What is the Link Between Competitive Advantage and Information Technology?

Posted on October 17, 2019

Well, to begin with, economically, the term competitive advantage is described as " the advantages that a country or economy has, through which it is able to produce a batch of goods or services of equal value at a much lower cost, more effectively.

What originates competitive advantages are factors that are laid down in cost structures, infrastructure, the supply chain network, and the quality of the products or goods offered. These advantages are further achieved by firms or countries who have advance uses of technology in their systems. Information technology has led to increased opportunities for countries to invest in information technology to get an edge. (Porter & Millar, 1985; World Bank, n.d.).

Business and business people need to get familiarized with the uses and technicalities of the new technologies to help them work efficiently. It is not merely about getting or using information technology, but how effectively and creatively we use the machines and technology in a way different from their competitors. Most businesses make a blunder by laying down a creative system which is almost similar to what other businesses are doing. To have an edge means to have a distinctive feature in their operations, productions, logistics, customer services, etc.

Now we shall consider certain factors to which Information Technology has contributed to businesses in creating competitive advantage. (Bharadwaj, 2000; OECD, 2024).

This is not only for a firm which is a highly multinational company, but even a small business or just a Start up needs Information technology to stay ahead of its rivals. The business has to get an edge over its rivals, either by producing at a cheaper cost or producing a better quality.

(https://www.investopedia.com/terms/c/competitive_advantage.asp)

(https://www.useoftechnology.com/information-technology-competitive-advantage/)

Firstly, the major ways in which information technology is affecting businesses in a positive way are listed below:

The structure of the businesses has now been established in a modern way.

It gives the firms the means and modes to outperform their competitors.

It has created many new business opportunities even within the existing businesses.

How is the value of the system or IT calculated? Well, if the value produced by a company through a newly laid down system is more than the costs incurred, then we can conclude that the firm has gained value and benefits from the advancement.

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If we outline the number of various ways in which we can make use of information technology to achieve a competitive advantage, there are many that we have in our mind and in practice at many enterprises around the globe. Some of the major areas are:

E-Commerce – the widespread of businesses online has taken a whole new elevation in the corporate world these days. As much as consumers are facing increased workloads, e-commerce has helped consumers experience shopping from home. Many businesses have now started online retailing. However, some have maintained a distinguish and careful customer service support to gain an edge cause in E-commerce, a customer is one who needs to be satisfied.

Supply-chain management – this is an advanced system of inventory control. It does not really need manual efforts of making and keeping records, instead it uses IT to make sure that there is always enough products and clerical supplies, as per what the demand is.

Privacy – IT has helped maintain the confidentiality of many firms these days. It helps protect data of clients and employees, this can definitely gain a competitive edge.

Collaborative software -many automated quality program software help motivate teamwork. It helps share documents and major files among the group members easily. This is less time consuming and economically less costly.

Automation software – this is where the company is able to automatically keep track of the number of sales, purchases, customers and transaction details. It can make these documents available for various departments and make its use in Financial accounting related tax calculations.

Besides the areas of competitive advantage mentioned above, some new innovative designs or creative software could help businesses stand out and gain an edge over rivals. Giant companies are usually those able to utilize resources to capture the latest ever technologies and implement them in their system. However, small companies could be innovative and distinctively come up with new software to enhance the functionality and efficiency of their productivity.

(https://www.profitableventure.com/competitive-advantage-information-technology/)

Conclusion:

Eventually, the assessment of the topic comes down to the part whether information technology really helps in gaining a firm's competitive advantage or not. This topic is subject to many arguments and different perspectives altogether. But if we weigh the advantages of IT, we can see that the investments by firms in IT and its major role in strategic management functions and other value-added systems have contributed to a firm's sustainable growth and, thus, competitive advantage. Also, one of the most important ideas behind IT is not merely investing in the machines, but the additional inputs that are required are equally essential, of which the most crucial is the "human element" or "human capital", as we may call it. Without an expert or skilled human staff, the machine is likely to remain idle and useless. So some scholars argue that it is still in human's capabilities to look for the businesses competitive advantage and not solely a matter of IT. Moreover, some also argue that since IT is available to all firms and businesses, it cannot be a source of competitive advantage.

Nevertheless, there may be loopholes in any theory supporting IT as a tool for competitive advantage, but it does primarily help achieve competitive advantage by cutting costs down and helping in differentiating.

(https://ojs.ebrjournal.net/ojs/index.php/ebr/article/viewFile/167/pdf)

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