STRATEGY FROM CONCEPTUALIZATION TO COMPETITIVE ADVANTAGE

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ABSTRACT
The purpose of this study is to show how important the process of defining strategy can be for a company in the economical context that we all face now days. This study shows that although the results after a company has defined its strategy can be seen in a longer or shorter period of time, the process is complex and needs managers that can foresee the future. And at the end of every strategy defining the final result should be competitive advantage, this competitive advantage that can bring a company in front of its main competitors, and if the company manages to stay in front of those competitors it can gain sustainable competitive advantage. In fact this should be the goal of every company: to try by all means, off course legal means, to do things better than other companies using the right strategy. Companies can use their capabilities and knowledge in these fields, a constant innovation process can help the society to undergo powerful changes. These changes can be firstly seen in the mentality, the behaviour and the process of knowledge. It is important for a company to understand its role in the modern society. Managers of important companies do their best to keep those respective companies at a level that can secure profit, but profit is not always the entire issue. It takes time in order for those innovations to reach the whole society, because companies are not willing to give information about their products, and keep this information to be able to have future profit. The role of competitive advantage can be seen in any field of activity, it provides the values that keep our society moving forward. Competitive advantage is needed in fields like: medicine, education or environmental protection. Companies have to innovate constantly in order to obtain this competitive advantage, but this competitive advantage can be present today and gone tomorrow, because the conditions on the market are changing at a very fast rate.In the past years the economical context has shown us that many companies weren't able to face the economical crisis, and one reason was that they didn't have a well planed strategy from the start. Of course the process of preparing a good strategy should not occur in difficult moments, it is necessary that it should be stated long before such times, because in difficult times it is very hard to find a suitable solution regarding the context and how quickly things change..

KEYWORDS
strategy, competitive advantage, objectives, strategy implementation, strategy focus

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1.INTRODUCTION

In the past years the economical context has shown us that many companies weren't able to face the economical crisis, and one reason was that they didn't have a well planed strategy. Of course the process of preparing a good strategy should not occur in difficult

moments, it is necessary that it should be stated long before such times, because in difficult times it is very hard to find a suitable solution regarding the context and how quickly things change.
Therefore is important to regard strategy as one of the key elements of a business, and regard that the difference of having a strategy developed and implemented and not having one could mean the difference between managing on the market and bankruptcy.
Managers should also keep in mind all the important factors that can affect a company from inside but also from outside, and develop the means to transform threats into opportunities and in this way having the possibility to deal with all kind of challenges.

2. IMPORTANT

The article hopes to give answers to the following questions: what can be obtained after a good strategy implementation, how can competitive advantage be obtained, what can be the cost of not implementing a strategy, which are the steps for defining strategy in a company. Its aim is to be a theoretical article in which the major aspect of providing a good strategy can be transferred to a company with a brief presentation of an international company that has focused in the past years on a successful strategy: the low cost strategy.

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3.The process of defining strategy

The notion of strategy is important for a company which operates on a free market and where it confronts numerous competitors, as same as a army needs a strategy before going to war. The war on such a market is fought through price policies or differentiation policies which can put a mark against other companies, and the role of the army commanders is taken by the company managers who have day by day to reinvent themselves and to find new solutions in order for a company to exist on the market and to prosper on that market.
Many contemporary theories treat strategy as the main way in which a company can obtain competitive advantage, and this is quite true, because a good conceived strategy and well implemented can bring the most desired competitive advantage to a company. Although sometimes it is difficult for a respective company, and here we are talking about the managers, who can not say for sure that they are on the write path when it comes to

implementing the best strategy, there is the possibility to reduce that risk. The best way in which this can be obtained is through the thoughtful and systematical selection and choosing the most appropriate strategy and applying the strategically management process.(Barney & Hesterly, 2010)
Before obtaining competitive advantage a company has to realize what competitive advantage really is. There are many definitions of competitive advantage which say that a firm has competitive advantage when it is able to create more economic value than rival firms. Economic value is simply the difference between the perceived benefits gained by a customer that purchases a firm's products or services and the full economic cost of those products or services. (Barney and Hesterly, 2010)
Others see competitive advantage as a value that motivates the customers (or end users) to purchase the firm's products or services rather than those of its competitors and poses impediments to imitation by actual or potential competitors.(Christensen, 2010)
The strategically management process is a set of analysis and decisions that can rise the probability of a company to implement a good strategy, a strategy which in the end will generate competitive advantage.(Barney & Hesterly, 2010)

3.1 Defining the company's mission

For companies which are at the start of the road or for which have a long presence on the market, defining the company's mission is an essential criteria and at the same time the first step which must be taken in order for that respective company to have even a chance to obtain competitive advantage. The mission can be formulated in a few phrases or it can be resumed at a few words, but that can give a client that first enters in contact with that company, which in a sense represents a psychological moment, a sense that the respective company really knows what it wants from the market and what it wants to give back to the community where it operates and this psychological moment can create a bond between the company and the client and vice versa.
In other cases stating the mission of a company can be presented through which are the main goal of the company in the next period of time. If a company has clear goals that can be achieved, it can induce to the client the fact that the company is really interested in the future perspectives both in regard of the financial plan but also in the environment issue as well.For example the computer company Dell have a message: *The core elements of the soul of Dell* , this soul is made up by 5 parts:

1. The clients. Dell believes in the creation of a relationship based on trust with its clients through the providing of a superior experience at a fair value.
2. The employees. Success is based on teamwork and through the offering the opportunity to each employee to learn and to be able to develop his qualities.
3. The direct approach of a problem or challenge.
4. Social responsibility. Dell believes in a responsible participation on a global market.
5. The passion to win at everything that they do. (Barney & Hesterly, 2010)

Schematically the strategic management process can look like this:

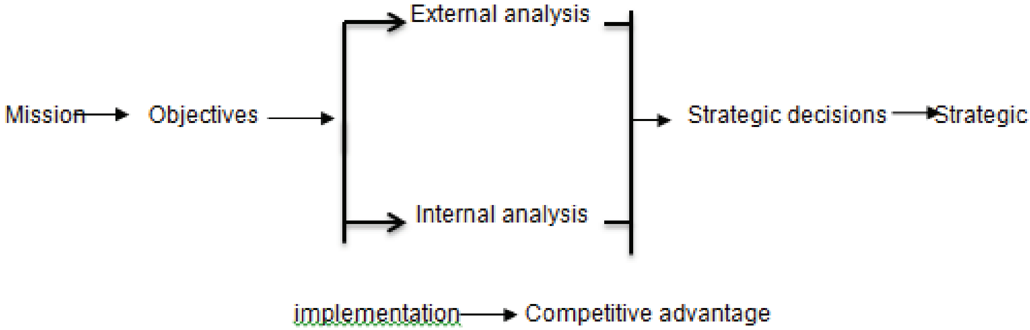

Figure 1. The strategic management process
Source: adapted from Barney & Hesterly (2010, p. 5)
Another aspect regarding strategy defining is the fact that it should consistent with the expectations that the other factors have regarding the company, and here we are talking about factors that affect both the internal environment but also the external environment and these are:

1. Internal stakeholders:
   - Human resources
   - Shareholders
2. External stakeholders:
   - Clients
   - Suppliers
   - Competitors
   - The environment
   - Society

Of course in such a context it is hard it is getting harder and harder for a company to be able to please all these categories of stakeholders taking also into consideration the actual economic context, but in such conditions the managers have to be aware of their global responsibilities and to give the same attention to the all kinds of stakeholders that are necessary in order for a company to conduct its activity. (Nejeti et al., 2010).

3.2.Establishing the company's objectives
Although in many cases the main objective of having and running a business is to have profit, this is the main goal that many shareholders impose to their managers, sometimes this objective can have other ways of fulfilling itself:

- The creation of n number of jobs in the countries in which our company is present
- Activity expansion in other parts of the globe
- Pollution reduction in the factories owned by the company
- Maintaining the same market share in the future

We can see the context in which the objectives are generated through this main factors that play on the market:

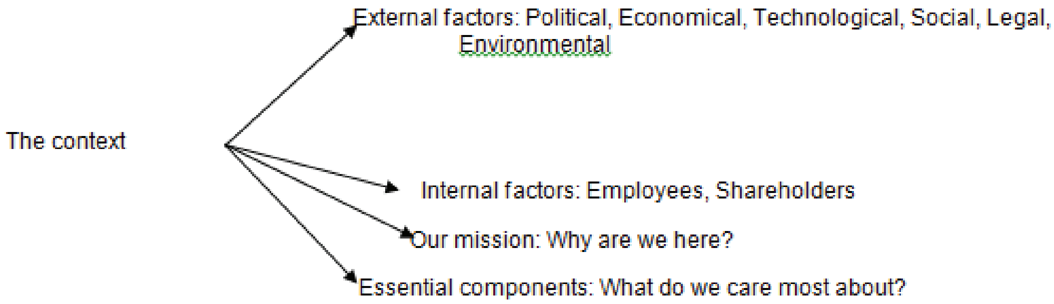

Figure 2. The context of setting objectives
Source: Adapted from Philips (2011)

Also the company's strengths should be mentioned in this process but also the week points, and creating some scenarios regarding opportunities that can be gained on the market but also threats and what the company want to achieve in the future:

- The vision: What do we want to become
- Long term stability
- Designing the future now in the present
- The conscientious allocation of resources(Philips, 2011)

Strategy should be the force that should action on the company in such a way that it will achieve its objectives, objectives that need to be designed in the present to have effect on the future. The objectives should be formulated only after a detailed analysis of the company's strengths and weeknesses, aspects that regard the internal environment, but also the opportunities that can occur and threats present on the market.

In the opinion of Philips (Philips, 2011), strategy is a simple issue, in which only the right questions should be asked and these are: "what" and " why" , and not "how" or "when" and the question that defines the company's mission is " why are we here" , this question generates the next important question "what is our main activity" , and the answer reveals itself through the product or the service that the company sells. To make profit represents one of the objectives, and the fulfilling of this objective will enable the company to realize its mission , and being just a means of realizing the mission, not the mission itself.

Also a share of values that the company keeps in mind when presenting their image to the public can have a powerful impact on the customers.

Our values:

- Act with uncompromising honesty and integrity in everything we do.
- Satisfy our customers with innovative technology and superior quality, value and service.
- Provide our investors with an attractive return through sustainable, global growth.
- Respect our social and physical environment around the world.
- Value and develop our employees' divers talents, initiative and leadership.

Earn the admiration of all those associated with the company's image.(http://www.3am.com.tw/exec/msg.php?mid=2&cid=2&lg=E)

As suggested in Abrahams(1995) the values that a company tries to respect can be expanded tot include specific objectives:

Satisfy our customers with superior quality and value:

- Providing the highest quality products and services consistent with our customers' requirements and preferences.
- Making every aspect of every transaction a satisfying experience for our customers

- Finding innovative ways to make life easier and better for our customers.

3.3. The external and internal analysis

The next step that must be taken in order to fulfill a good strategy decision and implementation is to realize the external and internal analysis. Opportunity and threat identification can be realized through the help of the SWOT analysis, this analysis enables the company also to find its strengths and weeknesses.

This is a good opportunity for all those who compose the management team to have the same view regarding a problem that affects the company, and to find a solution to it using the SWOT analysis. The participants are asked to say which are in their opinion the week points and the strengths of the company, regarding aspects that come inside the company, the structure, the processes technologies but also aspects that come from outside the company. And a good way to identify strategic opportunities is to link the results obtained using the SWOT analysis and to ask every member of the management team to suggest a strategy, which must start with a verb, this will help the company to strengthen its valuable points, to repair its week ones, to capitalize opportunities and neutralized its threats by turning them into opportunities. (Philips, 2011)

Then there should take place a segmentation of each compartment regarding the external factors that can affect the company using the PESTEL method. This method analyses the 6 elements that create the external ambiance: politics, economics, social factors, technologies, environment, laws and regulations.

Politics can influence the activity of a company through government measures, for example tax increase, excise increase, resource allocation for public investments, protectionist measures regarding a sector of the economy, or the listing of a public company on the stock market.

The domain of economics is probably the wastes sector that can influence the activity of a company, and the most recent example is the financial crisis felt back in 2008 and which is still haunting sectors of the economy today in 2014.

Social factors have the capacity to influence the activity of a company on a long term, and here the best example is the demographic factor which in our country is possible to create, because of the low natality, a crash of the pension system, this could be speculated by insurance companies.

Technology affects both companies that are in the production field, but also those which are concentrated on services. Those which produce goods can improve their line of production, and the others can use informatic programs to help ease the work of their employees, and to help them to be more efficient at work.

Environment factors have gained more and more importance in the past 20 years, with numerous decisions taken in this field and that can impose a certain amount of concentration of CO_2 in the air, or other substances in the water. Often sanctions and fines are given to companies that do not align to the regulations in this field.

As in regard of the laws and regulations, they can influence directly the activity of a company, and the must be put immediately in practice.

3.4. Choosing the right strategy

After designing the mission, establishing the objectives and realizing the internal and external analysis a company can be a little more certain about the environment where it undergoes it’s activity, and can have a perspective at least about the near future, because strategy is a term that comes from the military field, we can associate this steps to a soldier who is going at war, that has been trained, has been given equipment and established the main objectives on the battlefield, and now is ready to face the enemy.

There are 2 kinds of strategies from which a company can choose:

- business strategies and here are 2 subcategories:-the leadership through cost strategy

-differentiation strategy

- corporate strategies, this kind of strategies are used by big companies to obtain competitive advantage in two or more industries or markets. (Barney & Hesterly, 2010)

3.4.1. The concept of competitive advantage

In the majority of industries some companies are more profitable than others, no matter if the profitability rate of that respective industry is high or low. Those who excel in an industry are those who have something special and hard to imitate, which enables them to overpass their rivals. These unique skills and rare resources are named in the literature: sources of competitive advantage. (Evans, Shulman, 1992)

Implementation of a good strategy can lead to sustainability, this sustainability is obtained when competitive advantage is capable to resist erosion caused by the behavior of other competitors.(Porter, 1985)

There are many studies which explore the conditions where a company can create sustainable competitive advantage.(Barney, 1991). Barney (1991) offers a list of 4 essential references that can transform a resource or a skill into sustainable competitive advantage:

- It is valuable
- It is rare, it is hard to find by other competitors
- It is hard to imitate
- There are no other strategic equivalent for that respective resource or skill

The resources and skills of a company are considered valuable when they help the company in formulating and implementing a strategy that can improve the efficiency of that company. (Bharadwaj et. al 1993)

The final requirement in order for a resource or a skill to be able to become a source of sustainable competitive advantage is that respective resource or skill to be irreplaceable.(Bharadwaj et. al1993)

3.4.2. Low-cost strategy implementation at Ryanair

The recent spread of low-cost strategies beyond the American domestic market, where Southwest started operating in the seventies, has brought low-cost pricing to the forefront of research. The success of low-cost airlines in Europe has been astonishing. Low-cost carriers offered almost 20% of all European flights in the first half of 2007 (Eurocontrol, 2007).

The most eloquent example when it comes to present the leadership through cost strategy is the airline company Ryanair. Headquartered in Dublin, Ireland, Ryanair flies short flights throughout Western Europe. In 1985, Ryanair’s founders started a small airline to fly between Ireland and England. For six years, this airline barely broke even. Then in 1991, Michel O’Leary, current CEO at Ryanair, was brought on board. O’Leary traveled to the United States and studied the most successful low-cost airline in the world at that time: Southwest Airlines. O’Leary became convinced that, once European airspace was deregulated, an airline that adopted Southwest’s model of quick turnarounds , no frills, no business class, flying into smaller regional airports, and using only a single kind of aircraft could be extremely successful. Prices in the European air market were fully deregulated in 1997.

Since then Ryanair has become an even lower-cost airline than Southwest. For example, like Southwest, Ryanair only flies a single type of aircraft: a Boing 737-800. However, to save on the cost of its airplanes , Ryanair orders them without window shades and with seats that do not recline. This saves several hundred thousand dollars per plane and also reduces ongoing maintenance costs. Both Ryanair and Southwest try to make it easy for consumers to order tickets online, thereby avoiding the costs of call centers and travel agents. However, just 59% of Southwest's tickets are sold online, 98% of Ryanair tickets are sold online.

This focus on low costs allows Ryanair to have the lowest prices possible for a seat on it airplanes. The average fare on Southwest is $92; the average fare on Ryanair is $53. But, even at those low prices, Ryanair is still able to earn comfortable margins.

However, those net margins don't come just from Ryanair's low costs. They also reflect the fact that the fare you pay Ryanair includes only the seat and virtually no other services. If you want any other services, you have to pay extra for them. If you want any other services, you have to pay extra for them, for example if you want to check bags, it will cost $9.95 per bag.

Finally to further increase revenues, Ryanair sells space on its planes to advertisers. When your seat tray is up, you may see an ad for a phone from Vodaphone. When the tray is down you may see an ad from Hertz.

All these actions enable Ryan air to keep its profits up while keeping its fares as low as possible. And the results of this strategy have been impressive, from near bankruptcy in 1991, Ryanair is the now the largest international airline.(Capell, 2009)

If we take into consideration that the market were Ryanair is undergoing its activity was affected first the events that took place on 9/11 2001 at the World Trade Center towers, and second by the economic crisis starting from 2007, the company's success is even grater, and this success can be linked to applying the cost leadership strategy.

Going on the other side of the Atlantic we can see that the company from where Ryanair has been learning business managed achieve the 39th year with profit, and taking into consideration that this industry is in many ways brutal with no time to take air, and quick decisions are needed.

This performance of Southwest airlines is impressive and some of the strategies presented on the previous page about Ryanair are used by Southwest with the mark that the American company used them first but also strategies that are constantly putting the company in front of this industry: it uses only one airline type the Boeing 737, it doesn't assign seat numbers, it doesn't charge for check bags, Southwest's flights are generally point-to-point. The plane lands, goes through turnaround, and often heads right back where it came from. With less interdependence, the network can survive a problem at a single airport. The system is designed to facilitate short-haul flights, not international travel—Southwest targets the domestic business commuter, not the globetrottingjetsetter.(http://www.slate.com/articles/business/operations/2012/06/southwest_airlines_profitability_how_the_company_uses_operations_theory_to_fuel_its_success_.html)

Financial Highlights:

Tabel 1. Ryanair financial highlights

	2013/€ M.	2012/€ M.	Change
Operating revenue	4,884.0	4,324.9	+ 13%
Net profit after tax	569.3	560.4	+2%
Adjusted net profit after tax	569.3	502.6	+13%

Source: adapted from Ryanair financial report 2013, p. 2

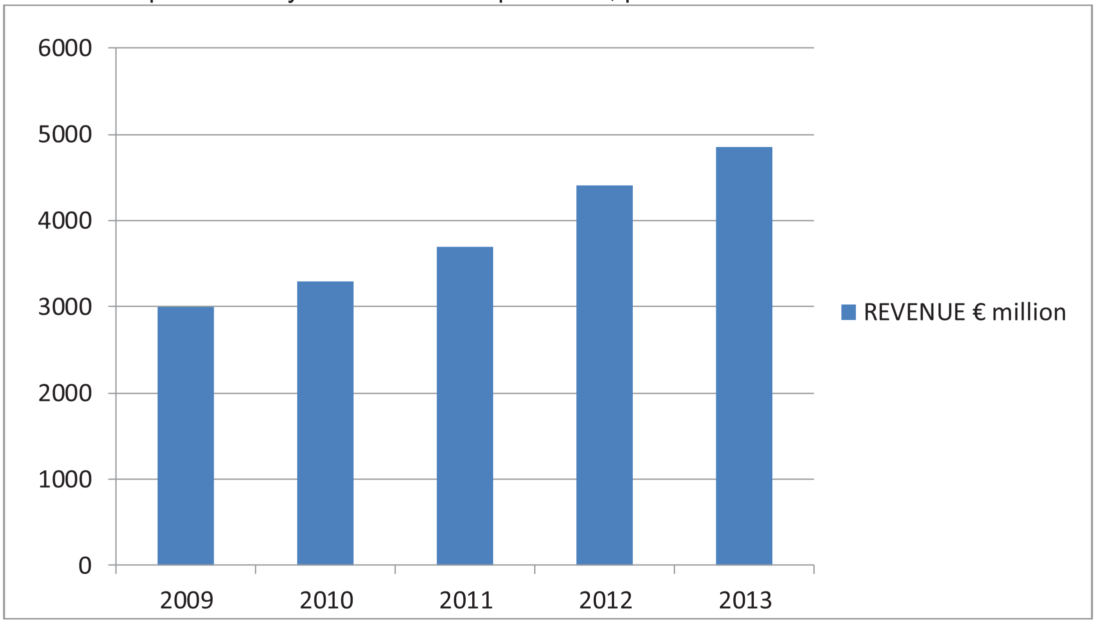

Figure 3. Ryanair revenue 2009-2013
Source: adapted from Ryanair financial report 2013, p. 2

Profit after tax increased by 13% to €569.3 million compared to €502.6 million in the year ended March 31, 2012 primarily due to a 6% increase in average fares and strong ancillary revenues, offset by an 18% increase in fuel costs. Total operating revenues increased by 13% to €4,884.0 million as average fares rose by 6%. Ancillary revenues grew by 20%, faster than the 5% increase in passenger numbers, to €1,064.2 million due to a combination of improved product mix and the roll out of reserved seating across the network. Total revenue per passenger, as a result, increased by 8%, whilst Load Factor remained flat at 82% compared to the year ended March 31, 2012.

Total operating expenses increased by 12% to €4,165.8 million, primarily due to an increase in fuel prices, the higher level of activity, operating costs associated with the growth of the airline, and the strength of UK pounds sterling to the euro. Fuel, which represents 45% of total operating costs compared to 43% in the prior year, increased by 18% to €1,885.6 million due to the higher price per gallon paid and increased activity in the year. Unit costs excluding fuel increased by 3%, including fuel cost per passenger (―unit costs‖) rose by 8%. Operating margin increased by 1 point to 15% whilst operating profit increased by 16% to €718.2million.(http://www.ryanair.com/doc/investor/2013/final_annual_report_2013_130731.pdf)

This strategy can be applied by other companies in other industries, for example companies that operate in the field of goods transportation and has a field of several trucks can reduce its cost applying some techniques used by Ryanair. In the sense a manager from such a company can purchase the same kind of trucks reducing therefor maintenance costs, and can choose from the standard model which has the lowest cost.

3.5. Strategy implementation

The last stage in this process of defining strategy is the implementation stage, this stage can differ from one company to another when it comes to the duration of the implementation, which depends on the complexity of the strategy, and this period can vary to a couple of months to even years. What is important is that at the end, the results to be seen in the financial reports of the company, but also in the satisfaction of the company's clients and all the components of the internal and external environment.

4.CONCLUSIONS

These aspects regarding strategy show that a company must take very serious the facts and the forces that can come from a powerful strategy. In this period when competitive advantage can not appear just out of nowhere it is very important for the management team to have a clear direction and this can only come from a coherent analysis made from present elements in the company.

As shown in the upper examples a good strategy must fit the company like a glove, and must be suitable for the company in the near and far future. Future analysis will try to see the sources of competitive advantage and how they are able to influence the strategy of a company, a backward process considering that a company has established a strategy and it is able to obtain competitive advantage, is it necessary to change the strategy or should the company only try to adapt to new conditions.

Circumstances on the market show how difficult is for a company to adapt to new conditions, and a fact regarding strategy is that in order for a company to implement a good strategy it must have stability in the organizational team both in the management team but also a low fluctuation of employees.

This is done, in case if the competitive advantage is obtained through technology, by having a well protected system regarding that technology. If the competitive advantage is made through innovation, then a good R&D team must be kept in the company, and if the answer is price, a firm has the objective to look for the best report between quality and prince in order to maintain its price competitiveness also having the suppliers that meet this kind of expectation and having the technology that can give the company the lowest price on the market.

In conclusion, three are the most important aspects when regarding strategy:

1. Good preparation, consider what the company's strengths and weaknesses are , and consolidate the strengths, while trying to minimize the weaknesses.
2. Time, a good strategy requires time, from the first statement to implementation it can take even years to see the benefits of a strategy.
3. Strategy is the first step and an imperative one, a step that must be taken in order to obtain competitive advantage

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