



COMPETITIVE ADVANTAGE THROUGH SUSTAINABILITY: VALUE CHAIN APPROACH FRONTIER FOR ORGANISATIONS



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ABSTRACT

Value chain analysis is increasingly being considered as one of the fundamental sources of competitive advantage within the context of strategic management. The main purpose of this paper is to analyze the reasons for disappearing the competitive advantage for many organizations, and how value chain analysis will act as an important indicator of growth for the organizations. In addition to this, the aim is to identify the under-researched areas in context of competitive advantage.

A review is made of articles from major journals and a model is employed which leads as a base for conclusion of the study.

This paper explores the role of value chain in helping business firms to achieve sustainable competitive advantage. Most of the organizations move from strategic resilience to competitive advantage with innovative approaches in value chain, and in last it will be proved that resource accumulation linked with value chain analysis is to achieve sustainable competitive advantage in order to survive in the market.

Managerial implications-Implications for the future research are:

- (1). There is a need for managers with a resource based view approach on competitive advantage.
- (2). There is need for managers to emphasize on operational and collaborative strategies.

Originality-The model used in analysis is basic value chain model, based on certain theories and

postulates a model is formulated which shall be explaining the value chain approach of competitive advantage for business organizations in this competitive environment.

KEYWORDS: Competitive advantage, Model, Sustainability, Strategic resilience , Value chain.

INTRODUCTION

For many of the world's competitors, the growing integration of the global economy has provided the opportunity for substantial economic and attaining the substantial sustainability. It is well known fact that many organizations in the developing country are integrating their activities either of primary or secondary (support) to enhance the value impartation in the products/services. For the developing world it will be promising to broaden the scope of industrial growth with up gradation of their manufacturing and service activities in order to attain the global competitiveness. They understand that without imparting the sustained value to their products and services, they will not meet out the economic growth in their countries and do not compete with their competitors in this cut-throat competition. Hence, the organizations have to be pervasive and proactive in their approach. Therefore, the growing integration of the global economy as an opportunity for entering into a new era of economic and industrial growth.

VALUE CHAIN OR VALUE CHAIN THEORY: AN UNDERLYING CONCEPT

Michael Porter discussed concept of value chain in his book "Competitive Advantage," in which he first introduced the concept of the value chain in more general way. He stated that a value chain is a set of activities that an organization carries out to create value for its customers. Porter proposed a general-purpose value chain that companies can use to examine all of their activities, and see how they're connected. The way in which value chain activities are performed determines costs and

affects profits, so this concept can help firms to understand the sources of value for your organization.

Concept of Generic Value Chain was also introduced by Michael Porter, he propounded that a value chain is made up of a chain of activities. He conceals it is a phenomenon that is a series of activities of. Value-addition in value chain is categorized into primary activities and support activities.

The value chain analysis describes those activities in which business organization performs and relates them to the company's competitive position. It offers a basic information model for value chain management.

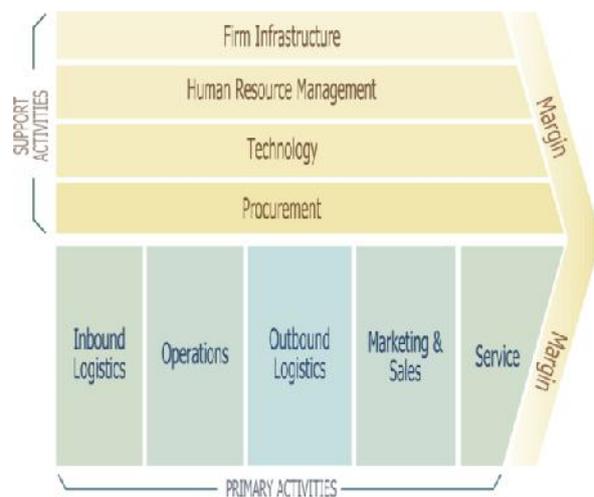


Figure 1: Porter's value chain.

It is a fundamental concern for organizations because they have to address the economic logic why the organizations sustain in competitive market. For example, manufacturing companies create value by acquiring raw materials and using them to produce something useful. Retailers bring together a range of products and present them

in a way that's convenient to customers, sometimes supported by services such as fitting rooms or personal shopper advice. And financial companies offer services to customers that are underwritten by larger financial service provides packaging these larger financial services in a customer-friendly way, and

distributing them to a mass target (consumers). In simple terms value is expressed as the difference between the value created and cost of creating that value. The value that's created and captured by a company is the profit margin:

$$\text{Value Created and Captured} - \text{Cost of Creating that Value} = \text{Margin}$$

The more value an organization creates, the more profitable it is likely to be. When more value is provided to customers, companies build competitive advantage. Understanding how these companies creates value, and looking for ways to add more value, are critical elements in developing a competitive strategy.

ELEMENTS IN PORTER'S VALUE CHAIN

Porter describes the activities for all businesses which are acting as building blocks for the organization to achieve the sustainability and also responsible to expand the market share with better management of value chains. Primary activities relate directly to the procurement, physical creation, sale, maintenance and support of a product or service. They consist of the following:

Table 1: Types of activities in Porter's value chain

Primary activities	Secondary activities
<p>Primary activities- Those activities which are quite essential for streamline flow of the business, especially in production related firms.</p> <p>Inbound logistics – Supplier relationships is a key factor in creation of value. These include the procurement, storing, and distributing materials within the firm.</p> <p>Operations –Operational systems create value; these activities are transforming inputs into outputs that are to be sold to customers.</p> <p>Outbound logistics –This includes various activities like collection, storage, and distribution, which might be internal or external to the organization these activities deliver product or service to the customers.</p> <p>Marketing and sales– These are the processes which organizations are using to persuading clients to purchase from their organizations instead of other competitors. The benefits offered by organizations, and how well they communicate with their resources, are the sources of value.</p> <p>Service –Services are supposed to be considered as an important aspect of primary activities, these are acting as catalyst, since they boost up the sales and also contribute significantly in achieving the market share. These are the activities related to maintaining the value of your product or service to your customers, once it's been purchased.</p>	<p>Support Activities-These activities support the primary functions above. In our diagram, the dotted lines show that each support, or secondary, activity can play a role in each primary activity. For example, procurement supports operations with certain activities, but it also supports marketing and sales with other activities.</p> <p>Procurement (purchasing) – This includes finding of vendors and negotiating best prices with them. The organization does to get the resources it needs to operate.</p> <p>Human resource management – People are a significant source of value, so businesses can create a clear competitive advantage with good HR practices. This is how well a company recruits, hires, trains, motivates, rewards, and retains its workers.</p> <p>Technological development – These activities relate to managing and processing information, as well as protecting a company's knowledge base. Minimizing information technology costs, staying current with technological advances, and maintaining technical excellence are sources of value creation.</p> <p>Infrastructure – These are a company's support systems, and the functions that allow it to maintain daily operations. Accounting, legal, administrative, and general management are examples of necessary infrastructure that businesses can use to their advantage.</p> <p>Quality assurance-Activities ensure that direct and indirect activities meet the necessary standards. For the book publisher's sales and marketing activity, this might include proofreading and editing advertisements.</p> <p>Direct activities and indirect activities-direct activities are creating value by themselves. For example, in a book publisher's marketing and sales activity, direct sub activities include making sales calls to bookstores, advertising, selling online and indirect sub activities which include managing the sales force and keeping the records of customers.</p>



LITERATURE REVIEW

Several normative frameworks have been propounded by many researchers that include mainly profiling about market and product related aspects of value chains. A few of them are outlined in this review and on the basis of these reviews a proposed model is constructed which will explain the results in the form of findings.

Paschal Ugochukwu (2013) supply chain should focus on single company without extension to the whole supply chain, it also found that sustainability could be achieved step by step not simultaneously. The results were based on the various empirical studies which have been made so far and no one of them concentrated on the supply chain aspect. De Waal et al (2012) postulated that Partnerships between organizations are characterized by shared goals, mutual respect, willingness to negotiate and cooperate, informed participation and shared decision making. The success of partnerships has a hard side (organizational design; control; management of conflicts) and a soft side (mainly behavioral characteristics like trust, commitment coordination, interdependence and communication).

Whitehill (1997) proposed in his article that 'the window of competitive opportunity is shrinking' due to the fact that products and services are increasingly copied in shorter time periods. He recommended that organisations should focus their strategies on their intangible assets, which are difficult to copy. He stated knowledge as a strategic core competence and it could be in line with the general strategy of the organisation. Certain findings identify the following benefits of adopting a knowledge-based strategy, quicker learning and changing, cost saving effects due to lower staff turnover and growing competitive knowledge, and the ability to respond to customers' future demand

today and thus creating wealth. Porter (1985) argues that competitive advantage can be built in each step of the value chain. Some organisations will have their core competences in production, others in R&D. Since these activities are linked, a successful organisation will manage these interrelationships efficiently. This requires not only a sound knowledge of the linkages, but also good communication structures.

OBJECTIVES OF THE STUDY

- ▲ To identify the augmented reasons of sustainability in the organisations.
- ▲ To identify the frontiers of value chain to establish a relationship among the factors affecting it and competitive advantage.

METHODOLOGY

The proposed model is the aggregation of various important aspects of value chain. Hence, the proposed model includes the Porter's value chain model and certain crucial points which are actually the output of this paper are clubbed together to formulate a model. There is no mechanistic way of applying value chain methodology, with each chain there are so many issues associated and in order to achieve sustainability by encompassing the relevance and distinctiveness of the issues it is very necessary to understand those issues with broad perspective, so here we have formulated a model which reflects the possible reasons to describe the way for corporations to achieve competitive advantage.

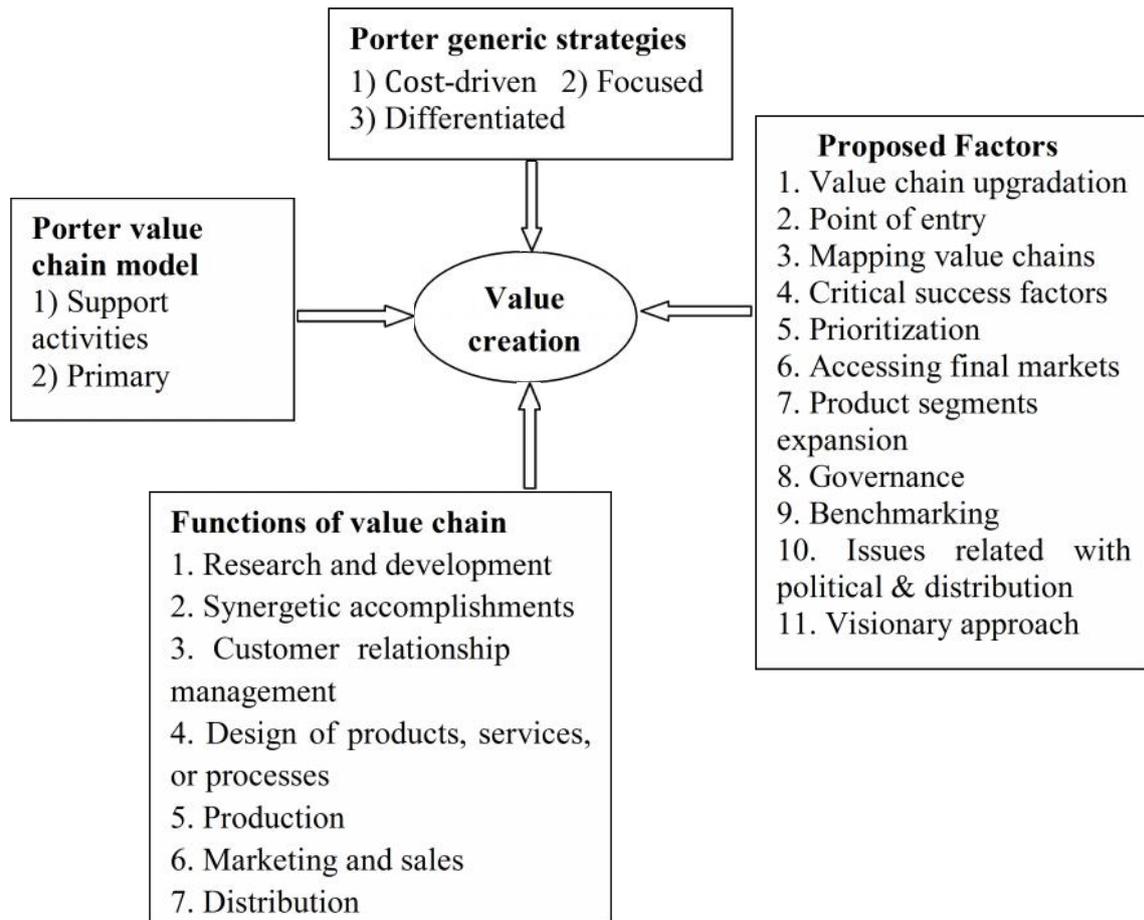


Figure 3: Proposed Model for sustainability through value chain analysis

FINDINGS

On the basis of various studies which is being made so far on value chain and sustainability is analyzed thoroughly, but many of the them are not able to explain the relevance of value chain with respect to sustainability in terms of its functions .It is find that it performs various operations from procurement to customer service, more or less it can be assumed that there is a cross-linkage between the variables. Functions of value chain disseminate the concerns which are taken under consideration. Hence, with the help of these functions combined with the other proposed factors are adopted in the present proposed model. The concept of value chain in terms of its functions can easily be elaborated. Organization's value chain should reflect its

overall generic business strategies . So, when deciding how to improve organization's value chain, they have to be more precise and clear about whether they are trying to set themselves apart from its competitors. Hence, findings are explained in terms of following points where consideration of every aspect is strategic.

1. Value chain up gradation: Global value chains have played an increasing role in business strategies, profoundly affecting international trade and development paradigms. Global value chains now represent a major source of socio-upgrading opportunities and a new path for development Trade, competitiveness and development. Policies and regulation should be reshaped

accordingly to face the toughened competition and also avoid the risks associated with global value chains. For example, HUL adopted process up gradation from last fifteen years which reveals that it is not even sustaining in the market but also, improves the market shares as well. So, with this model companies are enabling enough to sustain in the market with their optimal efficacy.

2. Point of entry: The point of entry will define which concern and which activities in the chain are to be the subjects of special enquiry, the organization have to define their domain in order to be competitive enough and hence with this model the companies will be in a position to defend themselves against the new entity coming in their way. For example, if the focal point of the enquiry is in the design and branding activities in the chain, then the point of entry might be on design houses, or the branding function in key global marketing companies. This will require the research to go backwards into a number of value chains which feed into a common brand name (for example, the different suppliers to Nestle). They adopted differentiated way to synchronize their deeds and functionalities with their sister concerns in the whole globe.

3. Mapping value chains: This dimension would result into assess the relationship amongst the other aspects of value chain. This will establish one to one relationship that is mapping to explore the new variants in the same market to exploit the available resources. For example Horticulture value chains provide important opportunities for economic and social upgrading in Africa, with more than 350,000 workers (mostly women) employed in South Africa, Kenya and Uganda alone. In recent years, in addition to European supermarkets that have long provided an export destination, new value chain destinations are

opening up. Supermarkets are expanding across Sub-Saharan Africa, as shown in Walmart's recent acquisition of Massmart, giving it access to 14 African countries. Asia is a growing destination for African producers. Thus, they are tapping the whole world very rapidly with their mapping abilities. Hence, this concept will act as a stimulus for the corporations and by considering these they would easily attend the competitive position.

4. Critical success factors (CSF's): CSF's easily identified the distinctive features about contemporary efficiency and effectiveness of any production system or manufacturing system and also validate whether it tend to be "market-pulled", as opposed to the "supplier-push". For example price is a relatively more critical factor as compared to other factors for all the organizations sustaining in the market. For example many organizations are successfully achieving localization in the increasingly globalized food industry. Nestle has two organizations that focused on leveraging its global reach to achieve operational efficiencies and Nestle exploit its competencies in order to establish it as a renowned brand.

5. Prioritization: It is the key to assort organizational necessities ITC's methodology allows farmers to earn 15 percentages more than local market rates on A grade producers, 12 major incentive for farmers to continue to be loyal suppliers to the company. From providing color coded crates to farmers to segregate produce by grade (contributing to grading and traceability), to transportation, storage and distribution, ITC's pilot integrated all functions of the value chain. The initial results have been positive. Devolving value addition such as grading to the farmer and improved extension services has increased farmers' net incomes by one third. ITC's price

discovery system is also based on local market prices. However aspects such as grading, assuring a minimum price realization for producers, minimizing intermediaries and handling, ensures higher returns for farmers.

6. Accessing final markets: Competitive recognition leads to accessing of the final markets For the organizations, P& G is exploring the untapped markets in rural areas, so this is the domain where the organizations can work on and can achieve the opportunities in the market, so a company has to keep these things into their consideration.

7. Product segments expansion: This is the most promising thrust where the companies are focusing, for example Tata has diversified their business to various dimensions that is they are in different sectors from procurement to final delivery of products. They emphasize the level of rivalry amongst the related companies and what are the prospective threats for the existing firms, so sustainability will be achieved with integration of all crucial factors.

8. Governance: The relationships between actors in the value chain influence the sustainability of that chain. In particular bad experiences with contract farming where a private sector company did not procure as promised, made it virtually impossible for ITC to explore this as a way to ensure predictability of supplies and costs. Contract farming is a system for the production and supply of agricultural produce under forward contracts between growers and buyers. The key of such an arrangement is the commitment of the producer to provide a commodity of a certain type, at a time and a price and quantity required by a known and committed buyer. Malerkotla farmers, where they have to a very great extent assured returns, but also the option to revert to the traditional mandi (wholesale vegetable).

9. Benchmarking: South African automobile components industry is supplied by German -owned assemblers like BMW, Mercedes and volkswagon have made strategic decisions, which reveals the standards they are adopting to attain sustainable competitive position. It also portrays that governing leads to benchmarking, which itself radiates the approach towards the final markets.

10. Issues related with political & distribution: Specialized distribution a single manufacturer may choose to distribute its products through several channels of distribution. For example, a company that makes sporting goods and sports-related clothing may distribute its two lines through two different kinds of distributors. The challenge for the retailer is that it may be able to establish a relationship with one distributor but not the other. For example, a sporting goods store should have no problem getting the manufacturer's line of sporting goods through a sporting goods distributor. But if the line of clothing goes through only one distributor, and that distributor will not sell to the retailer, then the retailer does not have access to the manufacturer's entire line of products.

11. Visionary approach: This is the projection of goals of an organization with in time span. For example Renault have consciously located the largest part of their supply base in surrounding French-speaking regions, they are Visionary in their approach.

CONCLUSION

The past two decades have seen an obvious drift in the nature of relationship among the society and business organizations, in today's turbulent business world, business organizations have to be focused ,proactive and pivoting in their approach so that they deals with their concerns. The study has identified

that there are certain factors which are already discussed in the findings, how they affect the performance of companies and how a company can attain sustainability. This paper also delivers the factors on which if a corporation works can achieve the sustainability, which finally be act as a frontiers for organizations.

The discussed proposed model can act as a powerful tool for improving internal processes, which facilitates building and sustaining competitive advantage. It furthermore assists in to have better communication, knowledge sharing and teamwork among the various business units. The present paper also facilitates a skillful exploitation and management of resources for an organization to build up and sustain competitive advantage in the form of innovative thought processes, As could be adjudged from the above definitions and discussion, sustainability can be regarded as the only source of competitive advantage today. However, it should not be ignored that competitive attitude has to be managed effectively in order to gain maximum benefit and actually build up competitive advantage.

The brief analysis of model will also act as an information processing system for the corporations with other factors. This framework also provides an insight to focus on those factors which are strategic in nature for any organization. Firm's reputation among customers, suppliers, and in the sustained competitive advantage. This model supports the kinds of empirical questions that need to be addressed in order to understand whether or not a particular organization is a source of sustainability, some of the possible sources for attainment are explained in the form of proposed model in above Figure 3. Hence, finally it is concluded that by keeping those proposed factors in the proposed model will disseminate

the true and real picture and also reveals their business soundness and sustainability, if they are treated so strategically by the strategists.

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