

## 52 Competitive Advantage

- 4 Research conducted by McKinsey consulting in 2005 suggests that worldwide managers believe that companies need to balance their duties to shareholders with explicit contributions for common good.
- 5 Porter believes that a sales yield ignores the capital invested in the business and that it is a bad criterion for evaluating the resource utilisation. Growth is the second popular criterion with market share. Just like sales yield it does not consider the capital needed to compete in an industry. Companies often use a non-profitable growth which does not lead to a superior yield on invested capital.
- 6 When trying to explain why only a small number of companies has successful business strategies, Michael Porter recognises inappropriate goals as the main culprit. Companies often use unprofitable growth which does not result in a superior yield of the invested part.
- 7 In the mid-1990s, authors Treacy and Wierseman offered three new approaches to creating competitive advantage, which are as follows: (1) Operational excellence activities is a source of competitive advantage by which a company focuses on improving operational activities and processes to achieve low cost in relation to competitors, with firms that have chosen this approach to competitive advantage achieving low cost and achieving profitability due to low cost. (2) Product leadership is a source of competitive advantage which focuses on technology and product development, with companies offering customers products and services that are technologically the most advanced and of highest quality and are always one step ahead of the competition. (3) Customer intimacy is a source of competitive advantage that is achieved by fully knowing the customer's needs better than the competition and complete by adapting to the specific needs of customers and establishing close relationships with customers.

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