Competitive Strategy and Advantages

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Companies continue their operations under rapidly changing conditions and significant uncertainties in today’s business environment. Faced with this ongoing change, businesses must constantly push themselves toward innovation and seek ways to cope with intense competition. Consequently, to sustain their existence, firms must anticipate environmental changes and strive for competitive advantage in a strong competitive environment. This situation appears to be contingent upon the ability to compete and achieve superiority. Today, achieving competitive advantage for businesses relies on making the right strategic choices. The strategy aims to control changes in a competitive economic environment by fostering innovation, progress, and alignment with the environment. Over the past 50 years, there has been increasing interest in strategy studies from a wide and diverse range of circles. Universities have opened numerous courses on strategy and related topics, with a growing number of academics and researchers conducting studies in this area. Managers and consultants are also increasingly inclined to adopt a more strategic perspective on managerial issues in the business world.

Keywords: Diamond Model, competitive strategy, strategic management, business

INTRODUCTION

Competition is the race among businesses to sustain their existence and achieve success against others (cited from Özkara by Arslan, 2008: 126). Competition is best understood by distinguishing between “natural” and “strategic” competition. In natural competition, the strongest prevail in the current environment. The ability of businesses to sustain their existence depends on how they will gain different advantages over other businesses (cited from Henderson by Arslan, 2008: 126). In other words, natural competition refers to a competition with low-risk trial-and-error movements and the beneficial practices become established over time. In this sense, it is universal (cited from Cohen by Arslan, 2008: 126). However, strategic competition is evolutionary and inherently pursues significant changes that alter competitive relationships. Therefore, nothing is left to chance in strategic competition (cited from Henderson by Arslan, 2008: 126).

Over time, understanding competition has evolved into five fundamental forms: production, cost, quality, speed, and value creation (cited from Özkara by Arslan, 2008: 127).
LITERATURE

Concept of Competition

In the early years of the Industrial Revolution, producers held dominance in the markets due to insufficiency in production and supply (cited from Özkara by Arslan, 2008: 127). During this period, the primary source of competitive advantage was the production volume, and the arena where competition was shaped, was the domestic markets. Therefore, businesses that increased production in the domestic market could get a larger share of markets that were not yet saturated. However, the conditions changed with the increase in competitors, and cost reduction came to the fore as a new means of superiority (cited from Kavrakoğlu by Arslan, 2008: 127). The objective of competition during this period was to capitalize on growing market opportunities and garner a larger share of the markets. The strategy was characterized by growth, factors such as increased production, efficiency principles, sales-enhancing marketing techniques, and a centralized and hierarchical structure (cited from Özkara by Arslan, 2008: 127).

Product/Market Expansion-Oriented Competition

With the expanded markets and the emergence of new products or services, businesses were forced to undergo a new shift in their understanding of competition. This was because the tools offered by marketing became inadequate for securing shares from new markets. Consequently, businesses turned to approaches that suggest the comprehensive implementation of all functions, not just marketing tools. Strategic management, with its ability to integrate the dimensions of production and cost with market structures, thus emerged as a new instrument for achieving competitive advantage (cited from Dinçer by Arslan, 2008: 127). During this period, the environmental analyses conducted to identify market opportunities and the structural analyses conducted to determine if the business had the resources to exploit these opportunities laid the foundation for developing competitive strategies (cited from Williams by Arslan, 2008: 127).

The objective of competition during this period was to evaluate growing market opportunities and gain a larger market share. The strategy entails growth, with tools including environmental and structural analyses, and its structure involves matrix and holding structures (cited from Özkara by Arslan, 2008: 127).

Quality and Speed-Oriented Competition

Since the 1980s, there have been several developments that have altered the nature and rules of competition. During this period, there was an increase in supply relative to demand for the first time, leading to intense competition among numerous producers to gain relatively fewer consumers. This period also signifies when quality was recognized as a valuable tool for achieving competitive advantage but was not effectively utilized (cited from Yüksel and Özkara by Arslan, 2008: 128). During this era, Michael Porter emphasized that firms needed to employ cost leadership, differentiation, and focus on niche markets to compete effectively. As stated by Porter, a business can achieve two types of competitive advantage: low cost and differentiation, which originate from the ability to perform activities in the value chain more cost-effectively and uniquely when compared to rivals (cited from Daker and Wiley by Arslan, 2008: 128). In other words, a business must either sell a known product/service at the lowest price or make a change for which the customer is willing to pay more (cited from Dinçer by Arslan, 2008: 128). Globalization of markets presented challenges for businesses in focusing on specific products, competitors, and markets because competitors emerged on an international scale rather than remaining local or national. Consequently, markets became shaped as both national and international (Arslan, 2008: 128).

The 1990s, however, marked a shift towards a complete focus on quality. With quality coming to the fore as a competitive strategy, the business environment had to be reevaluated with a changing perspective. Implementing high quality remained a differentiation strategy and brought the low-cost strategy. The “speed of achieving results” became the distinguishing feature of businesses that achieved low cost and high quality. Consequently, the ability to quickly grasp market developments, produce new products, and provide rapid customer service to meet demands became fundamental criteria for competition today (Arslan, 2008: 128).
The aim of the competitive understanding of this period is customer satisfaction, with its strategy being quality and speed, its tools being total quality management and restructuring of business processes, and its structure being lean and conducive to teamwork (Arslan, 2008: 129).

Value Creation-Oriented Competition

The scope of competition today encompasses all other stages. However, this stage envisions a competitive understanding that will maintain the position of market leadership, which shapes the rules of future competition, rather than facilitating an understanding of competition that will adapt to the conditions of today (cited from Barney by Arslan, 2008: 129). The competition model for the future relies on anticipating the conditions of the future, not today’s conditions, and on creative thinking to create difference. The new understanding of competition involves the following characteristics (Arslan, 2008: 129):

Value Creation

Businesses are known for the products or services they sell because customers purchase them due to the value and benefits they create. Therefore, for a business to succeed, it is necessary to know why and how products or services are used. Creating value is not only about producing a product or service materially. Therefore, in addition to traditional value-creation elements such as quality and cost, there must also be supportive elements such as attention to human and environmental concerns, and creativity (Arslan, 2008: 129).

Self-Efficacy

The ability to be preferred over alternative products and services is important for competition. This can be achieved through self-efficacy, defined as distinctive knowledge and skill resources that differentiate the business from others (Arslan, 2008: 129).

Time

Competition for businesses largely takes a customer-centric shape. This directs businesses to customer orientation and enhances the importance of customer relationships. Businesses prioritizing customer value focus on responding more quickly to their customers’ desires and expectations (Arslan, 2008: 129-130).

Creating Networks

Global competition and rapid technological development led businesses to flexible organizational structures. Network structures obtain the resources required to produce a product or service from different businesses at various points in the value chain. Additionally, network structures can respond quickly to changes because they source the best resources from other businesses rather than retaining all necessary resources themselves (Arslan, 2008: 130).

Changes and developments in the understanding of competition emphasize that every business should develop its competitive model, determining the rules of future competition through unique features and by developing different products and methods. For businesses, this distinctiveness must also include characteristics such as the sustainability of competitive advantage and the consideration or implementation of all strategies on a global scale (cited from Özkara by Arslan, 2008: 130).

Competitive Power

There are various definitions of competitive power, and no full consensus could be reached. The concept of competitive power is generally examined at micro and macro levels. The competition among businesses and its international impact is scrutinized at the micro level. In contrast, the international competition among countries or regions is examined at the macro level (cited from Çivi by Baltacı, Burgazoglu, and Kılıç, 2012: 3).

Today, there is high competition in every environment. Production systems change daily, new technologies emerge, and new countries and competitors come into play. At this point, many models were
developed to explain competitive advantage. The classical model was used to explain competition for a long time. But, then, the competition was taken to a new dimension, and many new models were developed (Baltacı, Burgazoğlu, and Kılıç, 2012: 4-5).

Classic Approach

Porter, in his book “The Competitive Advantage of Nations” published in 1990, developed a new perspective on understanding countries’ competitive advantage. Before him, Adam Smith with the “Theory of Absolute Advantage” and Ricardo with the “Theory of Comparative Advantage” focused on certain production factors in their approaches to competitive advantage. These factors include land, labor costs, capital, and natural resources. Adam Smith states that a country’s wealth is the total production made with certain resources. Ricardo changed this theory, explaining that a country’s more advantageous position compared to another is not only related to production but also to the distribution of resources (cited from Rattanasuk by Baltacı, Burgazoğlu, and Kılıç, 2012: 5).

However, both cases relate a country’s competitive advantage to production factors (Baltacı, Burgazoğlu, and Kılıç, 2012: 5).

The changing technology and globalization revealed that theories based on production actors could not explain why some countries, despite having abundant natural resources and other production factors, could not succeed, and why countries lacking these could achieve success (cited from Barragan by Baltacı, Burgazoğlu, and Kılıç, 2012: 5).

Diamond Model

In 1998, Porter introduced a novel approach to understanding competitiveness in his book “Determinants of National Competitive Advantage.” In this work, Porter sought to answer the question of why some countries or groups advance economically and increase their level of prosperity while others lag (cited from Grant by Baltacı, Burgazoğlu and Kılıç, 2012: 5). In contrast to the classical approach, Porter argued that the quantity and proportion of production factors or the level of technology solely are insufficient to explain a country’s competitive power (cited from Berdine et al. by Baltacı, Burgazoğlu and Kılıç, 2012: 5).

According to this model, productivity is the most important factor determining a country’s competitive power. By enhancing the skills of its workforce, developing technology, and reducing costs, a country can improve productivity, thereby increasing the real income level and living standards of its population (cited from Ketels by Baltacı, Burgazoğlu and Kılıç, 2012: 5). Porter suggested in his study that countries should focus on specific sectors, where they can achieve success, because maintaining high competitive power across all sectors may not be feasible (Baltacı, Burgazoğlu and Kılıç, 2012: 5).

Porter developed the Diamond Model to explain the competitive power of nations. According to this model, four factors constitute the basis of competitive power, forming the four corners of the diamond. These factors include factors, demand conditions, firm strategy and structure, and relevant and supporting industries. Moreover, the indirect factors of government role and chance were explained to influence the competitiveness of a particular country or sector (Baltacı, Burgazoğlu and Kılıç, 2012: 6). The diamond model, which determines competitive power, forms a system. Hence, the fundamental variables collectively identify competitive power rather than individually. In other words, the factors at the four corners of the model interact with each other. Therefore, the system has a dynamic structure. As seen in Figure 1, the indirect factors of government and chance interact with the other four factors. Thus, while there are twelve internal interaction connections in this model, there are eight external ones. The degree to which these interaction connections affect each other and the entire model varies from region to region and from firm to firm. The Diamond model explains how one factor affects the other three factors and is used to determine the competitiveness of sectors (Bulu, Eraslan and Kaya, 2006: 54).

As stated by Porter, the country can provide the main factors for production, such as skilled labor, technology, capital, and infrastructure. These factors, which play a primary role in the formation of relative advantage, can be developed and differentiated in parallel with implemented policies, technological developments, or cultural advancements. On the other hand, Porter emphasized that general factors open to
common use, such as unskilled labor and raw materials, can be obtained by any firm and, therefore, they cannot realize a competitive advantage (Bulu, Eraslan and Kaya, 2006: 55).

Demand conditions affect the importance businesses place on products and the level of innovation. A strong demand structure that is differentiated and not satisfied with the existing pushes businesses to produce new products and to follow changes, especially when internal demand is high in terms of quality and quantity, it provides regional firms with a competitive advantage in global markets. Porter emphasized that if domestic firms can provide accurate signals about the future demand structure, nations or national companies will realize a competitive advantage by perceiving this signal before foreign companies (Bulu, Eraslan and Kaya, 2006: 55).

The competence and competitiveness levels of relevant and supportive industries directly affect the competitiveness advantage of firms. A sector successful globally can also lead another sector to global success. For example, Italy has a good leather and footwear sector and a good leather processing machinery sector simultaneously. A competitive supply chain can realize a competitive advantage through cheap and innovative input supply to the sector. The exchange of information with sectors engaged in horizontal and vertical relationships will also provide innovation and idea exchange (Bulu, Eraslan and Kaya, 2006: 55).

Porter addresses firm strategy and the structure of competition, examining the forms of establishment, organizational structures, management styles, and national competitiveness of businesses. The management styles of businesses directly affect their strategy, while the management styles of cultures, organizational structures, business relationships, etc., positively or negatively affect the competitive structure. The structure of national competition is closely related to global competitiveness. According to Porter, although businesses may consider low competition in the domestic market as an advantage, a qualified regional competition pushes businesses beyond economic conditions and innovation, preparing them for global competition (Bulu, Eraslan and Kaya, 2006: 55).

The element “chance” incorporates uncontrollable situations such as war, natural disasters, or changes in market structure (Baltacı, Burgazoğlu and Kılıç, 2012: 6).

Porter in this model, evaluates the state’s role not as a separate factor but as a factor above others. Porter states that governments should direct state-owned enterprises to expand their goals and enhance their performance. In his view, the government should act indirectly to enlarge the diamond representing competitive power (Baltacı, Burgazoğlu and Kılıç, 2012: 6).

**FIGURE 1**
**DIAMOND MODEL**

(Tsiligiris, 2018: 213)
In Porter’s Diamond Model, the entire system evolves as a process incorporating positive and negative effects. The speed of renewal and innovation in this process affects competitive advantages. The beneficial nature of an effect arising from one determinant depends on the situation of other determinants. When evaluating the effect it reflects, each factor is positively impacted by it. The occurrence of broad and widespread interaction depends on the nature and intensity of mutual interaction within the entire system, thus while a single factor may generally be insufficient; the presence of a dynamic and competitive environment where new knowledge, skills, and players are constantly emerging constitutes a global competitive advantage (Bulu, Eraslan and Kaya, 2006: 55-56).

Double Diamond Model

The Diamond Model has been criticized for focusing only on domestic factors and disregarding international factors. Rugman and Cruz, who brought criticisms in this direction, indicated that even if one corner of a country’s diamond is weak, it can compensate for it with another country. Thus, by improving the Diamond Model in this regard, they created the Double Diamond Model (cited from Kincaid by Baltacı, Burgazoğlu and Kılıç, 2012: 6).

Canada is frequently cited as an example when explaining the Double Diamond Model. Although the demand conditions aspect of Canada’s diamond is poor, through a trade agreement with America, it can participate in a market with higher demand conditions. This situation exemplifies the fact that one corner of the diamond in some countries is dependent on other countries (Baltacı, Burgazoğlu and Kılıç, 2012: 6).

Another criticism of the Diamond Model comes from Dunning, who believes that multinational companies are not limited to countries and have influences outside the Diamond Model. Dunning argues that with the characteristics of international companies, not only the local diamond but also the diamonds of other related countries should be evaluated (Baltacı, Burgazoğlu, and Kılıç: 2012, 7).

While Rugman and Cruz’s Double Diamond Model successfully explains the situations of countries such as Canada, it does not fully apply to small countries like Korea and Singapore. To explain the situations of these countries, Moon, Rugman, and Vebreke developed the Expanded Double Diamond Model by modifying the Double Diamond Model. Firms from small countries like Korea and Singapore are influenced by global resources and markets as much as local resources and markets. This model differs from the original Diamond Model in terms of both local and foreign firms contributing to competitive power and placing more importance on the government (cited from Moon, Rugman, and Vebreke by Baltacı, Burgazoğlu and Kılıç, 2012: 7).

Nine Factor Model

The Nine Factor Model is another approach aiming to explain international competitiveness. In this model, Cho categorized resources that can create competitive power into two main groups: physical factors and human factors (Baltacı, Burgazoğlu and Kılıç, 2012, 7).

Physical factors include factors determining a country’s level of competitive power, the business environment, relevant and supporting industries, and local demand. Human factors include the labor market, entrepreneurs, managers, skilled workers, bureaucrats, and politicians. By also incorporating the “luck” factor into these factors, the Nine Factor Model was developed (Baltacı, Burgazoğlu and Kılıç, 2012, 7).

Even though this model has similarities to Porter’s Diamond Model, there are distinct differences. These differences include how factors are segmented and the addition of new factors. Porter specified natural resources and labor in factor conditions, whereas Cho examined natural resources under equipment and labor under worker resources. Moreover, the role of the state is augmented by the inclusion of bureaucrats and politicians (cited from Çivi, Erol and İnanlı by Baltacı, Burgazoğlu, and Kılıç, 2012: 7). Cho, in this model, also focused on concepts such as corporate, economic blocs, and global competitive power, in addition to national competitive power (Baltacı, Burgazoğlu and Kılıç, 2012: 7).
Revealed Comparative Advantage Model (RCA)

The Revealed Comparative Advantage (RCA) index is one of the indices measuring a country’s ability to compete in exports of goods or sectors with another group of countries (cited from Saraçoğlu et al.: 2012, 7).

Due to the difficulty in measuring price and non-price variables determining comparative advantages across a large number of countries and products, the calculation of comparative advantages should be based on post-trade data rather than pre-trade data (cited from Çakmak by Baltacı, Burgazoğlu and Kılıç, 2012: 8). In this regard, Liesner carried out the first study in the field of comparative advantages in 1958. However, the RCA index introduced by Bela Balassa in 1965 is the most commonly used index for determining competitiveness (cited from Utkulu and Seymen by Baltacı, Burgazoğlu and Kılıç, 2012: 8). Balassa’s study marked the beginning of using the RCA index numerically to measure specialization in international trade. This approach, as introduced by Balassa, analyzes sales occurring as a result of non-price factors in addition to production activities (cited from Batra and Khan by Baltacı, Burgazoğlu, and Kılıç, 2012: 8). During the analysis, exports are associated with domestic production, whereas imports are associated with domestic consumption. The Revealed Comparative Advantage approach utilizes factor returns or factor intensities as a tool in determining the role (cited from Altay and Gürpınar by Baltacı, Burgazoğlu and Kılıç, 2012: 8).

Balassa’s RCA approach assumes that the true nature of comparative advantage can be observed from post-trade data (cited from Smyth by Baltacı, Burgazoğlu, and Kılıç, 2012: 8). To determine a country’s comparative advantage in a particular good or industry trade, Balassa developed an index that represents the ratio of the share of that good or industry in total world exports to the country’s total exports. The aim here is not so much to identify the resources underlying comparative advantage as it is to determine whether a country possesses comparative advantage (cited from Çakmak by Baltacı, Burgazoğlu and Kılıç, 2012: 8).

It is possible to determine in which sectors and industries a country have a comparative advantage with the RCA index (cited from Smyth by Baltacı, Burgazoğlu, and Kılıç, 2012: 9).

The RCA index has been preferred in numerous studies carried out to measure the revealed comparative advantages of various sectors in different countries (Baltacı, Burgazoğlu, and Kılıç: 2012, 9).

Competition Strategies

There is an increasing need for competition and quality worldwide. To survive today’s competitive conditions, increasing production and exporting newly produced products to foreign markets (Ulaş, 2006: 585).

Competitive advantages are formed not by countries but by the businesses that make up the industry within those countries (Akyüz, Gedik and Akyüz, 2010: 67). A competitive advantage for a company means gaining superiority in the competitive environment by utilizing its resources or thanks to its scope of operations (cited from İslamoğlu by Ulaş, 2006: 586). Businesses that can adapt to technological advancements, follow innovations, produce high-quality and cost-effective products, and rapidly respond to customer demands are competitive. While the importance of abundant natural resources and cheap labor, the traditional determinants of global competition, is gradually decreasing, the significance of a well-developed workforce, technological advancements, and innovation has increased. A business competing in a sector necessarily has a competitive strategy, whether explicitly defined or not (Akyüz, Gedik and Akyüz, 2010: 67). The increase in global competition increased the importance of competition strategies (Ulaş, 2006: 586).

A business aiming to develop a competitive strategy must have a good understanding of the sector it operates in, anticipate future opportunities and threats, assess its competitors’ capacity to compete, and identify its strengths and weaknesses compared to its competitors. Finally, it must decide which competitive strategy to implement (cited from Porter by Ulaş, 2006: 586). As stated by Porter, competitive strategies consist of low-cost strategies, differentiation strategies, focus strategies targeting specific market segments, and rapid response strategies. Using all these strategies together rather than implementing only one provides better opportunities for competitive advantage (Ulaş, 2006: 586).
**Low-Cost Strategy**

Businesses, that operate with efficiency and high quality and require very few changes in their model, can gain a competitive advantage by positioning themselves in a low-cost situation. Innovations in production technologies contribute to reducing production costs. By making production at low costs, businesses can increase their market share by offering low-price propositions (cited from Akın by Ulaş, 2006: 587). Achieving a lower cost position when compared to competitors through better marketing, design, more efficient production, and distribution is a competitive strategy (Ulaş, 2006: 587).

**Differentiation Strategy**

For a business operating in a particular sector to develop a differentiation strategy, it must have distinctive attributes in areas appreciated by consumers. Product differentiation involves making the produced item stand out from competitors in the eyes of customers, rather than offering a wide array of products but rather. To use this strategy, emphasis must be placed on research and development (R&D) and high-quality materials (cited from Kotler by Ulaş, 2006: 588). The differentiation strategy should be reinforced with comprehensive research, product design, and marketing expenditures (Karacaoğlu & Özkanlı, 2011: 68).

**Focusing Strategy**

Focus, for a company, refers to concentrating on a single market segment or product, depending on its resources, capabilities, and expertise, to deliver superior service compared to its competitors. It is centered on providing excellent service to a specific target (cited from Porter by Ulaş, 2006: 588). Therefore, the business aims to secure a high market share from one market rather than garnering small shares from numerous markets. Thus, it can establish superiority in that market segment while reducing production and expenses. However, the drawbacks of this strategy include the competition from multiple firms targeting the same market segment and the risk of rendering expertise obsolete due to sudden technological shifts (cited from Lee and Giorgis by Ulaş, 2006: 588).

**Rapid Response Strategy**

It refers to a business’s ability to use time optimally by taking action faster than its competitors. This is implemented by developing new products, improving existing ones, and swiftly responding to customer demands. Besides the quality easily attainable through advanced production technologies today, it is understood that factors such as innovation, flexibility, service, and quicker market access—the speed factor—have also become significant dimensions in competitive advantage (Ulaş, 2006: 588).

**SUMMARY AND CONCLUSION**

Competition is an inevitable reality for businesses. Especially nowadays, businesses must prioritize this concept even more to sustain their life cycles. With the understanding that the game is won on the playing field, commercial activities must meet the market’s demands. Just as cost control is crucial to becoming a market leader, strategic management is equally important in planning. Moves made according to market changes should be in line with various competitive strategy types. In our study, the varieties of these strategies have been explained, serving as an information source for firms to make choices. Now you know the concept of competition. However, the points emphasized in this theoretical study are not strict rules. They can be modified by practitioners (in line with the market) and academicians (in line with the literature and academic studies).
REFERENCES


