is expressed in a language of soft skills, positive work environment such as openness, trust, collaboration, pro-activeness, customer satisfaction, so and so forth. Competency models standardized at different levels of an organization work as a collaborating agent in creating a competency driven culture-based performance management. Sharp alignment between competency and culture management ensures institutionalization of sustainable competency in a substantive mode.

Creating Internalization of Competencies

Competitive strategy leads institutionalization of sustainable competency through internalization process of competencies. Every individual possesses raw competency in or more areas. Competency management helps to identify the raw competencies and sharpens them. In order to channelize these competencies into products of performance in the context of an organization, a few characteristics of that product must be imparted to people. Competency management not only prescribes these product specific characteristics, but also provides the road map for their internalization within that individual. Unless this internalization takes place, psychological integration of an individual with an organization may not happen. This integration is the basic necessity for obtaining superior performance. In other sense, Competitive strategy leads institutionalization of sustainable competency by facilitating people to internalize competencies.

Creating Conditions for Motivational Growth

Competency-based management in vogue provides abundant opportunities for people to move from a motivational level of middle to higher echelons. Structure of competency management is patterned and designed after the motivational pyramid of Maslow, locating competency as the level of self-esteem and self-actualization. Therefore, one of the fundamental functions of competency management is to escalate people to the higher level of motivational behaviour. Once competency has become the basic foundation for people management in all its spheres of activities, people automatically look up for fulfilment of higher-level needs like achievement, performing exceedingly, taking risks, seeking challenges, asking for formidable tasks and urge to innovate. Performance management institutionalization precisely is relied on this kind of professional and work behaviour. Performance managers must utilize the driver of motivational growth through the practice of competency management for the broad goal of performance management institutionalization.

Creating Conditions for Optimization

Performance management institutionalization is also driven by the phenomenon of optimization of human efforts. No institutionalization can be attained when performance management efforts are not optimized. Optimization is like doing more with less. A competency case study conducted in one of the world-class companies engaged in computer chip development reveals that nearly 35 per cent of human efforts are superfluous because either there is duplication of efforts or more efforts are put in than required because of competency gap. Therefore, competency models that are sensitive to the

element of optimization certainly contribute for good methods of work. When these methods are spread across organization as the way of performing, performance management institutionalization becomes a reality. Therefore, the optimization must be accorded due appreciation within the gamut of competency management.

Creating Conditions for Adequacy

Effectiveness of performance management is largely influenced by the staff of adequacy of systems, practices and people. This effectiveness reflected in the state of adequacy leads institutionalization process. Competency management ensures adequacy in the life of an organization because of its focus on, systems, practices and people. For example, competency management application creates competency-based systems, competency-based work practices and people with competency orientation. When competency runs through all these parts like a single thread and when people witness and experience the quality of performance because of their competency, they tend to feel adequate. This feeling of adequacy like incurable infection seeks institutionalization of performance management. Competency management, particularly the adequacy must be fully exploited in order to achieve the benchmark practice of performance management institutionalization.

CONCLUSION

Competency sustainability is a comprehensive performance management strategy that identifies and builds the most relevant competencies to facilitate peak employee and organizational performance. Competency sustainability is a formidable instrument that supports performance management revolution in innumerable forms. Competency-based performance management maximizes performance of organization through optimization of all resources like infra-structure, capital, technology, products, and markets. However, quite a few organizations are yet to realize the significant contribution that competency-based management can make by transforming them as competent entities. Hesitation of organizations to embrace competency approach is due to few apprehensions that include (i) practice of competency management as cost intensive activity, (ii) life cycle of organizations being short, (iii) developing and executing competency models as a complex intellectual activity than a managerial function and (iv) competency models are required only in few industrial sectors like manufacturing or knowledge driven organizations. Experience of organizations implementing competency-based management proves that these apprehensions are misconceptions. Studies establish that competency management provides big gains to organizations and people. This is focusing on the strategy of competency-based performance management.

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