4 When there are high exit barriers preventing companies from exiting the industry despite the low return on investment.
5 When there is low industry growth among existing competitors since every competitor must work harder for its share.

It is logical that an industry is less attractive when the rivalry in it is more expressed in the sense that there is more room for achieving a lower degree of profitability for companies operating in the respective business. In other words, a higher degree of rivalry in relation to existing competitors leads to a lower possibility of above the average profitability (Table 4.7).

Strategic group analysis

The concept of strategic groups has a different approach to understanding an industry. According to Momčilo Milisavljević (2012), the following two problems can be found in an industry: (1) Two companies are not completely different and (2) two companies are completely the same. These problems indicate that it is harder to identify groups of companies which resemble each other than groups of companies that differ from each other. This is significant because the main competitiveness goes on among similar companies. Namely, strategic group analysis as the second step in the strategic analysis of the environment has a task of serving as a same kind of a bridge between

Table 4.7 Elements for evaluating the influence of competition intensity

Rivalry in an industry	*Opportunity*	*Threat*
An exceptionally large number of competitors in the industry	+	
An exceptionally low number of competitors in the industry		+
Competitors are balanced in terms of their power	+	
Competitors are not balanced in terms of their power		+
There is a differentiation or there are no switching costs	+	
There is not a differentiation or there are no switching costs		+
Fast sales growth in the industry	+	
Slow sales growth in the industry		+
High fixed costs	+	
Low fixed costs		+
Considerable differentiation or considerable switching costs	+	
Slight differentiation or slight switching costs		+
Industry capacity is increased in major leaps	+	
Industry capacity is increased in minor leaps		+
Different and diverse competitors	+	
Similar and generalised competitors		+
Major strategic interests of the company	+	
Minor strategic interests of the company		+
High exit barriers	+	
Low exit barriers		+

Source: Adapted from Johnson and Scholes (2009:48).

understanding the industry as a whole on one side and the focus on organisations within the respective industry on the other side (Šehić, 2002). A strategic group analysis is a useful tool when there are many participants in an industry without the possibility of an in-depth analysis of each individual participant. The idea of strategic groups was defined by Caves and Porter (1978). These two authors[7] defined a *strategic group as a group of organisations handling similar opportunities and threats which differ from similar opportunities and threats featured in the industry, while having the same business strategy*. This means that a strategic group is a group of competitive corporations following the same or similar strategy in all strategic dimensions, i.e. which (a) have similar choices (e.g. similar price policy), (b) have similar features (e.g. similar vertical integrity and similar) and (c) have similar means (e.g. similar technological basis) (Caves and Pugel, 1980).

However, the mentioned definition of strategic groups has not precisely clarified two things: (1) Industry boundaries and (2) the structure of opportunities and threats operating in the industry. Imprecision in defining the boundaries of the industry is less relevant when analysing organisation exposed to similar opportunities and threats. The definition of industry boundaries is less significant than the definition of the boundaries of the strategic group. If there are several strategic groups in a single industry, the difference in opportunity and threat structure must be included in the analysis of the industry.

An analytical tool used in the analysis of development and trends of an industry is *strategic group maps*. It presents a simple visualisation and graphical representation of the relation of the personal position and the position of competitors in the context of determining the mobility barriers, identifying marginal groups, labelling movement paths and similar (Ferguson et al., 2000). In any case, the organisation in different strategic groups have different competitive foundations and different competitive advantages. In order to draw out the map of strategic groups, the following steps must be followed:

1 Identifying the key features differentiating the organisation within an industry based on typical diverse variables;
2 Repositioning the organisation on a map defined by two variables using pairs with different features;
3 Labelling organisation that need to be repositioned in the same space which is the foundation for creating a strategic group;
4 Describing the area encircling each group and making sure it is proportional to the scale of group share in the overall profitability of the industry.

According to Hax and Majluf (1991), two dimensions (strategic dimension X and strategic dimension Y)[8] are crucial in the process of defining strategic groups (Figure 4.6). Possible strategic dimensions that can be considered

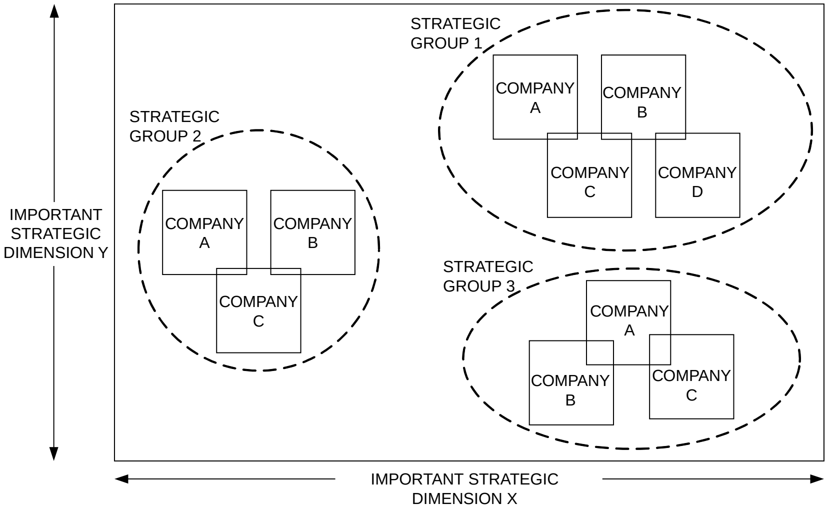

Figure 4.6 The map of strategic groups according to two key dimensions.

Source: Hax and Majluf (1991:36).

include the following: Quality (high, medium, low), area (local, regional, state, global), middlemen (one, some, all), services (without any, limited, full) and similar.

The alternative strategic positions of different competitors can be displayed based on either of the two mentioned dimensions. The main competitors of a company belong to its strategic group.[9]

They sell different products at similar prices to different buyers. The higher the similarity in the business strategies of companies in a strategic group, the bigger rivalry among them and vice versa; the more different business strategies in a strategic group, the weaker rivalry among them. There is direct competition in the first scenario, whereas there is indirect competition in the second one. It can be argued that the coordination of operating is more important than cooperation when forming strategic groups. It is due to the fact that strategic groups can be formed around mutual business strategies which can be a result of monitoring the business strategies of others.

According to Michael Porter (1979), strategic groups are not equivalents of strategic segments since they are defined on a broader platform of competition. They are an analytical tool in a strategic analysis. Different strategic groups have different mobility barriers giving some companies the edge over others. There is a certain link between entry barriers and mobility barriers. Although the entry barriers disable the entry of competitors into an industry, mobility barriers limit the movement of competitors between strategic groups within the same industry. Companies in a strategic group reach profitability which is higher than the profitability otherwise reached