The Analytical Approach to the Competitive Strategy and the Process of its Formation

Ramūnas Časas

Ph. D. student of Department of Marketing
Vilnius University
Saulėtekio al. 9, build. I
LT-2600, Vilnius, Lithuania
Tel. +370-2 76 89 84
Fax. +370-2 76 89 69
E-mail: ram.casas@aiva.lt

This paper aims at taking an analytical look at the concept of competitive strategy, taking into account already existing vast theoretical heritage in the strategy research. In particular, this article tries to determine and articulate basic concepts and definitions necessary for the theoretical analysis of competitive strategy and to offer an evaluation of the theories and approaches to the background of formation of competitive strategy. The main sources of information were theoretical works on strategy, strategic management, marketing, articles by researchers and practitioners working in areas related to the aforementioned ones. Reviewing and analysing the contributions of the authors in this field, in the paper the competitive strategy is called "company strategy, seeking competitive advantage". Although the ability of the company to reach the competitive advantage may be classified as the company-specific capability, the analysis of various theories has shown that the company can seek the competitive advantage in three distinct ways: by availing itself of unique environmental conditions, by having unique resources or by establishing the relationships and co-operating with other companies. All these concepts are closely linked together and complement each other.

Key words: *competitive strategy, competitive advantage, strategy*

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Introduction

The problem. In recent years strategy has become one of the most popular topic of research: a great deal of scientific articles in management and economics focus on this particular subject. However, many authors in this and related issues admit the fact that one cannot explore the subject of strategy only from the perspective of economics or management: quite often these scientists employ theories, concepts and approaches that are not fully suitable or precise enough for that analysis and the research of strategy. The strategic analysis itself embraces such areas as organization theory, industrial economics, neo-classical economics, network theory, transaction costs theory, etc. (Foss, 1996(a); Hamel and Prahalad, 1994; Singer, 1994; Teece, 1984; etc). Such complexity and even popularity of strategy as an object of research has contributed to the absence of general and universally approved definition of theory or at least the concept of strategy. Different authors in their works often manifest very different approaches to this subject, strategic theories, and concepts that sometimes appear to be totally in opposition. The same is true in a particular sense – speaking of competitive strategy, origins of its formation, practical application of theoretical conclusions and vice versa.

Speaking of competitive strategy, in most cases the three generic strategies outlined by M. E. Porter are implied: cost leadership, differentiation, and focus (Porter, 1980). However, these strategies are but the peak of an iceberg in the analysis of competitive strategy. In terms of strategic target and strategic advantage they define only the final stage of implementation. Moreover, identifying which of the above-mentioned strategies a company uses in the market does not allow evaluating such parameters as company's priorities, principles and background of competition, factors, and conditions determining the success of certain competitive strategy.

Purpose and tasks. This paper aims at taking an analytical and integrated look at the concept of competitive strategy, taking into account an already existing vast theoretical heritage of strategy researchers.

The particular tasks of this paper are:

1) to determine and articulate basic concepts and definitions necessary for the competitive strategy of theoretical as well as practical analysis;

2) to offer an integrative evaluation of the theory and approaches to the background of formation of competitive strategy.

Method of research and sources of information. The paper makes use of theoretical analysis of the problem. The author essentially reviews and analyzes various works, articles and publications by the scientists and practitioners working in this field and presents his own views, general conclusions and evaluations. It should be emphasized in advance that the purpose of this paper is to take a look at the object of research from the point of economic or management theories. That is to say, an attempt has been made to look at the object of research with the eyes of the so-called strategy analysts.

The main sources of information are theoretical works on strategy, strategic market, marketing, articles by scientists and practitioners working in areas related to the aforementioned ones.

The concept analysis:

The concept of competitive strategy

Taking a look at the definition of the term "competitive strategy" one can see that this term is given a number of quite different meanings. For instance, M. E. Porter (Porter, 1980) does not distinguish between competitive strategy of a company and the strategy of a company in general. Following him, the company's strategy equals to competitive strategy. According to the followers of Porter, M.-J. Chen and D. Miller, competitive strategy is a business strategy to make a direct influence on competitors (Chen and Miller, 1994). Other authors distinguish competitive strategy as a specific company strategy type and define it as "a plan about the future positioning of the business's offering, relative to those of competitors, in the eyes of customers" (Ohmae, 1982). It means that competitive strategy comprises four variables: future perspective (time), consumers, competitors and company's economic activity. Meanwhile, still other authors consider competitive strategy only a company's marketing strategy (Rao and Bass, 1985) or, in other words, competition of a separate product in the market (Sanchez, 1995). These given examples show that competitive strategies can be analyzed in a great variety of profiles: an object of analysis can be a company, a strategic group of companies (Bogner and Thomas, 1993; Aaker, 1995), as well as the result of company's activity. The object of such an analysis could also a be company's management or one of the areas of company's activity, such as marketing.

However, it would be more rational to formulate the definition of competitive strategy by supposing that the competitive strategy is a company strategy type. Its specific purpose distinguishes it from strategy in general. Thus the definition of competitive strategy, further employed in this article, is as follows: the competitive strategy is a company strategy seeking advantage against its competitors. In other words, it is a strategy, seeking competitive advantage. By the way, such a definition is not original in itself, the same or similar has been used by K. P. Ahmed and M. Rafiq, K. P. Coyne, D. Schendel (Ahmed and Rafiq, 1992; Coyne, 1986; Schendel, 1991).

Holding to the aforementioned definition of competitive strategy, one can specify two concepts of further research: the company's *strategy* and the *competitive advantage*. The subsequent analysis of various theories and scientific works has proved a separate examination of these two terms to be of no avail.

The concept of competitive advantage

The significance, attributed to the concept of competitive advantage by various authors has revealed their opinions and formulations to be fairly synonymous. The majority of cases treat the concept of competitive advantage as the exclusivity of the company immune to competitors (Aaker, 1995; Ghemawat, 1986; Kotler, 1997; Stalk, 1988). This could mean a unique technology that allows producing unique – cheaper or better – products that surpass in value those of the competitors, as well as company's capabilities in R&D of new products, etc. However, such an explanation of the competitive advantage lacks in thoroughness, because it does not reflect one of the significant reasons that make a company strive for an advantage in the market: the shareholders/stakeholders of company (Besanko, Dranove and Shanley, 1996). Therefore, it is reasonable to expand the concept of competitive advantage and to define it as an ability of the company to create a greater value than its competitors, reaching at the same time a higher profitableness than is average (in the industry, among the competitors, etc.). Even though this definition emphasizes the interests of two sides: the shareholders/stakeholders and consumers/buyers, it is obvious that in the long term the decisive role will be played by the former. The (economic) value received by the shareholders should exceed that, created for consumers/buyers. Such long-term objects set by shareholders make the company strive not for an instant advantage, but for a sustainable competitive advantage. Aaker, Coyne, Kotler, Porter and others mention such an advantage in the works (Aaker, 1995; Coyne, 1986; Kotler, 1997; Porter, 1980, 1985). The sustainability of competitive advantage becomes problematic, when a company conducts its activity in rapidly emerging markets or industries. Rapidly changing demand and bargaining power of consumers/buyers and/or hyper competition: sudden increase of their number, innovation, rapid development and implementation of new technologies, etc., expand sustainable competitive advantage by the concept of effectiveness. This comprises operational effectiveness and progressive technologies, fit across company's activities, effective company management (Porter, 1996). In other words, competitiveness of company has to be evaluated in two aspects: result of activities (satisfied shareholder and customer) as well as methods and procedures how the result was achieved. The second condition assures that current performance of company is the best output of the company management when other conditions stay unchanged.

In general, the concept of competitive advantage could be formulated as following: it is company's ability to effectively create in a long time period a value that surpasses that of its competitors and, at the same time, to reach the profitability that is higher than the average of the industry. It should be the most accurate definition, as it takes into account all the three aspects of the company's activity: shareholders, company's managers and staff, and buyers/consumers.

The concept of strategy

The concept of strategy in management or economics is extremely diverse, its meaning depends upon the context, the object discussed and the way of discussing. The works by might be called the beginning of company's strategy research A. D. Chandler, I. Ansoff, K. R. Andrew (Chandler, 1962; Ansoff, 1965; Andrew, 1971). The first of the authors was one of the pioneers to formulate the strategy that comprises the following elements: goals of company, field of activity and required resources. The rest of the authors have defined strategy as a maximal realization of company's advantage, by making use of the opportunities provided by the market. In other words, it is a balance between the decisions that the company can and could make in the market. Such a formulation of company's strategy integrates the individual features of the company together with external factors into one whole: taking advantage of its strengths and minimizing its weaknesses, company seeks to make use of opportunities, provided by environment, and to escape the threats. As a pattern of strategic planning, such a scheme with slight revisions has survived up to now. However, the scope of the interpretation of the concept of strategy has only expanded: strategy is the management of natural competition and how it compresses time (Henderson, 1989), how one goes seeking a personal gain (Schendel, 1991), creating fit among company's activities (Porter, 1996), how to position and manage a company, so that efficiency may be created, protected and possibly increased (Kay, 1993), the art of nurturing, accumulating and deploying rent-yielding resources (Foss, 1996(a)), managing of conflict between manager's goals and company's resources (Hamel and Prahalad, 1993), etc.

One of the deepest interpretations of the concept of strategy is provided in the works of H. Mintzberg. This researcher offers his main five starting points from which the strategy can be evaluated and analyzed (Mintzberg, 1987):

- strategy is a plan, a consciously intended course of action, a set of guidelines to deal with a situation;
- strategy is a ploy, a manoeuvre intended to outwit a competitor;
- strategy is a pattern in a stream of actions;
- strategy is a position, a means of locating a company in an environment;
- strategy is a perspective, an ingrained way of perceiving the world.

Each of these various interpretations is dominated by different priorities in the process of the perception and formation of the strategy. These priorities are: the company, the competition, environment, the model of action, and the perception of the surrounding world. All these categories cannot be discussed separately, because they are closely and dynamically connected together, as, by the way, H. Mintzberg has himself emphasized.

In the face of recent dynamical changes in micro- and macro-environments, many authors are facing the necessity to take a new look at the concept of strategy. Interpretations of L. T. Hosmer and A. E. Singer could be listed among the most extraordinary ones. According to them, the strategy is ethics (of company) (Hosmer, 1994), a moral philosophy (of company) (Singer, 1994).

All the above-mentioned interpretations of the strategy concept could be united under one statement: the strategy is a sum of purposeful decisions. If we are speaking about opportunities of the company (standpoint of Asoff and Andrew), the strategy is the decisions that realize the company's opportunities; if our subject is the management of competition (Henderson, 1989), it is the decisions, concerning management of competition; if the subject is the position in the market (Mintzberg, 1987), then the strategy means decisions that strive to take a position in the market and to adapt in it. If the strategy is the company's ethics or philosophy, then the decisions are the means for a company to communicate its point of view, its relationship to the environment, and are directed towards self-expression.

The criteria of complexity (sum of decisions) and purposefulness are mutually closely linked and are very important, speaking of strategy. The first emphasize what could be called the consistency, stability and complexity. Striving to achieve the chosen strategy, the company subjects all its departments, resources and forces for its realization. The strategic decisions of the company's management are realized through the departments of marketing, sales, finances, human resources, supply, production, etc., where they turn into strategies of marketing, financing and distribution, etc., which in their turn become programs, tactical decisions. Control procedures and financial performance, as well as dynamics and impact of environment, enable to correct the strategy, but cardinal decisions are usually impossible and undesirable. (This is especially true to companies operating in global markets or markets with a low and indefinite degree of uncertainty.) It is recommended to maintain the chosen direction and to make use of previous results and advantages achieved. In the cases where absolutely all decisions and their implementation in the company are mistaken, they usually end in bankruptcy.

However, it has to be pointed, that above-mentioned criteria of complexity and purposefulness do not mean that strategy is always planned and beforehand determined. As it will be deeply discussed later in this paper, particular internal as well as external conditions even can make planning impossible at all. For instance, in the risky markets with high uncertainty level it does not make a sense to talk about strategy, formulated on the information from the market, when the data is changing very fast or is unreliable.

The concepts of competitive strategy formation:

The criterions of definition

All the concepts mentioned in the paper were mostly described and briefly analyzed from the strategic management point of view and, as it could be noticed, sometimes the science does not provide 'cloudless path in the puzzle of examination'. Therefore, it would be useful and important for further research to employ economics theories. This is because economics theories could provide a relatively clear definitions in which many strategy issues may be precisely represented. Furthermore, economics theories may supply a frame of knowledge that may serve as a foundational element for further strategy research. Such questions as: what are the sources of competitive advantage, how sensitive competitive advantage to environmental changes or how environmental conditions influence the process of competitive advantage formation, could be simply hard to understand and answer without understanding the nature of basic of competition. Strategic management does not tell much directly about the main question of strategy research (as well as this research): which factors may make a competitive advantage sustainable?

Bearing in mind, that research on strategy has been primarily concerned to understand what makes a business organization effective in its environment, the following concepts would be critically important to determine as criterions of the further research: company boundaries, company sources for competitive advantage and attitude towards the environment (or other actors).

The basic criteria to differentiate the formation process of competitive strategy are the following:

- the company-environment interface → the boundary;
- the priority of outside or inside forces in strategy formation process → the source;
- the nature of company's relation to the environment → the attitude.

The first criterion is linked to the boundaries of the company. The boundaries of the company issue relates to which activities or transactions should be undertaken in companies, which should take place in various intermediate forms (e.g. joint-ventures, licensing arrangements, etc.), and which should be handled in the market. These issues have critical strategic significance, because such questions like diversification, outsourcing, etc. straightly involve the issues of the boundaries of company (Foss, 1997). From a strategy perspective, the boundaries of the company derive their strategic importance from the fact that they determine the company's sourcing of resources, help determine the terms at which resources may be acquired, influence the extent to which rents may be appropriated from. Thus, in this perspective, the issue of the company boundaries is seen to be directly relevant to the issue of competitive advantage of the company. That is because knowing something about the company's boundaries also could tell something about how and how efficiently strategic resources are organized. Or, in other words, the purpose of determination and setting the boundaries of the company in the strategy formation process is to focus on the variables which determine the effectiveness of the company and which also subject to the influence of the company – that can be managed. In the context of company-environment interface (or company boundaries in environment), two extreme patterns are possible: company is clearly defined in the environment or there are no precisely defined boundaries of the company in the environment.

According to the second criterion, as V. Tamaševičius puts, it, the formation of the strategy can be directed from the outside into the company or from the inside of the company outside. In the first case, external factors of the company and its environment determine the pattern of the strategic development of the company, and its success will depend upon finding its place among the present structures of the market or its actors. In the second case, internal factors, priorities and resources of the company determine the choice of the strategy and its success in the market (Tamaševičius, 1996). Following this approach, two extreme standpoints can be pointed out: subjective and objective views to the environment as well as to the process of strategy formation, and later, to the strategy implementation stage.

According to the third criterion, the formation of competitive strategy can be evaluated, depending on the relations to the environment that will be maintained in implementing the strategy. The extreme points of this criterion are "direct competition" and "cooperation". Implementing its competitive strategy, the company can employ every possible means to exert influence on the competitive environment (for example, by marketing efforts through consumers; by acquiring a potentially strong competitor, etc.). As an alternative possibility, the company may partially refuse its independence and freedom of activity, to escape a direct competition by making agreements of cooperation, alliances and joint-ventures vertically (with competitors) as well as horizontally (for example, with suppliers).

On the basis of the factors named, one can distinguish the following concepts of the competitive strategy formation (1 picture):

1. Concept of external environment adaptation.

2. Concept of internal resources and capabilities.

3. Concept of relationships and cooperation.

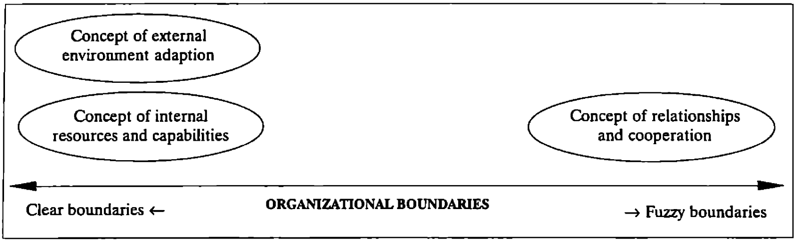
Each of these concepts have as their theoretical background, those fields of economics, which had grounded the theories, concepts, approaches that constitute these concepts. Further analysis is based on the theories, concepts, listed in the Picture 2.

1. Concept of external environment adaptation: *competitive advantage is acquired by company's abilities to adopt market and avail itself of its possibilities.*

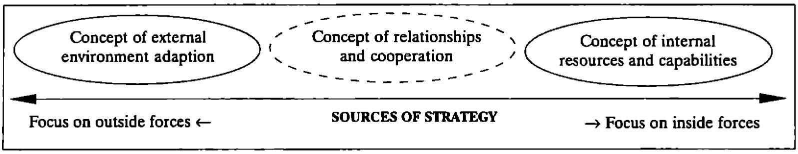
Output of J. S. Bain, F. M. Scherer, A. Philips, M. E. Porter, and their followers is essentially this: industries, structure and characteristics of market define competition in the market and also determine strategies of individual companies. The model of any industry/market is perceptible through the prism of the framework:

> *"structure (supply/demand conditions and market structure) → conduct (price-output policies, R&D, advertising, etc.) → performance (efficiency, equity, etc.)"*

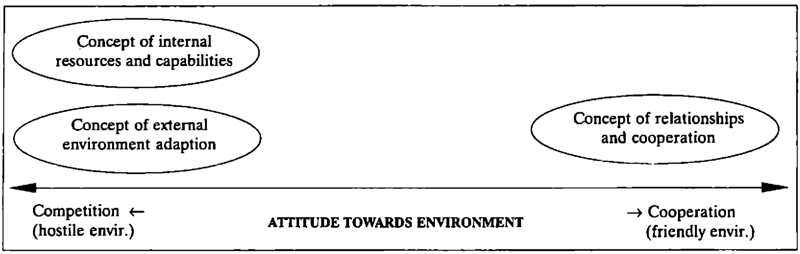
Five generic market-influencing powers determine the development of the market and



Picture 1a. Concepts of competitive strategy in the context of organizational boundaries



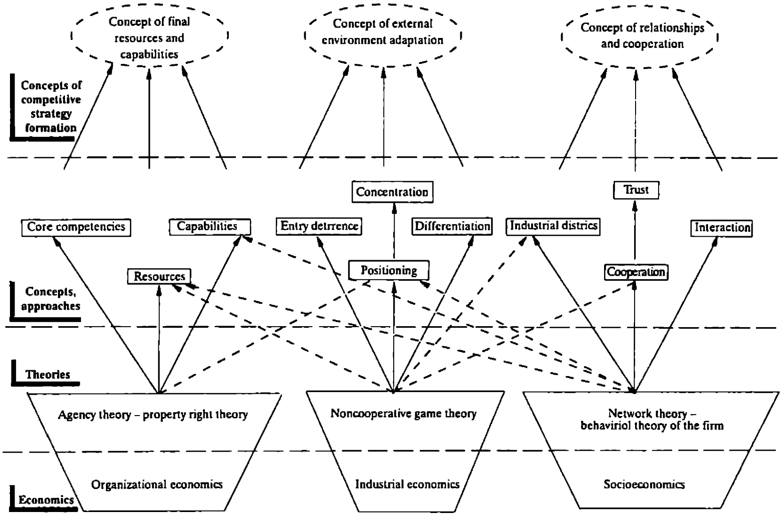
Picture 1b. **Concepts of competitive strategy in the context of the priority of forces in defining strategy**[1]



Picture 1c. **Concepts of competitive strategy in the context of attitude towards other actors/environment**

[1] In the picture dotted circle means that the concept of competitive strategy does not have clearly defined position in the axis line in between two extreme points.

its profitability as well as individual results of separate companies. Although this approach does not neglect the phenomenon of an individual company, one should nevertheless admit its tendency to emphasize and highlight the significance of the "right" market and the choice of competitive position in it. The choice of the best position will serve as a prerequisite for a company to defend itself from competitors and also to influence them in the most suitable way. The basis of the most favourable result consists of taking advantage of key success factors, quick response to competitors' actions, learning from the most successful market players (Porter, 1980, 1985; Ghemavat, 1986; Stalk, 1988; Martin, 1993). One should



Picture 2. **Theoretical foundation of the competitive strategy concepts** *(Sources: Davies, Lyons, Dixon, Geroski 1989; Dietrich, 1994; Foss, 1996(b); Gulati, 1998; Hakansson and Johanson 1992; Hamel and Prahalad, 1990; Mahoney and Pandian, 1992; Martin 1993; Musyck and Schmitz, 1994; Nohria 1992; Porter 1996, 1998; Rowlinson 1997; Swedberg and Granovetter 1992; Tamaševičius, 1996)*

note that in the course of time, a more flexible definition of company's importance has emerged, attributing a greater significance to the company itself. For example, it is acknowledged that taking the "right" competitive position loses its meaning in fast developing markets or industries, where a clear choice of distinguishing alternatives and coordination of company's actions in the market could become a basis for strategy (Porter, 1996).

The followers of this concept treat the company's competitive advantage in a very similar way. According to them, the company's vitality in the market depends directly upon its success to adopt itself to the external environment. It may be interpreted, on the one hand, as minimization of bargaining power of competitors/suppliers/buyers, at the other, as increasing it own power on the market (competitors /suppliers/buyers). All the primary activities of the company (inbound logistics, operations, outbound logistics, etc.) as well as the support activities (human resource management, technology development, etc.) are subject to this purpose. The primary and support activities create a value chain of the company. The most successful integration into the market is possible only when a company uses its value chain to supplement the value chains of market units that are horizontally forward (for example, customers) and horizontally backward (suppliers). (Thus a value system of industry is created.) Therefore, company creates competitive advantage by perceiving new and better ways to compete in a industry and bringing them to market, which is ultimately an act of innovation, where innovation is defined including both improvements in technology and better methods or ways of doing things. The sustainability of competitive advantage depends on three conditions: source of advantage, number of distinct sources or constant improvement and upgrading. However, it also has to be noted that achieved competitive advantage can be quickly nullified by external environment forces: emergence of new technologies, new or shifting buyers needs, etc. Above-mentioned process of innovation (or in other words, the key source of competitive advantage) is also directly dependent on market factors: barriers to enter new segments/markets, structure of internal competition, so on. (Foss, 1996 (b); Porter, 1985; 1990).

The significance of the environment for successful operation of the company is particularly emphasized by the cluster concept[2]. The cluster is a geographical concentration of mutually related companies and institutions. It also comprises companies of related industries and state institutions that exert direct influence (specialized universities, trade associations, etc.). Located in such a cluster, the company always enjoys advantage that manifests itself through access to highly skilled employees, specialized suppliers and information, a great potential for innovation, bargaining power of buyers and suppliers[3] (Porter, 1998).

2. Concept of internal resources and capabilities: competitive advantage is acquired by maintaining, gaining or creating a company's unique resources, capabilities and competencies.

In comparison with the first one, this concept clearly demonstrate the turn from inside of the company towards its outside. The concept of strategy is considered as a continuing search for rent and sustainability of rent, where the rent is defined as return of resource owner's alternative use costs. As a basis for company strategy formation can be the following factors: resources, capabilities, and competencies.

Resources have been described as anything that could be thought as a strength or weakness of a given company (Wernerfelt, 1984), as inputs into the production process (Grant, 1991), as a bundle of assets, capabilities, organizational processes, firm attributes, information, and knowledge (Barney, 1991), as stock of available factors that are owned and controlled (Amit and Shoemaker, 1993).

On resources based strategy comprises the analysis of resources employed in the company, identification of strategic resources (those are of critical importance to competitive advantage), their development, enhancing, protection and dynamic management (Wernerfelt, 1984; Grant, 1991; Peteraf, 1993). Strategic resources have to posses at least one of the following characteristics. They have to be: valuable, rare, specific for the market there company acts and imperfectly imitable, substitutable, acquired or developed by other competitors.

Nevertheless, even the possessing of unique resources cannot guarantee a successful implementation of the strategy. A better use and management requires capabilities and core

[2] In the works of other authors the concept is known as "blocks of development", "systems of tight linkages", "production systems", "industrial districts", "filiéres" etc.

[3] In some aspects, e.g. cluster as aggregation of interrelated units, the concept can be interpreted as a part of Network theory that is discussed further in the paper.

competencies. Considered as an intangible asset, the company's capabilities and competencies can also become a basis for strategy. The capabilities of a company are the collective result of unified resources, i.e. skills and accumulated knowledge which enable the activities in a business process to be carried out. Capabilities refer to a company's to deploy resources, usually in combination, using organizational processes to effect a desired end. They are information-based, tangible or intangible processes that are company-specific and are developed over time through complex interactions among the company's resources. (Amit and Shoemaker, 1993) Capabilities involve complex patterns of coordination between people and other resources. Such coordination requires learning through repetition i.e. organizational routines. Resources are the source of a company's capabilities, while capabilities are main source of its competitive advantage (Grant, 1991). The key distinction between company's resources and capabilities could be emphasized in excellent E. T. Penrose suggestion: resources are asset stock and capabilities are flows (Mahoney, 1995).

The competencies have been characterized as an individual's underlying characteristics which are causally related the superior performance (Boyatzis, 1982), or as work-related knowledge, skills and abilities (Nordhaug and Gronhaug, 1994). The first definition is emphasizing a skill-based, while second – on a behavioral approach. However, the concept of competence can be related to the concept of core competencies. This facilities the combination of strategic and behavioral competencies. It is suggested that competencies should be conceived of in terms of skill-based and behavioral capabilities, and the company's ability to generate stocks of knowledge and collective learning that enable it to provide core products principally through people (Kamoche, 1996). Put differently, competencies relate to skills, knowledge, and technological know-how that give a special advantage at specific points of value chain, which in combination with business process that link the chain together, form capabilities (Long and Vickers-Koch, 1995; Normann and Ramirez, 1993).

The relationship of these concepts could be described in the following way:

resources + capabilities = (core) competencies →
(potential) competitive advantage.

The identification and evaluation of strategic resources and capabilities might be considered as a basis for competitive advantage of the concept of internal resources and capabilities. (However, it has to be pointed, that a competitive advantage is likely to be obtained by such a company, which not only has a chance to acquire valuable resources, but also guarantees their support and further development: the lack of maintenance can cause erosion of strategic resources by innovation (product or process), changes in customers needs.) Other interpretations are similar to the one just mentioned and could be also attributed to this concept: the core of the competitive advantage could be: the selection, development, strengthening and maintenance of assets and skills (Aaker, 1988), utilizing the company's strength to exploit opportunities and neutralize threats, while avoiding or fixing weaknesses (Black and Boal, 1994), the company's opportunities and capabilities to create, maintain and eventually support its core competencies (Prahalad and Hamel, 1993).

***3. Concept of relationship and cooperation:** competitive advantage is acquired by company, taking a unique position in the network and entering into the most favourable relationship with other units of the network.*

The emergence of the concept is highly and directly influenced by theoretical prepositions of Network theory. A. Hakansson and I. Snehota pointed out the following presumptions of business network model (Hakansson and Snehota, 1989):

1. Business organizations operate in a context in which their behavior is conditioned by limited numbers of unique counterparts.

2. In relations to these entities, an organization engages in continuous interactions that constitute a framework for exchange process which makes it possible to access and exploit the resources of other parties and link the parties' activities together

3. The distinctive capabilities of an organization are developed through its interactions in the relationships. The identity of the organization is created through relations with others.

4. An organization's performance is conditioned by the totality of the network as a context.

Companies merge into one another, governments and companies interact in indeterminate ways and so on. Competitive or strategic relations, thus constituting a network mutually relate companies, operating in the market. Though in this case the opportunities of a company as a unit of the market are diminished, its capabilities for effective and purposeful use of relations with other market players are emphasized (Hakansson and Snehota, 1994). According to the scholars of the Network theory, the basis for the strategy consists of actions by which the company changes its position in the network through the interaction with other members of the network (Hakansson and Johanson, 1992). None of the company's actions in the network is autonomous: it will affect and make an impact on other market players. At the same time, gradual change will occur in the network configurations and relationship between a company and other network units (Hakansson and Snehota, 1989). Thus, the implementation of the company's strategy will also depend upon the kind of relations that will shape, while the company moves in the network.

In the theory of network, the two companies in the market are qualified in the light of their links and relations. The following connections are possible:

- Activity links: technical, administrative, commercial, and other relations that help one company to get connected to another directly, without intermediate links.
- Resource ties: technological ties, the ties of tangible and intangible assets, the knowledge, everything that the company might use as resources. These relations can link the two companies indirectly.
- Actor bonds: these relations influence the behaviour of the two companies, depending upon their actions in the network/market. These actions are not necessarily directed towards the second company, they may exert their influence through intermediate links and companies as well.

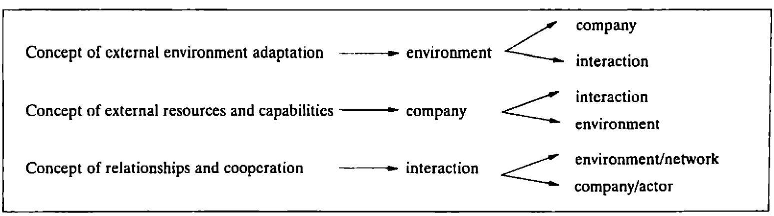
Surprisingly, most of authors of the Network theory don't talk straightly about competitive advantage of the company. However, generalizing others, the source of competitive advantage may be pointed out as a synergy of partnership. Competitive advantage of partnerships can be possibly generated in creating new tangible assets that are specialized in conjunction with the resources of the partner. The source of competitive advantage may also be enhance of existing resources by sharing or combining with the partner's knowledge, capabilities, experience (Dyer and Singh, 1998). Following the prepositions of other authors, it could be assumed, that the competitive advantage in relation to other network-market players is acquired by reaching a higher position in terms of all above-mentioned relations and/or by direct influence on other network units (Hakansson and Snehota, 1994). The competitive advantage can also be based on the company's abilities to enter into useful relationships and make an effective use of its position in the network as well as the advantages, provided by the relationship with other network units: the reduction of costs for transaction, coordination or governance, opportunities to make use of specific "know-how", what was inaccessible early (Dunning, 1995).

Coherence and opportunism of the concepts

Three basic concepts, that have been distinguished, are mutually related and have some common and complementary factors. One could distinguish among the formulated concepts of competitive strategy the different accents and priorities in the company activities, strategic orientation, etc., which could be shortly pointed out as: company, environment or interaction. (see Picture 3).

Even if the company's competitive strategy is dominated by one the factors, it does not exclude the rest of the factors, however their importance are smaller. Looking at the contents of the concepts, it is evident that these concepts do not contradict one another, even if their have characteristic contrasted one another (Table 1).

Such a distinguishing of the separate levels may be found in various forms in various theories or practical implementations. For example, in marketing theory, in general, company's marketing factors are classified as: controllable (4 P's) → company; partly controllable (suppliers, intermediaries, to some extent – competitors, etc.) → interaction; non-controllable (economical, legal, technological, etc. environments) → environment. However, the area quite close to marketing, the practical strategic management, employs as its tool the SWOT analysis, which might be as another example, uniting the above-mentioned concepts.



Picture 3. The sequence of priorities in various concepts of competitive strategy

Table 1a[4]*. Comparison of various competitive strategy concepts: the opportunism*

	Concept of external environment adaptation	Concept of internal resources and capabilities	Concept of relationships and cooperation
The key unit of analysis	Industry	Company	Network of companies
Ownership of resources	Collective with competitors	Individual company	Collective with partners
Environment-company interface	Predictable, descriptive, hostile environment; boundaries of the company are clear	Unpredictable, undescriptive, hostile environment; boundaries of the company are clear	Unpredictable, friendly environment; boundaries of the company are unclear
Primary sources of competitiveness	Relative bargaining power	Tangible and intangible resources and capabilities	Synergy of partnership
Factors sustaining competitive advantage	Industry barriers to entry	Company or resources level to imitation	Network barriers to imitation

[4] The framework of this table is adopted from Dyer and Singh, 1998.

Table 1b. Comparison of various competitive strategy concepts: the coherence

Concept	Uniting features	Concept
Concept of external environment adaptation	Importance of companies resources and capabilities in positioning in the industry. Company's capability to innovate – as a source for competitiveness. Critical impact of forces, affecting market, to company's capabilities and opportunities.	*Concept of internal resources and capabilities*
Concept of external environment adaptation	Optimal position in network-market is equally critical as positioning company itself in the industry. Direct dependence upon impact and behavior of other network units. Coordination and harmonization of internal activities with other market players, complementarity of value chain may be compared with the company with unclear boundaries in the network.	*Concept of relationships and cooperation*
Concept of internal resources and capabilities	Links, required for company's self-provision (or exchange) with strategic resources and maintenance of its capabilities and competencies. Uniqueness of partner's resources	*Concept of relationships and cooperation*

Some considerations about practical implementation

The concept of external environment could be most successfully implemented in such markets or industries that clearly demonstrate a positive impact of the environment, surrounding the company. Favourable conditions might have had developed in the course of history, due to some fundamental event in economic or as a result of effective govern of state or municipal institutions. Quite often, such unique conditions, especially at the starting position of the company life, are among the key factors to its success. The significance of the environment is no less important during the critical stages of company's development, for instance, making decisions, concerning market expansion, diversification, etc. At the same time, the influence of business environment could have a great significance for a company, acquiring strategic resources and capabilities or developing its core competencies:

in realizing brilliant ideas and projects, success may equally depend upon their author as well as qualified suppliers, while the company's unique skills and knowledge in particular areas or production may easily lose their importance without pressure from highly-informed and qualified buyers.

Fast developing markets and industries, processes of globalization, emergence of vast possibilities for outsourcing, growing possibilities of companies to get almost unlimited amount of financial capital cause potential threat to reduce the significance of unique resources on the one hand, but, on the other hand, it emphasizes the significance of cooperation and relationship between companies. The advantage, based on strategic relations, is not only the most unique and difficult to imitate by competitors. It can manifest itself as a mutual trust between company and suppliers, as an opportunity to avail oneself of a partner's competence and experience in various stages of action. For example, an agreement of cooperation allows the company, expanding its activities into hitherto unknown market, to make use of its partner's experience in that market, thus creating a possibility to make use of market advantages in the future.

Conclusions and directions for further research

Competitive strategy can be defined as a strategy, directed towards the sustainable competitive advantage of the company. Its formation and practical implementation constitute an integral part of the company's strategic management. The key points of this management are a sum of decisions (strategy), intended to promote and guarantee the company's ability to effectively create a higher value than its competitors in a long period of time and also to achieve higher profitableness than the average in the industry (competitive advantage). In this process of decision-making, priorities and the direction of the process are of a special importance. On that ground, the following concepts of the competitive strategy can be distinguished:

- concept of external environment: competitive advantage is acquired by the company's abilities to adopt market and avail itself of its possibilities;
- concept of internal resources and capabilities: competitive advantage is acquired by maintaining, gaining or creating the company's unique resources, capabilities and core competencies;
- concept of relationship and cooperation: competitive advantage is acquired by the company, taking the unique position in the network and entering into the most favourable relationship with other units of the network.

None of the three concepts can be distinguished as "the only right one", because in practical implementation all of them are closely linked together and complement one another.

The author considers it purposeful to develop further researches in the following directions. First of all, the subsequent analysis and examination of the company-environment interface would be critically important, as it should strengthen the theoretical grounds of the competitive strategy formation. Following various authors, environment could be considered as: stable-unstable, static-dynamic, concrete-anonymous, simple-complex, subjective-objective, etc. Analysis of the company in different prototypes of environment would serve as a premise to give a more accurate identification of factors and instruments, forming competitive strategies, and define the relationship between different concepts.

Secondly, it is equally important to find out what parameters and methods are suitable to estimate a practical implementation of every concept in real business. We might suggest that in practice companies will not have any clear background of strategy formation, as a rule therefore, it is very important to identify the key parameters, allowing to determine which of the concepts is the dominant one as accurately as possible.

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ANALITINIS POŽIŪRIS Į KONKURAVIMO STRATEGIJĄ IR JOS FORMAVIMO PAGRINDUS

Santrauka

Konkuravimo strategiją galima apibrėžti kaip strategiją, kurios tikslas yra ilgalaikis įmonės konkurencinis pranašumas. Jos formavimas ir praktinis įgyvendinimas yra sudedamoji įmonės strateginio valdymo dalis. Įgyvendinant šią strategiją svarbiausia yra visuma sprendimų, kurie turėtų skatinti ir užtikrinti įmonės sugebėjimą efektyviai ilgu laiko periodu sukurti didesne vertę nei konkurentai ir kartu pasiekti didesnį pelningumą nei vidutinis šakoje (konkurencinį pranašumą). Priimant šiuos sprendimus yra svarbu, kokiais prioritetais vadovausis juos priimantys ir kokia šio proceso kryptis. Tuo remiantis galima skirti šias konkuravimo strategijos koncepcijas:

- išorinės aplinkos adaptacijos koncepcija: konkurencinis pranašumas įgyjamas, kompanijai sugebant perimti rinką, pasinaudoti jos teikiamais privalumais;
- vidinių išteklių ir galios prioritetų koncepcija: konkurencinis pranašumas įgyjamas, kompanijai turint, įgyjant ar sukuriant unikalius išteklius, sugebėjimus, bazines kompetencijas;
- tarporganizacinių ryšių ir bendradarbiavimo koncepcija: konkurencinis pranašumas įgyjamas, kompanijai užėmus unikalią padėtį ryšių tinkle, užmezgus palankiausius santykius su kitais tinklo vienetais.

Tačiau praktiškai nebūtų galima kurią nors koncepciją apibūdinti kaip „teisingesnę“: jos visos glaudžia tarpusavyje susijusios ir viena kitą papildo.

Įteikta 1999 m. vasario mėn.