Competitive strategies as an effective instrument of enterprise development

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Received:
8 November 2015

Revised:
16 November 2015

ABSTRACT. Nowadays the business environment is very unstable, so the companies should adapt quickly to the changes in the market to maintain their positions. That's why the effective instruments of management will provide their success. The most successful companies are those that focus their efforts strategically. A successful strategy adds value for the targeted customers over the long run by consistently meeting their needs better than the competition does. Strategy is the way in which a company orients itself towards the market in which it operates and towards the other companies in the marketplace against which it competes. It is a plan an organization formulates to gain a sustainable advantage over the competition. The central strategic issue: why different companies, facing the same environment, perform differently.
Strategy answers the following questions:

- What are the sources of the company's sustainable competitive advantage?
- How a company will position itself against competition in the market over the long run to secure a sustainable competitive advantage?
- What are the key strategic priorities?

Enterprise strategy is a long-term plan, which allows to lead business to success in the marketplace by satisfying customer needs better than the competition does. A competitive strategy allows a company to produce or sell goods more effectively than another business. Business owners commonly develop business strategies in order to maintain a competitive advantage. Several types of strategies are available in the business environment. Business owners can use standard strategies or develop their own strategy. Flexibility is an important feature of competitive business strategies.This article is describing the essence of the "strategy", the main features of competitive strategies and stages of its implementation..

KEYWORDS: *Competitive strategies, Strategy, Stages of the process of strategic management*

Introduction

Nowadays, firms throughout the world are being challenged by both domestic and global competitors. Thus competition is at the core of a firm's success or failure, and competitive strategy is at the heart of a firm's performance in the competitive environment. Competitive strategy is a firm's search for a favorable competitive position in an industry, and its objective is to establish a profitable and sustainable position against the forces that determine industry competition. The most significant theoretical foundation of competitive strategy was contributed by Michael Porter, who defined three generic strategies – Cost Leadership, Differentiation, and Focus – which are theoretically thought of as a means of establishing strategic group membership at the business level.
The word *strategy* has been borrowed from the military domain. It comes from a combination of two Greek words, *stratus* and *ageing*, which respectively mean *army* and *commander*. Literally, strategy means as the art of commanding the army in the battlefield. As far as history is concerned many small groups which were outnumbered in terms of military and outnumbered in terms of weapons succeeded in the battlefields because of the right strategies employed. The importance of strategy is not limited to the military; at present other disciplines including businesses have widely adopted the very concept of it and apply it to business activities to gain competitiveness. In strategic management, business strategy is defined as the direction and scope of organization over the long term which achieves advantage for the organization through its arrangement of resources within a changing environment and fulfills stakeholders. Business strategy is designed to help an organization to gain an edge over its competitors where assessment of internal strengths and weaknesses are matched against external opportunities and threats. Certain foreign scientists did research work on this theme, e.g. Alfred Chandler, Henry Mintzberg, John A. Parnell, Michael Porter, James Waters, and others. But still there are some questions that have to be solved.

Purpose of the article

The research objectives for this study are to identify the essence of the term of *strategy* and features of competitive strategies as an efficient instrument of enterprise development.
According to Henry Mintzberg business strategy is an overall plan of action which determines the competitive position of a firm. Business strategies are implemented through the major functional strategies of marketing, finance, human resources management, production, technology and research and development. Besides all these functional strategies, Porters generic strategies have been adopted and been discussed at great length in the literature. For the well-established business that has been operating for some time there is a distinctive pattern or trend to their business strategies. These strategies are the best match that businesses can make between their internal strengths and weaknesses and the opportunities and threats created by external factors. Although different business focus on different strategies with one another accordingly, the nature of business, customers, technology, location, to name but a few factors, determines what sorts of strategic practices are adopted for the best survival of a firm.
Since the 1960s numerous researchers have attempted to define *strategy*. Alfred Chandler described strategy as the process of determining the organization's long-term goals and objectives as well as the process of adopting a course of action and allocating sufficient resources. Later scholars, such as Henry Mintzberg and James Waters, contended that strategy was more a pattern of action resulting from whatever intended (deliberate) or unintended (emergent) strategies were realized,

thus indicating that strategy could be something more than an explicit plan of action. Incorporating both the intended and apparent manifestations of strategy in a dynamic and responsive sense and embracing a broad range of participants, Kerin defined strategy as a fundamental pattern of present and planned objectives, resource deployments, as well as organizational interactions with relevant markets, competitors, and other environmental forces. Over a 40-year span of re-examination and redefinition, strategy has been regarded as the pivotal construct of the business-planning process and the critical mechanism used to align firms with their environments. The current literature on strategy is able to provide at least 10 separate schools of thought and a variety of definitions focusing on divergent perspectives (Parnell, 2006).

According to M. Porter, cost leadership indicates that cost reduction becomes the major theme running throughout strategy. The emphasis of this strategy is efficiency. The firms using this strategy hope to take advantage of economies of scale by conducting continuous search for cost reductions in all aspects of the business. By using a differentiation strategy, a firm tries to be unique in its industry along some dimensions that are widely valued by buyers. The firm that hopes to maintain differentiation strategy needs to have strong R&D, marketing, and creativity skills as well as good communication with distribution channels and other business alliances. Quality, delivery, flexibility, and innovativeness are all operational objectives that are consistent or fit with differentiation oriented strategies. The focus strategy is different from cost leadership and differentiation in that it relies on choosing a narrow competitive scope within an industry. Firms using this strategy typically seek to gain a competitive advantage through effectiveness rather than efficiency. M. Porter also pointed out the two variants of focus strategy. In differentiation focus, firm's base focus on differentiation, targeting a specific segment of the market with unique needs not met by others in the industry, while in cost focus, firms have access to specialized production and operations equipment to save costs from smaller production lots or runs.

Focus strategy can be used by a wide range of companies and is most effective when consumers have distinct preferences or competitors overlook the niche. Despite initially having been given strong empirical support, Porter's generic competitive strategies were later challenged by a number of studies. These researchers argued that the generic strategies lack specificity, lack flexibility, are limited. The particular conceptual limitations proposed by those researchers include the following: generic strategies are not mutually exclusive; generic strategies are not collectively exhaustive and thus are unable to describe the strategies adequately; and the appropriateness of Porter's simple notions of low cost and differentiation in the current corporate environment characterized by increased global competition and technological change is questionable (Kissinger, 1994).

To address some of the above criticisms, researchers started to make efforts in developing alternative typologies of generic strategies. A very useful one was proposed by Mintzberg, who distinguished focus from differentiation and cost leadership. He pointed out that the focus strategy defined the scope of a market domain based on the resource held by the firm, whereas the other two generic strategies reflected how a firm competes in the relevant market domain. He further argued that cost leadership did not provide an advantage by itself but had to result in below-average market prices to be a competitive advantage and hence had to be regarded as differentiation by price. Specifically, Mintzberg disaggregated Porter's differentiation strategy into differentiation by marketing image, product design, quality, support, and undifferentiating. Mintzberg's arguments were empirical supported by Suresh Kotha.

In response to the criticisms of generic strategies, the proponents of the combination strategy approach based their arguments not only on broad economic relationships but also on the evidence demonstrating how individual firms have identified such relationships unique to one or a small group of firms in an industry. Following this logic, Cliff Bowman and David Faulkner noted the importance of value activity competitive strategies since buyers see price and not cost. They argued that sustainable competitive advantage is achieved by offering products or services that are perceived by customers to be better than those of the competition regardless of price, or to be equal to the competition but at a lower price, or to be better and cheaper.

Following the strategy-performance approach, Parnell presented a refined conceptualization of competitive strategy by integrating research founded on the resource-based view (RBV) of the firm and proposing value and market control as the two prominent overarching factors in business strategies. The refined market control-value framework includes five conceptual anchors: emphasis on value, emphasis on market control, moderate market control and value emphasis, strong market control and value emphasis, and lack of emphasis on either value or market control. The typology developed by John A. Parnell incorporates Porter's original framework, follows the logic of the RBV, and is sensitive to recent changes in the competitive environment. Hence it represents a balance between the generalizability and parsimony typically associated with strategic group models and the specificity and completeness sought by proponents of the RBV (Coolins, Porras, 1994).

Porter's generic strategy matrix, which highlights cost leadership, differentiation and focus as the three basic choices for firms, has dominated corporate competitive strategy for the last 30 years. According to this model, a company can choose how it wants to compete, based on the match between its type of competitive advantage and the market target pursued, as the key determinants of choice. Porter's generic strategy typology remains one of the most notable in the strategic management literature. A business can maximize performance either by striving to be the low cost producer in an industry or by differentiating its line of products or services from those of other businesses; either of these two approaches can be accompanied by a focus of organizational efforts on a given segment of the market. Any organization that fails to make a strategic decision to opt for one of these strategies is in danger of being «stuck in the middle». The organization in failing to decide, tries both to be the cost leader and differentiator and achieves neither, and in the process confuses consumers.

A. Cost leadership strategy for the business enterprise

A cost leadership strategy is based upon a business organizing and managing its value adding activities so as to be the lowest cost producer of a product (good or service) within an industry. A successful cost leadership strategy is likely to rest upon a number of organizational features. Attainment of a position of cost leadership depends upon the arrangement of value chain activities. The broad scope of cost leaders means that they attempt to serve a large percentage of the total market. Companies pursuing a low-cost strategy will typically employ one or more of the following factors to create their low-cost positions:

1. accurate demand forecasting combined with high capacity utilization,
2. economies of scale,
3. technological advantages,
4. outsourcing,
5. learning/experience effects.

Many business players in the market would bristle at the thought that they are pursuing a low-cost leadership strategy. Rather, they envision their firms as pursuing some sort of balance between low-costs and differentiation. Certain brands like do not offer significantly more than the basics. Management in these companies is very good at keeping costs at a minimum.

B. Differentiation strategy for the business enterprise

A differentiation strategy is based upon persuading customers that a product is superior in some way to that offered by competitors. In differentiation strategies, the emphasis is on creating value through uniqueness, as opposed to lowest cost. Uniqueness can be achieved through service innovations, superior service, creative advertising, better supplier relationships leading to better services, or in an almost unlimited number of ways.

The key to success is that customers must be willing to pay more for the uniqueness of a service than the firm paid to create it. Firms following a differentiation strategy can charge a higher price for their products. The differentiation strategy appeals to a sophisticated or knowledgeable consumer interested in a unique or quality product.

C. Focus strategy for the business enterprise

A focus strategy is aimed at a segment of the market for a product rather than at the whole market. Firms pursuing focus strategies have to be able to identify their target market segment and both assess and meet the needs and desires of buyers in that segment better than any other competitor. Focus strategies can be based on differentiation or lowest cost. There is much debate as to whether or not a company can have a differentiation and low-cost leadership strategy at the same time (*Doing Business: The World Bank reports, http://www.doingbusiness.org/reports/global-reports*). The strategic management process is a dynamic process and one of continual change and improvement. The dynamic nature of the process stems from the ever-changing environments in which companies operate. The more fact that change remains a constant in business environments should be a driver for organizations to be proactive and embrace the strategic management process. The core of the strategic management process breaks down into three functional components: strategy formulation, strategy implementation, and strategy evaluation (Figure 1). Although the core functions appear to be simple in nature, the systematic and in depth analysis of the functions is the driving force behind the process.

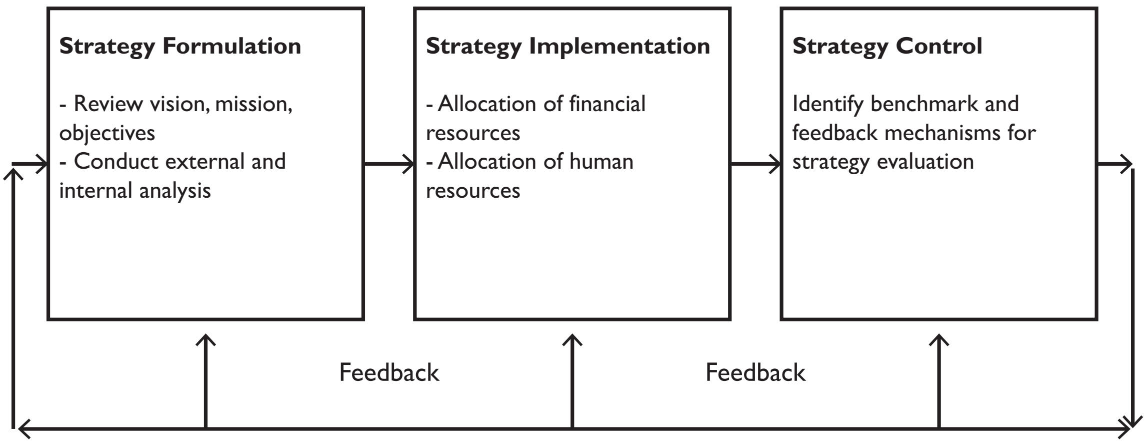

Figure 1. The strategic management process

The strategy formulation component is the driving force of the analysis. An in depth look at firm direction begins at this point. The focus in this stage is to assess the current vision, mission and objectives of the organization in addition to examining both the external and internal environments. From an external perspective, organizations need to look at two distinct environments: the broad environment and the task or firm environment. The broad environment looks at factors, including societal trends, technological advances political and legal trends, economic factors and other major industry innovations. The task or firm environment looks at factors such as customers, competition, government agencies, suppliers, and financial intermediaries. Finally, the internal environment focuses on factors within the organization such as management, financial, and human resources and general organizational competencies. After careful evaluation and measurement of these environments, executives develop strategies to pursue that will enhance the longevity of their respective organizations. The implementation stage looks at engaging both financial and human resources in the pursuit of the strategies. The final stage of the process reviews strategy execution on a continual basis and allows for feedback and adjustment (Pretorius, 2008).

Conclusion

With the new millennium, a large amount of research has been conducted within the field of lodging competitive strategy, while extensive studies have focused on the areas of effective and efficient application of information technology, especially the Internet and data mining technology; strategic human resource management; service quality management; strategic relationship marketing, branding, and pricing as well as business revenue management. Other studies are closely related to exploring the ownership patterns of the business industry or examining the application of a specific overall competitive strategy in the business market. More recent studies are particularly concerned with the relationship between strategic behaviors and business performance. These studies have revealed significant insights into the contemporary competitive strategies employed in the business market from both practical and academic perspectives. However, most of the studies confined the research domain at one functional level or within a specific geographic region; more comprehensive studies remain to be taken that can effectively upgrade the research generalizability and offer management implications from the overall industrial level.

The complexity of forming and implementing competitive strategy has continued to increase. To a large extent this has resulted from the intensive competition in the international lodging market and the tremendous changes taking place in the global business environment in this period of time. Multinational companies are challenged by the rapid development of information technology; changing demands from lodging consumers with various economic, cultural, and educational backgrounds; higher returns required by investors; increasing necessity for foreign expansion; and dramatic changes in global security and natural environment. In responding to these challenges, multinational hotel firms have applied a variety of competitive strategies, which have been recorded, analyzed, and extended in the research works of contemporary lodging scholars.

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Sintesi

La recente e perdurante instabilità economica globale rende necessario che le aziende apprendano a rispondere con flessibilità alle esigenze del mercato, per mantenere le proprie posizioni. Le compagnie più solide sono infatti quelle che riescono a orientare strategicamente i propri sforzi, creando un valore aggiunto per i clienti nel lungo periodo, e riuscendo a rispondere con rapidità e costanza ai loro bisogni.
La strategia è l'elemento che permette alle aziende di orientare il proprio operato in base al mercato reale in cui esse operano, tenendo conto delle aziende operanti nello stesso ambito, mediante l'elaborazione di un piano che l'azienda oppone ai propri competitors e che permette che, nelle stesse condizioni di mercato, diverse compagnie ottengano risultati differenti. Il concetto di "Strategia", le principali strategie di competizione e gli stadi di implementazione di queste strategie sono descritte e analizzate nell'articolo. Esistono molte strategie possibili, ciascuna azienda può adottare un modello standard noto o elaborare una strategia personalizzata, in cui la flessibilità è sempre un elemento fondamentale. Le domande alle quali il piano strategico deve poter rispondere riguardano i punti di forza della compagnia; la maniera per prevalere sui competitors nel mercato di riferimento; le priorità da perseguire. Si tratta di un piano di lungo periodo che ha come obiettivo la soddisfazione del cliente.