

## What Is Strategy?

By Michael E. Porter

Today's dynamic markets and technologies have called into question the sustainability of competitive advantage. Under pressure to improve productivity, quality, and speed, managers have embraced tools such as TQM, benchmarking, and reengineering. Dramatic operational improvements have resulted, but rarely have these gains translated into sustainable profitability.

Porter explains how efforts to improve operational efficiency have led to the rise of mutually destructive competitive battles that erode profitability. Operational effectiveness, although necessary for superior performance, is not sufficient, because its techniques are easy to imitate. In contrast, the essence of strategy is choosing a unique and valuable position rooted in systems of activities that are much more difficult to match.

Porter traces the economic basis of competitive advantage down to the level of the specific activities a company performs. He shows how making trade-offs among activities is critical to the sustainability of a strategy.

Whereas managers often focus on individual components of success such as core competencies or critical resources, Porter shows how managing fit across all of a company's activities enhances both competitive advantage and sustainability.