organizations, such as 3M, possess both an entrepreneurial culture that allows them to initiate new directions and the organizational skill to nurture them. The ability to set strategic goals and plans can represent significant competencies. To what extent does the business have a vision and the will and competence to pursue it?

The fifth area is marketing. Often the most important marketing strength, particularly in the high-tech field, involves the product line: its quality reputation, breadth, and the features that differentiate it from other products. Brand image and distribution have been key assets for businesses as diverse as Pizza Hut, Dell, and Bank of America. The ability to develop a true customer orientation can be an important strength. For P&G, two of its strengths are consumer understanding and brand building. Another strength can be based on the ability and willingness to advertise effectively. The success of Perdue chickens, MasterCard, and Budweiser were all due in part to an ability to generate superior advertising. Other elements of the marketing mix, such as the sales force and service operation, can also be sources of sustainable competitive advantage. One of Caterpillar's strengths is the quality of its dealer network. Still another possible strength, particularly in the high-tech field, is an ability to stay close to customers.

The final area of interest is the customer base. How substantial is the customer base, and how loyal is it? How are the competitor's offerings evaluated by its customers? What are the costs that customers will have to absorb if they switch to another supplier? Extremely loyal and happy customers are difficult to dislodge. What are the size and growth potentials of the segments served by a competitor?

THE COMPETITIVE STRENGTH GRID

With the relevant assets and competencies identified, the next step is to scale your own firm and the major competitors or strategic groups of competitors on those assets and competencies. The result is termed a competitive strength grid and serves to summarize the position of the competitors with respect to assets and competencies.

A sustainable competitive advantage is almost always based on having a position superior to that of the target competitors in one or more asset or competence area that is relevant both to the industry and to the strategy employed. Thus, information about each competitor's position with respect to relevant assets and competencies is central to strategy development and evaluation.

If a superior position does not exist with respect to assets and competencies important to the strategy, it probably will have to be created or the strategy may have to be modified or abandoned. Sometimes there simply is no point of difference with respect to the firms regarded as competitors. A competency that all competitors have will not be the basis for an SCA. For example, flight safety is important among airline passengers, but if airlines are perceived to be equal with respect to pilot quality and plane maintenance, it cannot be the basis for an SCA. Of course, if some airlines can convince passengers that they are superior with respect to antiterrorist security, then an SCA could indeed emerge.

The Luxury Car Market

A competitor strength grid is illustrated in Figure 3.5 for the luxury car market. The relevant assets and competencies are listed on the left, grouped as to whether they are considered keys to success or are of secondary importance. The principal competitors are shown as column headings across the top. Each cell could be coded as to whether the brand is strong, above average, average, below average, or weak in that asset or competence category. The figure uses an above average, average, and below average scale.

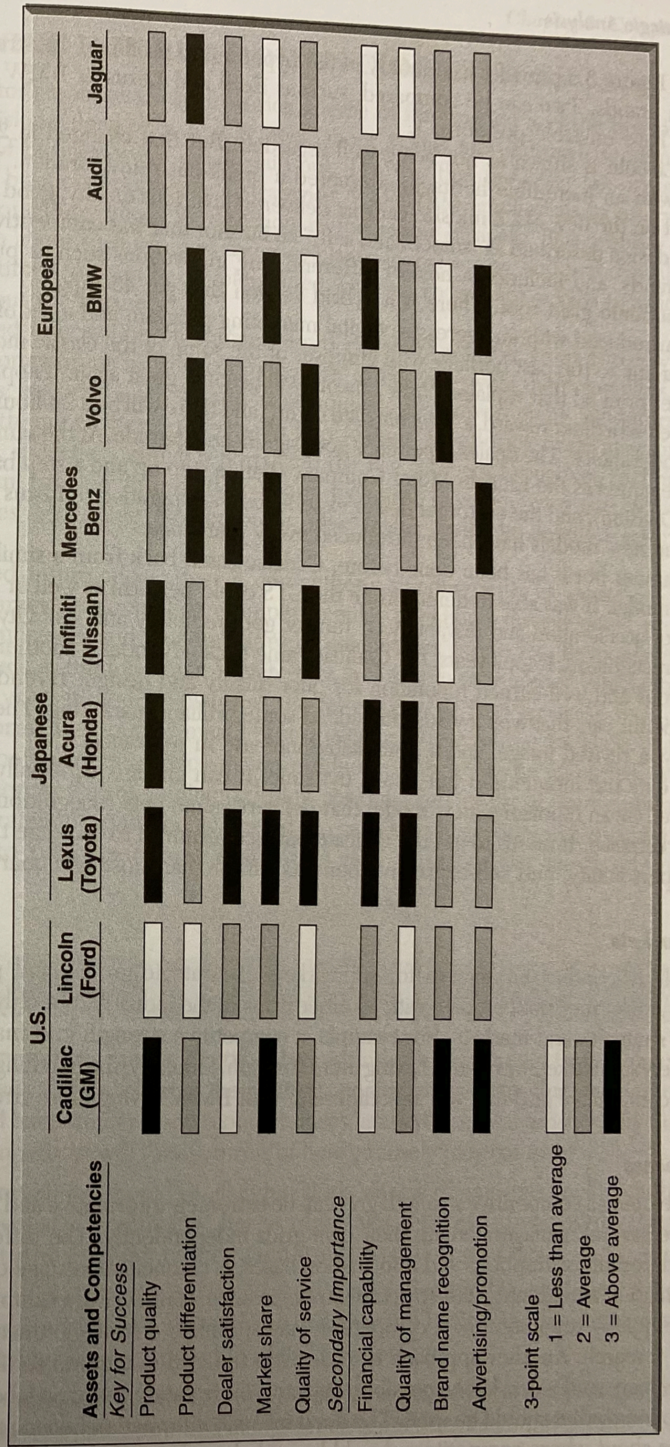

Figure 3.5 Illustrative Example of a Competitive Strength Grid for the U.S. Luxury Car Market