

Misconceptions about Strategy and Competitive Advantage

The main driver for success is to understand your own strategy and the sustainable competitive advantage of your corporation.

Nowadays many organizations face the problem of defining an improper strategy and therefore follow wrongly defined objectives.

Recently, on the conference "Leaders in London" (January 2014), Prof. M. Porter mentioned some big mistakes made when people mix up "strategy" with other kinds of goals and objectives. "My strategy is to internationalize"; "My strategy is to consolidate my industry"; "My strategy is to ramp up my R&D budget"; "My strategy is to outsource my production". According to Prof. M. Porter those are not strategies, but steps or actions corporations may want to take by following its actual strategy. Porter explained that a strategy is the unique position of an organization. Given that all of the former mentioned steps are accumulated over time, this unique position will be achieved and will raise the competitive advantage.

But the core question remains: How to set up a good strategy with which you achieve sustainable competitive advantage?

There's a lot of debating and disagreement from well honored professors and professionals about the best way of developing a strategy. However, one point can be taken for granted as a first step of developing a strategy. The question "How are you going to win in the period ahead?" is meant to be the key question behind every approach of developing a strategy. And to win, you need a game plan.

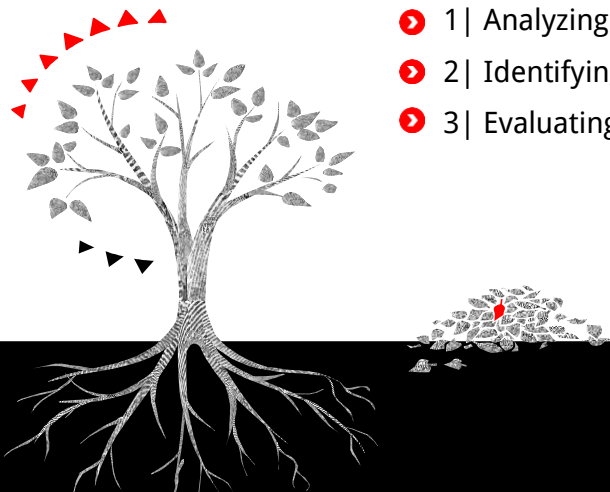
From my perspective, corporations may want to develop strategies because of different reasons, like increasing profitability, increasing approval ratings, gaining more market share, or leveraging customer satisfaction.

To determine strategy, organizations must understand the internal and external environmental factors, that affect their business, in a full scope. With a clear understanding of the internal and external drivers, corporations can identify their advantages in comparison to their competitors. The identification of advantages is imperative to position oneself as best as possible next to the competitors.

By reaching this point corporations can start making choices and implement their defined strategy.

Strategy creation on a top level follows a three-stage process:

- 1 | Analyzing the context in which you're operating
- 2 | Identifying strategic options
- 3 | Evaluating and selecting the best options



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