THE COMPETITIVE ADVANTAGE AND THE BUSINESS STRATEGIES USED BY ROMANIAN COMPANIES

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Business, as an object of the strategy, has been an attraction point for many established strategic management writers - I.H. Ansoff (1965), M.E.Porter (1980), H.Mintzberg (1988), M.Gervais (1995), J.Chevalier (2002), etc. In what follows, I will try to foreground a few of the most complex and pertinent typological approaches.

Strategy, strategic management ,generic strategies

1. Igor Ansoff's approach

In 1965, **Igor Ansoff** suggested a matrix with four strategies which rapidly became very well known – ***penetrating the market, product development, market development*** and ***diversifying***. 15 years later, Michael Porter introduced what will later become the most known typology for generic strategies: ***based on costs***, ***on differentiation*** and ***focused***. But both approaches are incomplete: while Ansoff's is concentrated on the *extension* of the strategy, Porter's focuses on *identifying* the strategy and bringing it to the foreground.

Ansoff's approach is based on a 2x2 matrix, resulted from combining four elements: product, market, existent, new, as shown in figure no. 1:

EXISTENT PRODUCT	NEW PRODUCT	
PENETRATING THE MARKET	PRODUCT DEVELOPMENT	EXISTENT MARKET
MARKET DEVELOPMENT	DIVERSIFYING	NEW MARKET

Figure 1. Igor Ansoff's Generic Strategies
(by I. Ansoff, Corporate strategy, McGraw Hill, New York, 1965)

Penetrating the market strategy wants to increase the sales volume for a product that is already on the market. The strategic objectives consist of obtaining an important market share or the position of market leader.

The product development strategy wants to increase sales by improving an existent product or by creating a new product which fits the demands of the market. This strategy is accessible to companies with a big innovating potential, with a new organizational structure or which use human resources through project teams or interdisciplinary teams. The management of these firms is orientated towards valuing distinctive competencies, towards indentifying and exploring the opportunities offered by the competitive environment.

The market development strategy wants to increase the sales volume for an existent product by penetrating new markets. This strategy aims at the geographical expansion of the company, but also at conquering new market segments by creating new uses or adding new characteristics to the products, according to the consumer's needs.

The diversifying strategy aims to extend the existent business portfolio by adding new products, by using new technologies, new distribution ways to the ones the company already has. This strategy can offer the firm the advantage to use emergent or distinctive competencies.

2. Michael Porter's approach

Michael Porter (1980) thinks there are two types of competitive advantages a company can own: low cost and differentiation[25]. These two combined with the essence of the company's operations – the aimed market segments – generate ***three generic strategies – low costs, differentiation*** and ***focalization (based on costs and based on differentiation)***, as shown in figure no. 2.

COMPETITIVE ADVANTAGE

Low costs	Differentiation	**THE STRATEGY'S ESSENCE**
1. LOW COSTS	2. DIFFERENTIATION	The entire aimed market
3a. FOCUSED ON COST	3b. FOCUSED ON DIFFERENTIATION	A market segment

Figure 2. The generic strategies' matrix (source: M.Porter, Competitive Advantage of Nations, Mac Millan Press Ltd., Londra, 1980, p.3)

The four quadrants of the matrix are then reduces to three basic types of strategies:

- ***The domination through costs strategy***, specific to companies which produce and sell standardized products. The aimed market is vast, with numerous segments. Adopting this strategy implies intensifying the investments, which afterwards implies a productivity growth, a better organization of the production processes, rationalizing the products gamut, etc. This strategy is generally used by firms with a big financial power;
- ***The domination through differentiation strategy*** is adopted by companies which offer strongly individualized products. This strategy gives the firm a domination power exactly because of the uniqueness of the product's characteristics or services. It also implies a growing attention to maintain this advantage in front of the competitors;
- ***The focusing strategy*** implies the firm to concentrate over a narrow market segment on which they will try to obtain superior advantages from the ones obtained by the industry in its ensemble, by optimizing the differentiating cost. This strategy is generally adopted by small and medium companies, in order to avoid direct confrontation with stronger competitors.

According to Porter's generic strategies, we could consider the following:

[25] M.Porter, Competitive Advantage of Nations, Mac Millan Press Ltd., Londra, 1980, p.11

- the pragmatic value of a strategy is the realistic projecting of getting comparative advantages, which aim either the materializing of a low cost for the products or services, or their differentiation, according to one or more criteria, in comparison to the competitors' products.
- ensuring a low cost, under the costs' average from the respective field, is the first type of competitive advantage. Obtaining this advantage is the result of the actions taken over all the price's components (tied to aspects of the firm's internal environment, such as: infrastructure, human resources, technologies, the distribution logistics, the primary products and materials' production's logistics, marketing and sales, post-selling services, etc). In order to reduce as much as possible the cost of the finish product, the company must maximize production by counting on the savings obtained from large-scale or mass production. The firm can also practice other methods to reduce costs: the preferential access to raw materials, applying major innovations, etc.
- in order to obtain a different product in comparison to the competitors, a product preferred by consumers, the company's management must choose, by strategy, one or more attributes for the product, which are known as being critical for the people who will purchase the product (intrinsic quality, functions, the product's reliability, the delivery method, the promotion, the facilities offered at purchasing, etc);
- in reality, the two types of competitive advantages are combined in different proportions. At the same time, the intent to combine in equal measures the two strategies is impossible. The desire to obtain a perfect product, from the points of view of the price and quality, is meant to fail in the context of the existent highly competitive markets. This is why the managers must choose the strategies which prioritize one of the strategic advantages, while leaving the other advantage to a minimum level.

3. Henry Mintzberg's approach

Henry Mintzberg, an author with numerous contributions to the development of the strategic management and to the strategies' substantiating, classifies the strategies in accordance with two criteria[26]:

- depending on their character and evolution: ***static strategies*** and ***dynamic strategies;***
- depending on the development vector: ***penetrating strategies, market development strategies, product development strategies*** and ***diversifying strategies.***

At their turn, the differentiating strategies can take many forms:

- ***Price differentiating strategies*** represent the easiest way to differentiate a product or a service. This strategy can be used by the companies which can't differentiate themselves otherwise. Thus, the producer can get a competitive advantage on the basis of smaller marginal costs or by accomplishing a big sales volume.
- ***Image differentiating strategies*** are based on creating a special image for the product. It can also include o simple "make-over" of the product, by using new wrapper, more attractive for the consumers, which doesn't lead to major changes in the structure or performance of the product.
- ***Support activities (auxiliary) differentiating strategies.*** This strategy is tied to the differentiating methods of the product connected to the support activities – delivering conditions, service, guarantee and post-guarantee services or for complementary products or services. This idea is sustained by Theodore Levitt also, who claims "no matter how difficult it is to obtain differentiation by projection, there is always a way to get a different type of differentiation, especially with the help of support activities" [27].
- ***Qualitative differentiating strategies*** target those characteristics of the product which make it *better* than the competition's product (and the product is not necessarily fundamentally

[26] H. Mintzberg, J. Lampel, J.B. Quinn, S. Goshal, The strategy process, Fourth Edition, Pearson Education International, 2003, p.120-125

[27] H.Levitt, Marketing Succes Through Differentiation – of Anything, Journal of Marketing, nr.6, 1980, p.8.

different). This strategy refers to: the trust in the product, its durability and superior performances.

- ***Design differentiating strategies*** confer to the product something really different, which breaks all the conventional design patterns and give the product unique characteristics.
- ***Non-differentiating strategies***: in the context of a vast market, of a poorly performing management, the only way to get an advantage is to copy existent products from the market.

Mintzberg also delimits the strategies, in accordance to the *position of the main business in one of the technological process' phases*, as follows[28]:

- ***Strategies of the primary development phases***, namely the phases in which one or more raw materials are combined in order to result different basic products with multiple uses. These phases tend to be intensive in technology and capital, more so than intensive in human resources and are rather looking to obtain a strategic advantage by keeping costs low.
- ***Strategies of the secondary development phases***, namely the phases in which the use of a raw material allows obtaining semi-manufactured goods, which combined lead to finished products;
- ***Strategies of the tertiary transformation phases***, namely the phases which include the product's assembling, transportation and distribution to consumers.

Another classification of Mintzberg, which has as criteria *the distinctive characteristics which allow an organization to get the competitive advantage*, gives him the possibility to delimit the following strategy types[29]:

- ***Projection strategies*** which target fields like research and product development;
- ***Processing strategies*** which target: process and operations (fabrication, assembling, etc) developing;
- ***Resources ensuring strategies*** (materials, human, financial);
- ***Delivering strategies*** which are concentrated on the marketing domains (market channels, promotion), sales, distribution and service;
- ***Support strategies*** which target fields like: the legal domain, inspection, training, etc.

According to *the market opportunity's proportion*, Mintzberg offers another classification of the strategies, as follows[30]:

- ***Non-segmentation strategies*** – the firm wants to take over an important part of the market with a product which has a basic configuration;
- ***Segmentation strategies*** – the company can choose to cover all market segments, or can be selective by positioning itself only on certain market segments;
- ***Niche strategies*** – allow the company to focus its attention to one market segment;
- ***Individualization strategies*** – represent the segmentation of the market to the point in which each consumer represents a unique segment. *Individualization in its purer form* represents the process in which the product is thought in its smallest details in order to satisfy the consumer's needs. In this case the entire value chain is influenced: the product is delivered in specific conditions, not only fabricated and assembled in this manner, but also specially created for a certain type of consumers. *Partial individualization* aims at basic design of the product, which is subsequently modified according to the consumer's needs and wishes. *Standardized individualization* – the finished product is assembled from standard components to which particularization elements from the consumer are added (the color of the car, the optional package, etc).

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[28] H. Mintzberg, J. Lampel, J.B. Quinn, S. Goshal, The strategy process, Fourth Edition, Pearson Education International, 2003, p.116-118

[29] Ibidem, p. 118

[30] Ibidem, p. 123

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