For example, in the CT scanner industry, the best performer, General Electric, has superior product technology and R&D, scale economies, an established systems capability, a strong sales and service organization (owing, in part, to its X-ray product line), and an installed base.

2. ***What are the key customer motivations? What is needed to be preferred? What is needed to be considered?***
Customer motivations usually drive buying decisions and thus can dictate which assets or competencies potentially create meaningful advantages. In the heavy-equipment industry, customers value service and parts backup. Caterpillar's promise of "24-hour parts service anywhere in the world" has been a key asset because it is important to customers. Apple has focused on the motivation of designers for user-friendly design platforms.
There are motivations that lead to a brand being excluded from consideration. An offering characteristic may not determine winners, but a deficiency will eliminate it from being considered. Hyundai, for example, needs to be perceived as having adequate quality. A series of "best car" awards in 2009 did not necessarily vault the brand to a superior position, but for many, it did get rid of the "inadequate" perception.

3. ***What assets and competencies represent industry mobility (entry and exit) barriers?***
Strategic groups are characterized by structural stability even when one group is much more profitable than the others. The reason is mobility barriers, which can be both entry barriers and exit barriers. Some groups have assets and competencies that will be difficult and sometimes impossible to duplicate by those seeking to enter. International deep water oil-well drilling firms, for example, have technology, equipment, and people that domestic, on-shore firms cannot duplicate. These assets also represent exit barriers because there is no other use to which they could be put.

4. ***What are the significant value-added components in the value chain?***
A firm that can excel on a critical value-added component can have a sustainable advantage. The component can be critical because of its cost such as package handling for FedEx or the call center at Dell. Or it can be critical because of the customer benefit it generates or affects such as the ordering system at Amazon or the ingredients of a P&G detergent. In examining the value chain, it is helpful to start with suppliers and end with the customer use experience while charting all the components in between. The components can be found throughout the organization and that of its partners. For eBay, for example, operations, customer support, auction services, plus the operations of those selling goods are all potential candidates.

A Checklist of Strengths and Weaknesses

Figure 3.4 provides an overview checklist of the areas in which a competitor can have strengths and weaknesses. The first category is innovation. One of the strengths of Kao Corporation is its ability to develop innovative products in soaps, detergents, skin care, and even data storage disks. Its new products usually have a distinct technological advantage. In a highly technical industry, the percentage spent on R&D and the emphasis along the basic/applied continuum can be indicators of the cumulative ability to innovate. The outputs of the process in terms of product characteristics and performance capabilities, new products, product modifications, and patents provide more definitive measures of the company's ability to innovate.

INNOVATION
- Technical product or service superiority
- New product capability
- R&D
- Technologies
- Patents

MANUFACTURING/OPERATIONS
- Cost structure
- Effective and flexible operations
- Efficient operations
- Vertical integration
- Workforce attitude and motivation
- Capacity
- Outsourcing

FINANCE—ACCESS TO CAPITAL
- From operations
- From net short-term assets
- Ability to use debt and equity financing
- Parent's willingness to finance

MANAGEMENT
- Quality of top and middle management
- Knowledge of business
- Culture
- Strategic goals and plans
- Entrepreneurial thrust
- Planning/operation system
- Loyalty—turnover
- Quality of strategic decision making

MARKETING
- Product quality reputation
- Product characteristics/differentiation
- Brand name recognition
- Breadth of the product line—systems capability
- Customer orientation
- Segmentation/focus
- Distribution
- Retailer relationship
- Advertising/promotion skills
- Sales force
- Customer service/product support

CUSTOMER BASE
- Size and loyalty
- Market share
- Growth of segments served

Figure 3.4 Analysis of Strengths and Weaknesses

The second area of competitor strengths and weaknesses is manufacturing and operations. Manufacturing is a major area of strength of Toyota, based on its culture, work processes, and ability to reduce inventory and costs. Walmart has developed significant operational capacity and efficiency advantages, based in part by working closely with suppliers. In addition to potential cost advantages, superior processes and systems at both Toyota and Walmart provide strategic and tactical flexibility.

The third area is finance, the ability to generate or acquire funds in the short as well as the long run. Companies with deep pockets (financial resources) have a decisive advantage because they can pursue strategies not available to smaller firms. This is especially true in times of stress. Firms with a strong balance sheet can seize opportunities. Operations provide one major source of funds. What is the nature of cash flow that is being generated and will be generated given the known uses for funds? Cash or other liquid assets and the deep pockets of a parent firm are important sources as well.

Management is the fourth area. Controlling and motivating a set of highly disparate business operations are strengths for GE, Disney, and other firms that have successfully diversified. The quality, depth, and loyalty (as measured by turnover) of top and middle management provide an important asset for others. Another aspect to analyze is the culture. The values and norms that permeate an organization can energize some strategies and inhibit others. In particular, some