

when conducting activities leading to differentiation will generate sustainability.

- 3 Sustainability concerning the differentiation as a consequence of high costs – fixed costs covered by the customers due to the reorientation on another supplier enable premium prices.

### **The sustainability of focus**

Focus sustainability depends on many factors. The following three are the most important:

- 1 Sustainability concerning competitors oriented towards multiple segments – the scale and sustainability of competitive advantage generated through focus in relation to company operating in multiple segments.
- 2 Sustainability concerning the imitators creating barriers against mobility which prevent the focus strategy from being imitated or prevents competitors, who have narrower goals, to increase their focus.
- 3 Sustainability concerning the substitution of products which attract customers – the existence of intentional or unintentional risk that segments which are not covered by the company could attract customers.

### **Upgrading Porter's generic strategies concept**

Raymond Miles and Charles Snow (1978) have upgraded Michael Porter's concept of generic strategies. The authors believe that company develop adaptive strategies based on the perception of the environment by the company (i.e. the company sees what it wants to see in its environment). Since company have different perceptions of their environment, it is safe to say that they develop different *adaptive strategies*. Different business strategies enable some companies to be more adaptive or sensible to its environment in relation to the adaptability or sensibility of other companies. The authors particularly single out the development of *strategic configurations* with the goal of creating compatibility between the company and the environment. Such compatibility is referred to as the *adaptive cycle*.

The cycle should consist of three problems than need to be solved during the interaction between the company and the environment. The authors call these problems *the problems of the complex and dynamic process of strategic selection* and they usually occur simultaneously. The three problems are as follows (Miles and Snow, 1978):

- 1 Entrepreneurial problems concerning the way of developing markets and products
- 2 Engineering problems concerning the way of acquiring and using technology

- 3 Administrative problems concerning the way of organising and controlling the business operations.

Raymond Miles and Charles Snow (1978) have offered the following four configurations of strategic behaviour which can solve the problem of the adaptive cycle:

- 1 Explorer – He generates competitive advantage by achieving success in new markets using new products with the highest possible risk compared to other configurations. He is fast to accept new technologies. The corporation retains its external focus on a broadly defined production-market domain with possible losses due to adaptability to changes.
- 2 Prospector – He generates competitive advantage by achieving success on the existing markets using the existing products with the lowest possible risk compared to other configurations. He is slow to accept new technologies. The company retains its external focus on a broadly defined production-market domain with possible losses due to operative efficiency.
- 3 Analyst– He generates competitive advantage by combining the previous two configurations
- 4 Reactor – He does not generate competitive advantage.

The business strategy typology employed by Raymond Miles and Charles Snow (1978) is similar to the typology used by Michael Porter.

Whereas Michael Porter's typology presents the method of competition (the way a company generates value for its customers), the typology employed by Raymond Miles and Charles Snow presents the approach of the competition (the way in which the company applies the method of competition). If we were to compare the two typologies, we could conclude that the resemblance is undisputed (Figure 6.17).

It should be noted that Michael Porter's typology is based on the principles of *economic logic*, whereas the typology of Raymond Miles and Charles Snow is based on the principles of a *philosophical approach* to business. Both typologies contain an equal number of configurations (four), with three successful ones. The successful configuration patterns consist of the following (Miles and Snow, 1978):

- 1 Two existing, pure types positioned at the opposite ends of the strategic continuum (Porter's *overall cost leadership* and differentiation and Miles' and Snow's *explorer* and *prospector*)
- 2 One idiosyncratic combination of pure types which is closer to the middle of the strategy continuum (Porter's *focus* and Miles' and Snow's *analyst*).

Michael Porter (1998) labelled the unsuccessful and unsustainable types as *stuck in the middle*, whereas Raymond Miles and Charles Snow (1978) refer to them as *reactors*.

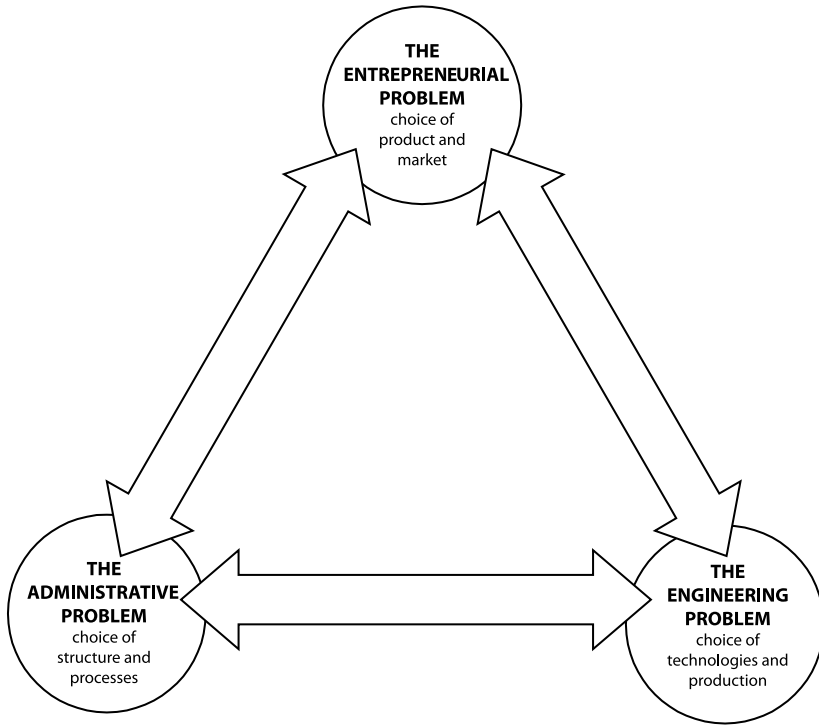


Figure 6.17 Miles' and Snow's adaptive cycle.

Source: Miles and Snow, 1978, 24.

Their common feature is their inconsistency to follow a single configuration at the strategic continuum representing a somewhat combination of the three successful types in that way (Figure 6.18).

Looking back at the previous facts, we could argue that there is not a real contrast between the two typologies (Porter's and Miles' and Snow's) which indicates the possibility of their combination. Disregarding the sole classification into the respective typology, the question of balance between different typologies emerges as a more relevant issue. When discussing balance, it is important to understand the matrix displaying the combined typologies (Figure 6.19).

Hence, *the explorer* and *the reactor* are homogenous categories. *Low-cost analyst* and *high-cost prospector* use overall cost leadership as a basis for reinforcing the competitive advantage, whereas *differentiation analyst* and *differentiation prospector* use differentiation as a basis for reinforcing the competitive advantage. An explorer is successful in defining the competitive volume. A reactor does not have success in defining the competitive volume. Low-cost analyst does not have success in defining the competitive volume. Differentiation analyst and differentiation prospector are successful in defining the competitive volume (Boyd and Walker, 1999).