

How Are Comparative Advantage and Competitive Advantage Different?

Sometimes people confuse comparative advantage with competitive advantage because both relate to how a business (or an entity) can achieve better results; however, they are different.

	DIVISION OF LABOR BY COMPARATIVE ADVANTAGE	COMPETITIVE ADVANTAGE
 WHAT IS IT?	Arranging the responsibilities of a company, a group or individuals to maximize overall results.	Applying superior capabilities to offer products and services customers value more than their alternatives.
 WHAT DO WE GAIN?	Better specialization and collaboration leading to more productive individuals and teams.	Long-term success due to capabilities that are difficult to replicate.
 WHAT IS COMPARED?	Relative ability of team members to contribute in different roles or with different responsibilities.	Relative performance of competitors who provide a specific product or service in the marketplace.
 WHEN IS IT USED?	Continually, to optimize the division of labor among team members.	When determining where and how we should compete (or exit) and where we need to improve.
 WHO USES IT?	Everyone, to discover how they can best contribute. Leading this effort is a critical responsibility of supervisors at all levels.	All employees, especially those in management, business development, sales, marketing, investments and trading.