

challenge in front of Michael Porter. Gary Hamel and C. K. Prahalad started to seriously question his theories by counter-stating that a company needs to identify its key competences and use them as a basis for its choice of strategy. Michael Porter (1985) highlighted that the application of the mentioned approaches provides only operational effectiveness, rarely resulting in above the average profitability. He stated that they are very useful tools important for higher operational effectiveness in terms of short-term, and definitely not long-term, competitive advantage. That means that companies would have more operational effectiveness, but would certainly lack above the average profitability. *Operational effectiveness*, as Michael Porter (1996) states, means that *you are running on the same track but faster than others, whereas business strategy is a selection of a different strategy, a winning strategy*.

The common denominator of Michael Porter's works from the 1990s is that business strategy is equally important in an altering environment as it is in a stable one. It is a basis for competitive advantage in both cases. Michael Porter is particularly critical towards the resource approach highlighting that it is circular since the profitability of the company is based on having unique competences without broadly discussing the reasons which make resources and competences successful. He states that resources are significant because they are a precondition for conducting activities which create competence in particular markets. The importance of resources is visible in their role of conducting activities aimed at creating competences which will lead to the formation of competitive advantage.

## Notes

- 1 For example, specialised stores offering a wide assortment of same category products take away market share from department stores with a wider concept offering a more limited assortment of products of different categories. Catalogue sale attracts buyers who like to be pleased. Generally speaking, both new and old companies are faced with the same challenges when searching for new strategic positions, although practically, new companies do have an advantage.
- 2 Igor Ansoff is considered the originator of the idea of creating and sustaining competitive advantage. He believes that there are three important conditions for creating and maintaining competitive advantage: (1) Customers must perceive a constant difference concerning important features between the product of the company and the product of competitors; (2) if this difference is a direct consequence of the competence gap between the products of the company and the competitor; and (3) if the difference and the gap can be expected in the future between the company's products and competitors. The competitive advantage created must be sustainable in the long run, which means it must be difficult to reach for competitors. The company must find a way to protect it for a certain period of time in a way that prevents competitors from imitating or mastering it.
- 3 Michael Porter's motivation to get more seriously involved in this phenomenon can be traced back to his statement from 2003: "My main criticism is that the area of social responsibility has become a religion served by many priests without the need for evidence and theory. Too many experts and managers are content with good intuition as an argument."