A STUDY OF THE COMPETITIVE ADVANTAGE OF FIRMS IN TAIWAN: MODELS AND PERFORMANCE MEASUREMENTS

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Portfolio Presented as Partial Fulfillment of the Requirements
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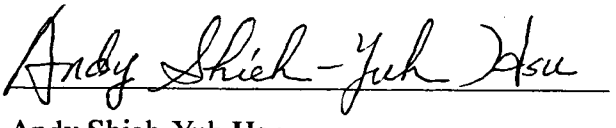

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CONTENTS

Introduction		vi - vii
Paper 1:	The Competitive Advantage of Firms: Literature Review and Management Models	1.1 - 1.53
Paper 2:	Correlations between Competitive Factors and Firms' Profitability and Reputation: A Survey of Taiwan's Information Technology Industry	2.1 - 2.31
Paper 3:	The Competitive Advantage Scorecard of Firms: In Critical Comparison with the Balanced Scorecard	3.1 - 3.63

INTRODUCTION

Old concepts, views, and systems must be updated, corrected, or abandoned so as to make the great progress of all human beings. As for an example, Peters and Waterman (1982, page 42; listed in Paper 1) explained: "An old but excellent example is the Ptolemaic view of the universe (which held until the sixteenth century) that the earth was at the center of the universe, and the moon, sun, planets, and stars were embedded in concentric spheres around it. Elaborate mathematical formulas and models were developed that would accurately predict astronomical events based on the Ptolemaic paradigm. Not until Copernicus and Kepler found that the formula worked more easily when the sun replaced the earth as the center of it all did an instance of paradigm shift begin." It is quite apparent that, in the field of business management, many old concepts, views, and systems have neither led to a right direction for modern business management nor resolved many management problems; therefore, all the three papers of this portfolio try to remedy those shortcomings and insufficiencies of the research problems so as to make potentially valuable contributions to both the academic and business world. The three papers are independent and interrelated. Each of them is briefly described below.

Paper 1

Paper 1 revisits the theoretical foundation and practical structures of Competitive Advantage (CA) Management in firms. It examines the key points: the definition and importance of CA, the substance and form of CA versus the invisible hand doctrine, sources and types of CA, the views of the firm (i.e. the competitive position view, CPV; the resource-based view, RBV; the satisfaction-based view, SBV; and the total management view, TMV), CA Management, a rough framework of the views of the firm, Bachmann and Hsu's Competitive Advantage Management (CAM) model, and the Competitive Advantage Scorecard (CAS). A review of literature on CA helps to justify: (1) that there are many inherent shortages and insufficiencies of the old thinking of CA; (2) that the new positioning of CA makes the pursuit of CA a complex and complete set of management ideas and actions designed for modern business management; (3) that CA is a management tool for realizing objectives and forming visions; and (4) that the need, value, and contribution of CA Management, the CAM model, and the CAS are necessary and important.

Paper 2

Paper 2 uses both the framework of the views of the firm and the CAM model to validate the SBV, the RBV, and the CPV through a mail survey of Taiwan's information technology (IT) industry. It examines four key issues: (1) reliability analysis, (2) multiple regression analysis, (3) one-way analysis of variance (ANOVA), and (4) the most preferred competitive factors. This study helps to justify: (1) the validation of these competitive factors in terms of their relative importance in corporate business development, their contribution to corporate profitability, and their impact on corporate reputation; and (2) the positioning of the SBV, the RBV, and the CPV in this industry.

Paper 3

Paper 3 uses both the CAM-model and the CAS to make critical comparison with the Balanced Scorecard (BSC). It examines the important parts: (1) the literature review and critical comparison of both an appropriate business management system versus the BSC and an appropriate performance management system versus the BSC, (2) a discussion about the CAM model versus the BSC, (3) a talk about the CAS versus the BSC, and (4) an illustrated success story of Far Eastern Textile Limited in Taiwan. This study helps to justify: (1) that there are many shortages and insufficiencies of the BSC; (2) that the competition, survival, development, and success of a firm depend upon the suitable matching of its super differentiation and the maximum satisfaction of its stakeholders rather than just measuring and managing business strategy, as the BSC does; and (3) that a success story of Far Eastern Textile Limited illustrates the theory and practice of CA Management along with the CAM model.

Paper 1

The Competitive Advantage of Firms: Literature Review and Management Models

Abstract

The purpose of this study is to justify the pursuit of competitive advantage (CA) as a complex and complete set of management ideas and actions designed to achieve objectives and re-shape visions in modern business management. The approach of this study is to examine the key points of CA Management: (1) the definition and importance of CA, (2) the substance and form of CA versus the invisible hand doctrine, (3) sources and types of CA, (4) the views of the firm (i.e. the competitive position view, CPV; the resource-based view, RBV; the satisfaction-based view, SBV; and the total management view, TMV), (5) Competitive Advantage Management (CA Management), (6) a rough framework of the views of the firm, (7) Bachmann and Hsu's Competitive Advantage Management model (CAM model), and (8) the Competitive Advantage Scorecard (CAS). The findings of this study are: (1) that the "invisible hand" should be CA rather than price because a more competitive price is just one of types of CA and because many types of CA present in market economies and create "stakeholders' selection" there; (2) that Dr. M.E. Porter has misunderstood the real meaning and classification of basic types of CA; (3) that a qualified systematic classification of types of CA is required for CA Management; and (4) that the good combination of the CPV, the RBV, and the SBV into the TMV makes firms' modern business management more effective and more efficient. The value of this study is that CA Management, the CAM model, and the CAS can be applied to any business organization for facilitating modern business administration.

Keywords: Competitive advantage (CA), the Competitive Advantage Management (CAM) model, the Competitive Advantage Scorecard (CAS), the competitive position view (CPV), the resource-based view (RBV), the satisfaction-based view (SBV)

Introduction

In the era of knowledge-based economies, old competitive advantage (CA) thoughts must be turned into new CA actions for facilitating modern business management; otherwise, there is no use being rational or emotional to talk about CA in any place and at any time. In fact, CA is a very old concept, not a new idea. By origin, CA is an instinct for competition, survival, development, and success, which guides all God's creatures to act wisely. Nowadays, all human beings and legal entities are always trying to create, sustain, and monitor many types of sustainable CA so as to: (1) continuously achieve their greater missions, goals, and objectives; and (1) constantly reshape their better visions. To date, however, our understanding of the definition, substance, form, classification, views, and business models of CA remains fragmented and incomplete. More unfortunately, some of knowledge in CA is twisted and deformed so that many people are misguided onto a wrong way to business analyses or academic studies. In order to unravel and avoid these problems, this researcher revisits the literature, makes constructional comments on CA thoughts, discusses CA Management, and establishes a CA Management model. Based on a review of the literature in Taiwan and other countries, this study proposes the following research problems: (1) the literature not only offers limited insights into what CA means, but also provides some incomplete perspectives regarding CA; (2) there is neither a coherent philosophy concerning the distinction between sources of CA and types of CA, nor is there a better approach to the systematic classification of types of CA; (3) neither the competitive position view (CPV) of the firm nor the resource-based view (RBV) of the firm presents a good and sound view of CA in a firm; (4) the existing management frameworks and models are still not good enough to meet present needs of modern business management for the academic or business world; and (5) the literature does not present any CA management system and CA performance measurement system. By approaching a positive argument with these research problems, this study attempts to offer new insights and useful methods that will bring a lot of refreshments and contributions to the academic or business world.

The important value of the topic lies in exploring: (1) how the correct concept and valid mechanism of CA Management can help people understand and solve the aforesaid research problems, and (2) how managers can pay due care to the creation, sustainability, and monitoring of durable CA in order to face the many challenges of contemporary management. The significance of the research problems lies in disclosing the facts concerning: (1) what radical mistakes and inherent shortcomings of old concepts, views, models, and systems regarding business management should have been corrected, and (2) how innovative ideas, useful actions, sound frameworks and models, and proper systems in the domain of CA Management should have been proposed. The main purpose of this study is to justify that the pursuit of CA is a complex and complete set of management ideas and actions designed to achieve objectives and re-shape visions in modern business management. The structure of this study is classified into five parts. First, this study begins with the introductory section. Second, in the section of the literature review and constructive comments on CA, this study innovatively explains: (1) the definition of CA, (2) the importance of CA, (3) the substance and form of CA versus the invisible hand doctrine, and (4) sources and types of CA. Third, in the section about the literature review and constructive comments on the views of the firm, this study discusses: (1) the competitive position view (CPV) of the firm, (2) the resource-based view (RBV) of the firm, and (3) the satisfaction-based view (SBV) of the firm, and (4) the total management view (TMV) of the firm. Fourth, in the section about the discussion of CA Management, this study presents: (1) CA Management, (2) a framework of the views of the firm, (2) Bachmann and Hsu's Competitive Advantage Management model (CAM model), and (3) the Competitive Advantage Scorecard (CAS). Finally, this study also provides conclusions and recommendations. The major contribution of this study is to enable people to acquire a better and more complete knowledge for understanding, communicating, and researching the theory and practice of CA Management in key respects.

Literature Review and Constructive Comments on Competitive Advantage

The Definition of Competitive Advantage

There should have been a brief, precise, and sharp definition of CA. Though discourse on competitive advantage is widely prevalent, clear definitions are rare and are often used interchangeably with concepts like distinctive competence (Day and Wensley, 1988; Fahy, 2000). Three examples may be given. First, competitive advantage grows fundamentally out of the value a firm is able to create for its buyers that exceeds the firm's cost of creating it (Porter, 1985). Second, the term, competitive advantage, has traditionally been described in terms of the attributes and resources of an organization that allow it to outperform other organizations within the same industry or product market (Chaharbaghi and Lynch, 1999). Finally, competitive advantage may be defined as the asymmetry or differential in any firm attribute or dimension that allows one business firm to better serve its customers than others and hence to create better customer value (Ma, 1999). Obviously, all existing definitions regarding CA are not good enough mainly due to the fact that many scholars have combined the real meaning of CA with that of other terms (e.g., competence, resources, attributes, intrinsic advantages, competitive factors, and the like). Obviously, such interchanged uses at random have made a lot of people become confused so that many bad impacts and side-effects have been caused. Moreover, the old CA thoughts of firms have been limited to: (1) satisfying the buyer's needs only, and (2) doing better than the competitor. In the free and open business world, all stakeholders cannot be discriminated. In order to reduce such unfavorable impacts on academic studies and business analyses, the term, "CA", is defined by this researcher as the "superior differentiation" that can: (1) make stakeholders (i.e. customers, suppliers, bankers, employees, investors, or other related entities) easily recognize and accept the value or contribution of the products, services, and/or images provided by the firm; and (2) allow the value or contribution of the products, services, and/or images provided by the firm to outshine that of its competitors. One famous example can be illustrated below. Kim and Mauborgne (2005, page 133) pointed out: "Given the high cost of Swiss labor, Swatch was able to achieve this goal only by

making radical changes in the product and production methods. Instead of using the more traditional metal or leather, for example, Swatch used plastic. Swatch's engineers also drastically simplified the design of the watch's inner workings, reducing the number of parts from one hundred fifty to fifty-one. Finally, the engineers developed new and cheaper assembly techniques; for example, the watch cases were sealed by ultrasonic welding instead of screws. Taken together, the design and manufacturing changes enabled Swatch to reduce direct labor costs from 30 percent to less than 10 percent of total costs. These cost innovations produced a cost structure that is hard to beat and let Swatch profitably dominate the mass market for watches, a market previously dominated by Asian manufactures with a cheaper labor pool." The given definition and illustrated example can describe the market reality that there is no task more vital than that of well matching a firm's superior differentiation with its stakeholders' maximum satisfaction. In short, CA is superior differentiation, and a firm's superior differentiation is to: (1) create its stakeholders' maximum satisfaction, and (2) beat the competition.

The Importance of Competitive Advantage

The significance of CA lies in the substance and form of competitive advantage (SAFOCA). The SAFOCA reinforce the competitiveness for a person, a firm, an industry, or a nation. Without the SAFOCA, a natural person or legal entity will definitely be muddled and undifferentiated. These can be justified below. On the one hand, the "substance of CA" may be one attribute among several other combinations of profundity, exactness, promptness, goodness, innovativeness, splendour, inexpensiveness, security, satisfaction, and the like. The substance of CA can be called the deoxyribonucleic acid (abbreviated DNA) of CA. The substance of CA must be input into the mind, body, and action of a natural person or a legal business entity. As for an example, Sun Tzu was an ancient Chinese military strategist, and he wrote a book, *The Art of War*. In a translation of Sun Tzu's Art of Business Management Strategies in Strategic Planning into modern business management strategies (Lee and Ko, 2000; Cheng, 2003), some of the substance of CA such as profundity, exactness, promptness, innovativeness, and security can be observed. As for another example, either the HP way (Packard, 1995) or the Toyota way (Liker, 2004) has already input the substance of CA into its business activities. On the other

hand, the "form of CA" may be one among several combinations of lower costs, more competitive prices, higher quality products/services, better reputation and image, and the like. After instilling the substance of CA into the mind, body, and action of a person or an entity, such an organism will output the form of CA through a mechanism. If the substance of CA is not built into the spirituality of employees and firms, they would have neither values nor contributions. If the substance of CA is not planted in the spiritual nature of various business strategies, they would lose their marvellous power. If the substance of CA is not put in a firm's business processes, they would waste a lot of business resources. Howard Martin, HeartMath executive Vice President, said that the heart is the central tower of the body's systems and overall health (Aburdene, 2005); likewise, this researcher asserts that the CA of a firm is the main indicator of the firm's management systems and business performance.

CA makes customers happy to buy, suppliers glad to provide, bankers friendly to lend, employees pleasant to work with, investors willing to invest, or other related entities happy to be so related. In addition, CA can be used to prevent ambitious rivals from the act of invading a firm. Porter (1985, page 202) indicated: "The existence of competitors can allow a firm to increase its competitive advantage." Competition often aims primarily at jockeying for positions, pre-empting rival action, and gaining valuable resources or access (Porter, 1980; Ghemawat, 1991; Chen and Miller, 1994; Ma, 2004). A new theory must start from the premise that competition is dynamic and evolving (Porter, 1990). Everybody knows that competition is inevitable because it exists everywhere. Facing such a no-escape situation, the only sensible option for the firm is then to draw the sword and fight (D'Aveni, 1994; Ma, 2004). If a person or a firm cannot defeat the fierce competition, then the cruel competition will conquer the person or the firm. However, unfortunately, Kim and Mauborgne (2005, page 4) asserted in the book of *Blue Ocean Strategy*: "The only way to beat the competition is to stop trying to beat the competition." If their assertion is true and if people abandon themselves to the full stop of trying to beat the competition that they meet, what will happen in the world? We can use our imagination to guess that the world will become deplorable and horrible. It goes without saying that Olympic Games will be boring, market places will be dormant, academic activities will be not active, and so on. If a firm is so afraid of competition that it abandons the pursuit of CA, its stakeholders will

dismiss the firm quickly. If Kim and Mauborgne abandon themselves to the full stop of trying to beat the competition that they face, then the fierce competition will be running after both of them endlessly. Even if Kim and Mauborgne formulate the so-called blue ocean strategy one after another, competition will follow up both of them endlessly. Conversely, if Kim and Mauborgne give up their aforesaid wrong assertion and have many types of CA to conquer the competition they meet everywhere, then the competition will have no power at all to both of them. Therefore, the best way to beat the competition is to create, sustain, and monitor many types of durable CA in the various oceans of competition. Simply formulating strategies (including the so-called blue ocean strategy) cannot create, sustain, and monitor many types of durable CA in the various oceans of competition (Hsu, 2005c).

Moreover, CA cannot be divorced from the day-to-day running of a business firm. There is no business success in profitability and/or reputation where there is no maximum stakeholder satisfaction, and there is no maximum stakeholder satisfaction where there is no superior differentiation of products, services, and/or images. A firm has to achieve long-term and sustainable business success by maximizing value to our suppliers, customers, shareholders, and staff (Wickens, 1999). Therefore, the more differentiated the values or contributions the firm can make to the economic society of human beings, the more sustainable will be the competitive advantage that the firm will have. According to Porter (1985), sustainable competitive advantage is the only reliable way of achieving superior performance. More precisely, superior performance is reflected in the attainment of business objectives and the re-shaping of business visions. CA has such a position of importance in modern business management not only because it is a unique weapon for achieving objectives, but also because it is the only tool that can be used for re-shaping visions. Moreover, if a firm cannot "differentiate" itself for its superior differentiation, the firm has no way to acquire "superior differentiation" to compete in the business world. If a firm has just a type of CA instead of many types of durable CA, then the firm still has no potential to be on the industry-top of the business world (Collins, 2001). If a firm has been shrinking and losing its many types of CA, then the firm has been ranking lower and lowers in the eyes of its stakeholders and competitors. Accordingly, it is essential and necessary for a firm to create, sustain, and monitor many types of durable CA ambitiously and

aggressively. Otherwise, competitive pressures will propel a firm towards the prison of crisis (Kroger, *et al.,* 1998). Nowadays, in very competitive environments where there is a need to satisfy increasingly discerning stakeholders and to conquer rivals, a firm needs to better adopt the new positioning of CA so as to compete, survive, develop, and succeed in the business world. In truly great companies, change is a constant, but not the only constant (Collins and Porras, 1997). Facing constant changes in the era of knowledge-based economies, a great firm has to differentiate itself for better changes in CA all the time. Obviously, these are the reasons why CA is getting more important than ever before. Porter (1985, page xv) pointed out: "Today the importance of competitive advantage could hardly be greater. Firms throughout the world face slower growth as well as domestic and global competitors that are no longer acting as if the expanding pie were big enough for all." The importance of CA can be proved thoroughly again in the following justification concerning the SAFOCA versus the invisible hand doctrine.

The Substance and Form of Competitive Advantage versus the Invisible Hand Doctrine

In 1776, a Scottish philosophy professor named Adam Smith (1723 – 1790) published a book entitled *The Wealth of Nations* which was to have a major impact on economic thinking not only in his generation but in future generations as well (Welch and Welch, 1982). Central to Smith's argument for an economic system based on individual decision making was the invisible hand doctrine (Welch and Welch, 1982). Welch and Welch said (1982, page 50): "According to this doctrine, Smith thought it foolish to expect that people would base their business dealings with others on benevolence or the interest of the other person. Rather, people carry on their business in their own best interests. In a system of free and open competition, it is in the producer's or seller's best interest to try to give the buyer what he wants on terms that are acceptable to both of them. In this way, by pursuing one's own best interest, one is guided as if by an invisible hand to advance the interests of all society." Economists refer to the satisfaction received from consuming a good or service as utility; thus, the goal of the individual in making spending decision is, within the limits of his or her income, to pick the combination of goods and services which gives maximum total utility (Welch and Welch, 1982). In other words, economists just talk

about price (i.e. a result of making spending decision) and total utility; but they do not discuss CA. At that time, Adam Smith and other people did not find that CA exists in market economies; therefore, those so-called terms that were acceptable to the seller and the buyer included the name of goods or services, quantity, unit price, total amount, discount, and the like. It should be noted that nowadays terms that are acceptable to stakeholders must also additionally include those terms expressed in the SAFOCA.

Moreover, Pohlman and Gardiner (2000, page 93) pointed out: "Some 200 years ago, the English economist Adam Smith observed that there is an 'invisible hand' present in market economies that guides their operation, including such vitally important tasks as the setting of prices through the interaction of supply and demand for goods and services, as well as the allocation of resources." Unfortunately, since then, most people misunderstand that "the setting of market-based prices is the invisible hand". In fact, price is just a superficial form of transactions for goods or services, but it is not a real substance of transactions for goods or services. At that time, Adam Smith and other people did not find that the SAFOCA exist in market economies. By origin, the SAFOCA construct a lot of attractive powers and functions that give maximum total utility (i.e. maximum satisfaction) to stakeholders. Therefore, in today's environment of free and open competition, the "new invisible hand" should be "CA" rather than "price" because: (1) price is just one of types of CA; (2) the SAFOCA create stakeholders' selection; and (3) the dominance of the excellent companies rests on the SAFOCA. Further justification follows.

Price is just one of types of competitive advantage.

A favourable price is not necessarily a unique factor for customers to consider. So, for example, when Virgin Atlantic Airways launched its Upper Class brand – a new concept in business-class travel that essentially combined the huge seats and legroom of traditional first class with the price of business-class tickets – other airlines were free to apply this idea to their own business-class service without limiting Virgin's ability to use it (Kim and Mauborgne, 2005). In addition, price is not any more qualified for being the "invisible hand" because price fluctuation is subject to changes in the SAFOCA. Usually, a more competitive price is just a dependent variable, and the SAFOCA are independent variables.

Howard and Sheth (1969) and Kotler and Levy (1969) stated that satisfaction depends on value (Ravald and Grönroos, 1996). The most important dynamic in the entire world of business and management is what people value (Pohlman and Gardiner, 2000). Perceived value is defined as the ratio of perceived benefits relative to perceived sacrifice (Monroe, 1991; Ravald and Grönroos, 1996). If a very attractive price is paid by a buyer, then his expenditure is his perceived sacrifice or cost; his perceived benefits are the SAFOCA that can satisfy him very well. When the ratio is larger than 1 or when the perceived benefits are lager than the perceived sacrifice, the buyer may buy the product or service; otherwise, the buyer will not buy the product or service. Kim and Mauborgne (2005, page 60) pointed out: "In the luxury car market, Toyota's Lexus carved out a new blue ocean by offering the quality of the high-end Mercedes, BMW, and Jaguar at a price closer to the lower-end Cadillac and Lincoln."

The substance and form of competitive advantage create stakeholders' selection.

The competition, survival, development, and success of a firm or an industry depend on the SAFOCA instead of more competitive prices. In practice, a firm's superior differentiation and its stakeholders' maximum satisfaction must be constantly checked and balanced very well. Stakeholders do not want a paper pie in the sky and/or a lot of lip services, but they need real values to satisfy their real wants. Although stakeholders are never satisfied with the status quo, a firm must keep stakeholder satisfaction clearly in focus (Tucker, 1998). For example, Peters and Waterman (1982, page 13) expressed: "Our findings were a pleasant surprise. The project showed, more clearly than could have been hoped for, that the excellent companies were, above all, brilliant on the basics. Tools didn't substitute for thinking. Intellect didn't overpower wisdom. Analysis didn't impeded action. Rather, these companies worked hard to keep things simple in a complex world. They persisted. They insisted on top quality. They fawned on their customers. They listened to their employees and treated them like adults. They allowed their innovative product and service champions long tethers. They allowed some chaos in return for quick action and regular experimentation." Michael Dell, the chairman of Dell Computer Company, indicated that we had to pace our investments to match our progress, and to hold ourselves

to a level of growth that would ensure that we could meet our commitments to our customers, employees, and shareholders (Dell, 1999). Richard J. Mahoney learned that he had to listen to the voices of all of Monsanto's constituents because all of them provide the license to operate (Pohlman and Gardiner, 2000). In addition to giving maximum satisfaction to stakeholders, the SAFOCA can be used to prevent ambitious rivals from the act of invading a firm. One day, wherever you go in your company, if you find your people talking about the SAFOCA and feeling proud of their department's or division's achievements in the SAFOCA, then your company is one of the excellent companies.

The dominance of the excellent companies rests on the substance and form of competitive advantage.

Stakeholders are happy to do business transactions with excellent companies mainly due to the fact that excellent companies can offer the SAFOCA to them. There are examples. Kim and Mauborgne (2005, pages 50 – 52) pointed out: "In less than twenty years NetJets has grown larger than many airlines, with more than five hundred aircraft, operating more than two hundred fifty thousand flights to more than one hundred forty countries. Purchased by Berkshire Hathaway in 1998, today NetJets is a multibillion-dollar business, with revenues growing at 30-35 percent per year from 1993 to 2000. NetJets' success has been attributed to its flexibility, shorten travel time, hassle-free travel experience, increased reliability, and strategic pricing...Consumers get the convenience of a private jet at the price of a commercial airline ticket...Last but not least, NetJets dramatically reduces issues related to security threats and offers clients customized in-flight service, such as having your favorite food and beverage ready for you when you board." While there are differences among industries, we did find a striking commonality: the excellent companies tend more to be more driven by close-to-the-customer attributes than by either technology or cost (Peters and Waterman, 1982, page 186). Adding value is essential for any company that doesn't compete on price (Tucker, 1998). The idea was that building a business soly on cost or price was not a sustainable advantage (Dell, 1999). We give customers the high-quality computers they want at a competitive price as quickly as possible, backed by great service (Dell, 1999). So the excellent companies provide their stakeholders with the SAFOCA.

Sources and Types of Competitive Advantage

Competitive advantage's distinction from other terms

Due to the fact that many scholars have often used CA with other terms interchangeably, a lot of people have been confused and aforesaid research problems have been caused. Therefore, the real meaning of other terms like resources, advantages, competitive factors, and so on must be distinguished from that of CA.

- There are many kinds of resources in a firm, and each kind of business resource has its advantage and/or disadvantage. Resources include all assets, capabilities, organizational processes, attributes, information, and knowledge that enable a firm to define and implement strategies to compete (Draft, 1983; Lau, 2002).
- An advantage or intrinsic advantage is merely a kind of strength, gain, benefit, help, merit, good attribute, good quality, praiseworthy act, strong point, good reputation, or something like that, which is built in or generated by business resources. An advantage or intrinsic advantage is not necessarily a type of CA; therefore, advantages or intrinsic advantages cannot be regarded as competitive advantages directly.
- A competitive factor is a factor that helps to form superior differentiation (i.e. CA) in a competitive environment. It is very clear that one or several kinds of resources or intrinsic advantages can be developed as a competitive factor; likewise, one or several kinds of competitive factors can be developed as a type of CA. According to Lau (2002), a firm can achieve a sustainable competitive advantage by utilizing its competitive factors to establish and maintain a unique operational focus.

The difference between sources of competitive advantage and types of competitive advantage

For the development of modern business management, the academic or business world should have made a very clear demarcation between sources of durable CA and types of durable CA. Lawler (2000, page 18) indicated: "Organizational effectiveness increasingly depends on organizations being able to develop their own approach to organizing and managing and to continuously improve it. This is not easy to do but is increasingly the key source of competitive advantage in today's global businesses." One of the principal insights of the resource-based view is that not all resources are of equal importance or possess the potential to be a source of sustainable competitive advantage (Fahy, 2000). It should be emphasized that not every kind of business resource, intrinsic advantage, or competitive factor can independently and successfully be transformed into a type of durable CA without: (1) being properly combined with other related business resources; (2) being rightly integrated in harmony with its environmental factors; and (3) being generally recognized and accepted by a firm's stakeholders. Therefore, a source of CA is not necessarily a type of CA. The following study concerning strategy is a good example. According to Barney (1991), a firm is said to have a competitive advantage when it is implementing a value-creating strategy that is not being simultaneously implemented by any current or potential competitors. This saying is too oversimplified to be true. Value-creating strategies are merely intrinsic advantages instead of types of durable CA under any one of the following two situations: (1) if value-creating strategies are implemented successfully, after combining related business resources and integrating related environmental factors, a firm can then create, sustain, and monitor certain types of CA; and (2) if value-creating strategies are not implemented successfully, a firm may not create, sustain, and monitor any types of CA (Hsu, 2005c).

The improper classification of types of competitive advantage

Any wrong classification of types of CA will make people confused and make related things messy in academic studies or business analyses. For example, Porter stresses that there are two basic types of competitive advantage a firm can possess: low cost or differentiation (Porter, 1985; O'Shaughnessy, 1996). As a matter of fact, Porter's classification of types of CA is totally wrong, and a justification follows. Porter (1985, page 119) argued: "A firm 'differentiates' itself from its competitors if it can be unique at something that is valuable to buyers." Logically, to "differentiate" is to mark off by superior differentiation; After all, "differentiation or superior differentiation" is the final weapon for which a firm "differentiates" itself from its competitors to strive. The weapon is used to conquer competitors and serve stakeholders so as to result in business performance, achieve business objectives, and reshape business visions. Therefore, "superior differentiation" is the CA of the firm. A firm needs good implementation to "differentiate" itself from its competitors. After good implementation, a firm may increate, sustain, and monitor many types of CA (i.e. superior differentiation or differentiation). The concept of differentiation is particularly troublesome because it is possible to differentiate in a number of different ways (Campbell-Hunt, 2000; Jenkins, 2005). Now that a firm differentiates itself in a number of different ways, superior differentiation comes in many flavours. For facilitating reasoning and analysis, differentiation (i.e. it ranks as a grandfather in the classification of CA) can be classified into many flavors: (1) quantitative differentiation and qualitative differentiation (i.e. they rank as fathers in the classification of CA), or (2) efficient differentiation and effective differentiation (i.e. they rank as fathers in the classification of CA). Quantitative differentiation is composed of many "quantitative attributes" such as lower cost, more competitive prices, faster delivery time, and the like (i.e. they rank as sons in the classification of CA). Likewise, qualitative differentiation is composed of many "qualitative attributes" such as cost leadership, price leadership, the quality of products, good reputation, excellent brand images, and the like (i.e. they also rank as sons in the classification of CA). In the same way, efficient differentiation is composed of many "efficient attributes" such as lower cost, more competitive prices, faster delivery time, and the like (i.e. they rank as sons in the classification of CA). Likewise, effective differentiation is composed of many "effective attributes" such as cost leadership,

price leadership, the quality of products, good reputation, excellent brand images, and the like (i.e. they also rank as sons in the classification of CA). Obviously, it is very logical that low cost is one of types of quantitative or efficient differentiation and that cost leadership is one of types of qualitative or effective differentiation. Apparently, Porter has misplaced both "low cost (which ranks as a son)" and "differentiation (which ranks as a grandfather)" into the same classification level for 25 years or so. It goes without saying that either low cost or cost leadership is cost differentiation, and cost differentiation is one of types of differentiation. Product differentiation (Porter, 1998) or quality differentiation is also one of types of differentiation.

Porter and Millar (1985; Porter, 1998) pointed out that in any company information technology has a power effect on competitive advantage in either cost or differentiation. Porter (2001, page 70) indicated again: "If average profitability is under pressure in many industries influenced by the Internet, it becomes all the more important for individual companies to set themselves apart from the pack – to be more profitable than the average performer. The only way to do so is by achieving a sustainable competitive advantage – by operating at a lower cost, by commanding a premium price, or by doing both. Cost and price advantages can be achieved in two ways. One is operational effectiveness – doing the same things your competitors do but doing them better... The other way to achieve advantage is strategic positioning – doing things differently from competitors, in a way that delivers a unique type of value to customers." Since 1985 or so, Porter has still done his wrong loop about two basic types of CA: low cost or differentiation. As a matter of fact, the only way to do so is by creating, sustaining, and monitoring many types of sustainable competitive advantage – by achieving them in a more efficient way (e.g., lower cost, better price, and the like), by obtaining them in a more effective way (e.g., better on-line support of customer services, more useful channel management, and the like), or by gaining both. Cost and price advantages can be achieved by a firm in only one way: it "differentiates" itself from its competitors so as to mark off by "superior differentiation" for its stakeholders, not for its buyers only. If there is no operational efficiency at all, the so-called operational effectiveness can make little contribution to the CA of firms because CA contains both effectiveness and efficiency. On the other hand, Porter's strategic positioning needs to be anchored to the consideration of both efficient differentiation and effective differentiation.

Moreover, it is apparent that simply making strategic positioning does not provide a durable CA because strategic positioning or strategy can do nothing by itself (Hsu, 2005c). In addition to strategies, a firm needs other related ingredients to be mixed. Implementation is like a huge mixer that blends all related ingredients such as environmental factors, business resources, strategies, organizational culture, entrepreneurial spirit, profound leadership, enthusiastic attitude, comprehensive plans, perseverance, management philosophy, and others (2005c). Firms can achieve their missions, goals, and objectives only when they are able to create, sustain, and monitor many types of sustainable competitive advantage (i.e. superior differentiation) through implementation.

Why does that superior differentiation really occur? Herb Kelleher, who founded Southwest Airlines, not only wanted to give his customers the lowest possible price, but he wanted to give them the best possible service (Blanchard, *et al.,* 2004). Because Wal-Mart used "differentiation" to manage its future, it has aggressively defined differences with Kmart; shoppers are consistently more satisfied with Wal-Mart (Tucker, 1998). Nowadays, firms are busy building "superior differentiation" into their plans (Trout and Rivkin, 2000). Existing functional strengths can, of course, often be successfully exploited to gain the desired differentiation (Ohmae, 1982). Otis Elevator uses remote diagnostics as a way to differentiate itself (Trout and Rivkin, 2000). Still, those who fail to "differentiate" their product or service in the mind of consumer won't stand a chance (Trout and Rivkin, 2000). In order to survive and succeed, a firm "must" possess superior differentiation (i.e. CA). Superior differentiation is also composed of cost differentiation, product differentiation, quality differentiation, and other kinds of differentiation. Superior differentiation is the unique type of CA. However, unfortunately, Porter (1985, page 119) pointed out: "Differentiation is one of the two types of competitive advantage a firm may possess." It should be noted that the improper classification of Porter's two basic types of competitive advantage a firm can possess (Porter, 1985; O'Shaughnessy, 1996) not only has made people confused, but it also has made related things messy in management theory and management practice. Since 1980 or so, Porter's followers have treaded in the steps of the aforesaid improper classification of Porter's two basic types of CA. As the old Chinese saying goes, "If it deviates a little bit at the starting point, then it'll miss by a thousand miles at the ending point." Therefore, such an incorrect classification has multiplied a

far-reaching impact on the development and application of CA. As for an example, the misunderstanding resulted from the incorrect classification of types of CA can be justified again in the following section.

The misunderstanding of types of competitive advantage

As noted by Priem, *et al.*, (1997), the validity of scientific theories is primarily evaluated in terms of their ability to explain observed phenomena and to predict future phenomena. In this study, the criteria are tested to determine whether or not they could be applied to the following theory by Porter. Limiting a firm to a single competitive factor is similar to Porter's (1980) assertion that a firm can only choose either cost or differentiation as a basis for competition (Lau, 2002). The implication of Porter (1980) is that any firm attempting to achieve both cost and differentiation as its competitive factors is almost guaranteed low profitability (Kotha and Orne, 1989; Lau, 2002). Porter has generally described the competitive advantage strategies of cost leadership and differentiation as being mutually exclusive; the cost reduction commitment required to achieve cost leadership and the expense necessary to achieve differentiation simply preclude the successful pursuit of both simultaneously (Priem, *et al.*, 1997). Porter's (1985) view that low cost and differentiation are discrete ends of a continuum that may never be associated with one another has sparked much conceptual debate and empirical research (Priem, *et al.*, 1997). However, Alderson (1965) regarded differentiation as being critically dependent on the cost-quality relationship, and therefore low relative cost as being important in achieving differentiation (Priem, *et al.*, 1997). This means that low relative cost, cost leadership, or cost advantage is a type of differentiation that may form a better base for a firm to provide its customers with a more attractive price to buy because a more attractive price is one of many types of differentiation (i.e. CA). In other words, lower cost, more competitive prices, faster delivery time, cost leadership, price leadership, the quality of products and services, and the like are important in achieving CA. Due to the fact that the aforesaid improper classification of types of CA has been made, it has been no wonder that the paradox has existed in Porter's (1985) view that cost leadership and differentiation are mutually exclusive. In other words, the existed paradox regarding Porter's (1985) view is one of side-effects resulted from the wrong argument of Porter's statement that there are two basic

types of competitive advantage a firm can possess: low cost or differentiation (Porter, 1985; O'Shaughnessy, 1996). As explained earlier, in classification, cost leadership is subordinate to superior differentiation. In fact, the more the cost reduction commitment is achieved, the more the cost leadership that is obtained; the more the cost leadership that is obtained; the more superior the differentiation will be. Lower cost is one of the important factors related to 'quantitative' differentiation and cost leadership is one of the important factors related to 'qualitative' differentiation. Both quantitative differentiation and qualitative differentiation are part of the same body of differentiation. For this reason, cost leadership and superior differentiation are mutually supportive, and not mutually exclusive. If a firm cannot obtain cost leadership, it cannot easily achieve superior differentiation (i.e. CA). In addition, now that a firm has sustained many types of durable CA, it has already outperformed its competitors in cost leadership, product differentiation, and quality differentiation. Such superior specialization is more conducive to the price leadership of a firm. The notion of CA is to do better than competitors in aspects of cost leadership, product differentiation, quality differentiation, and the like. The CA of a firm, an industry, or a nation is favourable to: (1) gain its *absolute* advantages in its territories, and (1) have its *comparative* advantage to maximize its total profit in its marketplaces. Porter's (1985) view that cost leadership and differentiation are mutually exclusive has been justified as above; therefore, in a firm, an industry, or a nation, there is no necessity to discuss that cost leadership and differentiation are mutually exclusive. Otherwise, it is just a waste of precious time. In this study, the suggestion of future research on Competitive Advantage Engineering (CAE) may provide a correct solution for Porter's (1985) view just mentioned above. Through administrative innovations, technological innovations, and other improvements, a firm, an industry, or a country still has a large space to make progress in aspects of intrinsic resource advantages, intrinsic resource disadvantages, and other factors. This is the reason why a firm, an industry, or a nation tries to differentiate itself to mark off by superior differentiation. To summarize in conclusion, Porter's (1985) view that the competitive advantage strategies of cost leadership and differentiation are mutually exclusive is a paradox both because cost leadership is one of types of effective or qualitative differentiation and because effective or qualitative differentiation is one of types of differentiation.

Competitive advantage versus comparative advantage

The notion of competitive advantage, absolute advantage, and comparative advantage cannot be misunderstood; otherwise, a wrong notion can lead to incorrect decisions or improper actions. Porter said (1985, page 33): "A firm gains competitive advantage by performing these strategically important activities more cheaply or better than its competitors." Because of creating, sustaining, and monitoring many types of durable CA, a firm can hire many salesmen to do business in many territories all over the world. Blair and Kenny (1982, pages 365-366) described: "...But it is not possible to assign all the salesmen to territories in which they have *absolute* advantages...A manager can increase profit by allocating more sales representatives to profitable areas and by allocating *particular* sales representatives to areas in which they have a *comparative* advantage." Usually, there are a lot of firms and industries in a country; therefore, excellent countries have many good chances to apply the principle of comparative advantage to their cases in international trade. A comparative advantage occurs when one country has a lower opportunity cost of producing a good or service than does another country with which it could trade (Welch and Welch (1982). Welch and Welch (1982, page 465) explained: "The basic principle behind the proposition that international trade can lessen the scarcity problem by increasing production is called comparative advantage. The root of comparative advantage is the concept that if countries produce those goods and services in which they have an advantage in comparison to other countries, and trade for what they are less adept at producing, the world will have more goods and services than it otherwise would. In essence, the principle of comparative advantage is a restatement of the benefits of international specialization." Generally speaking, the CA notion of firms is similar to that of nations; strictly speaking, the notion of *competitive* advantage is largely different from that of *comparative* advantage. It should be noted that a firm has to gain many types of *competitive* advantage first; then, its salesmen have opportunities to have *absolute* advantages in their territories; finally, a firm, an industry, or a nation have its *comparative* advantage to maximize its total profit. Under these reasoning processes, no one has reasons to change the normal notion and real meaning of competitive advantage, absolute advantage, and comparative advantage of a firm, an industry, or a nation. There is no comparative advantage of a firm where there is no competitive advantage of a firm; likewise, there is no comparative advantage of a nation

where there is no competitive advantage of a nation.

However, Porter (1990, page 20) indicated: "A new theory must move beyond the *comparative* advantage to the *competitive* advantage of a nation." Porter (1998, page 322) said again: "The apparent paradox between the globalization of competition and a strong national or even local role in competitive advantage can be resolved by recognizing that the paradigm that governs the competition among locations has shifted from *comparative* advantage to the broader notion of *competitive* advantage." Unfortunately, such Porter's reasoning processes have overthrown the generally accepted reasoning processes mentioned above. Kim and Mauborgne (2005, page 174) indicated: "The theme of fairness or justice has preoccupied writers and philosophers throughout the ages. But the direct theoretical origin of fair process traces back to two social scientists: John W. Thibaut and Laurens Walker. In the mid-1970s, they combined their interest in the psychology of justice with the study of process, creating the term *procedural justice*. Focusing their attention on legal settings, they sought to understand what makes people trust a legal system so that they will comply with laws without being coerced. Their research established that people care as much about the justice of the process through which an outcome is produced as they do about the outcome itself. People's satisfaction with the outcome and their commitment to it rose when procedural justice was exercised." Kim and Mauborgne (2005, page 175) pointed out again: "Fair process is our managerial expression of procedural justice theory. As in legal settings, fair process builds execution into strategy by creating people's buy-in up front. When fair process is exercised in the strategy-making process, people trust that a level playing field exists. This inspires them to cooperate voluntarily in executing the resulting strategic decisions." In the same way, the managerial expression of procedural justice theory (Kim and Mauborgne, 2005) may do something good to Porter's wrong assertions in this section. It is earnestly requested that Porter had better exactly show us the fair process and technical know-how of shifting the said paradigm from comparative advantage to the broader notion of competitive advantage or moving the said new theory beyond the comparative advantage to the competitive advantage of a nation.

The systematic classification of types of competitive advantage

A qualified systematic classification of types of CA must be conducive to the requirements of planning, implementing, and checking the types of durable CA. The classification must contain as much quantitative and qualitative information as possible. For example, the qualitative data are as important as the quantitative data in terms of keeping our people motivated and our focus on target (Dell, 1999). Accordingly, this study constructs a good and complete set of the systematic classification of types of CA for the bases of CA performance measurement. There are three categories in the systematic classification: the first category is related to stakeholders, the second category is concerned with the nature of CA, and the third category is based on the types of CA.

Management is often characterized as balancing the interests of various corporate constituencies such as employees, customers, suppliers, debt holders, and stockholders (Rappaport, 1986). Therefore, the first category related to stakeholders could be classified into at least five groups: CA related to customers, CA related to suppliers, CA related to bankers, CA related to employees, and CA related to stockholders/investors. If deemed necessary, another group of CA related to other related parties could be joined into the first category. The second category concerned with the nature of CA could be classified into two kinds of CA: quantitative CA and qualitative CA. The third category contains many different types of CA (e.g., faster delivery time, better quality of products and services, and the like). Different industries have different types of CA. By doing so, each and every player can have a clear picture of how types of CA are classified. Figure 1.1 is developed for this research and it depicts the three categories of CA in a firm.

Figure 1.1: Three Categories of Competitive Advantage in a Firm

CA Related to Stakeholders	The Nature of CA	Types of CA
Customers	Quantitative CA	More competitive prices and discounts
		Faster delivery time of products/services
	Qualitative CA	Higher quality of products, services, and/or images
		Better relationships with customers
Suppliers	Quantitative CA	Lower transaction costs to suppliers because of collaboration
		More reasonable investments made by suppliers with the firm's assistance
	Qualitative CA	Better collaboration with suppliers
		Better relationships with suppliers
Bankers	Quantitative CA	Exact payment of interest to debt-holders on the due date
		Exact payment of principal to debt-holders on the due date
	Qualitative CA	Higher quality of financing documentation to bankers
		Better relationships with bankers
Employees	Quantitative CA	Better offers of wages, allowances, and employee welfare
		More reasonable demands regarding working hours (including overtime)
	Qualitative CA	Better working environment
		Better environment for organizational learning and knowledge management
Stockholders/ Investors	Quantitative CA	Better earnings per share
		Better returns from share-price appreciation
	Qualitative CA	Higher quality of services to investors
		Better sustainability of corporate image, reputation, and trust

Literature Review and Constructive Comments on the Views of the Firm

The Competitive Position View of the Firm

Choosing a favorable competitive position within a profitable industry is a central element of the CPV (Porter, 1985). Naturally, the search for advantage by both managers and academics has focused on the industry as being the relevant unit of analysis (Dyer, 2000). The competitive position view (Porter, 1985) is also referred to as the environmental model view (Barney, 1991) or the industry structure view (Dyer, 2000). The industry structure view associated with Porter (1980) suggests that supernormal returns are primarily a function of a firm's membership in an industry with favorable structural characteristics, e.g. bargaining power, barriers to entry and so on (Low, 2002). Most strategic analyses thus concentrated on the industry environment of the firm and its positioning against competitors (Low, 2002). Porter argued that some industries were inherently more profitable than others due to their structural make-up and that firms could earn monopoly rents by either selecting these "structurally attractive" industries or by manipulating the forces driving competition in their favor through the selection of generic competitive strategies (Porter, 1980; Fahy, 2000). Porter (1985) pointed out two central questions that underlie the choice of competitive strategy: the first concerns the attractiveness of industries for long-term profitability and the factors that determine it, and the second has to do with the determinants of relative competitive position within an industry. As noted by Wilk and Fensterseifer (2003), Porter's five competitive forces model has its roots in industrial organization. Porter believes that the nature and degree of competition in an industry hinge on five forces: the threat of new entrants, the bargaining power of buyers, the bargaining power of suppliers, the availability of substitute products, and the intensity of rivalry among the current industry competitors (Bradmore, 1996). The five forces determine industry profitability because they influence the prices, costs, and required investments of firms in an industry—the elements of returns on investments (Porter, 1985). Despite the contribution of this analytic approach, the CPV has some defects to be stated below:

- The CPV focuses much more on the industry; moreover, the CPV not only neglects the use and analysis of firm resources asserted by the RBV, but it also fails to pay sufficient attention to the satisfaction maximization of stakeholders under the SBV.
- Porter's five forces cannot explain the real momentum of creating, sustaining, and monitoring many sources and types of durable CA. Competition at the level of the firm, the industry, or the nation is becoming fiercer than ever before, but the nature and degree of competition in an industry are not limited to these five forces only.
- The prescription made by the competitive position view (CPV) of the firm, however, has remained for a long time at a conceptual level (Wilk and Fensterseifer, 2003), and it needs to be validated. Indeed, the CPV lacks the tools for the empirical analysis of firms' environmental factors, internal factors, and stakeholder factors.
- In the latter part of the 1980s, a growing body of empirical work testing Porter's ideas began to cast doubt on their validity (Fahy, 2000), and researchers observed performance differences not only between firms in the same industry (Cubbin, 1988; Hansen and Wernerfelt, 1989; Rumelt, 1991; Fahy, 2000), but also within the narrower confines of strategic groups within industries (Cool and Schendel, 1988; Lewis and Thomas, 1990; Fahy, 2000).

The Resource-Based View of the Firm

Developing some more advantage-generating resources in an individual firm is a central element of the RBV (Dyer, 2000). Thus, the resource-based view focuses on the individual firm as the primary unit of analysis (Dyer, 2000). The resource-based view (RBV) of the firm emerged in 1984 and a hint of the richness that lay in the approach is evident in Wernerfelt's description of his article as a "first cut at a huge can of worms" (Wernerfelt, 1984; Fahy, 2000). The resource-based view argues that differential firm performance is not rooted in industry structure, but is fundamentally due to firm heterogeneity (Barney, 1991: Low, 2002). The RBV of the firm "views" firms as different amalgams of productive and strategic resources and capabilities that lead them to different performance potentials (Wilk and Fensterseifer, 2003). The RBV has attracted the interest of a substantial number of scholars in the field (Fahy, 2000). The RBV of the firm has emerged in recent years as a popular theory of competitive advantage (Fahy, 2000). However, Markides and Williamson (1996) contended that the identification of strategic assets is not sufficient to sustain advantage and the continual creation of new key resources is required (Clulow, *et al.,* 2003). Barney (1991) proposed that advantage-creating resources must meet four conditions, namely, value, rareness, inimitability, and non-substitutability (Fahy, 2000). Amit and Schoemaker (1993) went even further, producing a list of eight criteria: complementarity, scarcity, low tradability, inimitability, limited substitutability, appropriability, durability, and overlap with strategic industry factors (Fahy, 2000). Collis and Montgomery (1995) suggested that they must meet five tests, namely, inimitability, durability, appropriability, substitutability, and competitive superiority (Fahy, 2000). In the interests of parsimony, these various conditions and characteristics are considered under the headings of value, barriers to duplication, and appropriability (Fahy, 2000). As pointed out by Fahy (2000), value to customers is an essential element of competitive advantage; therefore, for a resource to be a potential source of competitive advantage, it must be valuable or else enable value to be created. This implies that, although resources may meet other conditions, if they do not enable value to be created, they are not a potential source of advantage (Fahy, 2000). However, this researcher asserts that all different resources depend on value. In business, value is how we measure almost everything – the benefits, the costs, the performance, and the products or

services provided (Rivas-Micoud, 2006). There is a value where there is a need. If a resource in a firm is in need of one or more of any necessary conditions as mentioned above, the firm will then acquire such a resource; otherwise, any unnecessary conditions stipulated by the aforesaid scholars will make the firm become inefficient and ineffective. It is important to note that the value or contribution of products, services, or images is defined by a firm's stakeholders, but not stipulated by scholars.

These resources are classified into three major categories: physical capital resources, human capital resources, and organizational capital resources (Barney, 1991; Lau, 2002). The development is far from complete, however, and there is a need "...to map the space of resources in more detail" since "...resources remain an amorphous heap" (Wernerfelt, 1995). Obviously, there has been no big progress in mapping the space of resources in more detail since Wernerfelt's report in 1995. Resources, in turn, comprise three distinct sub-groups, namely, tangible assets, intangible assets, and capabilities (Fahy, 2000). Causal ambiguity is a key factor underpinning sustainable competitive advantage (Reed and DeFillippi, 1990; Fahy, *et al.,* 2004). Causal ambiguity is most likely to occur where multiple sources of advantage interact to generate a position of strength and the relative importance of each one is difficult to discern (Fahy, *et al.,* 2004). Several distinct resources (financial, marketing or organizational) have the potential to play a key role in ensuring that sponsorship investments are not easily imitated (Fahy, *et al.,* 2004).

In fact, the aforesaid classification of resources is over simplified. It should be noted by this researcher that firm resources consist of four facets: (1) total assets reported on a balance sheet (including current assets, investments, land, buildings, and equipment); (2) off-balance-sheet assets (i.e. those are not suitably reported on the balance sheet, including intangible assets, undone appreciation of assets, human capital resources, management system resources, and the like); (3) intrinsic resource advantages (including financial advantage, people advantage, management advantage, information advantage, time-compressed advantage, regional advantage, collaborative advantage, complexity advantage, and the like); and (4) intrinsic resource disadvantages. In a firm, the best management of people advantage, timing advantage, regional advantage, and other related advantages is to create, sustain, and monitor its many types of organizational capability and competitive advantage so as to match its superior differentiation with its stakeholders'

maximum satisfaction (Hsu, 2005b). Moreover, empirical investigations have approved that organizational performance is often influenced by the possession of unique capability or distinctive competence (Hitt and Ireland, 1985; Neil, 1986; Miller, *et al.*, 1997; Low, 2002). Liker (2004, pages 7 and 8) illustrated and explained: "Remove the non-value-added waste...This helped Toyota make a critical discovery: when you make lead times short and focus on keeping production lines flexible, you actually get higher quality, better customer responsiveness, better productivity, and better utilization of equipment and space...Toyota's focus in the 1940s and '50s on eliminating wasted time and material from every step of the production process – from raw material to finished goods – was designed to address the same conditions most companies face today: the need for fast, flexible processes that give customers what they want, when they want it, at the highest quality and affordable cost." In spite of the contribution of this analytic approach, the RBV has some faults that may be stated as follows:

- Essentially, the RBV takes a static view, auditing organizational resources at any one time and assessing the future likelihood that these will be sustained (Verity, 2005). The RBV is not without its critics however (e.g., Deligonul and Cavusgil, 1997), and contributions such as those by Priem and Butler (2001) and Rouse and Daellenbach (1999) have delineated some of its conceptual and empirical difficulties respectively (Fahy, *et al.*, 2004).
- The RBV not only neglects the environmental analysis, but it also fails to pay sufficient attention to the satisfaction maximization of stakeholders under the SBV. In other words, the RBV seems to pay greater attention to the static resources of firms. Nowadays, static resources are not so important because the following two assertions may be used for justification. Having resources won't lead to growth if you do not know where to direct them (Kroger, *et al.*, 1998). According to Michael Porter, international competition is now a game of rate-of-progress, rather than a game of resources, while international competition is a race to improve (Ng, *et al.*, 1997).
- From a resource-based perspective, capabilities are intangible resources or assets, made up of constituents such as skills, learning and knowledge in deploying tangible or other intangible resources or assets (Combe and Greenley, 2004). If such capabilities cannot output the substance and form of CA (SAFOCA) for a firm, they

are totally useless.

- In reality, it is hard for firms to compete, survive, develop, and succeed in fiercely competitive environments over the long term, even though they have a lot of resources that do not create, sustain, or monitor many of sources and types of durable CA. A greater understanding of the dynamics of resource development continues to be essential in advancing resource-based theories of competition (Fahy, 2000).
- Like any developing body of knowledge, the RBV is not short of confusion, ambiguity, and conceptual and empirical difficulties (Fahy, 2000). Nevertheless, to date, the vast majority of contributions within the resource-based view (RBV) of the firm have been of a conceptual rather than an empirical nature, with the result that many of its fundamental tenets still remain to be validated in the field (Fahy, 2000).
- The resource-based view's focus on the single firm implicitly presumes that sources of advantage exist within the firm; however, in advanced modern economies, individual firms typically engage in a narrow range of activities that are embedded in a complex chain of input-output relationships with other firms (Dyer, 2000).
- New developments in relation to the resource-based view will also require that attention be paid to a number of empirical questions, since so far there has been relatively little validation of some key propositions of the RBV in the field (Fahy, 2000). In contrast to the view put forward by Hill and Deeds (1996), resources in and of themselves are not sufficient to explain persistent differences in firm profitability (Fahy, 2000).

The Satisfaction-Based View of the Firm

The main function of the satisfaction-based view (SBV) of the firm is complementary to the CPV (i.e. marketing positioning) and the RBV. Over the last 25 years students of strategic management have debated the relative merits of two major explanations for competitive advantage, marketing positioning (generic strategy) (Porter, 1980, 1985; Jenkins, 2005) and resource-based ideas (Barney, 1991; Peteraf, 1993, Jenkins, 2005). Although these two views have contributed to our understanding of how companies achieve superior profit returns, both of them ignore the important fact that the advantages or disadvantages of an individual firm are often linked to those of the networks of relationships in which the firm is embedded (Dyer, 2000). In this study, this researcher advocates building the satisfaction-based view (SBV) of the firm into modern business management in order to provide a remedy for the fact that the match of a firm's superior differentiation and its stakeholders' maximum satisfaction has not been emphasized by the CPV and the RBV. Matching a firm's superior differentiation with its stakeholders' maximum satisfaction is a theme of the satisfaction-based view (SBV) of the firm. Management is to check and balance the interests of various corporate constituencies such as employees, customers, suppliers, debt holders, and stockholders (Rappaport, 1986). The company's continued existence depends on a financial relationship with each of these parties (Treynor, 1981; Rappaport, 1986). Businesses begin to manage the past the moment they stop listening to stakeholders (Tucker, 1998). According to Richard J. Mahoney, former CEO of Monsanto Company, no corporation can sustain itself without appropriate attention to all those who hold a stake in its performance: customers certainly, but also suppliers, creditors, neighbors, society in general and of course, those most directly affected – employees (Pohlman and Gardiner, 2000). An excellent company takes care of its stockholders, customers, employees, and society (Rivas-Micoud, 2006).

In 1859, Charles Robert Darwin published his book, *On the Origin of Species by Means of Natural Selection, or the Preservation of Favored Races in the Struggle for Life,* and asserted that competition created a natural selection in succeeding generations of those attributes best adapted to the species' particular environment (Champy and Nohria, 2000). Due to the fact that the behavior patterns of natural humans and artificial business organizations must be interactive and mutually influenced (Hsu, 2005c), the competition,

survival, development, and success of firms are "most" up to the law of "stakeholders' selection" and are "little" subject to the law of "natural selection." In other words, all God's creatures are subject to the law of natural selection, but all artificial entities are mainly subject to the law of stakeholders' selection. If a firm does not support the SBV very well and does not satisfy the needs (including the financial claims and non-financial desires) of its stakeholders adequately, they will withdraw their support; in this connection, the firm will cease to be a viable organization in the business world regardless of: (1) how strong its competitive position is and how strongly it supports the CPV, and/or (2) how plentiful its business resources are and how strongly it supports the RBV. Finally, the success or failure of any firm depends on the stakeholders' selection of a firm under the SBV.

The Total Management View of the Firm

The TMV is composed of the aforesaid three views of the firm and it is highly needed because it is necessary and essential for a firm or an industry to make the congruence of its organizational capability, external environment, and business performance resulting from stakeholders' satisfaction. Each and every one of the CPV (e.g., Porter, 1985; Barney, 1991; Dyer, 2000; Fahy, 2000; Wilk and Fensterseifer, 2003) , the RBV (e.g., Wernerfelt, 1984; Barney, 1991; Amit and Schoemaker, 1993; Collis and Montgomery, 1995; Markides and Williamson; 1996; Fahy, 2000; Lau, 2002; Wilk and Fensterseifer, 2003; Rivas-Micoud, 2006), and the SBV (e.g., Howard and Sheth, 1969; Kotler and Levy, 1969; Treynor, 1981; Rappaport, 1986; Monroe, 1991; Ravald and Grönroos, 1996; Tucker, 1998; Dell, 1999; Pohlman and Gardiner, 2000; Champy and Nohria, 2000; Hsu, 2005c; Rivas-Micoud, 2006) cannot stand for the business management view of the firm; therefore, this researcher integrates the three views into the TMV of the firm. The TMV is totally different from others. As for an example, Liker (2004, page 297) pointed out: "The Toyota Way: A consistent way of thinking, a total management philosophy, focus on total customer satisfaction, an environment of teamwork and improvement, a never-ending search for a better way, quality built in process, organized and disciplined workforce, and evolutionary." Among them, a total management philosophy of the Toyota Way is just to express a reasonable attitude or idea for accepting things as they are and making good use of them. However, under the TMV, business people should

have such a view to: (1) adapt to any significant changes in the external environment; (2) use more advantage-generating resources; (3) formulate right strategies; (4) have comprehensive plans; (5) implement all plans and activities; (6) create the value or contribution of products, services, and/or images; (7) create, sustain, and monitor many types of durable CA; (8) try to maximize the satisfaction of stakeholders; (9) achieve business objectives to generate more profitability and reputation; (10) check and balance a firm's superior differentiation and its stakeholders' maximum satisfaction; (11) analyze CA performance variances; (12) re-shape business visions; and (12) take corrective action for those under the principles of management by exception. Thus, this researcher calls this view the TMV of the firm. After business managers formulate strategies and employees implement comprehensive plans, both external environment and organizational capacity mediate to impact on their firm's performance resulting from stakeholders' satisfaction; thus, the actual performance of CA is the primary sources of profitability contribution and reputation contribution. In order to increase the perceived value or satisfaction maximization of stakeholders, it is suggested that a firm use and Bachmann and Hsu's Competitive Advantage Management (CAM) model and the Competitive Advantage Scorecard (CAS), which are introduced below.

Discussion of Competitive Advantage Management Along with Its Framework and Models

Competitive Advantage Management

A business firm needs CA Management to beat the fierce competition mainly due to the fact that the cruel competition has destroyed a lot of firms. As noted by Kim and Mauborgne (2005), there are no permanently excellent companies, just as there are no permanently excellent industries. Indeed, there are a great number of major reasons for business failure. Some reasonable explanations can be given below. As Dr. Peter Drucker wrote then, without experience as a manager, one can learn to recite many management concepts, but one cannot learn to do them (Rivas-Micoud, 2006). As many of us have witnessed in recent years, all too many organizations and managers have depended more on the rising tide of the economy or industry, and as we have seen, whoever contents himself to rise with the tide will also fall with it (Rivas-Micoud, 2006). The pursuit of competitive advantage (CA) is an idea that lies at the heart of much of the strategic management literature (Porter, 1985; Coyne, 1986; Ghemawat, 1986; Williams, 1992; Fahy, 2000); therefore, people do not know how to turn CA ideas into CA actions under a business management model. According to Stamford (1982; Beaver and Jennings, 2005), the causes of small business failure may be: inadequate accounting systems, poor location, lack of marketing skills, lack of a capital budget, inadequate provision for contingencies, lack of management skills, excessive inventory, incompetence, lack of experience, neglect, fraud, disaster, poor record keeping, reckless money management, lack of formal planning, insufficient marketing talents, indifferent employees, and inability to cope with growth. As a matter of fact, the major cause of big or small business failure is short of CA Management.

As noted earlier, CA is a very old concept; Sun Tzu (i.e. an ancient Chinese military strategist), Michael Porter, and other related persons have contributed significantly to the CA literature. Unfortunately, nowadays, many people talk about management concepts and CA thoughts, but they have no idea about CA Management. In order to render the best service to the society, it is necessary and essential for firms and managers to understand CA

Management first; then, through the implementation of CA Management, CA thoughts can be turned into CA actions effectively and efficiently. For this purpose, this researcher proposes the theory and practice of CA Management that have been integrated from his school-educated knowledge, on-the-job experience, and case-studied judgment for more than 35 years. The creation of CA Management is about business management innovation per se. By focusing on management innovation, CA Management tends to seek an innovative solution to the aforesaid research problems. In this connection, CA Management is defined by this researcher as the CA-based business management that can: (1) input the substance of CA and all related elements into a well-established system, (2) process all comprehensive plans and business-related activities, (3) output many types of durable CA, (4) check and balance the match of a firm's superior differentiation and its stakeholders' maximum satisfaction, (5) achieve objectives, and (6) reshape visions. A firm can look at its business modules and engage in business activities through the lens of CA Management. It should be noted that he SAFOCA need to be built in the CA Management so as to inspire an effective and efficient change in mindset that does internally and strongly drive employees' own desire for excellent performance. To sum up, CA Management is an important element of modern business management as it is the link between theoretical foundation and applicable practices, between the CA-creating part and the CA-monitoring part, between strategy and vision, and between people and process.

The theoretical foundation of Competitive Advantage Management

The major theoretical foundation of CA Management is composed of the total management view (TMV) of the firm, the human relations view, the Y-leadership theory (McGregor, 1960; Dinesh and Palmer, 1998; Lee and Ko, 2000), and the agency theory (Johnsen, 2001). First, CA Management is based on the TMV of the firm. In a firm, there are an external environment under the CPV, an internal environment under the RBV, and an ideal matching portion of superior differentiation and the satisfaction maximization of stakeholders under the SBV. Second, CA Management is also based on the human relations view that concerns the relationship of people and organizations. A superior corporate culture in an "institutionalized organization" can help mobilize people toward the common goal of the firm and enhance efficiency, productivity, and creativity of the firm as a whole

(Ma, 2004). It does so through fine-ingrained concern, respect, and appreciation for people as human beings; celebration of the joy and fun of work; and infusion of value and meaning in what employees do to take care of customers (Ma, 2004). Under the human relations view, a management philosophy, organizational development, and internal business processes are built around people (Hsu, 2005c). The human relations view places emphasis on self-assessment, self-improvement, and self-innovation, which are implemented by all employees in each of business functions in a firm. The human relations view keeps people being enthusiastic, energetic, focusing, aggressive, ambitious, and the like. Third, CA Management is also based upon the Y-leadership theory. McGregor's work on Theory Y asserted that the average person finds working to be as natural as playing or resting (McGregor, 1960). McGregor argued that an employee, if directly involved in the goal setting process, can be relied upon to exercise self-control (Dinesh and Palmer, 1998). The linkage of the two performance measurement tools makes sense, mainly because corporate performance is merely an accumulation of individual performance (Lee and Ko, 2000). Employees will be motivated by rewards and incentives associated with goals that they have helped determine (Dinesh and Palmer, 1998). Finally, the CA Management is also based on the agency theory. Typical structures used in order to monitor the implementation of these decisions are work contracts, financial accounting, auditing, and performance measurement (Johnsen, 2001). Agency performance measures should be aligned with the principal's values (Johnsen, 2001). The performance of the agencies may be enhanced by letting the agents themselves maximize stakeholders' satisfaction. If the pies are larger for the maximum satisfaction of customers, suppliers, bankers, and employees, the pie for the maximum satisfaction of stockholders will be larger.

The birth, vision, and objectives of Competitive Advantage Management

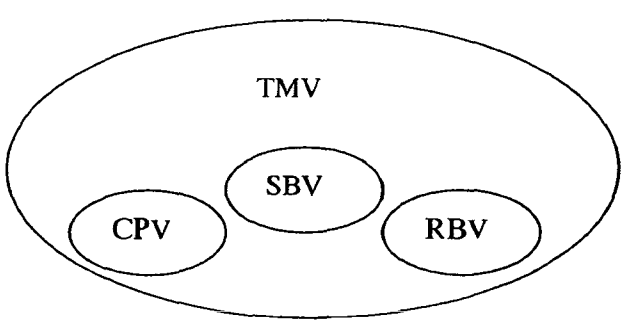
According to Peters and Waterman (1982), there are some very important ideas from past and current management theory that need to be woven into the fabric of new theory. From a new perspective of CA, CA Management has been nurtured and developed through the injection of very important new theory, useful views, best practices, energy, focus, and the like. The vision of CA Management is to differentiate itself for the core of modern business management. The mission of CA Management is to play a role of an economic engine (Dell, 1999), a social engine (Charan, 2004), and a management engine for a firm. The objectives of CA Management are: (1) to cope with many business problems; (2) to be conducive to the right planning, implementing, and checking of business activities; (3) to build more CA enablers to require more of people to do something useful in a firm; and (4) to increase the value and contribution of a firm by promoting the effectiveness and efficiency of its business activities. Based on the theory and practice of CA Management, both the CAM model and the Competitive Advantage Scorecard (CAS) are developed. The theory and practice of CA Management, the CAM model, and the CAS can be applied to any business organization for seeking its stakeholders' satisfaction maximization under the condition of creating, sustaining, and monitoring many of sources and types of durable CA.

A Rough Framework of the Views of the Firm

Lacking a framework that helps piece together the disparate arrays of literature, researchers and practitioners alike are unfortunately constrained in their ability to systematically analyze how competitive advantages arise and what factors may have caused them and determine their sustainability (Ma, 2004). The literature has not presented as yet any framework of the views of the firm, and thus this study seeks to construct a rough conceptual framework of the views of the firm. In the framework, the first portion is a firm's external environment under the CPV. The CPV stands for the view of a favorable competitive position within a profitable industry (Porter, 1985), the environmental model view (Barney, 1991), and the industry structure view (Dyer, 2000). The second portion represents a firm's internal resources under the RBV. The RBV "views" firms as different amalgams of productive and strategic resources and capabilities potentials (Wilk and

Fensterseifer, 2003) and as business entities for developing some more advantage-generating resources (Dyer, 2000). The third portion relates to a firm's types of competitive advantage under the SBV. The SBV represents the view of matching a firm's superior differentiation with its stakeholders' maximum satisfaction, balancing the interests of various corporate constituencies (Rappaport, 1986), and perceiving value as the ratio of perceived benefits relative to perceived sacrifice (Monroe, 1991; Ravald and Grönroos, 1996). The fourth portion indicates a firm's total conditions under the TMV. The TMV makes the CPV, the RBV, and the SBV complement each other. Figure 1.2 is developed for this research and it depicts the four constructs of a rough framework of the views on CA. These four views – the CPV, the RBV, the SBV, and the TMV – have important implications for how companies act on modern business management. By consolidating the theory of the CPV, the RBV, the SBV, and the TMV, this framework prevents people from being misled by any incomplete or wrong views, models, or frameworks in relation to CA; moreover, this framework provides a basis for the CAM model.

Figure 1.2: A Rough Framework of the Views of the firm

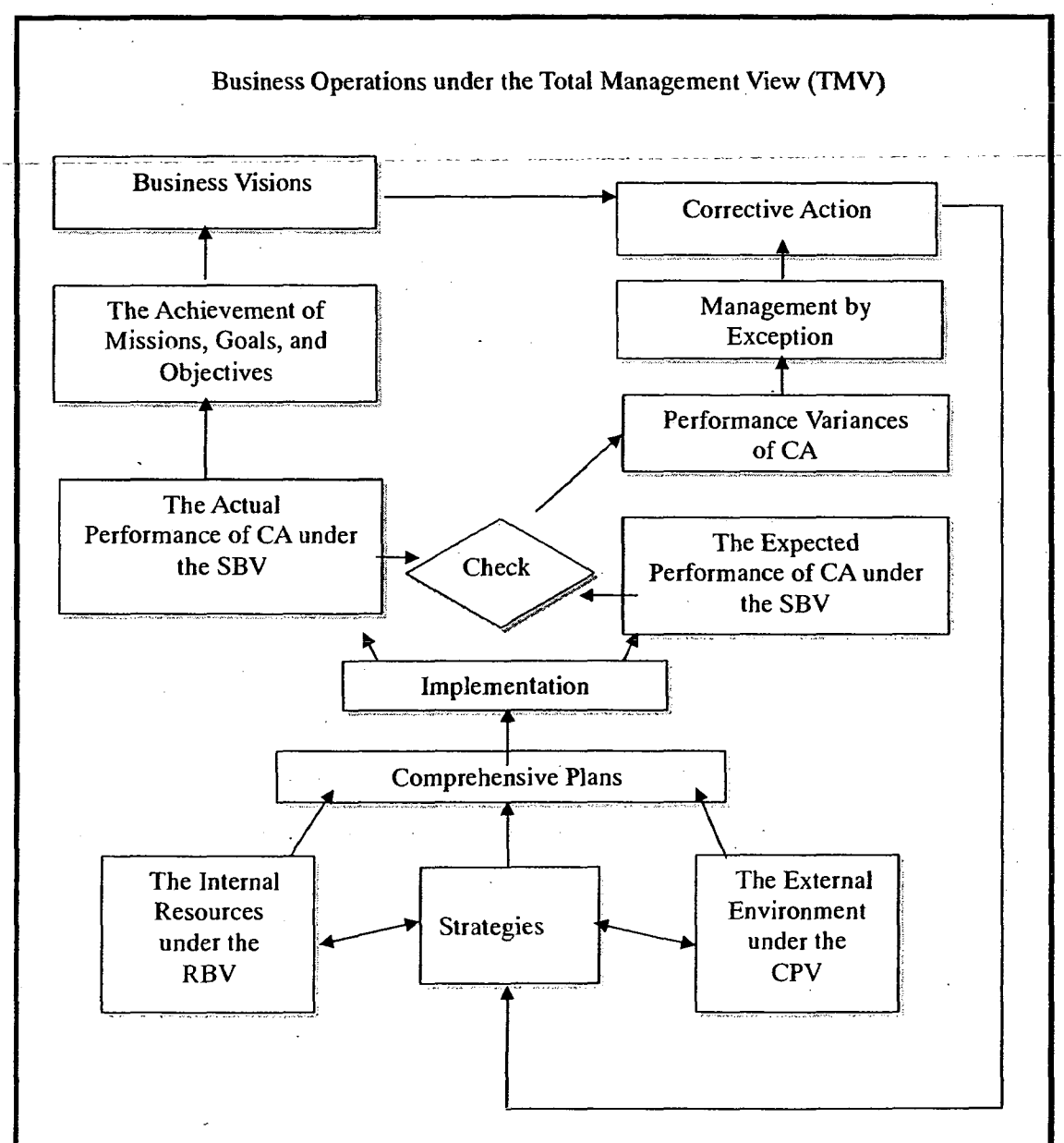


Bachmann and Hsu's Competitive Advantage Management Model

Theoretical frameworks are often evaluated on the basis of criteria such as the degree to which they simplify complex phenomena, predict accurately, are generalizable, and stimulate research interest (Priem, *et al.,* 1997). Early models of strategic decision making typically propose a rational process of setting objectives, followed by an internal appraisal of capabilities, and an external appraisal of outside opportunities leading to decisions to expand or diversify based on the level of fit between existing products/capabilities and investment prospects (Ansoff, 1965; Fahy, 2000). A more complete illustration of the issue of fit is to be found in the LCAG [Learned, Christensen, Andrews, and Guth] framework (Andrews, 1971; Learned, *et al.*, 1969; Fahy, 2000) that emerged from Harvard in the late 1960s. This framework extended earlier work to incorporate not only the firm's strengths/weaknesses and the opportunities/threats in the environment, but also the personal values of key implementers and broader social expectations, all four of which were interrelated (Learned, *et al.*, 1969; Fahy, 2000). In addition, the Balance Scorecard (BSC) is based on management by objectives (MBO) and can therefore be viewed as a modification of, or innovation in, the much used MBO model (Johnsen, 2001; Hsu, 2005c). Basically, MBO is good, but it fails there; the main reasons for its failure are: (1) that MBO lays emphasis on measuring and managing objectives only which represent a very small portion of any system; and (2) that such a limited management method cannot be a panacea for modern business management (Hsu, 2005c). The unsuccessful footprints of MBO (Dinesh and Palmer, 1998) can be warning signals for the BSC adaptors (Hsu, 2005c). Moreover, the use of the "key resources" heading in Fahy's model is misleading, as not all resources are key resources (Clulow, *et al.,* 2003). In this researcher's opinion, Fahy's (2000) model is not complete enough partly because it does not present a concise picture of the nature and role of key elements in the CAM model and partly because it needs empirical development. Figure 1.3 depicts Bachmann and Hsu's Competitive Advantage Management (CAM) model. The CAM model is developed for this research. It should be noted that this model is so named partly because Dr. A.E.J. Bachmann taught this researcher a great many management thoughts and business cases and partly because this researcher experienced the best practices of many world-class companies that were

established in the in the Republic of China (i.e. Taiwan), in the Republic of Philippines, and in the People's Republic of China.

Figure 1.3: Bachmann and Hsu's Competitive Advantage Management Model under the Human Relations View



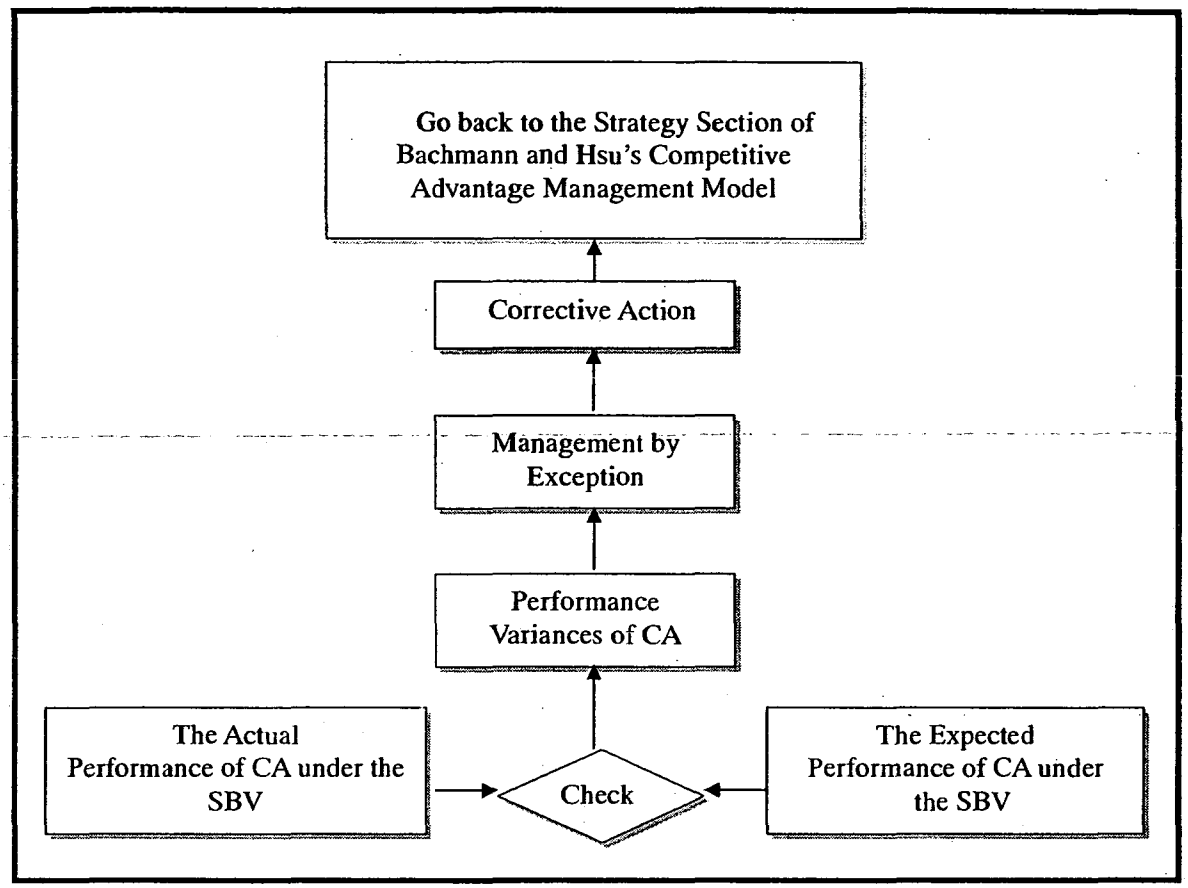
It should be noted by this researcher that the CAM model is a blueprint of CA Management. This model is comprehensive and multifaceted because it looks at a firm as an aggressive and dynamic mechanism for integrating many sub-systems rather than as a static collection of separate and independent parts. This model is more complete than the rest. This model can provide firms with a complete management framework, upon which twelve major constructs have been established under the views of the firm (i.e. the TMV, the CPV, the RBV, and the SBV). Drawing the CAM model not only visualizes the big picture of a firm but also helps its organizing, staffing, directing, coordinating, and controlling activities for its internal and external factors. The CAM model drives the planning, execution, and evaluation of a firm's modern business management effectively and efficiently. There are two parts in the CAM model: the CA-creating part and the CA-monitoring part. The orders of the CA-creating part are the internal resources under the RBV; strategies; the external environment under the CPV; comprehensive plans; implementation; the actual performance of CA under the SBV; the achievement of missions, goals, and objectives; and business visions. The orders of the CA-monitoring part are the expected performance of CA under the SBV, performance variances of CA, management by exception, and corrective action. Items in the CAM model are not substitutes for one another because all of them have different purposes and serve different functions. All constructs of this model are interlinked. This model is to make complex business affairs simplified and manageable. Just as noted by Charan (2004), a firm has to build and start a social engine so as to facilitate the smooth flow of unfiltered information and increase revenue productivity and stakeholders' collaboration. There is an empirical study based on the CAM model under the SBV, the RBV, and the CPV (Hsu, 2005b). There is a study concerning some explanations and critical comparisons of the CAM model versus the Balanced Scorecard (Hsu, 2005c). Integrating this model into an e-platform of modern business management e-platform (e.g., e-Commerce; enterprise resource planning, ERP; customer relationship management, CRM; supplier chain management, SCM; and the like), a firm can obtain any information both inside and outside the firm easily. In short, instead of just needing the formulation of business strategies (including a blue ocean strategy), firms and employees really need a good and complete business model like the CAM model along with CA Management for facilitating their business management or academic studies.

The Competitive Advantage Scorecard

Full 360-degree appraisal rather than the traditional appraisal from the top builds a more balanced picture of a manager's performance (Wind and Main, 1998). However, the literature has not provided any full 360-degree performance measurement systems. in the People's Republic of China When it comes to performance measurement both in business and public management in general, there is evidence of a rich tradition (Simon, 1997; Ridgeway, 1956; Meyer and Gupta, 1994) long before the BSC model entered the management agenda in the early 1990s (Johnsen, 2001). However, some scholars raise the question that there is little theoretical foundation of the BSC concept and others criticize the implied causal relationships, or the usability of the BSC (Lipe and Salterio, 2000; Norreklit, 2000; Brignall, 2002; Lipe and Salterio, 2002; Marr and Schiuma, 2003). Obviously, the BSC needs some improvements. By contrast, the CAS is a CA-monitoring part of the CAM model which is derived from CA Management. The CAS is developed and defined by this researcher as a business performance management system by which firms can deal with performance-related activities of planning, monitoring, and checking so as to help their members harness their strongest types of CA for maximizing their stakeholders' satisfaction over their rivals. There is a study concerning some explanations and critical comparisons of the CAS versus the Balanced Scorecard (Hsu, 2005c).

In the CAS, CA measurements are interwoven and interrelated, and interact in highly aligned ways; therefore, the CAS is to feel the pulse of changes in many types of durable CA in a firm and provides early warning signals for corrective action and continuous improvement (Hsu, 2005c). Management by integration, management by significance (i.e. materiality), and management by exception are the major characteristics of the CAS (Hsu, 2005c). In the performance measurement of the CAS, there are at least four categories in the systematic classification: the first category is that related to stakeholders, the second is concerned with the nature of CA, the third is based on the types of CA, and the fourth is related to the CA measurement variables (Hsu, 2005c). Figure 1.4 presents the flow chart of the CAS under the human relations view.

Figure 1.4: Flow Chart of the Competitive Advantage Scorecard under the Human Relations View



Conclusions and Recommendations

Conclusion

Looking across the commercial and industrial history in the business world, this researcher reaches a conclusion that whether or not a firm can attain the sustained growth of profitability and reputation, it depends on whether the firm can continuously create, sustain, and monitor many types of sustainable CA through the good implementation of comprehensive plans during consecutive rounds of business competition, not just depends on: (1) adopting various strategies (including the so-called blue ocean strategy), (2) taking advantage of a competitive position under the CPV, or (3) having a lot of resources under the RBV.

It is essential and necessary for a firm to create, sustain, and monitor many types of durable CA because CA is the most powerful weapon in a business completion. A firm cannot abandon itself to the full stop of trying to beat the competition that it meets; instead, it must have many types of CA to conquer the competition. CA is so important that firms had best adopt CA Management, the CAM model, and the CAS system for the competition, survival, development, and success of their business entities. CA Management along with the CAM model and the CAS system are required to: (1) update old concepts of CA, (2) reinforce unsound views of the firm, and (3) establish complete management models and systems so as to help firms survive and thrive continuously. Lasting excellence is scarcely attainable, but any firm can do its best to maintain its current excellence by adhering the theory and practice of CA Management.

Old concepts of CA do firms harm. As for the first example, the pursuit of competitive advantage (CA) is an idea that lies at the heart of much of the strategic management literature (Porter, 1985; Coyne, 1986; Ghemawat, 1986; Williams, 1992; Fahy, 2000). Nothing can be done if the pursuit of CA is just an idea; therefore, old CA thoughts must be turned into new CA action. CA is a management tool for realizing objectives and forming visions, and CA is definitely not an end. As for the second example, Porter stresses that there are two basic types of competitive advantage a firm can possess: low cost or differentiation (Porter, 1985; O'Shaughnessy, 1996). Porter's improper classification of types of CA has resulted in the confusion of theory and practice in modern business

management for 25 years or so. As for the third example, Porter's (1985) view that the competitive advantage strategies of cost leadership and differentiation are mutually exclusive. It is justified that this point of view has been a big paradox for many years. Therefore, some old concepts of CA must be updated as follows:

1. CA is the superior differentiation that is resulted from the SAFOCA (substance and the form of CA) and other important elements.
2. CA rather than price is the "invisible hand" because: (1) many types of durable CA present in market economies and create "stakeholders' selection" there, (2) a more competitive price is just one of many types of durable CA, and (3) many excellent companies have many types of durable CA.
3. The real meaning of other terms like resources, advantages, competitive factors, and so on must be distinguished from that of CA.
4. Not every kind of business resource, intrinsic advantage, or competitive factor can be transformed into a type of durable CA without: (1) being combined with other related business resources; (2) being integrated in harmony with its environmental factors; and (3) being recognized and accepted by the stakeholders of a firm.
5. A qualified systematic classification of types of CA is formatted for containing as much quantitative and qualitative information as possible.

Unsound views of the firm do harm to firms, too. As for one example, the CPV puts main emphasis on the industry, but it fails to pay due care to the satisfaction maximization of stakeholders. Moreover, Porter's five forces cannot explain the real momentum of creating, sustaining, and monitoring many types of durable CA. As for another example, the RBV not only neglects the environmental analysis, but it also fails to pay attention to the satisfaction maximization of stakeholders. Moreover, the RBV is not short of confusion, ambiguity, and conceptual and empirical difficulties (Fahy, 2000). Therefore, these two kinds of unsound views of the firm must be reinforced by the SBV. The SBV provides a remedy for the bad impact that the match of a firm's superior differentiation and its stakeholders' maximum satisfaction has not been emphasized by these two perspectives of the CPV and the RBV. Nowadays, the competition, survival, development, and success of firms are "most" up to the law of "stakeholders' selection" and are "little" subject to the law of "natural selection."

Incomplete management models and systems cause damage to firms. As for one example, the unsuccessful footprints of MBO (Dinesh and Palmer, 1998) can be warning signals for the BSC adaptors (Hsu, 2005c). As for another example, the use of the "key resources" heading in Fahy's model is misleading, as not all resources are key resources (Clulow, *et al.*, 2003; Hsu, 2005c). Therefore, complete management models and systems must be established. The CAM model provides firms a map for modern business management. In addition, the CAS system plays a checking role in CA Management so that the CAS is able to provide early alarms and warning signals to managers for taking corrective action timely.

Managerial Implications

In theory and practice, a firm must: (1) more often scan the external environment to find and analyze significant opportunities and threats, various regulatory laws and policies, social and economic trends, technology advances, and so on; (2) take advantage of static and dynamic resources; (3) evolve its sources and types of durable CA; and (4) maximize the satisfaction of stakeholders, and not just maximize the satisfaction of customers only. Therefore, firms and employees need useful management thoughts, views, models, systems, and the like in pursuit of many types of durable CA.

Suggestions for Future Research

The main direction for future research could be Competitive Advantage Engineering (CAE) because CAE could be used to: (1) check and balance the value analysis and value engineering of CA; (2) determine the optimum value of types of CA arising throughout the entire firm; and (3) measure, weigh, and adjust the value and contribution of the different types of CA in a global business organization. The following can be a typical example of CAE for superior differentiation. Kim and Mauborgne (2005, page 133) pointed out: "...Swatch's engineers also drastically simplified the design of the watch's inner workings, reducing the number of parts from one hundred fifty to fifty-one. Finally, the engineers developed new and cheaper assembly techniques; for example, the watch cases were sealed by ultrasonic welding instead of screws...These cost innovations produced a cost structure that is hard to beat and let Swatch profitably dominate the mass market for watches, a market previously dominated by Asian manufactures with a cheaper labor pool."

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Paper 2

Correlations between Competitive Factors and Firms' Profitability and Reputation: A Survey of Taiwan's Information Technology Industry

Abstract

This paper presents an empirical study about the correlations between competitive factors and firms' profitability and reputation in Taiwan's Information Technology (IT) industry. Based on an analysis of mail survey data, these results show many findings. The major findings highlighted: (1) that in the aspect of relative importance (RI), general capability was positively associated with performance; (2) that in the aspect of reputation contribution (RC), manufacturing capability was positively associated with performance; (3) that in the aspects of RI and RC, the favoring of the satisfaction-based view (SBV) was above that of the resource-based view (RBV), and the favoring of the RBV was above that of the competitive position view (CPV); (4) that in the aspect of profitability contribution (PC), the favoring of the SBV was equal to that of the RBV, and the favoring of the RBV was above that of the CPV; (5) that in the aspects of RI and PC, this factor of higher quality of products, services, and/or images obtained the highest mean; and (6) that in the aspect of RC, this factor of better sustainability of corporate image, reputation, and trust acquired the highest mean. This paper contributes to the literature by providing valuable insights into the empirical validation of some competitive factors of Taiwan's IT industry in terms of their RI, PC, and RC under the SBV, the RBV, and the CPV. These have been ignored in previous researches.

Keywords: Competitive advantage (CA), competitive factors, the competitive position view (CPV), information technology (IT) industry, the resource-based view (RBV), the satisfaction-based view (SBV)

Introduction

It is necessary and essential for a firm or an industry to make the congruence of its organizational capability, external environment, and business performance resulting from stakeholders' satisfaction (Hsu, 2005a). Taiwan's successful experience in the development of its information technology (IT) industry is a good example for such congruence. Taiwan, originally called Formosa (meaning "beautiful" in Portuguese), is an island off the coast of China. Taiwan covers an area of 13,886 square miles and has a total population of some 23 million. Although Taiwan was a recipient of large amounts of US aid in the 1960s, it is now a highly-industrialized economy. Taiwan launched its IT industry in the 1970s and, although only some twenty years have passed since then, its achievements have been quite outstanding (Lu, 2004). Taiwan's IT industry can be viewed in terms of three sectors, namely, information electronics (e.g., computers, monitors, keyboards, mice, network adapters, image scanners, power supplies, and the like), communications, and semiconductors. Taiwan-made IT products now dominate world markets in many categories, with more than half of them having achieved respective market shares of over 50% worldwide (Lu, 2004). Einhorn, *et al.*, pointed out (2005, page 18) for *Business Week's* cover story about 'why Taiwan matters': "Want to find the hidden center of the global economy? Take a drive along Taiwan's Sun Yat-sen Freeway. This stretch of road is how you reach the companies that connect the vast marketplaces and digital powerhouses of the U.S. with the enormous manufacturing centers of China...Along the way, the Sun Yat-sen leads to some of the most important but anonymous tech outfits in the world: Asustek Computer, whose China factories spit out iPods and Mini Macs for Apple (AAPL); and Quanta Computer, the No. 1 global maker of notebook PCs and a key supplier to Dell (DELL) and Hewlett-Packard. You'll also find Taiwan Semiconductor Manufacturing Co. (TSM), the biggest chip foundry on the planet, an essential partner to U.S. companies such as Qualcomm and Nvidia (NVDA). Dozens more companies dot the Neihu-Hsinchu corridor. There's AU Optronics (AUTO), a big supplier of liquid-crystal display panels, and Hon Hai Precision Industry, which makes everything from PC components to Sony's (SNE) PlayStation 2...Taken together, the revenues of Taiwan's 25 key tech companies should hit $122 billion this year." This indicates that a structural shift has taken place in the economy of Taiwan.

Just as people seek after big money and great fame, firms strive for the maximization of their corporate profits and the magnification of their corporate reputation. People and firms use profits for performing the public good and social responsibilities. Carnegie's graceful retirement from the world of business was merely the prelude to a new life that solidified his reputation as a man of generosity and probity (Champy and Nohria, 2000). Bill Gates and his wife Melinda have created the word's second largest foundation, which is dedicated to improving education and public health (Champy and Nohria, 2000). Winning means a person or a firm has to get better profitability and make higher reputation. Therefore, it is important and necessary for a firm or an industry to create, sustain, and monitor many types of competitive advantage (CA) so as to maximize its profits and magnify its reputation.

According to Lau (2002), a firm can achieve a sustainable competitive advantage by utilizing its competitive factors to establish and maintain a unique operational focus. Indeed, many firms in Taiwan's IT industry have fully utilized their competitive factors to achieve many types of durable CA. Based on a review of the literature in Taiwan and other countries, this study directed its attention to the following three-fold research question asked to its research subjects, namely, based on all the corporate conditions for the year 2003, what was: (1) the relative importance in corporate business development, (2) the contribution to corporate profitability, and (3) the contribution to corporate reputation of each of the competitive factors in Taiwan's IT industry? Based on the collected data, the primary objective of this study is to present empirical findings about the correlations between competitive factors and firms' profitability and reputation in Taiwan's IT industry; its secondary objective is to examine the importance of the competitive position view (Porter, 1985; Barney, 1991; Dyer, 2000; Hsu, 2005a), the resource-based view (Wernerfelt, 1984; Amit and Schoemaker, 1993; Collis and Montgomery, 1995; Fahy, 2000; Wilk and Fensterseifer, 2003; Hsu, 2005a), and the satisfaction-based view (Rappaport, 1986; Tucker, 1998; Pohlman and Gardiner, 2000; Hsu, 2005a) in this industry.

The major contribution of this study is that it provides valuable insights into the empirical validation of these competitive factors of Taiwan's IT industry in terms of their relative importance in corporate business development, their contribution to corporate profitability, and their impact on corporate reputation under the satisfaction-based view (SBV), the resource-based view (RBV), and the competitive position view (CPV). In other words, this study will help people penetrate the fog that enshrouds the various views of a firm and will identify the factors that are critical to competitive-advantage management. The basic structure of this study is classified into five parts. First, this paper begins with the above introduction. Second, a literature review and a series of hypotheses are presented. Third, the research methodology used to test these hypotheses is followed by a presentation of the research findings. Fourth, empirical results and discussion are provided. Finally, this paper provides conclusions and recommendations, including limitations of this study and suggestions for further research.

Theory and Hypotheses

Performance Resulting from Stakeholders' Satisfaction

After business managers formulate strategies and employees implement comprehensive plans, both external environment and organizational capacity mediate to impact on their firm's performance resulting from stakeholders' satisfaction; thus, actual performance is the primary sources of profitability contribution and reputation contribution (Hsu, 2005a). Of course, business performance can be measured in other dimensions. Venkatraman and Ramanujam's (1986) and Low (2002) adopted financial, operational, and organizational dimensions to measure performance. However, it must be noted that there are no financial, operational, and organizational performance where there is no business performance resulting from stakeholders' satisfaction. Management is often characterized as balancing the interests of various corporate constituencies such as employees, customers, suppliers, debt holders, and stockholders (Rappaport, 1986; Hsu, 2005a). According to Richard J. Mahoney, former CEO of Monsanto Company, no corporation can sustain itself without appropriate attention to all those who hold a stake in its performance: customers certainly, but also suppliers, creditors, neighbors, society in general and of course, those most directly affected – employees (Pohlman and Gardiner, 2000; Hsu, 2005a). Michael Dell, the chairman of Dell Computer Company, indicated that we had to pace our investments to match our progress, and to hold ourselves to a level of growth that would ensure that we could meet our commitments to our customers, employees, and shareholders (Dell, 1999; Hsu, 2005a).

Kaplan and Norton (1996) measured organizational performance from four perspectives: financial, customer, internal business process, and learning and growth. In short, the financial perspective measures stockholders' satisfaction; the customer perspective measures customers' satisfaction; and the learning and growth perspective measures employees' satisfaction. Therefore, a firm's superior differentiation and its stakeholders' maximum satisfaction must be constantly checked and balanced very well (Hsu, 2005a) so that good business performance can be obtained. This view is so-called the satisfaction-based view (SBV) of the firm (Hsu, 2005a). Matching a firm's superior differentiation with its stakeholders' maximum satisfaction is a theme of the SBV of the firm (Hsu, 2005a).

External Environment

A firm has its external environment in which there are a wide variety of environmental factors. Organizations must adapt by changing as environmental conditions change (Low, 2002). Different scholars have different views on environmental factors. Choosing a favorable competitive position within a profitable industry is a central element of the CPV (Porter, 1985; Hsu, 2005a). The competitive position view (Porter, 1985) is also referred to as the environmental model view (Barney, 1991) or the industry structure view (Dyer, 2000). The industry structure view associated with Porter (1980) suggests that supernormal returns are primarily a function of a firm's membership in an industry with favorable structural characteristics, e.g., bargaining power, barriers to entry, and so on (Low, 2002). Those six elements of Porter's Diamond (Porter, 1990) can be used for analyzing environmental factors. The six segments of Porter's Diamond (Porter, 1990) are: (1) factor conditions; (2) demand conditions; (3) related and supporting industries; (4) firm strategy, structure, and rivalry; (5) the role of government; and (6) the role of chance. Similar environmental subcategories are described by other scholars, such as general and specific environment (Robbins, 1990; Low, 2002); macro and micro environment (Kotler and Armstrong, 1999; Low, 2002); general and competitive environment (Miller, 1998; Low, 2002); remote, industry, and operating environment (Pearce and Robinson, 2000; Low, 2002) and general and task environment (Barney and Griffin, 1992; Low, 2002). Recently, in Low's study (2002), the external environment was measured using a two-dimensional construct: general and industrial environments. In this study, a two-dimensional construct (i.e. general and industrial environments) was used to measure environmental factors. In consideration of the above, the following hypotheses were made:

H1: External environment was positively associated with performance.

H1aa: In the aspect of relative importance, general environment was positively associated with performance.

H1ab: In the aspect of profitability contribution, general environment was positively associated with performance.

H1ac: In the aspect of reputation contribution, general environment was positively associated with performance.

H1ba: In the aspect of relative importance, industrial environment was positively associated with performance.

H1bb: In the aspect of profitability contribution, industrial environment was positively associated with performance.

H1bc: In the aspect of reputation contribution, industrial environment was positively associated with performance.

Organizational Capability

The resource-based view (RBV) argues that differential firm performance is not rooted in industry structure, but is fundamentally due to firm heterogeneity (Barney, 1991; Low, 2002). Naturally, the RBV of the firm "views" firms as different amalgams of productive and strategic resources and capabilities that lead them to different performance potentials (Wilk and Fensterseifer, 2003; Hsu, 2005a). Developing some more advantage-generating resources in an individual firm is a central element of the RBV (Dyer, 2000; Hsu, 2005a). Empirical investigations have approved that organizational performance is often influenced by the possession of unique capability or distinctive competence (Hitt and Ireland, 1985; Neil, 1986; Miller, *et al.*, 1997; Low, 2002). In fact, firm resources consist of four facets: (1) total assets on a balance sheet (including current assets, investments, land, buildings, and equipment); (2) off-balance-sheet assets not suitably reported on the balance sheet (including intangible assets, undone appreciation of assets, human capital resources, management system resources, and the like); (3) intrinsic resource advantages (including financial advantage, people advantage, management advantage, information advantage, time-compressed advantage, regional advantage, collaborative advantage, complexity advantage, and the like); and (4) intrinsic resource disadvantages (Hsu, 2005a). In a firm, the best management of people advantage, timing advantage, regional advantage, and other related advantages is to create, sustain, and monitor its many types of organizational capability and competitive advantage so as to match its superior differentiation with its stakeholders' maximum satisfaction. As cited by Low (2002), the search for competitive advantages has focused on those resources and capabilities that are housed within a single firm, that is, its organizational capability termed by Grant (1998). Firm capability was suggested by Chen (1999) as a two dimensional construct: organizational and network capability (Low, 2002). Porter (1985) divided forms of a firm's activities into two categories: support activities and primary activities. Moreover, Porter (1985) classified primary activities into production and market interrelationships. Of course, support activities asserted by Porter can be regarded as general interrelationships. An important managerial task of general, production, and market interrelationships is to build organizational capability. Therefore, organizational capability can be classified into general capability, manufacturing capability, and marketing capability. When this capability is cultivated across an organization, it creates a distinct performance environment that enables the organization to adapt, innovate, and ultimately win and

sustain competitive advantage (Jones, 2004). The hypotheses were made as follows:

H2: Organizational capability was positively associated with performance.

H2aa: In the aspect of relative importance, general capability was positively associated with performance.

H2ab: In the aspect of profitability contribution, general capability was positively associated with performance.

H2ac: In the aspect of reputation contribution, general capability was positively associated with performance.

H2ba: In the aspect of relative importance, manufacturing capability was positively associated with performance.

H2bb: In the aspect of profitability contribution, manufacturing capability was positively associated with performance.

H2bc: In the aspect of reputation contribution, manufacturing capability was positively associated with performance.

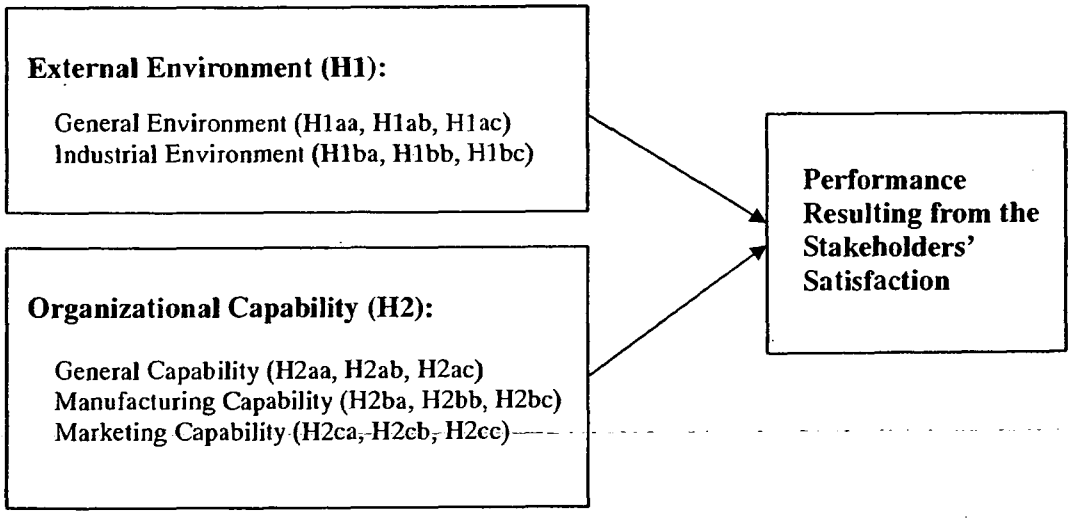
H2ca: In the aspect of relative importance, marketing capability was positively associated with performance.

H2cb: In the aspect of profitability contribution, marketing capability was positively associated with performance.

H2cc: In the aspect of reputation contribution, marketing capability was positively associated with performance.

Figure 2.1 shows a framework and hypotheses of this study.

Figure 2.1: A Framework and Hypotheses of This Study



Research Methodology

Sample

The data was collected through a mail survey to 516 general managers in the public-traded companies in Taiwan's IT industry. Prior to printing and sending out the final version, the draft questionnaire was reviewed by this researcher's DBA classmates, academic supervisor, and university professors respectively for language suitability and understanding. Based on their in-depth comments, appropriate revisions were made accordingly. Research subjects were asked to complete the anonymous questionnaire and to return the questionnaire using the envelope with the return address and return postage. No payments were made to the respondents. Appendix 1 shows these details of the survey questionnaire. One of the questionnaires was returned as undeliverable mail. A total of 126 questionnaires were returned in response to the survey. Since three of them were incomplete and unusable, this reduced the effective number of questionnaires received from respondents to 123. The effective response rate was 23.9 percent [i.e. $(126 - 3) / (516 - 1) = 23.9\%$].

Measurement

Usually, it is very hard for researchers to collect objective and valuable data from organizations. Instead, scholars use a subjective way to evaluate performance, including financial, management, and technical performance (Grant, 1990; Reuer and Miller, 1997; Boardman and Shapirot, 1997; Low, 2002). Although these data are subjective, according to Grant's research findings (1990), the results of the subjective method are very close to those of an objective method (Low, 2002). Chandler and Hanks (1993) also contended that the subjective and self-reporting approach was appropriate as these measures of organizational environment and performance have been validated and shown to correlate with objective measures with a high degree of reliability (Low, 2002). In order to measure the subjective evaluation of external environment, organizational capability, and performance resulting from stakeholders' satisfaction in Taiwan's IT industry, a complete set of questions was included in the survey, a five-point Likert scale ranging from "1 = a weak degree" to "5 = a strong degree" was adopted on the questionnaire, and some statistical methods were used in this study.

Based on abovementioned literature reviews, this study divided the environmental factors into two constructs: general environment and industrial environment. Some items for measuring general environment on the questionnaire were based on the work of Porter (1980, 1990) and Low (2002); some items for measuring industrial environment were placed upon the work of Porter (1980, 1990) and Low (2002). For making to fit in Taiwan's IT industry, some necessary changes were made on the questionnaire. The general environment included specific questions concerning government role and chance role; moreover, the industrial environment included specific questions regarding (1) factor conditions, (2) demand conditions, (3) related and supporting industries, and (4) firm strategy, structure, and rivalry (Porter, 1985). Next, this study separated the portion of organizational capability into three parts: general capability, manufacturing capability, and marketing capability. Some items for measuring organizational capability were based on the work of Porter (1985) and Low (2002). Finally, this study measured the portion of business performance resulting from stakeholders' satisfaction. Some items for measuring business performance were based on the work of Rappaport (1986), Kaplan and Norton (1996), and Low (2002). In order to obtain a better evaluation on a fair base, a certain number of competitive factors were equally and suitably assigned to the categories that were under the SBV, the RBV, and the CPV on the survey questionnaire.

Empirical Results and Discussion

Reliability Analysis

Cronbach's alpha (Cronbach a) is often used in reliability analysis (George and Mallery, 2003). The reliability of this study was assessed using Cronbach's coefficient. Generally, a value around 0.7 is considered adequate to conclude internal consistency (Nunnally, 1978). According to Gay (1992), if the alpha of any test score or scale is above 0.9, it means that the reliability of the test score or scale is very good. Appendix 2 indicates the results of the reliability coefficients ranged from 0.8025 to 0.9543, suggesting a satisfactorily acceptable degree of internal reliability and a well-designed survey.

Multiple Regression Analysis

Table 2.1 shows the results of multiple regressions for environment-performance relation. In the aspects of relative importance and reputation contribution, both the general environment and the industrial environment were not significantly related to performance. Moreover, in the aspect of profitability contribution, the general environment was not significantly related to performance. However, in the aspect of profitability contribution, the industrial environment was significantly and negatively related to performance because its ß-value was significant and negative. This might be explained by the fact that business people had to take into consideration of many serious conditions and problems which might be different from those considered by academic persons. Information resulting from having a personal interviewing study may provide answers to these questions. So, Hypothesis H1 was not supported. Just as noted by Downey, *et al.,* (1975), measures between the actual and perceived characteristics of the environment are not highly correlated (Low, 2002).

Table 2.1: Results of Multiple Regressions for Environment-Performance Relation

Independent Variables	Dependent Variable (Performance)					
	Relative Importance		Profitability Contribution		Reputation Contribution	
	ß	t	ß	t	ß	t
General Environment	0.02	0.141	0.05	0.364	-0.106	-0.728
Industrial Environment	-0.145	-1.001	-0.321*	-2.32	0.007	0.051
R^2	0.017		0.081		0.010	
F	1.006		5.036**		0.585	
df	120		116		116	

*p<0.05; **p<0.01; ***p<0.001; ß: Standardized Coefficient

Table 2.2 shows the results of multiple regressions for capability-performance relation. In the aspect of relative importance, the general capacity was significantly related to performance. The value of independent variables in the general capacity increased by 1%, and then the value of dependent variable (performance) in the general capacity was increased by 0.274%. Therefore, only Hypothesis H2aa was supported. In addition, in the aspect of reputation contribution, the manufacturing capacity was significantly related to performance. The value of independent variables in the manufacturing capacity increased by 1%, and then the value of dependent variable (performance) in the manufacturing capacity was increased by 0.391%. Therefore, only H2bc was supported. Moreover, in the aspect of profitability contribution, the general capability, manufacturing capability, and marketing capability were not significantly related to performance; hence, Hypotheses H2ab, H2bb, and H2cb were not supported.

Table 2.2: Results of Multiple Regressions for Capability-Performance Relation

Independent Variables	Dependent Variable (Performance)					
	Relative Importance		Profitability Contribution		Reputation Contribution	
	ß	t	ß	t	ß	t
General Capability	0.274	1.904*	0.183	1.227	0.074	0.66
Manufacturing Capability	0.151	0.967	0.004	0.025	0.391	3.167**
Marketing Capability	-0.015	-0.108	-0.093	-0.64	-0.037	-0.324
R^2	0.154		0.019		0.175	
F	6.927***		0.699		7.860***	
df	117		114		114	

*p<0.05; **p<0.01; ***p<0.001; ß: Standardized Coefficient

One-way Analysis of Variance

Table 2.3 demonstrates four multivariate tests of significance. The value of Wilks' Lambda was 0.679 and its p-value (Sig.) was 0.000; therefore, these indicated that the three views (i.e. the SBV, the RBV, and the CPV) had statistical significance in the comprehensive evaluation of the three dependent variables (i.e. RI, PC, and RC). Under this situation, one-way ANOVA (analysis of variance) was made for each of the three dependent variables.

Table 2.3: Multivariate Tests

Effect	Statistics	Value	F	Hypothesis df	Error df	Sig.
3 Views	Pillai's Trace	.340	23.728	6.000	696.000	.000
	Wilks' Lambda	.679	24.708	6.000	694.000	.000
	Hotelling's Trace	.445	25.690	6.000	692.000	.000
	Roy's Largest Root	.372	43.141	3.000	348.000	.000

In Table 2.4, the p-value of every dependent variable was smaller than 0.001 and each of them had statistical significance. Therefore, the three views were significantly different in the three dependent variables. According to Post-Hoc Tests for Scheffe method, when respondents showed their preference in rating competitive factors in the aspects of relative importance and reputation contribution, they had the favoring of the SBV above the RBV and they also had the favoring of the RBV above the CPV. However, when they showed their preference in rating competitive factors in the aspect of profitability contribution, their favoring of the SBV was equal to that of the RBV and they also had the favoring of the RBV above the CPV.

Table 2.4: Summary of One-way ANOVA

Dependent Variable	Source of Deviation	Sum of Squares	df	Mean Square	F	Sig.	Scheffe
RI	Between Groups	36.246	2	18.123	48.827	.000	SBV>RBV>CPV
	Within Groups	133.991	361	.371			
	Total	170.237	363				
PC	Between Groups	23.389	2	11.694	29.871	.000	SBV =RBV>CPV
	Within Groups	138.981	355	.391			
	Total	162.370	357				
RC	Between Groups	43.644	2	21.822	60.029	.000	SBV >RBV>CPV
	Within Groups	128.689	354	.364			
	Total	172.333	356				

RI (relative importance), PC (profitability contribution), RC (reputation contribution)

The Most Preferred Competitive Factors

In the aspect of relative importance in business development, its mean was 3.89 on a 5-point Likert scale; this factor (i.e. higher quality of products, services, and/or images) obtained the highest mean of 4.59. In the aspect of profitability contribution, its mean was 3.60; this factor (i.e. higher quality of products, services, and/or images) also received the highest mean of 4.18. Both of them proved that most of the respondents strongly agreed that in 2003 nothing was more important than giving customers more satisfaction through higher quality products, services, and/or images. This was the key source of business performance resulting from customer satisfaction. Moreover, in the aspect of reputation contribution, its mean was 3.72; this factor (i.e. better sustainability of corporate image, reputation, and trust) acquired the highest mean of 4.47. This proved that most of the respondents strongly agreed that a better ability to sustain corporate image, reputation, and trust took top priority over other competitive factors in this aspect. This was the key source of business performance resulting from maximizing the satisfaction of customers, suppliers, bankers, employees, and stockholders in 2003. The abovementioned most preferred competitive factors were included in the category of the SBV only. Appendix 3 shows descriptive statistics of this study.

Conclusions and Recommendations

Conclusions

Based on the analysis of survey data collected from Taiwan IT industry, this study provides a lot of detailed and insightful information relating to respondents' perceptions of external environment, organization capability, and business performance resulting from stakeholders' satisfaction. The so-called business performance resulting from stakeholders' satisfaction is the actual performance of competitive advantage under the SBV. Four conclusions are reached below:

First, this study provides a useful analysis method for many competitive factors in Taiwan's IT industry under the total management view (TMV) of the firm (Hsu, 2005a).

Second, what this empirical study has explored not only helps academic research in relation to the three views of the firm, but it also helps business people have a truer judgment of the relative importance of competitive factors and their correlation with profitability and reputation in Taiwan's IT industry for the year 2003.

Third, if a firm does not support the SBV very well and does not adequately satisfy the needs (including the financial claims and non-financial desires) of its stakeholders, they will simply withdraw their support; in this connection, the firm will finally cease to be a viable organization in the business world regardless of: (1) how strong its competitive position is and how strongly it supports the CPV, and/or (2) how plentiful its business resources are and how strongly it supports the RBV (Hsu, 2005a). Business performance is first resulted from stakeholders' satisfaction; thus, there is no business performance where there is no stakeholders' satisfaction. As noted by Hsu (2005a), there is no stakeholders' satisfaction where there is no superior differentiation (i.e. competitive advantage).

Finally, this study reflects that, firms in Taiwan IT industry have first focused on achieving business performance by matching their superior differentiation with their stakeholders' maximum satisfaction; of course, they neither have ignored the best allocation and utilization of their business resources nor have paid no attention to the impact of external factors.

Theoretical implications

In theory, business people have to: (1) adapt to any significant changes in the external environment; (2) use more advantage-generating resources; (3) formulate right strategies; (4) have comprehensive plans; (5) implement all plans and activities; (6) create the value or contribution of products, services, and/or images; (7) create, sustain, and monitor many types of durable competitive advantage (CA); (8) try to maximize the satisfaction of stakeholders; (9) achieve business objectives to generate more profitability and reputation; (10) check and balance a firm's superior differentiation and its stakeholders' maximum satisfaction; (11) analyze CA performance variances; (12) re-shape business visions; and (12) take corrective action for those under the principles of management by exception (Hsu, 2005a). This view is named the total management view (TMV) of the firm (Hsu, 2005a). Combining both environmental factors and organizational capability to examine empirically their influence on business performance resulting from stakeholders' satisfaction, this study does provide a theoretical framework of the TMV that may be a direction for further research in CA Management.

Practical implications

The empirical findings of this study suggest a number of practical implications for firms to check and balance the match of their superior differentiation and the maximum satisfaction of their stakeholders. Six implications are listed as follows:

First, firms have to make the best use of their human resources because people advantage is generally recognized as one of the most important competitive factors. Bain and Mabey (1999, page 231) indicated in their book, *The People Advantage*: "Organizations that see the importance of utilizing the people resources create a productive environment that leads to higher levels of attainment, and attracts new entrants who see value in belonging to a truly exciting, great place to work." In today's knowledge-based economy, superior knowledge is likely to be the most valuable resource of all (Whittington, 2001; Rademakers, 2005). Business leaders realize that continuously leveraging and renewing the corporate knowledge base makes the difference between excellent performance or muddling through – or even worse, failure (Rademakers, 2005). In this new economy, individuals and companies are obliged to focus on maintaining and enhancing their knowledge capital in order to innovate

(Metaxiotis, *et al.,* 2005). Their ability to learn, adapt and change becomes a core competency for survival (Metaxiotis, *et al.,* 2005). Import the tools, techniques, and teachings of "Spirit" into your company (Aburdene, 2005). As for an example to support the aforesaid statements in this section, Lee (2004, page 2.30) pointed out clearly: "A system of industrial service in place of military service for technology related masters or doctoral degree graduates provided a strong source of professional talent for the IC industry. Generally, after the completion of their military term, most of these professionals devoted themselves to work in private companies to launch their professional careers and gradually become the IC industry elite. The long-term competitiveness of the industry depends on a pool of well-trained professional talent, something that can be achieved through sound education provided by universities, government training center and research institutes. The profit sharing and stock ownership systems employed by Taiwanese IC companies provide an excellent bonus system for allowing employees to share in company profits. With all employees also being shareholders of company, it will help to immunize the gap of all people of intra-company. Under such a system, employees are more likely contribute their all to the company. This system provides excellent momentum for employees to work hard and willingly to contribute to the organization and regarding it as their own company. The successful application of this system by the Taiwanese IC industry has led a new wave in the business model." Taiwan is capable of generating much more intellectual capital, particularly in its IT industry. Talented human resources in Taiwan's IT industry provide much of the technological and managerial prowess that enables the industry to develop, to contribute to profits, and to contribute to reputation.

Second, firms have to better use timing advantage because it is another important element that should be considered in the emergence of a firm, an industry, or a nation. The relative importance of these different and correlated competitive factors may differ with the different development stages of the various kinds of projects within a firm, an industry, or a nation. Nowadays, global competition is driven by the faster delivery time of products and/or services through time-based management.

Third, firms must utilize any regional advantage. The regional characteristic cluster effect of Taiwan's IT industry has paved the way for business success. Einhorn, *et al.,* (2005, page 18) expressed: "Taiwan's success is also China's. No one knows for sure how much of China's exports in information and communications hardware is made in Taiwanese-owned factories, but the estimates run from 40% to 80%. As many as 1 million Taiwanese live and work on the mainland. 'All the manufacturing capacity in China is overlaid with the management and marketing expertise of the Taiwanese, along with all their contacts in the world,' observes Russell Craig, of tech consultants Vericors Inc." Of course, some of this success is due to the Taiwan government because each level of government has exhibited an improvement in performance in the establishment and implementation of science-based industrial parks and software-based industrial parks in developing Taiwan's IT industry. For example, the HSIP (Hsinchu Science-based Industrial Park) has attracted numerous high technology companies owing to the administrative conveniences and operation benefits (Lee, 2004).

Fourth, firms must engage in continuous improvement and innovation in their business activities. As to the competition, survival, development, and success of a firm or an industry, there is no short-cut way but promoting and doing organizational learning. Organizational learning has a positively direct impact on organizational innovation (Lin, 2001), technical innovation, and administrative innovation. The main purpose of innovation is to make customers, suppliers, bankers, employees, and stockholders satisfied to the maximum extent through creating the value or contribution of products, services, images, and the like.

Fifth, firms should focus on effectiveness and efficiency in everything they do. Particularly in this era of knowledge-based economies, any kind of effective and efficient management must base on the best relationship of: either (1) costs and benefits, or (2) input and output. Einhorn, *et al.,* (2005, page 21) pointed out: "Taiwanese companies will do just about anything to please customers. When Quanta was first working on what promised to be a hot new design for a top client, it had to work in total secrecy. Quanta executives guaranteed the U.S. customer that all work would be done in the middle of the night. They even had the assembly line draped in concealing black. Other Taiwanese companies combine discretion with an ability to handle even the smallest orders. HP's Hsiao says he places orders for as few as 10 PCs of a specialized configuration. The Taiwanese can process and ship such an order in 48 hours. 'They can change direction overnight,' says Hsiao."

Finally, the best management of people advantage, timing advantage, regional advantage, and other related advantages is to create, sustain, and monitor many strongest types of durable organizational capability and competitive advantage. It is necessary for a firm to dynamically generating business resources instead of owning a lot of static resources because there is no use to own static resources. The more resources a firm generates, the stronger the firm will be. Because of this phenomenon, the industry is displaying a trend of the big companies in the industry becoming bigger whereas the small companies become smaller (Lee, 2004). In short, the success of a firm or an industry lies in well matching their super differentiation with the maximum satisfaction of their stakeholders rather than just linking multiple measures to a single strategy, as the Balanced Scorecard (BSC) does.

Research limitations

This study has two limitations. First, due to the fact that most of the surveyed data are confidential for organizations, a researcher has difficulties accessing, linking, matching, and evaluating information. Second, respondents have no much time, interest, and patience to answer many related questions so that a researcher cannot do his best to disclose all information fully.

Suggestions for Future Research

This study provides a direction for further research, namely, both the same industry in foreign countries and other different industries in Taiwan or other countries could make a personal interviewing study to test the suggested model of competitive factors in the aspects of relative importance, profitability contribution, and reputation contribution under the CPV, the RBV, the SBV, and the TMV.

Appendix 1: Questionnaire

Correlations between Competitive Factors and firms' Profitability and Reputation: A Survey of Taiwan's Information Technology Industry

Questions: Based on your corporate conditions for the year 2003, what is: (1) the relative importance in corporate business development, (2) the contribution to corporate profitability, and (3) the contribution to corporate reputation of each of the competitive factors?

Request: Please answer the questions on a five-point Likert scale (1 = weak degree, 3 = moderate degree, 5 = strong degree) by using a proper check mark v or an X on a chosen degree in each small cell of the following three tests.

The Views	Segments	Factor No.	The Names of the Competitive Factors	The Evaluation of the Three Tests		
				Relative Importance	Profitability Contribution	Reputation Contribution
The satisfaction-based view (SBV) of the firm	Performance	1	Better offers of competitive prices and discounts	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		2	Faster delivery time of products/services	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		3	Higher quality of products, services, and/or images	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		4	Lower transaction costs to suppliers because of collaboration	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		5	More reasonable investments in assets made by suppliers with the firm's assistance	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		6	Better collaborative conditions	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		7	Exact payment of interest to debt-holders on the due date	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		8	Exact payment of principal to debt-holders on the due date	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		9	Better debt-financing conditions	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		10	Better offers of wages, allowances, and employee welfare	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		11	More reasonable demands regarding working hours (including overtime)	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		12	Better working environment	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.

The Views	Segments	Factor No.	The Names of the Competitive Factors	The Evaluation of the Three Tests		
				Relative Importance	Profitability Contribution	Reputation Contribution
The SBV	Performance	13	Better returns from dividends	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		14	Better returns from share-price appreciation	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		15	Better investment conditions	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		16	Better relationships with customers, suppliers, debt-holders, employees, and stockholders	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		17	Better sustainability of corporate image, reputation, and trust	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		18	Better environment for organizational learning and knowledge management	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
The resource-based view (RBV) of the firm	General capability	19	Better performance of management philosophy, policy formulation, and leadership	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		20	Better action of organizational development and staffing	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		21	Better monitoring of advanced management systems and their implementation	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		22	Better retention of excellent employees at management levels and in business functions	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		23	Better financial and accounting management	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		24	Better operation of purchasing management	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
	Manufacturing capability	25	Better innovation and design of quality products/services	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		26	Better management control of labor costs and manufacturing overhead	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		27	Better presence of advanced production automation and higher manufacturing flexibility	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		28	Better personnel, equipment, and funds for the research and development of advanced technology and new materials	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		29	Better implementation of advanced technology, manufacturing processes, and quality management	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		30	More speedy transfers of hi-tech from foreign companies	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.

The Views	Segments	Factor No.	The Names of the Competitive Factors	The Evaluation of the Three Tests		
				Relative Importance	Profitability Contribution	Reputation Contribution
The RBV	Marketing capability	31	Quicker response time to market	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		32	Higher marketing mix and marketing research	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		33	More popular brand names	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		34	Better capability for global marketing	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		35	Better formulation of market-focused strategies and better operation of marketing tactics	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		36	Better rendering of before-sales and after-sales services	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
The competitive position view (CPV) of the firm	Industrial environment	37	More persevering entrepreneurship of Taiwanese sponsors devoted to the industry development	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		38	Better geographic position of Taiwan for facilitating the development of Taiwan's IT industry	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		39	Better improvement of Taiwan's hard infrastructure for facilitating the industry development	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		40	Stronger foreign demand for Taiwan's IT products	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		41	Heavier dependence of the US on the manufacturing of Taiwan's IT products	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		42	Better customer relationship management of potential and existing customers in the IT industry	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		43	Better clustering effect occurring in Taiwan's IT industry	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		44	Better support of peripheral industries to Taiwan's IT industry	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		45	Better supply chain management of potential and existing suppliers in Taiwan's IT industry	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		46	Better performance of firm strategy and strategic alliances in Taiwan's IT industry	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		47	Better structure of small and medium-size enterprises in Taiwan's IT industry	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		48	Better competitor analysis of potential and existing competitors in Taiwan's IT industry	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.

The Views	Segments	Factor No.	The Names of the Competitive Factors	The Evaluation of the Three Tests		
				Relative Importance	Profitability Contribution	Reputation Contribution
The competitive position view (CPV) of the firm	General environment	49	The Taiwan government's better performance in policies and regulations for developing Taiwan's IT industry	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		50	The Taiwan government's better performance in financial and educational plans for supporting Taiwan's IT industry	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		51	The Taiwan government's better performance in the establishment and implementation of science-based industrial parks and software-based industrial parks for developing Taiwan's IT industry	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		52	Many successful IT stories around the world have encouraged more new investors to enter Taiwan's IT industry.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		53	Japan's economic recession without a conspicuous recovery has resulted in a weakening of its great power in markets against Taiwan's IT products.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
		54	China's increasing political and economic power gives Taiwan's IT industry golden opportunities for business expansion in Taiwan and China.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.

Personal background information for statistical analysis	A. Your gender is: 1. male or 2. female.
	B. You held: 1. a Ph.D. degree, 2. a Masters degree, 3. a Bachelors degree, or 4. none of the above degrees.
	E. You have already worked in the information technology industry for _____ years.

End of Survey

Please mail it by the stamped, return envelope immediately. Thank you very much for your great help.

Appendix 2: Cronbach's Alpha

Cronbach's a	Relative Importance	Profitability Contribution	Reputation Contribution
CPV	.9539	.9432	.9543
RBV	.9387	.9263	.9153
SBV	.9023	.9326	.8971
General Environment	.8666	.8513	.8928
Industrial Environment	.9473	.9328	.9428
General Capacity	.8940	.8626	.8780
Manufacturing Capacity	.8337	.8079	.8256
Marketing Capacity	.8421	.8025	.8377
Performance	.9023	.9326	.8971

CPV (competitive position view), RBV (resource-based view),

SBV (satisfaction-based view)

Appendix 3: Descriptive Statistics

Mean, Standard Deviation, and Correlation in the Aspect of Relative Importance

	N	Mean	Std. Devi.	Gen Cap	Mfg Cap	Mkt Cap	Ind Env	Gen Env	Perf
GenCap	123	4.09	0.65	1					
MfgCap	123	3.93	0.60	.783(**)	1				
MktCap	123	3.97	0.60	.706(**)	.757(**)	1			
IndEnv	123	3.53	0.80	.583(**)	.625(**)	.623(**)	1		
GenEnv	123	3.30	0.78	.483(**)	.581(**)	.561(**)	.778(**)	1	
Perf	123	4.20	0.47	.378(**)	.356(**)	.284(**)	-.129	-.092	1

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

GenCap (General Capability), MfgCap (Manufacturing Capability),

MktCap (Marketing Capability), IndEnv (Industrial Environment),

GenEnv (General Environment), Perf (Performance)

Mean, Standard Deviation, and Correlation in the Aspect of Profitability Contribution

	N	Mean	Std. Devi.	Gen Cap	Mfg Cap	Mkt Cap	Ind Env	Gen Env	Perf
GenCap	123	3.82	0.65	1					
MfgCap	123	3.71	0.60	.740(**)	1				
MktCap	123	3.75	0.58	.715(**)	.726(**)	1			
IndEnv	123	3.33	0.71	.534(**)	.523(**)	.539(**)	1		
GenEnv	123	3.09	0.72	.408(**)	.493(**)	.520(**)	.766(**)	1	
Perf	123	3.80	0.64	.112	.068	.034	-.274(**)	-.200(*)	1

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

GenCap (General Capability), MfgCap (Manufacturing Capability), MktCap (Marketing Capability), IndEnv (Industrial Environment), GenEnv (General Environment), Perf (Performance)

Mean, Standard Deviation, and Correlation in the Aspect of Reputation Contribution

	N	Mean	Std. Devi.	Gen Cap	Mfg Cap	Mkt Cap	Ind Env	Gen Env	Perf
GenCap	123	3.70	0.66	1					
MfgCap	123	3.66	0.63	.640(**)	1				
MktCap	123	3.87	0.60	.534(**)	.625(**)	1			
IndEnv	123	3.37	0.78	.431(**)	.560(**)	.614(**)	1		
GenEnv	123	3.10	0.82	.393(**)	.509(**)	.509(**)	.773(**)	1	
Perf	123	4.13	0.49	.317(**)	.446(**)	.244(**)	-.073	-.097	1

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

GenCap (General Capability), MfgCap (Manufacturing Capability), MktCap (Marketing Capability), IndEnv (Industrial Environment), GenEnv (General Environment), Perf (Performance)

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Paper 3

The Competitive Advantage Scorecard of Firms: In Critical Comparison with the Balanced Scorecard

Abstract

The main purposes of this study are to present the Competitive Advantage Scorecard (CAS) and to make critical comparison with the Balanced Scorecard (BSC). The approach of this study is to use the Competitive Advantage Management (CAM) model to examine the important parts: (1) the literature review and critical comparison of both an appropriate business management system versus the BSC and an appropriate performance management system versus the BSC, (2) a discussion about the CAM model versus the BSC, (3) a talk about the CAS versus the BSC, and (4) an illustrated success story of Far Eastern Textile Limited in Taiwan. The findings of this study are: (1) that there are a lot of shortages and insufficiencies of the BSC system, (2) that the unsuccessful footprints of the MBO (management by objectives) system (Dinesh and Palmer, 1998) can be warning signals for the BSC adaptors because either business objective or business strategy is a very small potion of modern business management, and (3) that the illustrated success story of Far Eastern Textile Limited is in conformity with the theory and practice of Competitive Advantage Management (CA Management). The value of this study is to help to justify: (1) that the competition, survival, development, and success of a firm depend on the creating, sustainability, and monitoring of many types of durable competitive management (CA); and (2) that CA Management, the CAM model, and the CAS can be applied to any business organization for facilitating the maximization of its corporate profits and the magnification of its corporate reputation.

Keywords: the Balanced Scorecard (BSC), competitive advantage (CA), the Competitive Advantage Management (CAM) model, the Competitive Advantage Scorecard (CAS), stakeholder satisfaction, superior differentiation

Introduction

Just as people seek after big money and great fame, firms strive for the maximization of their corporate profits and the magnification of their corporate reputation (Hsu, 2005b). Managers must create many types of competitive advantage (CA) so as to achieve business objectives and reshape business visions. What a firm differentiates itself is to mark off by superior differentiation. CA is the superior differentiation that can: (1) make stakeholders (i.e. customers, suppliers, bankers, employees, investors, or other related entities) recognize and accept the value or contribution of the products, services, and/or images provided by the firm, and (2) allow the firm to outshine other competitors (Hsu, 2005a). Naturally, the good command of Competitive Advantage Management (CA Management), Bachmann and Hsu's Competitive Advantage Management (CAM) model, and the Competitive Advantage Scorecard (CAS) are becoming "the shortest cut" to create, sustain, and monitor many types of durable CA (Hsu, 2005a).

However, unfortunately, many firms end in business failure or bankruptcy mainly because management authorities cannot implement an appropriate management system. As for an example, the Conference Board of the Canadian Institute of Chartered Accountants has reported that traditional accounting-based performance measures are excessively historical; they lack predictive power, reward the wrong behavior, and do not capture key business changes until it is too late (Sim and Koh, 2001). Besides, a literature review shows that there have been a number of weaknesses noted in the implementation of the Balanced Scorecard (Dinesh and Palmer, 1998). Many business leaders are still not discerning and adopt a much publicized system like the Balanced Scorecard (BSC). Thus, all of these inspire this researcher to propose two research problems, namely, an appropriate business management system and an appropriate performance management system are needed because old management models and systems have their shortages and insufficiencies.

The importance of the topic and the research problems lies in exploring all the elements in regard to providing a remedy for many shortages and insufficiencies that have existed in old management models and systems. The main purposes of this study are to introduce some details of the CAS system and to make critical comparison with the BSC.

The structure of this study is classified into six parts. First, this study begins with the introductory section. Second, in the section about literature review and critical comparison, two issues are discussed: an appropriate business management system versus the BSC, and an appropriate performance management system versus the BSC. Third, a description of the CAM model versus the BSC is discussed. Fourth, a discussion about the CAS is made. Fifth, a success story of Far Eastern Textile Limited is illustrated. Finally, this study also offers conclusions and recommendations. This study can make two contributions: (1) through the CAS, academics and practitioners can understand how to check and balance the match of a firm's superior differentiation and the maximum satisfaction of its firm's stakeholders; and (2) as a learning map, academics and practitioners can take advantage of CA Management, the CAM model, and the CAS system for promoting modern business management.

Literature Review and Critical Comparison

In answer to the Waal's question about the lackluster results of an online survey among BSC users, Kaplan replied (Waal, 2003, page 33; Hsu, 2005a): "The Balanced Scorecard Collaborative recently conducted an online survey of the members of the collaborative. Of the 500 respondents, 250 reported that they had a *Balanced Scorecard.* Of these, 125 said it was too early to tell the impact of the scorecard. Of the other 125, 19 reported to have achieved significantly better results, 80 said they saw some progress and 26 said they had limited or no better results. On the surface this seems a disappointing result..." The main reason for the disappointing result arising from the adoption of the BSC is that the BSC has many shortages and insufficiencies shown in the literature and this study (Hsu, 2005a). It is important to discuss substantial weaknesses of the BSC (Dinesh and Palmer, 1998; Lipe and Salterio, 2000; Norreklit, 2000; Ahn, 2005). Intriguingly, in their writings Kaplan and Norton do not provide a clear definition of what a balanced scorecard is, focusing instead on how one might be used, or how it relates to other organizational attributes (Lawrie and Cobbold, 2004; Hsu, 2005a). However, strangely, Kaplan and Norton (1996b, pages 8 and 18) claimed that the BSC is a management system and more than a new measurement system (Hsu, 2005a). In fact, a critical review of the BSC system found: (1) that the BSC is not as good a business management system as has been made out to be, and (2) that the BSC cannot be regarded as a good performance measurement system. Major findings are discussed in the related sections of this study.

An Appropriate Business Management System versus the Balance Scorecard

For facilitating business success, the behavior patterns of natural humans and artificial business organizations must be interactive and mutually influenced very well. Humans were created in the likeness of God (Sherman and Schultz, 1998); likewise, business organizations are created in the likeness of humans. According to Charles Robert Darwin's assertion, competition created a natural selection in succeeding generations of those attributes best adapted to the species' particular environment (Champy and Nohria, 2000). Humans must have their personality, philosophy, the cultivation of mind, the arc of ambition, perseverance, and so on; otherwise, they may have difficulties in competition, survival, development, and success. A firm is an

artificial product operated by humans; its stakeholders recognize and accept the value or contribution of the products, services, and/or images provided by the firm. According to Hsu (2005a), the competition, survival, development, and success of firms are "most" up to the law of "stakeholders' selection" and are "little" subject to the law of "natural selection."

Generally, an appropriate business management system consists of three basic constructs: a management philosophy, organizational development, and internal business processes. First, management philosophy needs to be broad and profound enough. Management philosophy comprises concepts, ideas, views, principles, strategies, rules, attitudes, core values, and the like. It is important for a firm to input the substance of competitive advantage (CA) into its organizational personality, organization culture, organizational activities so as to output the form of CA (Hsu, 2005a). Second, organizational development (OD) facilitates communication and reporting. This is because OD is a planned process designed to improve organizational effectiveness and health through modifications in individual and group behavior, culture, and systems of the organization using knowledge and technology of applied behavioral science (Beach, 1980). Organizational development includes the development of various business functions (e.g., accounting, marketing, manufacturing, etc.), strategic business units, and flexible teams. Finally, internal business processes needs to be effective and efficient. Internal business processes consist of various organizational, managerial, and technical procedures; all procedures contain procedure descriptions, flow charts, forms, computer programs, related documentation, and so on.

A body system is to human beings what a management system to firms. The human body consists of ten distinct systems: the nervous, skeletal, digestive, circulatory, respiratory, reproductive, excretory, muscular, endocrine and lymphatic (Fishbein, 1974), which constitute an excellent mechanism of inputs, processes, and output. Likewise, an appropriate business management system must be designed and suited to the reasonably complex, subtle, and sophisticated mechanism of inputs, processes, and output; however, its operations must be very easy, simple, and friendly to related stakeholders. It should be noted that an appropriate business management system cannot be as simple as the system of a jellyfish (or sea-wasp) because the system is too simple to obtain great achievements. Above all, an appropriate business management system must be based on the human relations view so that it has capability to nourish

employees' autonomy, team spirit, innovation, group performance, and the like. Under the human relations view, fully-engaged members can inject strategies, transactions, information, and other resources into the system to generate marvelous results. The good-to-great companies devote more efforts and much time to manage systems instead of managing their employees (Collins, 2001); likewise, high-performing leaders are those who can effectively deal with the complexities of modern business (Jones, 2004).

However, it is apparent that the BSC system has not met the above-mentioned requirements of an appropriate business management system. According to Ghalayini, *et al.,* (1997), the main weakness of the BSC approach is that it is primarily designed to provide senior managers with an overall view of performance. It is not intended for (nor is it applicable to) the factory operations level (Marr and Schiuma, 2003). More shortages, insufficiencies, complaints about the BSC are coming up in the following sections.

An Appropriate Performance Management System versus the Balance Scorecard

The feasibility and applicability of an appropriate performance management system

The feasibility and applicability of an appropriate performance management system must be simple, easy, and economical, but the BSC is complicated, difficult, and expensive. As to the complication of the BSC, some researchers pointed out that the BSC clearly confronts managers with an extraordinarily complex optimization problem. Rickards (2003, page 226) stated: "The complexity stems partly from the large number of variables often included on a BSC. Frequently, there are 40 or 50 of them. Some larger organizations even try to track hundreds of success factors. Additional complexity arises from the lack of a common scale of measurement. While money is the common denominator for many financial variables, business processes often involve time, and customer relations and employee commitment/innovative capacity make heavy use of qualitative measures. Moreover, dimensionless ratios and index numbers may appear in any one or all four of the variable groups." Newing (1994) complained that one of the main weaknesses of the BSC is its complexity and the time involved in its development. Sim and Koh (2001) criticized the BSC and pointed out that it must also be borne in mind that a good scorecard should not lead to "information overload."

As for the difficulty of the BSC, it was emphasized that the application of the BSC is far from simple and requires a comprehensive understanding of the principles involved and significant commitment towards accepting the new philosophy and implementing the necessary change (Hepworth, 1998). McAdam and O'Neill (1999, page 193) indicated: "Certain scorecard objectives may become very fragmented at lower levels and also the employee understanding of the higher level scorecards may become tenuous." In isolation, the BSC is not a sufficient condition for organizational viability (Achterbergh, *et al.,* 2003). The BSC neither addresses the problem of the adaptation of an organization's identity and mission nor proposes a solution to this problem in functional terms (Achterbergh, *et al.,* 2003). Moreover, the BSC pays less attention to both auditing the management of the primary activities and managing the coordination function (Achterbergh, *et al.,* 2003).

The cost of using the BSC is too expensive. As mentioned by Kaplan and Norton (1996b), the BSC reflects the "balance" provided between short- and long-term objectives, between financial and non-financial measures, between lagging and leading indicators, and between external and internal performance perspectives. Under the BSC system, divergent perception gaps often occur among employees at different levels in any one or all four of the variable groups, and they need to consume resources (e.g., time, money, energy, and the like) to clarify such gaps. In an organization that adopts the BSC, there are a wide variety of missions, core values, visions, strategies, strategic initiatives, personal objectives, and strategic outcomes to be proposed, confirmed, and coordinated (see Figure 3.1; Kaplan and Norton, 2001); therefore, it is not economical for a larger organization to engage in measuring the BSC for many plant locations or firm branches on a day-to-day basis. Once their multiple scorecard measures are used, they are not easily changed within a given period of time, and thus ineffectiveness and inefficiency arise. The development of many scorecards for different levels (and in some cases, for all individuals) is needed if the BSC is to be carried out as intended (Dinesh and Palmer, 1998). Newing (1994) argued that the costs of such a procedure may well outweigh improvements in organizational performance (Dinesh and Palmer, 1998).

The reliability and validity of an appropriate performance management system

An appropriate performance management system must be able to generate reliable and valid data for members, too. Once sunshine, air, water, food, knowledge, philosophy, strategy, and the like get into the body of a man, there is no need and no way to analyze each of them again because each of them becomes a part of the body. Likewise, once all business ingredients (e.g. resources, environmental factors, strategies, comprehensive plans, and the like) get into the huge mixer of implementation, there is no need and no way to link some measures to a single strategy. Now that no one can do such a rough linkage, can a more correct linkage be expected? Either a rough linkage or a more precise linkage is a mission impossible. In other words, the outcome of such a linkage in the BSC system is not worthy of trust at all.

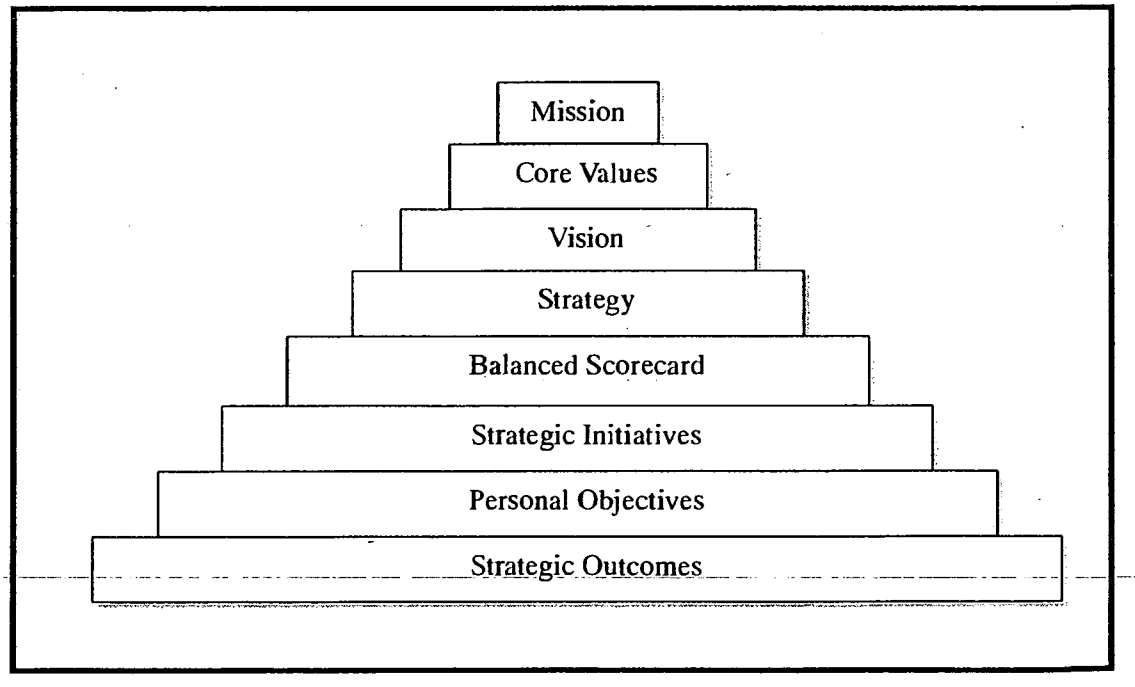
Moreover, an appropriate performance management system must be based on the human relations view so that it can be conducive to the maximum satisfaction of firms' major stakeholders. Ohmae (1982, page 37) indicated: "In the real world of business, perfect strategies are not called for. What it counts, as we have seen, is not performance in absolute terms but performance relative to competitors. A good business strategy, then, is one by which a company can gain significant ground on its competitors at an acceptable cost to itself. Finding a way of doing this is the real task of the strategist." It is necessary and essential for a strategist not to kill people's capability, creativity, innovation, imagination, and the like. Some examples can be given. Ohmae (1982, page 224) said: "In Japan, the individual employee is utilized to the fullest extent of his or her creative and productive capacity through such participative methods as suggestion boxes, quality circles, and value analysis – value engineering contests. The whole organization looks organic and entrepreneurial, as opposed to mechanistic and bureaucratic." Ohmae (1982, page 225) said: "Actually, in my opinion, many Western corporations already suffer from too much strategic planning. In the West, and particularly in the United States, there has been a tremendous emphasis on brainpower...The assumption seems to be prevalent that because some people are more intelligent than others, it is up to the smart people to tell the less-gifted – through such devices as planning processes and job descriptions – exactly what to do." If top management, based on the unreliable and invalid results of many linkages, makes decisions and takes actions again and again, such hard and dull work will: (1) consume a lot of business resources, (2) hinder the timing of business operations, (3) leak out

business strategies to competitors, (4) damage the creation and sustainability of many types of durable CA, and (5) form a lot of emerging disasters and potential crises. Dr. Fritz Kroger and Dr. Michael Tram, whose main expertise is in the field of strategy, pointed out (Kroger, *et al.,* 1998, page 71): "Communicate in a context that's accessible for employees. Don't just talk strategy, talk strategy and back it up with your best understanding of what that means for the way people have to do their work. Try to understand how your people are thinking and then figure out what you need to communicate to meet their needs." Link your world electronically (Dell, 1999), but not mechanically link your multiple measures to a strategy. However, the BSC does its way although it neither has substantial evidence to prove the reliable and valid relationship between multiple measures and a single strategy nor has any powerful influence to inspire employees to have the mind of strategists. Moreover, critics of the balanced scorecard often argue that it is a less structured/holistic tool considered to be only the "Result side" of the excellence model (Robinson, *et al.,* 2005). The excellence model encourages organizations to adopt a forward-looking perspective by focusing on a broad range of measures including processes, people, leadership, partnership and resources, products, society, learning and innovation (Robinson, *et al.,* 2005). Both the balanced scorecard and the excellence model have been around for over ten years but the take-up within construction organizations is slow (Watson and Seng, 2001; Robinson, *et al.,* 2005).

Discussion about the Competitive Advantage Management Model versus the Balance Scorecard

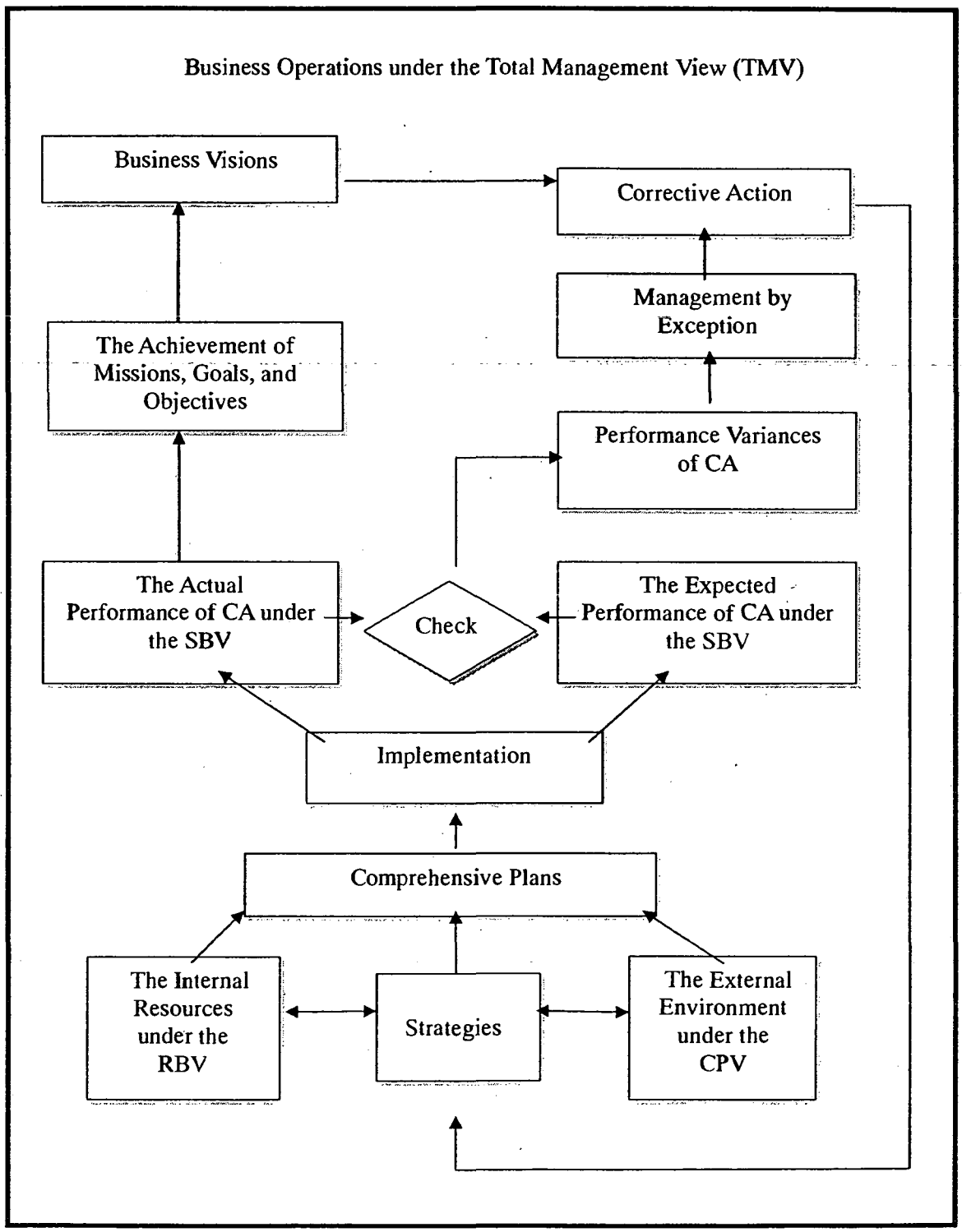
The Competitive Advantage Management (CAM) model (see Figure 3.2) offers a framework for modern business management. There is an empirical study based on the CAM model under the three views (i.e. the competitive position view, CPV; the resource-based view, RBV; and the satisfaction-based view; SBV) of the firm (Hsu, 2005b). For facilitating the act of contrasting, the CAM model and one of the BSC models are given below (see Figure 3.1). Some explanations and critical comparisons with the BSC are made under each construct of the CAM model. When dealing with such explanations and critical comparisons in this section, the CA-creating part of the CAM model goes first, and then the CA-monitoring part of the CAM model (i.e. the CAS) goes next. The orders of the CA-creating part are the internal resources under the RBV; strategies; the external environment under the CPV; comprehensive plans; implementation; the actual performance of CA under the SBV; the achievement of missions, goals, and objectives; and business visions (Hsu, 2005a). The orders of the CA-monitoring part are the expected performance of CA under the SBV, performance variances of CA, management by exception, and corrective action (Hsu, 2005a).

Figure 3.1: Translating a Mission into Desired Outcomes



Source: Kaplan and Norton, 2001, page 73

Figure 3.2: Bachmann and Hsu's Competitive Advantage Management Model under the Human Relations View



Source: Hsu (2005a, page 1.38)

The Internal Resources under the Resource-Based View

The utilization and generation of internal resources must be well performed through the cooperation of all business functions. Because an artificial business management system is not as sound as the system of a natural human body, a firm must innovate, reengineer, unify, and improve the aforesaid three basic constructs of the system in each business unit. Just as said by Ohmae (1982), the secret of many Japanese corporations' success is their skill in sequencing the improvement of functional competence. Each department has to control over and improve its internal business processes so as to make related flows (e.g., managerial flow, technical flow, marketing flow, information flow, cash flow, goods flow, manufacturing flow, marketing flow, and the like) more effective and more efficient. As for an example, a focus on "flow" has continued to be a foundation for Toyota's success globally in the 21st century (Liker, 2004). Liker (2004, page13) pointed out: "Yet when Toyota sets up assembly lines, it selects only the best and brightest workers, and challenges them to grow in their jobs by constantly solving problems. Similarly, Toyota staffs sales, engineering, service parts, accounting, human resources, and every aspect of the business with carefully selected individuals and gives them the directive to improve their processes and find innovative ways to satisfy their customers." In addition, Dell (1999, page 133) asserted: "In many organizations, management processes become etched in stone and create a permanent bureaucracy. At Dell, we realize processes serve the business – and not the other way around. We tell our people that if they can come up with a better process or solution for improving our business – and all the parties concerned agree – then they are free to change it." Employee satisfaction also includes learning and growth because employees believe that there is a possible correlation between learning and growth. Learning is to acquire knowledge, intelligence, experience, information, and the like so as to: (1) gain some growth in fortune, fame, and wisdom for individuals, and (2) make greater values and contributions to the organization to which individuals belong. Learning about more than one job in the company makes them adaptable if and when job responsibilities need to change (Kroger, *et al.,* 1998). Learning also contributes to the growth of employees and their organization. Organizational learning is a shared, collective process that involves people from grass roots to top management that focuses on generating, accumulating, and applying knowledge

to enhance a firm's effectiveness, efficiency, and creativity (Ma, 2004). Calhoun W. Wick and Lu Stanton Leon (Guns, 1996, page 111) said: "Learning is no longer a luxury: It is at the heart of careers and companies determined to flourish in the future." Stephen L. Cohen (Guns, 1996, page 111) pointed out: "Technological advancements, competition, restructuring, me-ism, and globalization point to the need for lifelong learning." Therefore, something that is worthy of learning or something that challenges employees' knowledge, experience, and/or judgment needs to be built in internal business processes; thus, activity-based improvements or knowledge-based innovation might well happen. As for an example, Boshyk (2000) in his book, *Business Driven Action Learning,* illustrated success stories of some multinational companies that adopted business driven action learning.

However, unfortunately, the BSC system is not good at this aspect of CA Management. First, the scope of the BSC is so narrow because the BSC view organizational performance from four perspectives: financial, customer, internal business process, and learning and growth (Kaplan and Norton, 1996b, page 8). Both of the financial perspective and the learning and growth perspective are misclassified and should have been attributed to the nature of internal business processes. Second, in the BSC, Kaplan and Norton (1996b, page 27) asserted: "The internal-business-process measures focus on the internal processes that will have the greatest impact on customer satisfaction and on achieving an organization's financial objectives." Hence, the interests of other major stakeholders (e.g. the supplier, the banker, and the employee) are ignored. Its four perspectives address only the wants and needs of investors and customers, leaving those of employees, suppliers, alliance partners, regulators, local communities, and pressure groups unrequited (Marr and Adams, 2004). The balanced scorecard has been criticized for its lack of attention to the demands of multiple stakeholders that are a significant feature of the modern business environment or complex ecosystem (Neely, *et al.*, 2002; Marr and Adams, 2004). When major stakeholders are not linked sufficiently and their interests are not represented equally by the business system, inefficiencies set in and prevent the firm from responding to any risks. Finally, the learning and growth perspective of the BSC has long been considered its weakest link, and Kaplan and Norton have admitted that weak point (see their response to "Letters to the Editor", *Harvard Business Review*, May 2004; Marr and Adams, 2004). The "black hole" of the BSC proves again that it has not paid much more

attention to employee satisfaction. Kaplan and Norton (1996b, page 92) stated clearly: "The process of deriving objectives and measures for the internal-business-process perspective represents one of the "sharpest distinctions" between the Balanced Scorecard and traditional performance measurement systems." Now that they said so, the abovementioned shortcomings also represent some of the "worst distinctions" between the BSC and traditional performance measurement systems.

Strategies

Strategies are the important principles and policies that pull together the internal resources, external factors, comprehensive plans, implementation, many types of CA, business objectives, and business visions. Many firms fail in the business world mainly due to (1) formulating wrong strategies, (2) over-planning or over-analyzing strategies, and (3) failing to protect strategies (Ohmae, 1982). In order to justify the worst policy of linking multiple measures to a single strategy, a longer space is needed for several important rationales listed below.

There are big differences between strategy and CA. First, a strategy is just a key principle or policy that causes something to happen or stop at the program planning stage, so a strategy is a good or bad causing factor; but a CA is a good effect of "some causes" during the action stage of such programs. Some causes include internal resources, environmental factors, strategies, comprehensive plans, values, products, services, images, and the like. In other words, the CA of a firm is the positive outcome of such causes that have been converted into values and/or contributions, which are recognized and accepted by its stakeholders. As a general rule, stakeholders recognize and accept the value or contribution of products, services, and/or images made by a firm mainly due to one or several types of CA created by a firm and not chiefly due to one or several strategies formulated by a firm. Under this situation, why does the BSC not show its wisdom to link multiple measures to a category or a type of CA? Obviously, the BSC made a big mistake in strategy formulation. Second, a strategy may be either right or wrong at a given time and can be changed when necessary, but a CA must be sustainable all the time. To build people's trust and commitment deep in the ranks and inspire their voluntary cooperation, companies need to build execution into strategy from the start (Kim and Mauborgne, 2005). If right strategies are implemented successfully, after combining related business resources and integrating related

environmental factors, a firm can then create, sustain, and monitor certain types of durable CA. Under such a situation, right strategies are just intrinsic advantages or sources of CA instead of types of CA. If right strategies are not implemented successfully, a firm may not create, sustain, and monitor any types of CA. Under such a situation, right strategies may be merely intrinsic advantages instead of types of CA. This is because those strategies still have no value or contribution to the products, services, and/or images made by the firm. Likewise, if wrong strategies are implemented, a firm may not create any sources of CA. Under this situation, wrong strategies may be detrimental to the firm, and such wrong strategies will be intrinsically disadvantageous. What makes a 'right' strategy *right* and what makes a 'wrong' strategy *wrong*? Some assertions can be illustrated below. To execute this key element of its strategy, the team adopted what looked like the fastest and smartest way to move forward (Kim and Mauborgne, 2005). With fair process, people tend to be committed to support the resulting strategy even when it is viewed as not favorable or at odds with their perception of what is strategically correct for their unit (Kim and Mauborgne, 2005). Rivas-Micoud (2006) pointed out an old saying, namely, even if you are on the right track, you can still get run over if you just sit there. At last, time and factual results will prove the advantage or disadvantage of a strategy. Ohmae (1982, page 240) indicated: "Many companies have disappeared from the scene in the aftermath of wrong strategic choices." Despite the current strategies are right or wrong, the result of linking some measures back to a single strategy is not valid and reliable; under such a situation, can the BSC guarantee that the multiple scorecard measures are definitely linked to a "right" strategy instead of a "wrong" strategy? Finally, only by creating, sustaining, and monitoring many types of durable CA, can a firm perform the work of management by exception to eliminate any causing factors. What is vital is timing (Ohmae, 1982). When driving a car in a race, the driver strives for superior differentiation and never looks back to link some performance measures to a single strategy because a single strategy is not the only key success factor in the car race. According to Collins (2001), strategies will not let the good-to-great companies make a striking difference from those contrasting companies and no evidence shows that the good-to-great companies have infused more time and energy on their strategic development and long-term planning. Moreover, Ohmae (1982, page 226) spoke out: "In my observation, many of the problems of western corporations are related to execution rather than strategy. Separation of muscle from brain may well be a root cause of the vicious cycle of the

decline in productivity and loss of international competitiveness in which U.S. industry seems to be caught." Just as noted by Kaplan, there is a huge gap between the vision and strategy developed at the top, and the things that people down in the organization, especially on the front line, actually do (Waal, 2003). Now that Kaplan said so, why does the unprofitable BSC-style of measuring and managing business strategy still lead its adopters to go on a wrong way for a wrong destination?

All strategies must be kept confidential. Right strategies should not be destructed by enemies. Ancient Chinese military strategist, Sun Tzu pointed out in his book, *The Art of War* (Wang, 1976, page 83): "The best war is to damage the enemy's strategies, a better war is to destroy the enemy's diplomatic relationships with other countries, a good war is to injure the enemy's soldiers, and a worse war is to attack the enemy's forts or castles." Formulating a business strategy is very akin to developing a war strategy. If a firm wants to be either a defender or an attacker in the marketplace, the formulation of its highly confidential strategies must be known only to a few persons and must be kept from its enemies or competitors. Sun Tzu indicated (Wang, 1976, page 125): "The best defender must hide under the deepest ground so that the enemy cannot find the defender, and the best attacker must act in the highest part of the air so that the enemy cannot detect the attacker; thus, either the best defender or the best attacker can win a war finally." Defenders are always reacting, but attackers are opportunity spotters and innovators; both of them shape events to their own advantage (Tucker, 1998). Therefore, it is absolutely necessary and essential for a firm to keep right strategies highly confidential despite it is an attacker or a defender. Successful strategists aim always to keep one step ahead of the competition (Rowe, *et al.,* 1994). Usually, those who have the most accurate and up-to-date information will win (Lee and Ko, 2000), and those who leak out their confidential information will lose. The BSC is designed for open and rather public use, not for stealthy application. It is not wise for the BSC adopters to link multiple measures to a strategy openly; by doing so, the gains in any linkages are not commensurate with the losses in them. When relatively routine strategies (e.g., accounting policies, financial policies, purchasing policies, and the like) are built into business management, they must be implemented by employees who know them very well; therefore, it is not necessary for many people to make periodical linkages. When highly confidential strategies (e.g., marketing policies, R&D (research and development) policies, acquisition-and-merge policies, etc.) are made, they must be

executed by a few persons for fear of espionage; therefore, it is not feasible to ask low-level people to make periodical linkages. Moreover, strategies are dynamic, but they are neither static nor fixed. Not all strategies are identical. Many strategies that were made and executed in the past still take effect at preset and may work in the future; many strategies that are formulated at present may be executed in the future. In a firm, the financial conditions, operating results, corporate images and reputation, and others are the well mixed results of all ingredients such as resource consumption, environmental consideration, strategy formulation, activity-based execution, and so on. Under such a complicated situation, can the linkage of multiple measures to a single strategy be reliable and valid?

Strategy implementation must be correct, subtle, and sophisticated. Motivation over time requires, first, that visions and strategies be communicated on a continuous basis, not just once or occasionally (Kotter, 1990). In the BSC system, adopters seem to prefer linkage rather than communication. Obviously, the linkage between multiple measures and a single strategy is a good example of poor communication and lacking motivation. A strategy that just bases on the past and old strategy without well considering new environmental factors, internal resources, and other related matters of the future is bad enough. What many researchers are against strongly is such wrong-headed linkages or retrospective linkages to past strategies. But the most important notion, as we have said time and again, is that there are not any one or two things that make it all work (Peters and Waterman, 1982); of course, there is also no exception to any strategies. Kroger, *et al.,* (1998, page 99) expressed clearly: "Looking in the rear-view mirror is a good idea when you want to go in reverse, but it is a dangerous approach when you want to move ahead." Managers have to manage for the future, not for the past (Drucker, 1992). In the BSC system, over-reliance on the linkage of old and past strategies is very likely to make other managerial tasks lost their respective focus on moving ahead. Moreover, the shortcoming addressed in this paper concerns the claim that the BSC helps companies identify their crucial strategic goals (Ahn, 2005). However, empirical findings reveal that the identified goals may not correspond to a company's mission and values (Ahn, 2005).

Strategy is something, but not everything. Effective strategies are dependent on the specific environmental conditions (Lawrence and Lorsch, 1967; Miller, 1988; Miller and Friesen, 1983; Wright, *et al.*, 1995; Low, 2002); however, they are also dependent on the interaction of the specific environmental conditions and many other factors such as comprehensive plans, implementation, the substance and form of CA (SAFOCA), objectives, and visions. Either strategy or blue ocean strategy alone is nothing if it cannot be well matched with the function of internal resources, external factors, comprehensive plans, implementation, the substance and form of CA, business objectives, business visions, and so on. However, according to Kim and Mauborgne (2005), blue ocean strategy can grow demand, break away the competition, and do other things specified in their book, *Blue Ocean Strategy*. This researcher doubts that blue ocean strategy has such a mysterious power or charm to cause those great things to happen. As a matter of fact, the SAFOCA instead of strategy create market and make stakeholders' maximum satisfaction (Hsu, 2005a). There is no perpetually blue ocean, particularly in the information age. As long as cutthroat competition appears, it turns the blue ocean into a read ocean quickly. Moreover, contingency theory has acknowledged the appropriateness of various strategic orientations in a variety of environmental conditions, arguing that no one strategy can be appropriate in all situations; effective strategies are dependent on the specific environmental conditions (Lawrence and Lorsch, 1967; Miller, 1988; Miller and Friesen, 1983; Wright, *et al.*, 1995; Low, 2002). If you can measure it, of course you can manage it; if you can manage it, you can formulate it, implement it, and measure it. However, the BSC does not indicate the best method to formulate strategy (Cheng, 2003) although *the Balanced Scorecard* focuses on how to measure business strategy and manage business strategy (Kaplan and Norton, 1996b). With just these two parts in *the Balanced Scorecard*, Kaplan and Norton (1996b) have no ground to claim that the BSC is a management system partly because business strategy is a very small portion of a good and complete management system and partly because an appropriate business management system must contain a strong foundation in management theory and a lot of good business practices as mentioned earlier. Basically, the BSC is based on management by objectives (MBO) and can therefore be viewed as a modification of, or innovation in, the much used MBO model (Johnsen, 2001). Despite the rapid growth of MBO during the 1960s and 1970s, many firms later complained that their adoption of the MBO was of a big hindrance instead of a great help (Dinesh and Palmer, 1998). MBO has proven to be unsuccessful in practice, with

two key failures identified as partial implementation of the system, and non-recognition of the need to adopt a human relations view (Dinesh and Palmer, 1998). Basically, MBO is good, but it fails there; the main reasons for its failure are: (1) that MBO lays emphasis on measuring and managing objectives only which represent a very small portion of any system; and (2) that such a limited management method cannot be a panacea for modern business management. If a scholar thinks that business objective is everything, then that will be a disaster; likewise, if a scholar thinks that business strategy is everything, then that will be a disaster, too. The unsuccessful footprints of MBO can be warning signals for the BSC adaptors. Many traditionally successful companies have become corporate dinosaurs in today's environment (Lawler, 2000); therefore, be very careful to the MBO system and the BSC system.

The External Environment under the Competitive Position View

The external environment of a firm comprises the whole range of economic, social, political, technological and industrial factors (Low, 2002). Effective scanning of the environment allows firms to learn about opportunities and threats, thus enabling the firms to choose appropriate strategies congruent with environmental conditions (Bourgeois, 1980; Lang, *et al.*, 1997; Beal, 2000; Low, 2002). When considering the important influence or impact of all related external factors, managers must try to identify golden opportunities, fatal threats, and many significant changes in big trends lay ahead. For facilitating the analysis of environmental factors, the six elements of Porter's Diamond (Porter, 1990; Hsu, 2005b) can be used. Be opportunistic in identifying opportunities for big financial impacts (Liker, 2004). Opportunities are always there, even though some people may choose not to see them or accept them (Rivas-Micoud, 2006). Just as noted by Dell (1999), Dell Company has to identify those opportunities that made the most of its strengths and goes after only the best ones, rather than trying to go after every opportunity Dell man saw. Opportunity and threat may be an old couple who may appear or disappear at some point in amount, degree, time, and so on. Managers must have the prepared mind to deal with both of them. The French chemist Louis Pasteur, inventor of vaccines, remarked (Champy and Nohria, 2000, page 75): "Chance favors the prepared mind." However, risk also shows unfair partiality to the unprepared mind. The truly important events are those hidden opportunities and threats that are coming up along with many major changes in the key trends. Such changes, however, have to be perceived; they cannot be counted, defined, or classified

(Drucker, 2001). Too focused on their own internal procedures, they fail to grasp the external shifts that will soon clobber them (Tucker, 1998).

Now that the BSC system focuses on the process of deriving objectives and measures for the internal-business-process perspective (Kaplan and Norton, 1996b), why does it not equally encourage firms to deal with the process of deriving objectives and measures for some environmental factors which have significant influence on business operations and management? Looking outwardly is at least as critical as looking inwardly (Kroger, *et al.,* 1998), and no one can deny it. Kaplan and Norton (1996b, page 2) said: "Managers, like pilots, need instrumentation about many aspects of their environment and performance to monitor the journey toward excellent future outcomes." Now that Kaplan and Norton said so, why does the BSC system provide managers with so little instrumentation regarding many aspects of their environment? In the globally competitive arena of knowledge-based economies, any firms also need talent people to wisely and quickly deal with important outside issues. If the BSC purposely neglects such important outside issues, is it still safe for any firms depending on the BSC to compete in a turbulent environment?

Comprehensive Plans

Comprehensive plans are tactical points and current plans for implementation. This package usually contains: a vision statement; a mission and commitment statement; a description of external factors, internal resources, and strategies; an action program and emergency plan; a growth budget and the expected performance of types of CA, and an implementation plan. Budgeting is a planning process for achieving fiscal targets (Kotter, 1990). It should be noted: (1) that a growth budget should establish short-term, mid-term, and/or long-term milestones for all measures including non-financial as well as financial measures of CA; and (2) that both quantitative CA and qualitative CA must be specified within the expected performance statement of types of CA.

Everyone in the company needs to know what the priorities are and what objectives need to be achieved (Rivas-Micoud, 2006). Basically, in the fields of planning, doing, and seeing practices, management teams have to set a good example for everyone in the company. The aforesaid package of comprehensive plans is made by management teams. At least one quarter before the commencement of next fiscal year, top management must ask each department head to submit its department's

comprehensive plans. The top management of a firm must call a corporate meeting to discuss and review all departments' comprehensive plans. Thus, the firm's comprehensive plans are formed as the operational base for actions. This package must be tailored to a group case or individual conditions. There must be at least technical feasibility, marketing feasibility, and financial feasibility for this package; then, this package can be used as a basis for implementation and performance measurement. All plans are given or communicated to all the relevant people in the organizational structure so that individuals know what is expected from them (Kotter, 1990).

However, the process of developing a balanced scorecard system is starting at the corporate management level and working down, from group to division, to the manufacturing plant floor (Davis, 1996). Moreover, the BSC does not talk much about the topic of comprehensive plans, but just mention about the financial budget. Kaplan and Norton (1996b) asserted that long-run capital budgets, strategic initiatives, and annual discretionary expenses must all be directed to achieving ambitious targets for the objectives and measures on the business' scorecard. As to measures on the business' scorecard, Kaplan and Norton (1996b) also described the construction of financial and non-financial measures, grouped into four perspectives: financial, customer, internal business process, and learning and growth. In fact, all business activities of any firm are in excess of more than those of the BSC's four-perspective measures. Obviously, any firm's financial budget prepared under the four perspectives in the BSC system is not sufficient to cover long-run capital budgets, strategic initiatives, and annual discretionary expenses of the whole organization's business activities.

Implementation

Implementation is everything (Rivas-Micoud, 2006). There is no best value or contribution where there is no excellent implementation. The good and swift execution of comprehensive plans and related activities minimizes costs, threats, and/or risks; in the mean time, it also maximizes benefits, opportunities, and/or returns. David Novak, president of Tricon – the parent company of KFC, Taco Bell, and Pizza Hut, remarked (Blanchard, *et al.*, 2004, page 185): "Execution is the biggest challenge we face...What we need to do now is execute, execute, execute." As the Chinese saying goes, there will be a good return for something well done by a diligent person or a persistent organization. Ohmae (1982, page 49) pointed out: "If you are fighting with a competitor who has equal qualification, effective and persistent execution in critical functional

areas may be the only differentiating factor." The inner world of ideas and belief shapes our actions (Aburdene, 2005). In fact, all meaningful and valuable actions result from the spirituality of transforming the substance of CA into the form of CA (Hsu, 2005a).

The implementation of comprehensive plans and related activities must work as an economic engine (Dell, 1999), a social engine (Charan, 2004), and a management engine (Hsu, 2005a) for a firm; thus, these engines can transform all environmental opportunities and all intrinsic resource advantages including financial advantage, people advantage, management advantage, information advantage, time-compressed advantage, regional advantage, collaborative advantage, complexity advantage, and the like (Hsu, 2005a) into many types of durable CA with the substance of CA. These explain the importance of implementation. Bruch and Ghoshal (2004, page 90) pointed out: "Managers have to overcome the three traps of non-action: (1) overwhelming demands, (2) unbearable constraints, and (3) unexplored choices." In order to overcome the three traps of non-action, implementation plan must specify something specific. Examples are: (1) who is to do what, (2) what is to do first, (3) when is the most optimum timing to do, (4) where is the best place to do, (5) which is the best choice to do, (6) how to do perfectly, (7) how many are sufficient, and (8) how much is good. Implementation is like a huge mixer that blends all related ingredients such as environmental factors, business resources, strategies, organizational culture, entrepreneurial spirit, profound leadership, enthusiastic attitude, comprehensive plans, perseverance, management philosophy, and others. The mixture is blended so thoroughly that those mixed stuff cannot be separated or distinguished. Therefore, both measuring business strategy and managing business strategy within the BSC system (Kaplan and Norton, 1996b) cannot be and should not be the unique and core activity of modern business management because it is impossible to roughly link multiple measures to a single strategy, especially when all business ingredients are blended so thoroughly.

The Actual Performance of Competitive Advantage under the Satisfaction-Based View

In the world of business, performance is the universal language (Rivas-Micoud, 2006). At last, the actual CA performance of a firm determines its profitability and reputation in the marketplace. If a firm is not making a profit, something is wrong (Rivas-Micoud, 2006); likewise, if a firm does not have a good fame, everything is in vain. Corporate performance is the result of combining planning and execution (Ohmae, 1982). The actual performance of CA under the SBV can provide a firm with related data of quantitative CA and qualitative CA. The increase or decrease in business resources includes financial and non-financial outcomes, quantitative and qualitative measurements, and efficient and effective rewards. The actual performance of CA reveals: (1) the relationship between the superior differentiation of a firm and the maximum satisfaction of its stakeholders, and (2) the gap between the superior differentiation of a firm and that of its major competitors. Obviously, these are the reasons why the CA Management of firms is emerging as the core of modern business management and why people are paying more attention to CA Management (Hsu, 2005a). However, the BSC has not discussed the actual CA performance of a firm at all; indeed, the BSC leads its followers to make a detour turning and turning aside from the direct and right road to modern business management.

The Achievement of Missions, Goals, and Objectives

Missions, goals, and objectives are derived from value, purpose, ambition, vision, and the like. Strong values can help establish business purpose (Champy and Nohria, 2000). Core purpose is the organization's fundamental reason for being (Collins and Porras, 1997). If a firm has ambition to build a great company, for example, getting the right balance in purpose and values from the outset will very likely establish the company's entire context from birth to eventual success or failure (Champy and Nohria, 2000). Business visions are based upon a combination of ambition, purpose, and value. Usually, visions are translated into missions, goals, and objectives mentioned below:

First, the objectives should always derive from the goals of the business enterprises (Drucker, 2001). Drucker (2001, page 115) indicated: "Those objectives should lay out what performance the man's own managerial unit is supposed to produce. They should lay out what contribution he and his units are expected to make to help other units obtain their objectives. Finally, they should spell out what contribution the

manager can expect from other units toward the attainment of his own objectives." In short, an objective must be simple, clear, unifying, and measurable.

Second, goals are something specific between missions and objectives. Goals must be aggressive enough. Goals have an enormously energizing effect on people, particularly when they are clear and well defined, and when they are ambitious enough to be challenging yet not so unrealistic that they are paralyzing (Locke and Latham, 1990; Bruch and Ghoshal, 2004). Goals must be reasonable enough. Kroger, *et al.*, (1998, page 73) pointed out: "Don't simply set outrageous goals – your expectations have to be credible. Carefully think about what would be possible with some real initiative. Make the goals consistent with the company's vision. If you just say all performance results have to increase by 'x'%, it will be taken what it is, management hot air." Goals must be progressive step by step. Motorola reduced defects from 80,000 parts per million (ppm) in 1980 to 25 ppm in 1996 although it did not reach its target of Six Sigma or 3.4 ppm (Wind and Main, 1998).

Third, business managers should then stipulate some mission statements for their firm and its subordinates. In a movie, when some combatants fulfill a very huge goal, an impossible mission becomes a possible mission. As noted by Rappaport (1986), corporate mission statements proclaim that the primary responsibility of management is to maximize the shareholders' total return by means of dividends. Liker (2004, page 80) cited Ford Motor Company Mission Statement: "Our mission is to improve continually our products and services to meet our customer's needs, allowing us to prosper as a business and to provide a reasonable return to our stockholders."

Finally, the positioning of mission and vision must be made. The mission of the organization has to be clear enough and big enough to provide common vision (Drucker, 2001). Although still at a high level in comparison to the company's business plan, the mission statement will typically be more substantive and less open-ended than the vision statement (Temporal and Alder, 1998). Kaplan and Norton (2001, page 73) also pointed out: "The organization's vision paints a picture of the future that clarifies the direction of the organization and helps individuals to understand why and how they should support the organization." However, why do Kaplan and Norton put the mission of the organization before the vision of the organization at random (see Figure 3.1)?

Business Visions

Vision can be any idea like peace, prosperity, wealth, fame, success, future, direction, a desired status, and so on. The attribute of business visions is too multi-faceted to be grasped. Typically, a vision is specific enough to provide real guidance to people, yet vague enough to encourage initiative and to remain relevant under a variety of conditions (Kotter, 1990). Vision can be created, transformed, or shared. Creating the vision of a reengineered organization requires some artistry because a vision is an image without great details (Hammer and Champy, 1993). Vision transformations are primarily qualitative, rather than quantitative, and are large discontinuities, not merely reform or incremental improvements (Ackoff, 1999). Vision is essential, and it must be shared and understood across all levels of an organization Rivas-Micoud (2006). As for an example of shared vision, Dr. Sun Yat-Sen overthrew the Dynasty Chin in China and founded the Republic of China in 1911, and he proposed this vision – the country is owned and governed by people, and the world is prosperous and peaceful. Although this shared vision is like a pie in the sky, Chinese people still like it very much.

Moreover, there can be many different types of business visions. A master vision, visions, or sub-visions can be arranged, integrated, or reshaped as they are being achieved fully or partially. Bradford and Cohen (1998, page 161) described: "There can be two forms of tangible vision, task-based and organizational based." Chattell (1998, page 224) said: "A good vision should do this on a number of levels (i.e. at the customer level, organizational level, cultural level, individual level, management level, and social level)." Business visions are getting more important than ever before. Participants in executive education courses at Wharton used to rank decisiveness as the most important characteristic of their business heroes, but some year ago they made vision the first requirement (Wind and Main, 1998). The CEO of IBM, Lou Gerstner pointed out that the most urgent task facing IBM is for it to configure its unique company vision (Collis and Montgomery, 1998; Wang and Lo, 2002). Business visions will work only when they appeal to the stakeholders of a firm very much; of course, business visions will lose credibility only when a firm's stakeholders do not support them with their aggressive actions. Business leaders or superiors must do what Blanchard, *et al.,* (2004, page 50) said: "Make the vision universally understood and act upon where it really

counts." However, unfortunately, it is quite hard to understand why Kaplan and Norton (2001, page 73) placed vision between mission and strategy (see Figure 3.1). Their wrong arrangement is just like placing a cart before a donkey and suspending a couple of carrots behind the donkey.

The Expected Performance of Competitive Advantage under the Satisfaction-Based View

The expected performance of CA under the SBV of the firm lays out the performance objectives of the types of CA in a firm. In the comprehensive plans, the traditional budgeted financial statements will be used as appended exhibits to explain some of the items in the expected quantitative CA that are related to stockholders. All other reporting statements for the budgeted non-financial measures will also become attachments to indicate some of the items in the expected quantitative and qualitative CA that are related to other stakeholders. Peters and Waterman (1982, page 70) indicated: "As Skinner notes, the way the reinforcement is carried out is more important than the amount. First, it ought to be specific, incorporating as much information content as possible. We note, for instance, that activity-based MBO systems are more common in the excellent companies than are financially based MBOs."

The expected performance of CA must be evaluated and re-set up continuously; only by doing so, can the value or contribution of products, services, and/or images be improved and innovated. As noted earlier, all key measures in the comprehensive plans are finally edited into a statement of the expected performance of CA, which is the starting point of performance management. Drucker (1999, page 21) pointed out in his book named *Management Challenge for the 21st Century*: "Maybe we will have to redefine the task altogether. It may not be 'managing the work of people.' The starting point both in theory and in practice may have to be 'managing for performance.' The starting point may be a definition of results -- just as the starting points of both the orchestra conductor and the football coach are the score."

Unfortunately, however, the BSC lays emphasis on measuring and managing business strategy (Kaplan and Norton, 1996b) instead of measuring and managing many types of CA. In fact, measuring and managing business strategy (Kaplan and Norton, 1996b) are to get multiple measures linked to a strategy through people; naturally, such linkages is "managing the work of people" for the top management of a firm through and through. However, measuring and managing many types of CA is "managing for

performance" obtained by all members throughout a firm. According to Drucker (1999), the BSC system does not meet the requirement of managing for performance, which is a management challenge for the 21st Century.

Performance Variances of Competitive Advantage

The comparison and analysis of actual CA performance and expected CA performance can measure the performance variances of CA between the two of them. Managers must do such regular evaluation work. Drucker (2001, page 93) said: "Management must focus on the results and performance of the organization." Don't forget to monitor the improvements in productivity (Aburdene, 2005). Liker (2004, page 225) indicated: "Analyze and understand shortcomings in your capabilities in a measurable way." Managers at least need to compare: (1) their firm's actual CA performance records with their expected CA performance records, (2) their firm's current CA performance records with their competitors' current CA performance records, and (3) their firm's past CA performance records with their competitors' past CA performance records using the same bases of comparison. Managers use variance indicators to help people know whether they are in a favorable condition or unfavorable status. If their performance is positive, they need to be caught doing something right and praised (Blanchard, *et al.,* 2004).

Once an unfavorable status appears, related members must find out the real problem. Related members should get to the root cause of the problem by asking "why" five times (Liker, 2004). If the expectations are not realized, control involves determining why (diagnosis) and trying to correct the decision to take the deviation into account (prescription) (Ackoff, 1999). Once a favorable condition presents, related members must avoid complacency (Gates, 1999) because complacency will paralyze an organization. A firm must be careful when it gets to the arc of ambition or when it is approaching to the top of the business world. Dell (1999) said that as success followed on success, it was hard to imagine that growth would at some point become the greatest vulnerability of Dell Company.

Basing on analyzed data, managers should consider not only how past and present results have been achieved, but also whether their expected CA performance in the future is still on the competition track. In fact, in this era of knowledge-based economies, the "so-called instrument panel" provided by the BSC system has no ability to detect the match or mismatch of a firm's superior differentiation and its stakeholders'

maximum satisfaction; therefore, the adopting firms of the BSC have no alert ability to align the mismatch of their superior differentiation and their stakeholders' maximum satisfaction. Naturally, the invisible hand of durable CA may wave to the losers in the most competitive arena of the business world.

Management by Exception

An appropriate business management system must be a system by which managers can know how to engage in management by exception (MBE) and take corrective action against those unfavorably gaps in CA performance or else they can adjust the expected performance of CA. Management's concern and management's responsibility are everything that affects the performance of the institution and its results – whether inside or outside, whether under the institution's control or totally beyond it (Drucker, 2001). At the end of the year, leaders meet with their managers for Performance Achievement Discussions (Blanchard, *et al.,* 2004). In fact, at least monthly progress report or monthly performance evaluation must be made in the most competitive environment. Managers cannot ignore the unfavorable gap because it is a danger sign. The red-flag mechanism is a tool to help managers: (1) transfer the obtained information into the non-ignorable information, and (2) create an environment that can present reality and truth (Collins, 2001). The MBE of CA performance gaps is one of the most important activities in modern business management. Unfortunately, however, why does the BSC system not build the MBE of CA performance gaps into a business management system?

Corrective Action

The corrective action in relation to CA performance gaps and reshaped visions must be taken immediately through a feedback control system. Corrective action is taken to close the unfavorable gap (Flood, 1999). If there is a warning signal of underperformance to managers, corrective action should be taken immediately to: (1) bring CA performance gap back to a normal condition, and/or (2) adjust the expected performance of CA so as to reflect those changing conditions. If it is deemed necessary to reshape the business vision, Nadler (1989) pointed out that there must be a rational description as to why the vision is needed, or why the change is desired. A feedback control system should provide feedback on progress (Blanchard, *et al.,* 2004). Without feedback, people have no way of knowing whether performance is on the mark or falling short (Blanchard, *et al.,* 2004). Of course, measurement systems need to be focused on continuous improvement, not a blame culture (Moullin, 2004). As for an example, just because one takes continuously corrective actions during his driving course, he can get to his destination every time; there will be definitely a disaster if he fails to do so. Unfortunately, however, the BSC system has hardly discussed about how to take corrective actions to CA performance gaps and/or reshaped visions.

Discussion about the Competitive Advantage Scorecard versus the Balance Scorecard

As to the critical comparison of such items as the actual performance of CA under the SBV, the expected performance of CA under the SBV, performance variances of CA, management by exception, and corrective action, a discussion has been made in the section of discussing about the CAM model versus the BSC; therefore, there is no need to repeat all of them in this section. However, the definition, function, major characteristics, flow chart, and performance measurement of the CAS are explained below.

The Definition and Function of the Competitive Advantage Scorecard

The CAS is defined as a business performance management system by which firms can deal with performance-related activities of planning, monitoring, and checking so as to help their members harness their strongest types of CA for maximizing their stakeholders' satisfaction over their rivals (Hsu, 2005a). In the CAS, CA measurements are interwoven and interrelated, and interact in highly aligned ways; therefore, the CAS is to feel the pulse of changes in many types of durable CA in a firm and provides early warning signals for corrective action and continuous improvement. First, through a series of cause-and-effect relationships embodied in the CAS, these quantitative and qualitative measures can detect the variances or gaps between the actual performance of CA and the expected performance of CA in a firm. Second, with the CAS, managers can use the management dashboard to direct their attention to the unfavorably significant CA variances. Finally, the CAS is to obtain the loyalty of its stakeholders first and then to further influence the stakeholders' friends, relatives, colleagues, and the like. With the CAS, a firm may take defensive action to protect it and/or take offensive action to hurt competitors.

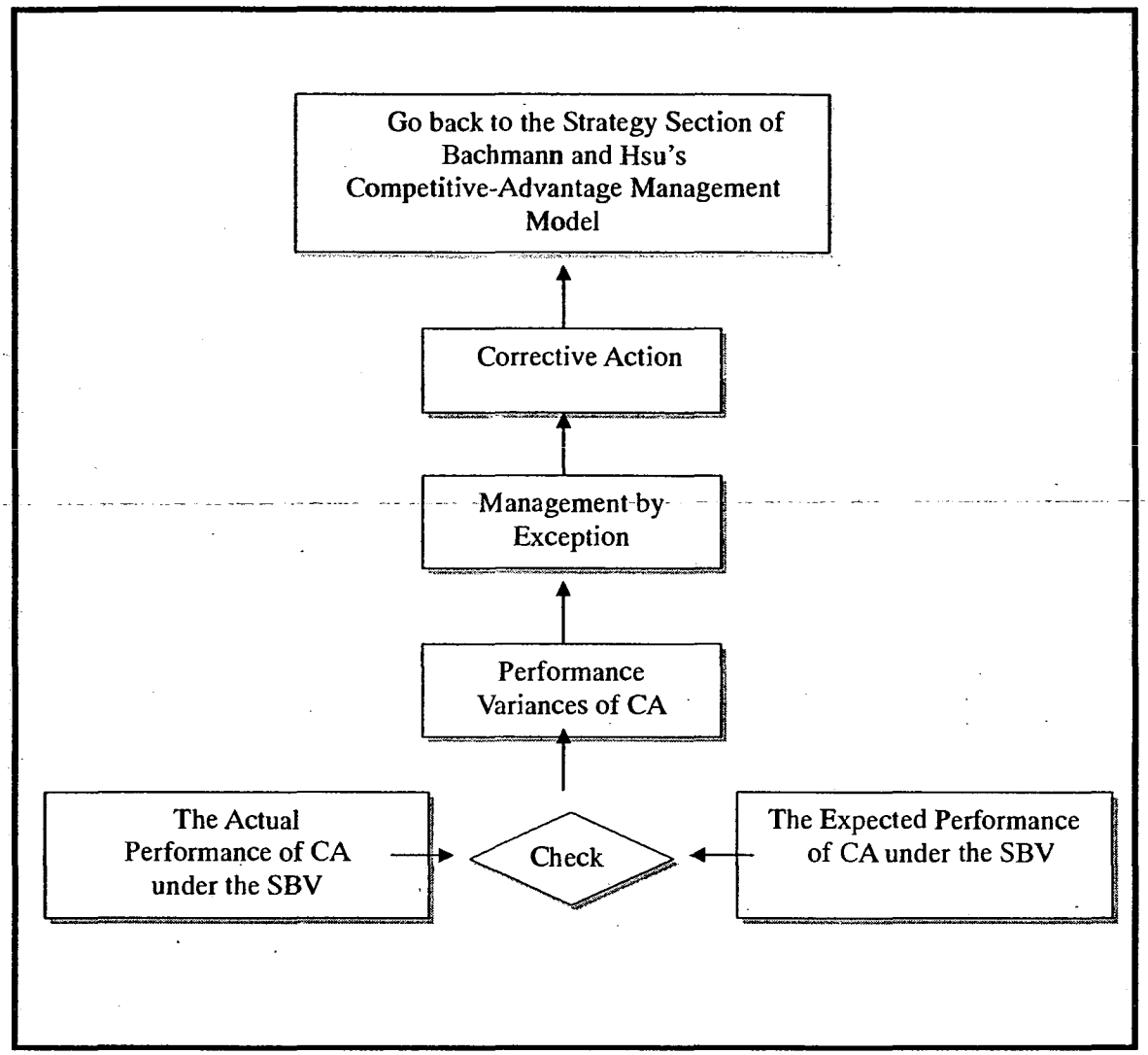
The Major Characteristics of the Competitive Advantage Scorecard

There are three major characteristics of the CAS. First, the CAS is a system that integrates the most decision-relevant performance drivers for management by integration. As for an example, a performance management team, together with the heads of business functions and/or strategic business units, and the management accounting and control staff, must be formed of performance-related activities in a firm. In the CAS, leaders must ask their followers to monitor the integrated relationships among all the significant elements mentioned as above. Second, in the CAS, managers can engage in management by significance. If a firm can manage those significant things, it can definitely measure them. Kroger, *et al.,* (1998, page 166) pointed out: "Performance measurement plays a critical role in encouraging people to stay focused and work on activities that are relevant to the company's goals." The CAS focuses on the significant measurement of quantitative CA and qualitative CA that relate to each type of durable CA. In the CAS, the most fabulous shortcut to create many types of durable CA is to input resources on the most significant function (e.g., products, services, images, and the like); when having created a type of durable CA, the firm quickly move to next function to create and sustain another type of CA. Finally, the CAS is a system of management by exception (MBE), which manages those most unfavorably exceptional gaps of performance.

The Flow Chart of the Competitive Advantage Scorecard

The CAS is a CA-monitoring part of the CAM model (Hsu, 2005a). The flow chart of the CAS includes five major parts as shown in the flow chart (see Figure 3.3). The CAS is a non-prescriptive template; therefore, users in different functional areas can develop a template to suit their special needs.

Figure 3.3: Flow Chart of the Competitive Advantage Scorecard under the Human Relations View



Source: Hsu (2005a, page 1.41)

The Performance Measurement of the Competitive Advantage Scorecard

Owing to the increasing competition resulting from the globalization of business activities, a firm more often needs to measure the different facets of its business performance so as to remain the match of its superior differentiation and its stakeholders' satisfaction. Without precise measurement, firms and managers will not be able to make proper judgments (Rivas-Micoud, 2006). When competing in the world's marketplace, a firm has to measure in a timely manner: (1) the degree of the actual satisfaction of its stakeholders, (2) the degree of the expected differentiation of the firm, and (3) the gap between the firm's actual performance and its competitors' actual performance. Figure 3.4 depicts the performance measurement of the CAS within a firm. In the performance measurement of the CAS, there are at least four categories in the systematic classification. The first category related to stakeholders could be classified into at least five forces: CA related to customers, CA related to suppliers, CA related to bankers, CA related to employees, and CA related to investors/stockholders (Hsu, 2005a). In the CAS, the five forces of CA not only measure the stakeholder satisfaction status (including the financial claims and non-financial desires) of a firm, but also determine the status of firm profitability and firm reputation. In Porter's theory (1985), the five competitive forces determine industry profitability; however, they cannot be used for measuring the match or mismatch of a firm's superior differentiation and its stakeholders' maximum satisfaction.

The second category concerned with the nature of CA could be classified into two kinds of CA: quantitative CA and qualitative CA (Hsu, 2005a). On the one hand, quantitative CA is composed of many quantitative attributes such as lower cost, more competitive prices, faster delivery time, and the like. The kinds of measurements for quantitative CA can be numbers, ratios (including percentages), or trends. On the other hand, qualitative CA is composed of many qualitative attributes such as cost leadership, the quality of products/services, the relationship with stakeholders, and the like. Generally, qualitative CA is relatively difficult to measure, so the measuring costs are higher; however, qualitative CA reminds business managers of other equally important concerns.

The third category based on the types of CA could be classified into many different types of CA. When using the CAS, managers must keep the substance of CA or superior differentiation in mind because the substance of CA or superior differentiation can be exploited as the development basis of sources and types of CA. The "substance of CA or superior differentiation" may be one attribute among several other combinations of profundity, exactness, promptness, goodness, innovativeness, splendour, inexpensiveness, security, and/or satisfaction (Hsu, 2005a). The "form of CA or superior differentiation" may be one among several combinations of more competitive prices, higher quality products/services, lower costs, and the like (Hsu, 2005a). There are different types of CA in different industries (Hsu, 2005a). In the CAS, the optimal number of the types of CA for most firms lies somewhere between 20 and 30.

The fourth category consists of measurement variables of CA. The measurement variables for a firm and its competitors include performance formulae, expected performance, actual performance, performance variance, a scale of performance standard, and accountability. A performance formula is a prescribed form of words, symbols, rules, concepts, or principles in which something is clearly stated. For example, the simple earnings per share are derived by dividing net income by shares of common stock outstanding during the period (Smith and Skousen, 1987). A scale of performance standard within some specific types of qualitative CA may be an accepted standard for measuring an end-result of CA performance. For example, Simons and Davila pointed out that ROM (return on management) is a qualitative indicator that shows a direction (Drucker, *et al.*, 1998). Qualitative CA can be measured in a questionnaire survey on a four-point scale ranging from a weak degree of CA to a strong degree of CA. It might be 4 (above average performance), 3 (average performance), 2 (acceptable performance but below average performance to a certain pre-established tolerance threshold), and 1 (an exception indicator for unacceptable performance). Accountability means accountability management, which communicates all pertinent and appropriate information to management and supervisory people who deserve credit or blame. If the aforesaid simple earnings per share do not meet the requirements of the scale of performance standard and there are unfavorably significant variances between the actual performance of CA and its expected performance of CA,

then a scientific approach to management by exception will be started, related accountability will be followed up, and corrective action will be taken immediately.

Once the measurement variables are implemented, periodic reviews assess the results of each indicator in the CAS system with regard to both the firm's recorded score and competitors' recorded scores. For an organization's goals to be reached, every person – whether working individually or in a group – needs to know what he or she will be held accountable for (Blanchard, *et al.,* 2004). Performance measures should reward behavior that contributes to business success (Kaplan and Norton, 1992, 1996a, 1996b; Sim and Koh, 2001). Reward those who do well because people need to be motivated in order to work harder (Rivas-Micoud, 2006). Rewarding devices should also be built in each perspective of a firm's stakeholders. The reward system supports both the team and the individual (Peters and Waterman, 1982). Of course, proper penalties must be given in a timely manner to those people who do something bad.

Figure 3.4: Performance Measurement of the CAS within a Firm

CA Related to Stakeholders	Nature of CA	Types of CA	Measurement Variables of CA
Customers	Quantitative CA	More competitive prices and discounts	
		Faster delivery time of products/services	
	Qualitative CA	Higher quality of products, services, and/or images	
		Better relationships with customers	
Suppliers	Quantitative CA	Lower transaction costs to suppliers because of collaboration	
		More reasonable investments in dedicated assets made by suppliers with the firm's assistance	
	Qualitative CA	Better collaboration with suppliers	
		Better relationships with suppliers	
Bankers	Quantitative CA	Exact payment of interest to debt-holders on the due date	
		Exact payment of principal to debt-holders on the due date	
	Qualitative CA	Higher quality of financing documentation to bankers	
		Better relationships with bankers	
Employees	Quantitative CA	Better offers of wages, allowances, and employee welfare	
		More reasonable demands regarding working hours (including overtime)	
	Qualitative CA	Better working environment	
		Better environment for organizational learning and knowledge management	
Stockholders/ Investors	Quantitative CA	Better earnings per share	
		Better returns from share-price appreciation	
	Qualitative CA	Higher quality of services to investors	
		Better sustainability of corporate image, reputation, and trust	

Source: Hsu (2005a, page 1.22)

An Illustrated Success Story of Far Eastern Textile Limited

Introduction

In 1942, Mr. Yu-Ziang Hsu (1911 – 2000) founded Far Eastern Knitting Factory Co., Ltd. in Shanghai to make "Skyscraper" (brand name) underwear for sale throughout the world (Hsu, 1994). In 1949, this company moved from Shanghai to Taiwan and installed its factory in Panchiao nearby Taipei (Hsu, 1994), and then it was a former firm of Far Eastern Textile Limited (FETL). After continuous renovations, expansions, and mergers and acquisitions, FETL is the largest and most vertically integrated textile company in Taiwan, the leading producer of polyester and related products in Asia, the top five polyester fiber producer of the world, and the top 30 textile manufacturers worldwide (Hsu, 2002a). Founder Yu-Ziang Hsu developed many companies and formed the Far Eastern Group (FE Group). In FE Group, FETL is the flagship company of the US $22.4 billion-asset FE Group (Hsu, 2002b). FE Group holds diversified businesses in a wide spectrum of industries: synthetic fiber and textile, apparel, cement and building material, department store and retail, marine and land transportation, petrochemicals, banking and securities, investing, construction, communications and internet, tourist hotel, information technology services, education (e.g., Yuan Ze University is ranked as Taiwan's best private university), hospitalization (e.g., 1100-bed Far Eastern Memorial Hospital), and other benevolent funds (Hsu, 1994; Hsu, 2002a). So far, FE Group has had 131 companies; there are 91 local companies in Taiwan, and there are 40 overseas companies in the People's Republic of China, Hong Kong, Philippines, Malaysia, Singapore, Thailand, Japan, Canada, and the USA.

During the period from the beginning of 1992 to the end of 2002, this researcher had had opportunities to play important roles of Export Manager of FETL in Taiwan, Accounting Manager and Auditing Manager of Far Eastern Industries (Shanghai) Company (i.e. FETL's subsidiary company) in the People's Republic of China, and Vice President and Controller of Filsyn Corporation (i.e. FETL's subsidiary company) in the Republic of Philippines. Therefore, this researcher knows the success story of FETL very well. Up to this writing, FETL and FE Group have not adopted the BSC system. This success story helps to illustrate the theory and practice of CA Management, the CAM model, and the CAS. High-performing leaders can respond quickly to change,

deal with ambiguity, provide direction, manage around constraints, and leverage the commitment and intellectual capital of the people around them (Jones, 2004); the success of FE Group has proved the importance of CA Management and high-performing leaders.

How to Manage the Internal Resources under the Resource-Based View

What were the first resources input into FETL by Founder Hsu? They were not 4Ms (i.e. money, machinery equipment, materials, and man-power), but they were four mottos and management principles -- sincerity, diligence, thrift, and prudence. As noted by Founder Hsu (1994) in his book, *A Struggling Worker in the Past 80 Years,* one has to be sincere to show his credit and cooperation; one has to be diligent to make something useful; one has to be economical in dealing with the consumption of resources; and one has to be prudent in speech and action. Dr. Douglas Tong Hsu (i.e. Founder Hsu' son, the Chairman and CEO of FE Group and FETL) often mentions to FETL stakeholders that the corporation has been operating under the aforesaid four management principles (Hsu, 2002a). In addition, CEO Hsu often instills other management concepts into the minds of FETL people. As for an example, at the year-end banquet for all the employees of this company in 2001, CEO Hsu announced that the corporate would have placed focus on the 7 E's: entrepreneurship, excellence, extension, excitement, e-Commerce, environment-friendly, and encouragement.

As for organizational development, FETL has a good chart of organization with a mechanism like a system of human body. It has central and auxiliary departments, a Fiber Division, a Textile Division, and a Research Institute. Each division is a strategic business unit (SBU). Money, land, machinery equipment, and other equipment can be borrowed or rented; however; capable persons cannot be borrowed or rented, and they must be developed by a firm itself. Founder Hsu (1994, page 348) said: "There are a great number of capable persons in FE group. This is one of the reasons why FE group has been so successful." Founder Hsu did belief that staffing a right person for a right job is the most important thing of business management, so he selected his co-partners, subordinates, and business successor by his benchmarks of sincerity, diligence, thrift, and prudence (Hsu, 1994). The practice of FETL human resources can be verified by Collins's (2001) assertion that employees are not the most important assets, but right persons are the most important assets. A head of FETL must: (1) select his right subordinates, (2) implement his departmental plans and activities, (3) control his

departmental budget, (4) improve his departmental business processes, and (5) achieve his departmental visions and missions. Competing in the global marketplace requires the contributions of multi-talented, multi-cultural people working together to achieve success (Rivas-Micoud, 2006). Nowadays, FETL is getting things done through the contributions of multi-talented and multi-cultural people in its subsidiary companies.

As to management systems, Founder Hsu (1994, page 357) said: "Management is to seek for good performance. The basic purpose of management is to set up management systems for business functions. Any kind of management system must include and integrate all internal business processes." Each and every head of the business functions or strategic business units has to develop and update his departmental management system in conformity with the rules and specifications of FETL and the International Standard Organization (ISO). In FETL, all internal business processes must be simplified, rationalized, standardized, and systemized so that management systems can be good, complete, and sound. All employees are encouraged to make proposals to improve existing internal business processes; after passing the examination by the Committee of Promoting Suggestions for Improvement, qualified employees can get cash reward (Hsu, 1994).

How to Deal with Strategies

In FETL, the great mind of the strategist is cultivated from constant practice in real business activities. FETL management authorities know Sun Tzu's *The Art of War,* and other related books on strategies. Some strategies of FETL are open secrets and can be announced openly. Founder Hsu (1994, page 357) said: "The management strategies of FETL are high efficiency, high quality, high pay, and low cost." As announced by CEO Hsu (2002a), the strengthening of market positions and technological leadership as well as the improvement of service excellence are always the predominant strategic themes. In order to be more competitive, FETL's strategies are to: (1) focus on niche markets like USA, Japan, France, and Germany; and (2) develop high value-added specialty products (Hsu, 2002a). In order to set a good example, the top-level management often talks about these kinds of strategies so as to nurture the strategist's mind of the middle-level and lower-level managements. However, the top management of FETL never discloses such corporate strategies as acquisitions and mergers, research

and development, marketing mix, and the like. In a monthly meeting for reporting progress on financial and non-financial results, FETL managers often bring real issues into discussion and preset their strategic thinking, strategy formulation, and/or strategy implementation as best as they can; however, outside the FETL organization, managers do not speak out confidential business strategies to outsiders.

How to Cope with the External Environment under the Competitive Position View

FETL managers can quickly response to big events occurred in external environment. CEO Hsu obtained a master degree of Economics at Columbia University in the USA. No matter where he is in Taiwan or foreign countries, CEO Hsu often walks outside to: (1) observe and understand markets, customers, and non-customers; (2) search for excellence in the affairs of marketing, manufacturing, and general management; and (3) study other significant subjects. FETL managers also place emphasis on the impacting factors of the external environment, including competitor analysis, outside stakeholder analysis, industry studies, governmental policies and regulations, business cycles, economic trends, price fluctuations, foreign exchanges, and the like. Each manager always updates new information so that he can answer CEO Hsu's spot-check questions. Sales representatives of FETL often collect marketing information in relation to competitiors. In order to cope with the impacting factors of the external environment, the top, middle, and/or lower management always discuss them quickly and reach their consensus for prompt action. As an old Chinese saying goes, a tiger leads a herd of lambs, all lambs act like a tiger; a lamb leads a group of tigers, all tigers behave like a lamb. In short, good leaders produce more leaders, not more followers (Rivas-Micoud, 2006).

How to Prepare Comprehensive Plans

At least one quarter before the commencement of next fiscal year, each department head is required to submit his department's mission statement and commitment statement for reporting in a corporate meeting. This meeting provides managers with a working environment in which robust dialogues are prevalent. Through the robust dialogue, truth is over harmony, mutual understanding melts misunderstanding, and synchronization is better than individualization. In the meeting, managers have to face critical comments, argue for assumptions, trade off the balance of the short-term benefits and the long-term benefits, and deal with many challenging problems. Collins (2001) confirmed that department heads must strongly argue for seeking the best solution, but they have to abandon their departmentalism to support the company's final decision. After that meeting, a departmental growth budget is submitted to the Accounting Department for preparing a corporate master budget. A financial forecast of this company is required to submit to the Taiwan Securities and Futures Exchange.

How to Implement Comprehensive Plans and Related Activities

Having once prepared comprehensive plans, FETL members have to implement the firm's plans. All what FETL does is to make each and every member become a star performer. In the past, Founder Hsu's was a chief commander of this profitable growth firm and he did not let business problems live tomorrow. His attitude in terms of demanding excellence in the quality of work has been remembered by FETL members. Founder Hsu (1994, page 52) pointed out: "Concentration on those things which I decided to accomplish is my major character. I never give up what I have set out to do. I always implement all of them thoroughly; otherwise, I cheat myself really." Founder Hsu (1994, page 409) also said: "On holidays, I seldom go for golfing, but I often go to my factories to look around, talk with my people, and find some real problems." Founder Hsu was such a perseverant person who always said that "let us do it and let us see the outcomes."

FETL managers always monitor each of all new operations, and this is one of the reasons why FETL has been so successful in creating, sustaining, and monitoring many types of durable CA. In FETL, each and every head of the business units has to get right things done right through their people. Their people not only understand the organizational culture, management philosophy and policies, communication and reporting systems, and related internal business processes, but they also devote themselves to fulfill their mission statements and commitment statements as well as control their departmental budget. In FETL, any ineffectiveness, inefficiency, irregularity in conduct, unethical activity, unwise decision, unreasonable offer and acceptance, unmeaning measurement, non-cooperation, non-observance, non-sense, irrelevance, irresolution, irresponsibility, and the like must be taken out or reduced as much as possible through the well-established departmental management systems, internal control system, and internal auditing system during routine operations. Sometimes, motivation is required particularly when people are not in high spirit. Superiors motivate their people and provide them with useful tools and latest information so as to take right action in the high spirit of challenge.

How to Get the Actual Performance of Competitive Advantage under the Satisfaction-Based View

To maximize customer satisfaction

FETL management authorities believe that time management is a type of time-based differentiation. Through the systems of e-Commerce and CRM (Customer Relationship Management) in FETL, they can provide its customers and distributors with full catalogue, price list, ordering and delivering services, and related services. Marketing people can process sales orders, delivery time, and other services to buyers faster than ever before. As to cost-based differentiation, FETL purchasing committee calls a monthly meeting to formulate purchasing strategies by which its purchasing department can make good buying decisions. Its warehousing staff are assigned a watch and ward responsibility to guard against any losses through leakage, wastage, scrap, and damage. Its manufacturing staff are strictly responsible for paying much more attention to manfacturing processes and formulas so as to maintain cost levels and cost differentiation. FETL people believe that quality management from purchasing to the customers' premises is a type of quality differentiation. Being the world's leading polyester manufacturer with advanced technology and innovation, FETL Fiber Division continues to produce a variety of high-tech fibers and specialty yarns to better serve its mid- and downstream customers (Hsu, 2002a). Examples are given below. Far Eastern Industries (Shanghai) Ltd., a subsidiary company of FETL and a world-class polyester and polymer plant, won quality award from US FDA in January 2001 and ISO 9001 certificate in March 2002 (Hsu, 2002a). Nike designs the style of sports clothes and FETL provides Nike with quality products -- functional clothes (e.g., water-proof, air-ventilation, warmth-storage, sweat out and moisture away, and the like). Speaking of service-based differentiation, marketing managers, sales representatives, and technical services managers of FETL often visit customers to maintain better relationships with customers. To offer premium quality products to customers, FETL people commit themselves to strengthening customer relationship management and customer services through ABC (after-sale, before-sale, and customer communication) activities. Any customer complaints were quickly and reasonably resolved. Company cars are assigned to FETL members to assist in servicing customers in their assigned regions.

To maximize dealer satisfaction

FETL pays much more attention to maximizing dealer satisfaction. Founder Hsu (1994, page 358) said: "FETL always maintains a good and stable relationship with the dealer over all the island of Taiwan. FETL pays extra bonus to those outstanding dealers for their good performance in sales and their latest information in market. FETL holds an annual banquet for promoting and enhancing the mutual understanding and collaboration one another. In 1992, FETL chartered an airplane of China Air Line and invited hundreds of the corporate dealers for taking their vacation in Singapore."

To maximize supplier satisfaction

In order to maximize supplier satisfaction, FETL has accomplished many things. First, through the selection and examination of suppliers, FETL has gradually reduced the huge number of suppliers so as to enhance supply-chain-collaboration factors. Second, through the system mechanism of e-Commerce, supply chain management (SCM), and central purchasing center, FETL not only has provided its suppliers with the earliest convenience in time-saving, but also provided them with some facilities for cost-saving and energy-saving. During collaborative relationships, FETL shares information with its suppliers, and then its suppliers invest their dedicated resources in order to increase business capacity. Finally, through the system of outsourcing, FETL has provided: (1) its outsourcing-partners with many working opportunities in many aspects of business activities, and (2) its customers with higher quality products, lower costs, faster delivery time, and the like.

To maximize banker satisfaction

In order to maximize banker satisfaction, FETL always makes each exact payment of interest and principal to its bankers on due date. Moreover, FETL provides its bankers with financial statements certified by public accountants on a timely basis and invites its bankers to check the physical and operational status of FETL' business sites and manufacturing premises periodically. Founder Hsu (1994, page 331) said: "I ask T.N. Soon CPAs firm to certify our company's financial statements...Our audit report and financial statements are recognized and accepted by many international financial institutions in the world."

To maximize employee satisfaction

FETL has always emphasized on human resource management for maximizing the satisfaction of its employees. The new, knowledge-based economy places great importance on the diffusion and use of information and knowledge, as well as on its creation (Metaxiotis, *et al.,* 2005). Knowledge is obtained by learning faster. Knowledge management, organizational learning, and learning organization are indispensable in this era of knowledge-based economies. For fulfilling these purposes, FETL keeps setting up a better learning and growth environment (e.g., job rotation, job training, seminars, and the like) for employees. Founder Hsu (1994, pages 350 - 351) pointed out: "Job rotation applies to each and every one of FETL members...Job rotation makes everybody have opportunities to do his best at different workplace...After experiencing many job rotations, he will not be undermined if he is really a capable person."

Thousands of organizations around the world already have engaged in establishing and further developing their corporate universities - with highly competitive companies at the forefront (Rademakers, 2005). Advanced corporate universities in the US, Europe and Asia know how to link knowledge transfer, exchange and creation with corporate strategy (Rademakers, 2005). They are the key mechanisms to coordinate and drive dispersed knowledge-driven innovation processes within and across organizations (Rademakers, 2005). To cultivate knowledge workers for the new century, FETL aims to turn itself into a learning organization so as to give its employees the tools and skills needed to succeed in this international marketplace (Hsu, 2002a). FETL employees have opportunities to learn knowledge at the FETL Training Center located at Panchiao factory during their working time (Hsu, 1994). Most of FETL employees (who are prepared to be a section chief or a department head) are required to have continuing-education courses (which are equivalent to EMBA courses) at Yuan Ze University; FETL pays their tuition expenses, but participants pay their transportation and book expenses (Hsu, 1994). Once they pass the entrance examination of the graduate school of Yuan Ze University, they can pursue and obtain their master degree. These may be regarded as certain types of organizational learning. FETL has performed corporate knowledge enhancement for many years so as to continuously increase the growth of its employees and its business entity.

FETL human resources department sponsors periodic questionnaire survey of employee satisfaction and announces the survey findings on *Far Eastern Magazine Monthly*. These findings can reflect the fact that the maximum satisfaction of FETL employees has resulted in higher job satisfaction, higher job involvement, lower work stress, lower turnover intention, and the like. Through the system mechanism of e-Commerce and ERP (Enterprise Resource Planning), CRM (Customer Relationship Management), and SCM (Supply Chain Management), FETL employees can provide stakeholders with useful services; naturally, this is one source of work achievements and employee satisfaction. Maximizing employee satisfaction has been thought as one of many types of durable CA in FETL because it is able to attract and retain high quality employees for this company. As to remuneration, FETL offers a good package of wages, allowances, and employee welfare benefits to employees in exchange for excellent performance.

In addition to an annual bonus, an extra bonus is also given to those employees who have excellent performance. More reasonable demands regarding working hours (including overtime) are necessary and essential for the security and health of employees in FETL. In order to motivate entrepreneurship and boost productivity and autonomy, FETL has promoted a stock-investing plan for its managers. As for safety, FETL provides employees with a good, comfortable, and safe working environment. By doing so, FETL really recognizes that employees are its most important asset. Besides, FETL abides by the Labor Standards Law so that there are no conflicts between the principal and the agent. Employees are required to perform their work, and their annual work performance is evaluated by their superiors on a delicately designed form. FETL asks superiors to fulfill the work measurement and talent review of their subordinates, and this evaluation program protects its employees.

To maximize stockholder satisfaction

As to financial reward, FETL stockholders are always satisfied with good ROI (return on investment), high productivity, high efficiency, and the like. FETL has earned a lot of dividends for its stockholders. Dividends issued by FETL can be either cash dividends or stock dividends. In regard to non-financial remuneration to its stockholders, FETL insists upon the better sustainability of corporate image, reputation, and trust. If a company has good and positive image, reputation, and trust, it is much easier for it to establish a good relationship with its stakeholders. Moreover, stockholders are satisfied with the "world enterprise" like FETL. The rationale of the world enterprise is to buy raw material wherever they are cheapest, manufacture wherever wages are lowest, and sell wherever the products will bring the highest price (Ohmae, 1982). In addition, business breakthrough may also make stockholders satisfied. As for an example, Founder Hsu (1994, page 130) said: "In 1959, I bought Zinset-brand textile machines made in West Germany because of their productivity and durability although those textile machines made in Japan were less expensive...With these Germany machines, FETL has made a great progress towards operations...After that machine-purchasing event, I always demand the newest technology to seek for the breakthrough of my textile business."

How to Achieve Missions, Goals, and Objectives

In FETL, there are a wide variety of missions, goals, and objectives to be achieved. "To establish my own enterprise is my primary objective. This is the main reason why I abandoned my studies in a senior high school for learning how to do business" said Founder Hsu (1994, page 39). CEO Hsu (2002a, page 6) pointed out: "In 2002, we will continue to concentrate on investing a lot of expenditures in R&D, developing new businesses, extending product lines into overseas markets, building up e-Commerce networks, implementing ERP (Enterprise Resource Planning), promoting CRM (Customer Relationship Management) and SCM (Supply Chain Management), and integrating the Far Eastern Group's strengths and resources." Although the Fiber Division of FETL has vertically integrated the production of upstream products, FETL strongly intends to expand the manufacturing of more technologically advanced and higher margin products such as PET resin, other specialty textiles, and the like (Hsu, 2002a). Although the Textile Division of FETL has already joined international players in the marketplace, FETL is in an effort to develop quality fabrics (e.g., quality yarn, new rayon, new synthetic fibers, wicking fabrics, long-lasting wrinkle-free fabrics, and elastic fabrics) for clothing and industrial applications (Hsu, 2002a). Being more innovative, more customer-oriented, and more effective in our corporate governance is always the ultimate goal (Hsu, 2002a). After the sad demise of Founder Hsu at the age of 90, the Yu-Ziang Hsu Memorial Foundation has been established with the aim to promote science and technology oriented projects (Hsu, 2002a).

With profound leadership, well-organized systems, good organizational culture, sound organizational personality, strategic thinking, complete plans, thorough execution, an excellent e-platform, and the like, FETL members always put all comprehensive plans into effect; as a result, the excellent outcomes in financial conditions and operating results of FETL are like those projectile rockets from land to sky. Thus, FETL achieves its missions, goals, and objectives year in and year out.

How to Reshape Business Visions

Vision is a central element of leadership as it is the link between strategy and people (Jones, 2004). CEO Hsu often reshapes business visions. According to CEO Hsu (2002a), in the volatile and challenging business environment, FETL must always adapt to all changes so as to: (1) maintain the leading position and continuous growth of different business units and operations, and (2) achieve growth in corporate value for the benefits of shareholders, customers, and employees. Only when succeeding in creating real value for customers, shareholders, staff, and all other stakeholders, will the existence and success of FETL be ensured on a long-term basis (Hsu, 2002a).

How to Estimate the Expected Performance of Competitive Advantage under the Satisfaction-Based View

CEO Hsu is energetic to continuously focus on creating the maximum of stakeholder satisfaction. As for an example, FETL commits itself to provide its customers with best know-how, best design, best quality, best price, and the like. As mentioned by CEO Hsu, FETL has invested more than NT$300 million in establishing the FETL R&D Center within its Hsinpu Fiber Plant to nurture innovation, new materials, and new products (Hsu, 2002a). FETL's future projects include research and development on bio-medical material, photo electronic material, high-performance polymer, fine chemical, and nanotechnology for high-performance materials so as to further upgrade and extend product mix (Hsu, 2002a). In regard to another example, FETL continues to reengineer and restructure its Apparel Division by quick adjustments, outsourcing, and relocations (Hsu, 2002a).

How to Find Out Performance Variances of Competitive Advantage

In the management systems of FETL, there is a "monthly progress report" for each strategic business unit (SBU); in the mean time, there is another "monthly progress report" for administrative departments. The monthly progress report is to: (1) disclose the financial as well as non-financial measures, and (2) provide the top, middle, and lower management levels with a strong base for the performance management. Although the form of the monthly progress report is not arranged as the form of the Competitive Advantage Scorecard (CAS), the substance of the monthly progress report is very similar to the substance of the CAS.

In FETL, a monthly corporate meeting for making a monthly progress report on financial and non-financial measures is held for departmental managers, the General Manager, and the CEO together. If an actual performance is not better than an expected performance, the top management of FETL deals with the significantly unfavorable performance gap. Every member in FETL should pay much more attention to the significantly unfavorable performance. An organization has been moving toward nourishing its good culture by establishing an environment for a robust dialogue for finding truth while the leader makes a review of performance and does not bring up the past bad performance (Collins, 2001). This scenario situation just noted by Collins seems to be occurring in the monthly corporate meeting at the site of FETL.

How to Perform Management by Exception

The Auditing Department of FETL must adopt the principle of management by exception and follow up all significantly unfavorable variances (i.e. gaps) of management performance, manufacturing performance, and marketing performance for an accounting period. When finishing its follow-up reports, the Auditing Department must make a reporting to management authorities in a corporate management meeting. Naturally, the way of solving problem by team work will lead to organizational learning, cultivate organizational culture, and promote the effectiveness and efficiency of this firm.

How to Take Corrective Action

FETL mangers are required to take corrective action to those significantly unfavorable variances (gaps) of management performance, marketing performance, or manufacturing performance without any unreasonable delay. The Auditing Department must follow up all related business activities. Under the strict but not apathetic performance evaluation system, those employees who have extremely bad performance will leave this company either in a voluntary choice or in a forced condition.

A Disadvantage of FETL

No one is perfect, but a natural person or a legal entity can pursue perfection in such an imperfect world. FETL also has a disadvantage of company politics (i.e. organizational politics). Kim and Mauborgne (2005, page 165) pointed out: "Youth and skill will win out every time over age and treachery. True or false? False. Even the best and brightest are regularly eaten alive by politics, intrigue, and plotting. Organizational politics is an inescapable reality of corporate and public life. Even if an organization has reached tipping point of execution, there exist powerful vested interests that will resist the impending changes. The more likely change becomes, the more fiercely and vocally these negative influencers – both internal and external – will fight to protect their positions, and their resistance can seriously damage and even derail the strategy execution process." In any firm, bad company politics will create a domino effect; it will ruin employee satisfaction first, and then it will spoil the maximum satisfaction of other stakeholders one by one. However, unfortunately, a few key persons in FETL have played company politics for a long time. It should have been eliminated earlier by CEO Hsu. Otherwise, such company politics will hinder the creation, sustainability, and monitoring of many types of durable CA in FETL.

Summary

The aggressive entrepreneur spirit, profound leadership, superior management philosophy, good organizational development, excellent management mechanism, and the like of Founder Hsu and CEO Hsu have already started an economic engine (Dell, 1999), a social engine (Charan, 2004), and a management engine (Hsu, 2005a) for this company. Therefore, FETL not only has shaped its superior differentiation, but it also has made a lot of values and contributions to the economic society in the world.

Conclusions and Recommendations

Conclusions

In critical comparison with the Balanced Scorecard (BSC), this study has provided a lot of findings, values, and contribution as mentioned in the main body of this paper. In order to sum up, some key points must be reemphasized briefly. Kaplan and Norton (1996b, pages 8 and 18) claimed that the BSC is a management system and more than a new measurement system (Hsu, 2005a); however, a critical literature review, a theoretical explanation, and a practical description found that the BSC is not as good a business management system as has been made out to be, and that the BSC cannot be regarded as a good performance measurement system. No one finds faults with the BSC, but it is justified that there are a lot of shortages and insufficiencies of the BSC system. The unsuccessful footprints of the MBO (management by objectives) system (Dinesh and Palmer, 1998) can be warning signals for the BSC adaptors because either business objective or business strategy is a very small potion of modern business management. All justification shows that the BSC does not meet the two basic requirements listed below.

First, based on based on the human relations view, an appropriate business management system must be designed and suited to the reasonably complex, subtle, and sophisticated mechanism of inputs, processes, and output; most importantly, its operations must be very easy, simple, and friendly to related stakeholders. However, it seems very difficult for the BSC to fulfill these standards easily. Several examples are given. It should be noted that the competition, survival, development, and success of a firm depend upon the appropriate matching of its super differentiation and the maximum satisfaction of its stakeholders; hence, they do not depend upon measuring and managing business strategy, as the BSC does. As we know very well, strategies are to be applied with discretion and stealth, but the BSC advocates openness and transparency; thus, the open exposure of confidential strategies can be fatal to firms, industries, and nations. Moreover, now that Kaplan and Norton (1996b) said that managers, like pilots, need instrumentation regarding many aspects of their environment and performance in order to map out their journey toward an excellent future outcome, why does the BSC system provide managers with so little instrumentation regarding many aspects of their environment? However, the CAM model specifies CA-creating

parts (i.e. internal resources under the RBV; strategies; the external environment under the CPV; comprehensive plans; implementation; the actual performance of CA under the SBV; the achievement of missions, goals, and objectives; and business visions) very logically and clearly.

Second, based on based on the human relations view, an appropriate performance management system must be able to generate reliable and valid data for members under the simple, easy, and economical principles. It seems very hard for the BSC to perform these requirements satisfactorily. Some facts are illustrated. The BSC does not prove: (1) that the reliable and valid relationship between multiple measures and a single strategy has existed significantly, and (2) that linking multiple measures to a single strategy has really had a powerful influence to inspire employees to have the mind of strategists. Moreover, an appropriate performance management system must be simple, easy, and economical, but the BSC system is complicated, difficult, and expensive. However, the CAS plays a CA-monitoring role in the CAM model. The CAS system specifies the CA-monitoring parts (i.e. the expected performance of CA under the SBV, performance variances of CA, management by exception, and corrective action) very systematically and meaningfully. In the CAS, CA measurements are interwoven and interrelated, and interact in highly aligned ways; therefore, the CAS functions in numerous ways for the benefits of a firm, management authorities, and stakeholders (Hsu, 2005a).

In short, CA Management along with the CAM model and the CAS system are required to help firms survive and thrive continuously (Hsu, 2005a); furthermore, the illustrated success story of Far Eastern Textile Limited is in conformity with the theory and practice of CA Management, the CAM model, and the CAS. Therefore, the theory and practice of CA Management, the CA Model, and the CAS can be applied to any business organization for achieving the business success of profitability and reputation.

Managerial Implications

There are three important implications. First, facing constant changes in this era of knowledge-based economies, a firm must set up an appropriatebusiness management system and an appropriate performance management system. Those systems must be based on the human relations view and the satisfaction-based view of the firm. Second, the constant checking and balancing the appropriate match of a firm's superior differentiation and the maximum satisfaction of its stakeholders is the key to a firm's success. Finally, employee satisfaction must be emphasized equally. Once employees are satisfied, they have a pleasant mood and profound ability to maximize the satisfaction of other stakeholders. Otherwise, employees may have a low degree of willingness to work for their firm.

Suggestions for Future Research

There are two suggestions for future research. One is personal interviews and the other is mail surveys. Through personal interviews, research data can be collected to intensively report the more comprehensive performance of CA Management in a firm or an industry under the CAM model. Through mail surveys, an empirical study can be made to report the more specific performance of CA Management in an industry under the CAM model. This researcher believes that the aforesaid proposals should happen next in his selected area of research.

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