

Competitive strategies

Since Michael Porter classifies the generic strategies in the context of the market game, the full name used for business strategy is actually *competitive strategy*. Porter (1980) defines business strategy as a *selection of a different set of activities to deliver a unique mix of values*. It is described as a way of taking offensive or defensive action with an aim of creating a position in an industry which is possible to defend. This means that, when using generic strategies to generate competitive advantage (as a single variable), they turn into *competitive strategies*.

Each generic strategy is a result of a consistent selection between competitive advantage on one side and the competitive volume, on the other. Both of these concepts mutually support competitive advantage. The basis of the generic strategy concept is that competitive advantage is the heart of business strategy and the creation of competitive advantage requires a selection on behalf of the company concerning the type of competitive advantage it plans to create and the range of competitive volume where it wants to create it. The generic strategy concept is founded on the premise that there is a host of ways for a company to create competitive advantage depending on the environment.

According to Michael Porter (1980), competitive strategies include the location of a favourable competitive position in an industry seen as an arena where competitive activity is taking place.

The goal of competitive strategies is to generate above-the-average profitability acknowledging the strengths which determine the industry competition.

If we were to compare two companies following generic strategies, each one would select a different basis for its competitive advantage. According to Michael Porter (1980), there are three, i.e. four generic strategies used by a company in relation to its customers and competitors (Figure 6.7).

According to Michael Porter (1980), the combination of competitive advantage with competitive volume leads to the creation of three, i.e. four competitive strategies: (1) cost leadership, (2) differentiation, (3) focus based on (a) cost leadership and (b) differentiation.

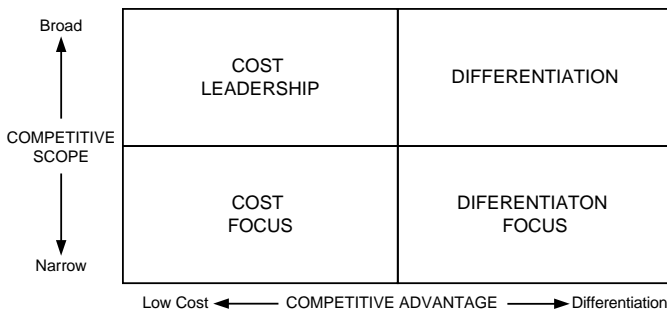


Figure 6.7 Generic strategies types.

Source: Porter, 1980, 39.