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COMPETITIVE STRATEGY IN TURBULENT ENVIRONMENT

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Content

Introduction

A competition and a competitiveness of a company are very important issues in the field of management and particularly in strategic management. An increase of a company's competitive potential as well as obtaining and maintaining a competitive advantage in the long term leads to an increase of a company's profitability, increases a market share, provides a better satisfaction of clients' needs and an improvement of a company's image in the environment. The managers must get well to know the mechanisms of competition and the rules of market game in the sectors in which the companies operate and must manage them in a way which will increase a company's competitiveness. They should formulate a strategy which allows a company to survive on the market and to develop when the competition is strengthened.

The competition (in a micro scale) is understood as a permanent fight of a company to get clients by providing them with an offer which gives them a desirable value and which is better than the offer of competitors. On the other hand a competitiveness is a property of an organization compared with other companies. It is a consequence of the existence of competition that is a process of competing among companies on the market. The competition and the increase of its intensity are influenced by various phenomena and changes among which the following can be considered as the most important ones: a globalization of economic relations, political, social and cultural relations; an increasing role of a technological progress, product innovations and shortening the products life cycles; combining a strategy of a company's development with a protection and a support of the main competencies of the company; an increasing liberalization of national markets and international trade; a development of anti-monopoly legislation and a change of companies into transnational corporations[1].

The environment becomes more and more turbulent, and according to Philip Kotler and John A. Caslione, turbulences always are connected with elevated risk and uncertainty[2]. Changes happen quicker and reacting to them requires a constant monitoring of the market and skills how to use properly a potential of the company. A company is supposed to check regularly its environment and more precisely its competitive environment and to analyze the

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[1] W. Świtalski, *Innowacje i konkurencyjność*, Wydawnictwo Uniwersytetu Warszawskiego, Warszawa 2005, p. 153.
[2] Ph. Kotler, J.A. Caslione, *Chaos. Zarządzanie i marketing w erze turbulencji*, MT Biznes, Warszawa 2013, p. 22.

possessed resources and competencies. This means conducting a strategic analysis. It will enable a creation of a proper competitive strategy concentrated on using the chances and avoiding the threats in the environment and on offering the clients the products with a desired value. This book can help formulate and choose a suitable strategy.

The first chapter presents the notions and the kinds of environment and characterizes a turbulent environment which exerts a very big influence on the functioning of contemporary companies. The different definitions of competition are presented together with the models and the levels of competition in the different approaches, the functions of competition, its advantages and disadvantages and the changes in the logic of competing caused by the globalization. Then the notion of the sector and its kind, the structural features and models of development as well as the aims of the sector analysis which constitutes an introduction to the next chapter are described.

The second chapter includes a detailed description of the selected methods of strategic analysis which refer to the research of competitive environment. It presents an analysis of five forces and the ways of using them in practice, a model of the market dependent on the entrance and exit barriers, a concept of clusters and its meaning for the research on competing of the given company, a map of the strategic groups and the ways of their analysis, an evaluation of the sector competitiveness in a subjective and an objective approach, an analysis of stakeholders in a competitive environment and a meaning of relations with stakeholders in the concept of Corporate Social Responsibility as well as a concept of key success factors and benchmarking, taking particularly into consideration a competitive benchmarking. All these methods are described together with the examples of their applications.

The third chapter refers to the competitiveness and the kinds of competitive strategy of a company. The various definitions, divisions and criteria of the competitiveness are enumerated, the elements of the competitiveness that is a competitive potential together with its elements, competitive gain, its kind and sources and a phenomena of hyper-competition, instruments of competing as well as competitive positions and the ways of evaluating them are presented. In the latter part of this chapter, the resources and key competencies of the company, their features, kinds and ways of creating, a system of managing competencies and the models of competencies are described. The following part of this chapter includes a description of the selected methods of testing a company’s potential such as a profile of a strategic competitiveness, a strategic balance, a matrix of functions and resources, an analysis of the value chain and portfolio methods together with comparing the features of matrix such as: BCG, Shell, ADL and Hofer's matrix. Later the notions and the features of the competition strategy and the models of such a strategy included in the general strategy of the company are presented.

The fourth chapter in turn presents the different kinds of competing on the market which can be fully or partially used by the companies creating their strategies. The defensive strategies in a classic and modified approach are described here together with the offensive strategies dependent on the level of competition, including a strategy of a "blue ocean", strategies dependent on strategic advantage in the different approaches, a strategy of simple rules (using the occasions), entrepreneurial strategies, market strategies (of leaders, claimants, followers, specialists), different kinds of product strategies, including the variations of the diversification and differentiation strategies, cost strategies, quality and price strategy in the different approaches, market entry strategies and global strategies. The latter part presents defensive strategies, strategies which can be a threat to the company and a strategy of a fragmentary competition and within them the different forms of strategic alliances.

The book is addressed to students of business faculties and managers who would like to improve both their knowledge and the strategies of their companies and who are to operate in a changeable and complex competitive environment.

1. Essence of competing

1.1. Operation in a turbulent environment

Each company operates in a given environment which provides it with a possibility to survive and gives a chance for the development as well as creates the different barriers and threats. A growth and surviving of a company are dependent both on the existing and the future external conditions in which it functions or is planning to function.

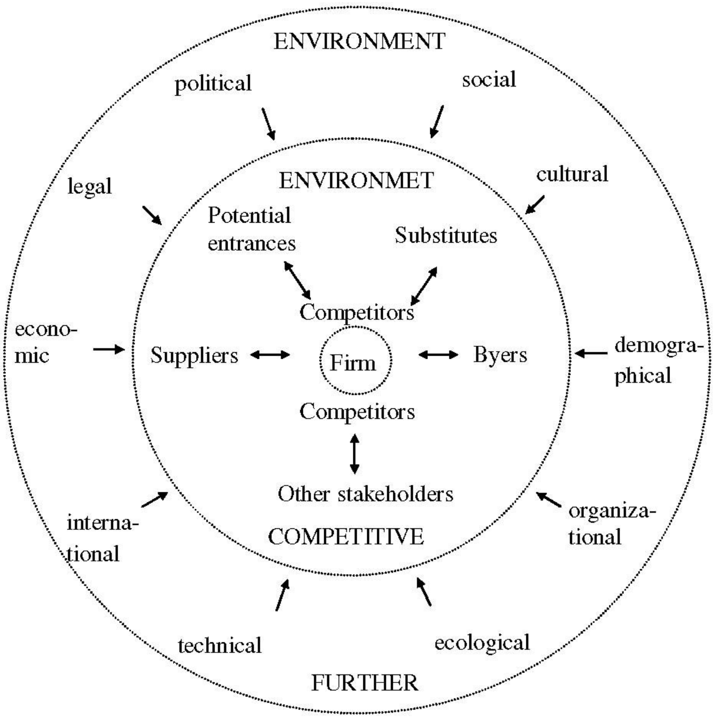

Figure 1.1. Environment of the company
Source: own preparation.

The environment consists of circumstances, phenomena, processes and institutions which are placed outside the company. The environment is divided into a macro- and micro-environment, which is presented in figure 1.1. The macro environment – that is the environment situated further are the diverse economic, legal, political, technical, technological, social, cultural, demographic, organizational, international and ecological factors which define the frameworks of the given company activities. The micro environment in turn consists of people, organization and institutions with which a company has direct links. These are the competitors, suppliers, wholesalers, retailers, final clients, collaborators, banks, advertising agencies, consulting companies and so on.

One can differentiate three basic types of environment[3]:

1. Permanent environment characterized by the following features:
- goods and services which were hardly ever changed in the last years,
- a permanent group of competitors and clients with few coming in and out,
- a consequent policy of national authorities which refers to legal regulations and taxes,
- a lack of technical novelties in the competing areas,
- a stability of relations between management and employees,
- stable social and political conditions.
2. Changeable environment which has the following features:
- products and services undergo minor changes,
- a stable group of competitors with some appearing and disappearing from time to time,
- national regulations which go towards a predictable direction (generally towards a bigger control),
- moderate and gradual technical innovations,
- evolutionary tendencies in the relations of employees with employers in the field of politics and social issues.
3. Turbulent environment with the following features:
- permanent changes of products and services,
- a permanently changing group of competitors with big companies entering the market,
- unpredictable activities of national authorities, which reflect political interactions between a society and different groups in favor of customers' protection, environment protection and civil rights,
- important technical innovations including an implementation of a radically changed technology which makes a previous one outdated,
- rapid social changes.

[3] R. Webber, *Zasady zarządzania organizacjami*, PWE, Warszawa 1990, pp. 391-392.

The environment nowadays is considered to be particularly turbulent that is changeable and complex. A turbulence can be characterized by:

- an increase of the novelty of change which means that important events which influence a functioning of the company are more and more different from the current experience,
- an increase of the intensity of environment which means that the relations of the company with its partners become more and more important for the managers; the level of a company's dependence on the environment and its influence on the different elements of the environment becomes bigger and bigger,
- an increase of the changes speed which is connected with an increasing innovativeness of the different economic stakeholders; a speed of introducing the innovations in products and in other activities of the company becomes bigger and bigger,
- an environment complexity, which means an increase of the number of its elements which are more differentiated and their influence is more and more unpredictable; the borders of the environment are also more changeable[4].

Nowadays the changes in the environment are quicker, more multidirectional, resulting from the different factors and more difficult to foresee. The environment becomes more and more[5]:

- extensive (the market, the exchange of information, results of local disasters and conflicts get global);
- differentiated (new, specialized organizations; narrow and specific market niches; groups of clients with special needs);
- unstable (shorter and shorter lifecycles of products, stronger competition, technological revolutions, political breakthroughs, active and changeable interference of states and so on);
- complex (bigger and bigger co-dependence of processes and phenomena).

A phenomenon of the industry convergence is also progressing which means a disappearance of the borders between the sectors which in turn creates new possibilities lying on the crossings of the sectors.

[4] A. Sznajder, *Strategie marketingowe na rynku międzynarodowym*, PWN, Warszawa 1995, p. 14.
[5] K. Bolesta-Kukułka, *Świat organizacji,* in: A.K. Koźmiński, W. Piotrowski (ed.), *Zarządzanie. Teoria i praktyka*, PWN, Warszawa 1993, p. 79.

The changes have more and more revolutionary and not evolutionary character. Some of them are radical and the decisions connected with them entail considerable risks whereas others are not that risky but they demand instant reactions for appearing occasions and threats. The operation in such an environment refers not only to big enterprises active on international markets. Nowadays all the organizations are threatened with quick internal changes[6].

The companies operating in the turbulent environment must take into consideration its requirements and challenges due to the fact that what happens outside is often more important for the survival and the development of the company than the changes in its structure and potential. Each organization is an open system which means that a considerable part of its aims must be subordinated to the needs of the environment. It must do its utmost to use in the best possible way the appearing changes and to decrease the threats. These threats have a very different character and a strength of influence depending on the potential and differentiation, complexity and diversity of the environment. Nowadays more and more often a company does not have any influence on the changes which take place in the environment (particularly the further one) and must treat them as the defined ones to which it is necessary to adjust or at least take them into consideration while formulating their plans[7]. It can be said that the company does not have a full sovereignty but that its development is dependent on the level in which an environment creates it a possibility to survive and to grow regularly[8]. Together with an increasing network of limitations it is more and more necessary to implement adaptations including the improvement of the structure and the culture of the company.

Although the changes and perturbations can be troublesome, they will not threaten an existence of the company if they are identified early enough and taken into consideration in the development strategy which will make a company an institution which serves the environment[9]. Thanks to a good competitive strategy a company can get adjusted to the changing environment in an active and even creative way. Instead of being a passive receiver of the signals coming

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[6] G. Gierszewska, B. Olszewska, J. Skonieczny, *Zarządzanie strategiczne dla inżynierów*, PWE, Warszawa 2013, pp. 19, 23, 63.
[7] G. Gierszewska, B. Olszewska, J. Skonieczny, *Zarządzanie strategiczne dla inżynierów*, PWE, Warszawa 2013, p. 19.
[8] Compare: Strategor, *Zarządzanie firmą*, PWE, Warszawa 1997, pp. 294-295.
[9] Compare: B. Wawrzyniak, *Odnawianie przedsiębiorstwa*, Poltext, Warszawa 1999, pp. 213-216.

from the environment, it should get it well to know and take into consideration while planning their undertakings. Such an active approach to the environment and treating the changes in it as challenges and not only as threats allows a company to undertake strategic initiatives, react properly to the needs of stakeholders and in turn to compete on the market more effectively.

1.2. Notion and functions of competition

The companies on the market compete together in order to obtain the best possible profits from sale of goods produced in the company or from the delivered services. Such a competition between the companies constitutes the essence of the competition (competing)[10]. A competition can be defined as fighting for funds of the purchasers by presenting the offer in a more attractive way than the others[11]. It is perceived as a fight between the companies to obtain the biggest number of clients, to get the biggest possible sales, possibly the cheapest supply, the best employees and capital[12]. It is a fight of entrepreneurs to get a market; choose the most beneficial exchange conditions which ensure the highest possible income[13]. It is competing, fight for increasing the market shares and profits[14]. Another definition states that a competition is a process by means of which the participants of the markets, while trying to implement their interest, try to present the offers which are more beneficial as far as a price, quality and other features which influence a decision on concluding a transaction are concerned[15]. It is also a process of the competition of the different stakeholders which aim at achieving analogical aims and which conduct the activities which make it more difficult or impossible to achieve by the competitors[16]. This competition does not refer only to the markets but also to the sources of production supply and human capital. The actions undertaken by the companies aim at obtaining markets and at increasing their shares on them

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[10] W.M. Grudzewski, I.K. Hejduk, *Zarządzanie technologiami*, Difin, Warszawa 2008, p. 285.
[11] A. Nowacka, R. Nowacki, *Podstawy marketingu*, Difin, Warszawa 2004, p. 32.
[12] A. Fornalczyk, *Biznes a ochrona konkurencji*, Wolters Kluwer, Kraków 2007, p. 13.
[13] M. Syrek, *Ekonomia*, Volumen, Katowice 1994, p. 43.
[14] J. Bremond, M. Salort, *Odkrywanie ekonomii*, PWN, Warszawa 1994, p. 92.
[15] W. Czakon, *Łańcuch wartości a przewaga konkurencyjna – model zależności*, Przegląd Organizacji 6/2000, p. 17.
[16] J. Penc, *Encyklopedia zarządzania*, Wyższa Szkoła Studiów Międzynarodowych w Łodzi, Łódź 2008, p. 306.

by eliminating or limiting the number of competitive stakeholders[17]. The achievement of a defined aim (usually an economic effect) happens at the expense of other competing stakeholders of the market (on the demand side)[18]. As a result of competing, the companies which managed to master the art of competing and can prove that their products are better than the products of other companies remain on the market. From this point of view a competition is an important stimulus to introduce the changes in the functioning of companies. It makes it necessary to implement changes in the way of producing goods or delivering services to introduce the new solutions and to verify them on the market[19]. The competition is therefore a dynamic process which influence considerably both a single company, the whole market and the sector.

The competition fulfills the following functions[20]:

- steering the division and the flow of goods and services according to the criteria of the clients' preferences, which is favorable for the process of the optimization of their needs (the steering function),
- insurance of the flexible adjustment of products and manufacturing abilities to the changing structure of demand and techniques of production, which enables savings in the sphere of investments (the delivery function),
- being favorable to the optimal allocation of resources, which ensures its purposeful usage, stimulating the increase of production or the reduction of costs (allocation function),
- the insurance of the division of profits between the companies on a market according to the criteria of efficiency and effectiveness which means that the competitive processes smoothen or eliminate the division of income according to the criteria of economic strength (the regulation function),
- speeds up the process of introducing and disseminating innovations and the organizational and technological progress (the innovative function).

The competition nowadays has a global character, which is visible in the bigger level of the company's specialization, a rapid increase of expenditures on research, the common appearance of new technologies, the shortening of the life cycle of products and the increase of the customers' requirements as to the quality of the products and services offered. According to T.L. Friedman, certain

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[17] E. Skawińska (ed.), *Konkurencyjność przedsiębiorstw*, PWN, Warszawa – Poznań 2002, p. 72.

[18] T. Kramer, *Podstawy marketingu*, PWE, Warszawa 2000, p. 39.

[19] O. Flak, G. Głód, *Konkurencyjni przetrwają*, Difin, Warszawa 2012, pp. 26, 33.

[20] W. Wrzosek, *Funkcjonowanie rynku*, PWE, Warszawa 1998, p. 242.

tendencies are connected with the globalization which certainly influence the competition rules[21]:

1. The basic ideology of globalization is a free-market capitalism and the competition is the basic mechanism which regulates the allocation of resources in the economy. One tries to improve the competitiveness of the economy in order to attract the foreign investors by means of privatization, deregulation and opening to foreign markets.
2. Democracy is the main form of ruling which is done by the political groups with a liberal economic orientation.
3. The American culture is dominating in the culture of globalization, which causes a process of Americanization in many regions but with a considerably different intensity.
4. Technical aspects of the globalization connected with the usage of computers, miniaturization, satellite communication and the Internet.
5. A contemporary pace of the technological progress which led to a quick dissemination and getting old of any innovations.
6. A quickened migration of people from villages to cities accompanied by a creation of new patterns of life in the field of the fashion, entertainment, organization of a family life and changes in nutrition which are often taken from the different cultures.

What is more the following phenomena take place[22]:

1. A quick decrease of the transaction costs visible on the markets of the whole world. As a result, some traditional assets achieved by a scale of activities disappear which allows small companies to compete with the big ones. The new competitors coming from all the sides disagree with the established order. The big companies have to observe more carefully even the further environment in order to notice the threats earlier. They also must improve their innovation capacity.
2. The Internet has radically increased an access to innovations. The employees can exchange the experience and get familiar with the different phenomena in the remote regions of the world. The economy in which there are more and more links increases the role of the intelligent organizational solutions.
3. A competition between the different business models increases. Some time

[21] T.L. Friedman, *Lexus i drzewo oliwne. Zrozumieć globalizację*, Rebis, Poznań 2001, pp. 28-29.

[22] *Success = Internet + dreams+ employees' initiative*, Zarządzanie na Świecie 3/2001, pp. 43-44.

ago, the innovative strategies were greatly based on a common effort which was going in the direction of the control over individuals. Nowadays new ideas are more important than natural resources. The competitive advantage can be short-term and that is why the companies must change their approach to the market if they want to develop.

These tendencies cause the changes in the logic of competing which means that[23]:

1. Not only the products or markets but also the processes (the dynamics of functioning) are the parts of the company's strategies. The success depends on the overtaking of market tendencies and the quick reactions to the clients' needs.
2. The success of competition depends on the transfer of the most important strategies in a company in the strategic abilities, which can ensure the delivery of products and services with the highest quality.
3. The company's abilities are created by the realization of the strategic investments.
4. As the abilities have a multi-functional character, the main manager must be the promoter of such a strategy.

Further changes refer to[24]:

- An approach to quality – it is treated as a process of training, preparing, producing and delivering products which are more economic, useful and satisfying to a client, which requires an engagement of all the employees in the company.
- Mechanisms of coordinating the activities in the company – a quick pace of external and internal changes and an increase of the level of their complexity makes it necessary to create new organizational structures which can adjust not only to changes but which can also go ahead of them.
- A status of an employee – a shift from treating an employee in the category of changeable costs to treating them as a key resource of the company on which the quality of products, processes and activities depends.
- A perception of the value of knowledge – new strategic resources of the company concentrate around a triangle: information – human capital – creativity.
- The role of information system – a shift from large, time-consuming reports to data bases generating information adjusted to a specific decision-maker in the company.

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[23] B. Pełka, *Podstawowe zasady konkurowania*, Ekonomika i Organizacja Przedsiębiorstwa 5/1998, p. 28.
[24] A.L. Platonoff, *Zarządzanie dynamiczne*, Difin, Warszawa 2009, pp. 16-17.

- A mechanism of the control of activities – looking for qualitative and quantitative factors which determine the effectiveness of activities and the engagement of all the employees in this process.
- A way of paying attention to the client – paying attention to what a client wants is a standard procedure whereas the anticipation of what a client will want decides about the competitive advantage.

The companies compete also by using the value for clients, which means that they provide them with the goods which have a proper value for them. However, according to C.K. Prahalad and Venkat Ramaswamy it may not be sufficient in the future. The future of the competition, in the opinion of these authors is totally connected with a new approach to creating a value based on a co-creation of the value by the clients and companies. This experience of the co-creation becomes a basis of the values whereas a process of creating the values concentrates on individuals and their experience of co-creating. The managers must pay attention to the quality of co-creation and not only to the quality of products and processes of the company. This quality depends on the infrastructure of the interactions between the companies and consumers directed at a capacity to create the different experience[25]. This means in practice that clients actively participate in the dialogue with producers using their own experience and obtaining information directly from other clients. They become the co-creators of the values of the organization which the companies like using very much. E.g. retailers by having a direct contact with the clients, create their own product brands winning in this way with their suppliers[26].

A competition of the future is competing for the access of opening possibilities. It is a competition for maximizing of the participation in the future possibilities which a company would use by means of their resources in any sector[27]. In the economy based on information or on network digital systems a need for the development is created together with a practical application of a new concept of strategy which includes such elements as[28]:

[25] C.K. Prahalad, V. Ramaswamy, *Przyszłość konkurencji*, PWE, Warszawa 2005, pp. 25-26.
[26] G. Gierszewska, B. Olszewska, J. Skonieczny, *Zarządzanie strategiczne dla inżynierów*, PWE, Warszawa 2013, p. 126.
[27] B. Kaczmarek, W. Walczak, *Zarządzanie wiedzą we współczesnych przedsiębiorstwach*, Wydawnictwo Uniwersytetu Łódzkiego, Łódź 2009, p. 103.
[28] F. Krawiec, *Nowa gospodarka i wizja lidera firmy XXI wieku*, Difin, Warszawa 2009, pp. 80, 83.

- a competition for the vision of the future business possibilities of the industry or of the branch and intellectual leadership,
- a competition for foreseeing a direction of the development of the industry or of the branch,
- competition for a market position and market participation.

The strategies based on the classic competition theory become less and less important because the role of the distribution channels change, the new intermediaries appear as well as new information technologies. Therefore the priorities and the aims of competing change, which is shown in table 1.1.

Table 1.1. The globalization versus the changes in the companies' competitive strategies

Fields of competing	**Priorities in the traditional competition**	**Aims of competing on the new market areas**
Branch (sector)	Competitors in a sector	There are new and potential sectors
Strategic group	Emphasis on the competitive position in the group	Other strategic groups within the branches
Target group	Emphasis on the improvement of services of a given target market (segment)	Creation of the new groups of clients (market niches), which are differentiated by the different criteria
Products (market offer)	Maximization of the product added value within a branch	Creation of the added value (value chain) on the basis of the elements which go beyond the branch
Time	Adaptation to the trends of the branch development	Influence on the shape and character of trends in the environment

Source: W.C. Kim, R. Mauborgne, *Creating New Market Space*, Harvard Business Review 1/1999, p. 92 quoted after: J. Bieliński (ed.), *Konkurencyjność przedsiębiorstw w świetle Strategii Lizbońskiej*, CeDeWu, Warszawa 2005, p. 16.

Generally speaking the competition is perceived as a positive phenomenon, which is visible in the so-called triangle of competition of Kenichi Ohmae (the three C formula). This formula presents the advantages of a company related to the competition on the basis of the analysis and the assessment of the strategic links between clients, companies and competitors. If a company wants to be better than a competitor, it must offer a more attractive relation between the possibilities to achieve benefits connected with the purchase which was done and with the costs than a competitor. In order to convince a client about such a relation the company must concentrate its offer on the totality of requirements and problems of a client and/or on offering their experience in a way which is more beneficial in the category of costs than is the case of a competitors[29]. These relations are presented in figure 1.2.

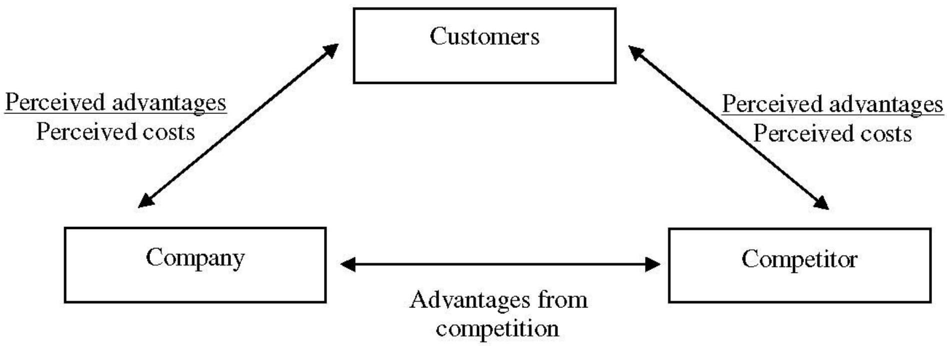

Figure 1.2. Competence triangle "3C formula"
Source: P. Blaik, *Logistyka*, PWE, Warszawa 2001, p. 360.

According to Michael Porter the competition (the presence of the proper competitors) can be the source of many strategic advantages for a company. These advantages can be divided into four main categories[30]:

1. The mechanisms which facilitate the strengthening of competitive advantage:

- enabling the competitors to undertake activities which lead to the neutralization of the periodical, seasonal and other differences in the supply which are often used as it creates the possibility to maintain the production potential of a product on the level which will allow to cover the demand in the whole cycle,

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[29] P. Blaik, *Logistyka*, PWE, Warszawa 2001, pp. 360-361.
[30] M.E. Porter, *Przewaga konkurencyjna*, Helion, Gliwice 2006, pp. 254-265.

- the competitors can also facilitate the implementation of the strategy of differentiation as they are the typical points of reference for the customers,
- the competitors can successfully satisfy the needs of segments which the company perceives as unattractive and which would need to be served in order to achieve the access to the desirable segments or to realize the protective activities,
- the competitor, which is producing with high costs, can ensure the so-called cost umbrella and lead to the increase of the company's profitability which costs are lower,
- the presence of competitors enables the negotiations with employees and the representatives of authorities. The company which has the leading position is exposed to the pressures from the trade unions and must fulfill the severe norms of the quality of the products and environmental protection. The presence of a competitor, which is the less profitable, can lead to the decrease of these requirements,
- the presence of active competitors allows to reduce the risk connected with anti-monopoly control and with the possible reproaches,
- the active competitors can be the source of motivation to taking activities which aim at the reduction of costs, improvement of products and technical progress.

2. The positive influence of competitors on the branch structure:

- the activities of competitors can lead to the general increase of demand within a given branch and as a result increase the volume of the company's sale,
- in many branches the purchasers look for the second or third source of supplies in order to minimalize the risk of distortions or to decrease the bargaining force of suppliers. The presence of a competitor which is the next supplier can protect the company from the danger which means that the purchasers will make the companies which are a threat enter the market and that the purchasers will decide to undertake the activities which aim at disintegration,
- a good competitor can lead to the increase of the beneficial aspects of the branch structure or promote the structural changes which lead to the improvement of the attractiveness of a branch for companies which operate in it increasing the entrance barriers.

3. The competitors can also lead to the increase of market in the developing branches or in the branches in which the production process or the product itself develop. It is possible when:

- the competitors can divide the costs of the market expansion by the launch of new products and technologies,
- the competitors can prove to be a necessary alternative source for a client even when the client later will not expect the diversification of sources on the market. Sometimes the customers are reluctant to buy new products if only one or two companies produce them,
- the presence of the competitors which use the same technology can speed up the process which leads to the justification of the introduction of the new technology or its standardization,
- the proper competitors can improve the image of a branch. The companies with a strong position and a good reputation in many branches can use their reliability for the whole branch.

4. A very important role of competitors in the protective activities that leads to the elimination of threats from the companies wanting to enter the market. The mechanisms that prevent the new entries are as follows:

- the presence of the competitors can increase the likelihood of the usage or the increase of the retaliatory activities aimed against the potential new companies. The competitors can also constitute the first line of resistance for such companies,
- the example of a competitor can constitute the confirmation of the thesis that the competition with a given company requires a lot of efforts and can prove that an implementation of the imitation strategy can lead to the results of the profitability which are not the best ones,
- the competitors can take the positions which constitute the potential ways of entering the market and blocking other companies,
- the presence of competitors gives the distributors and retailers a big choice of brands and at the same time it can limit the access to the distribution channels of the new companies.

Another advantage is that companies while competing simultaneously learn one from another copying strategies and structural solutions[31].

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[31] J. Szczupaczyński, *Organizacyjne uczenie się jako proces etycznego rozwoju organizacji*, Przegląd Organizacji 12/2011, p. 15.

As it is underlined by Tomasz Przybyciński, a lack of the competition makes it impossible for producers to have a market power over clients. Having the market, the producers are not likely to improve the quality, decrease the costs, implement technological innovations, product innovations and so on. Their motivations are completely contrary which is the sources of economic losses on a large scale[32].

The competition which is viewed as a whole process and not only from the point of view of the single clients is the mechanism which leads to the continuous improvement of the clients' situation[33]. It constitutes a driving force of the technological progress, innovations and productivity in the different spheres of economic life. It is a factor that arouses aspirations of staff members and of the whole companies. It stimulates the search for the technologies, products and services that are better and better. It helps to create the more effective links between producers and consumers. Thanks to it the products are designed and offered in such a way as to ensure the high level of satisfaction and the investors a high return on the capital invested. The total limit of competence is neither purposeful nor possible.

These advantages refer to the so called sound-competition so the one which is fair and not excessive. The competition that is very intensive can lead to many negative phenomena which are visible in the following ways[34]:

- The tools and the technological systems are more important than people and organizations that work in favor of human beings. People are treated only as producers or consumers.
- The treatment of costs in the short period of time has a primacy. On one side this leads to overproduction and on the other hand to many lacks.
- The competitive character of national markets decreases, the financial and industrial concentration on the global level increases which leads to the creation of the global oligopolies.
- The differences between the countries and the regions become more visible and in their frameworks the abilities of the access to innovations.
- The excessive competition leads to the destruction of the natural environment but it can also stimulate the search for new processes and products.

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[32] T. Przybyciński, *Polityka konkurencji a ład rynkowy*, Szkoła Główna Handlowa, Warszawa 2002, p. 23.
[33] See: D.F. Abell, *Dualizm w zarządzaniu*, Poltext, Warszawa 2000, p. 38.
[34] Grupa Lizbońska, *Granice konkurencji*, Poltext, Warszawa 1996, p. 148.

- The excessive competition is the source of the social exclusion on a large scale. It is common to forget about people who are not competitive, companies which are not competitive and cities and nations which are not such.
- The excessive competition leads to the aggression of individuals and groups and stops the development of solidarity and dialogue between people, nations and societies.
- It decreases the abilities of the public organizations and representative democracy on all the levels: on the level of company, local, national and global ones.
- The desire to achieve the higher level of competitiveness in the market economy is one of the main reasons for the systematic decrease of employment and as the effect the increase of the unemployment.
- The excessive competition causes the excessive risk of management both on the local and global scale.

Paying a lot of attention to competition can lead to the companies' usage of unethical activities which cause harm not only to market competitors but also to consumers. Such activities are e.g.[35]:

- the false or deceptive marking of the geographical origin of products,
- misleading marking of a company and a product,
- breaking the company's secrets (including informing the competitors and the illegal obtaining of the data which refers to technologies and organizations in the illegal way),
- the persuasion not to fulfill or to terminate contracts,
- "falsification" of products,
- accusations or unfair advertisement of products (not in line with the actual situation),
- making difficult the access to the market,
- the usage of unfair or forbidden competition.

The management of the company is obviously obliged to act in line with the legal provisions. It is also necessary to follow the ethical rules, which exert a big influence on the market image. That is why it is not advisable to treat a competition (competing on the market) as a superior value in the organization and to subordinate all the activities to it. What is more, a strategy of the

[35] Compare: T. Wojciechowski, *Encyklopedyczne podstawy marketingu*, Agencja Wydawnicza Placet, Warszawa 2009, pp. 91-92.

company should include both the elements of competing and cooperation with the competitors.

1.3. Kinds of competition

A company should analyze in details the competition in the sector of its activities taking into consideration e.g. a kind (model), a character and a level of competition. The classical models of competitions are: a perfect competition, a monopolistic competition, a differentiated oligopoly, not differentiated oligopoly and a monopoly. These models can be differentiated by the assessment of such criteria as the number of suppliers of a given product and the level of offer differentiation (see table 1.2).

Table 1.2. Kinds of market structures

	One supplier	A few suppliers	Many suppliers
Product not differentiated	Monopoly	Oligopoly not differentiated	Perfect competition
Product differentiated		Oligopoly differentiated	Monopolistic competition

Source: R. Kłeczek, W. Kowal, J. Woźniczka, *Strategiczne planowanie marketingowe*, PWE, Warszawa 1999, p. 136.

The perfect competition is characterized by a big number of sellers but none of them have influence on the level of prices shaped only by demand and supply. What is more the goods are similar and there are no barriers to enter the market. The market is transparent – this means that a client and a seller have a full information about the size and the structure of demand and supply and about the best places to buy and sell. The clients have a total freedom of choosing the products and buying the goods in the favorable conditions, times and space whereas the suppliers aim at maximizing the profits obtained thanks to satisfying the clients' needs.

The monopolistic competition (the imperfect one) differs from the perfect one as the goods are not similar by the introduction of trademarks and they are differentiated as to the features of usefulness. However, these differences are so small that the achievement of clients' loyalty to a product and to a brand requires intensive and expensive marketing activities.

The not differentiated oligopoly is characterized by a small number of companies – from two (duopoly) to a few ones which offer more or less homogeneous products. The decisions are taken by one company (e.g. the definition of a price or the size of production) and have significant influence on other sellers so also on the level of profits. Depending on the market strength the decisions can be taken more or less in the same time or there may be a leader on the market which defines the price and other sellers adjust to it.

The differentiated oligopoly is a kind of monopoly in which the partial differentiations of products are possible but the prices of the differentiated products are higher.

Monopoly means that there is one seller on the market who defines the prices of product or service. This product does not have close substitutes and the barriers to enter the markets limit the start of the business activity. The extreme case is the so-called perfect monopoly when a company has 100% of market share. The detailed characteristic of the aforementioned structures is presented in table 1.3.

The competition is often divided into the price competition and non-price competition. The price competition means competing with the level of the prices whereas the non-price competition can take the qualitative form (with a given price, the goods can differ as to the quality, innovative competition (an introduction of the new goods which are the result of research and development activities) and marketing or information competition (availability of goods, recognition of clients' needs, post-sale service, shaping the clients' preferences)[36].

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[36] *Leksykon zarządzania*, praca zbiorowa, Difin, Warszawa 2004, pp. 219, 220, 349, 382; M.K. Nowakowski, M.L. Rzemieniak, *Kryzys i przetrwanie w marketingu*, Difin, Warszawa 2003, p. 27.

Table 1.3. Characteristic of the basic market structures

Features	**Perfect competition**	**Monopolistic competition**	**Differentiated oligopoly**	**Oligopoly**	**Monopoly**
Number of competitors	Unlimited	Many competitors	A few competitors	A few competitors	One producer
Barriers for entering the market	Small	A few	Medium or big	A lot of	Limited entrance
Product	Homogenous, undifferentiated	Differentiated, substitutes appear	Partially differentiated (service, level of the quality, style)	Differentiated or not differentiated	Few, it may even happen that there are no substitutes
Knowledge of the market	Perfect	Imperfect but better than in oligopoly	Imperfect	Imperfect	Perfect
Meaning of price competition	Does not exist, no control of the prices	Very important	The prices of differentiated goods are higher	Price competition is avoided	Without a meaning
Meaning of the promotion	Without a meaning	Important	Very important	Very important	Without a meaning

Source: M.K. Nowakowski, M.L. Rzemieniak, *Kryzys i przetrwanie w marketingu*, Difin, Warszawa 2003, p. 27.

The competition can be also divided into the objective and subjective one. The objective dimension is connected with the fact that on the market there are many similar products which satisfy the same or similar needs of consumers. On the other hand in the subjective dimension the companies try to underline their image, meaning in the sector and region and the submissive role towards the consumers[37].

It is also possible to talk about the competition aimed at competitors which means concentrating on their weaknesses and the one directed to the clients[38].

[37] L. Garbarski, U. Kłosiewicz, R. Nowacki, A. Olejniczuk-Merta, B. Słomińska, M. Strużycki, *Zarządzanie marketingowe małym i średnim przedsiębiorstwem*, Difin, Warszawa 1999, p. 28.

[38] T. Wojciechowski, *Marketingowo-logistyczne zarządzanie przedsiębiorstwem*, Difin, Warszawa 2007, p. 56.

Other types of the competition is the effective and ineffective competition. The first one is a competition between comparable companies which exerts such a pressure on them that all the companies are forced to make the maximum of efforts. The ineffective communication takes place when the competing companies are characterized by a differentiated economic power[39].

The competition can be also honest and dishonest. The honest competition is based on using the increase of the productivity of the welfare and on the implementation of the technical and organizational progress which in turn brings a possibility of decreasing the prices due to the decrease of the unit costs. The dishonest competition is in the majority of cases connected with dumping (defining the prices of the offered goods below the costs of their production) that is a predatory pricing in order to throw them out of the market. Its extreme form is a ruining competition which takes place on the market where there is relatively more supply than demand. This means decreasing the prices of goods below a final costs of the production.

A different division of the competition is a differentiation of conventional and unconventional competition. The companies, governed by the defined rules of the competition on the given market are considered to be the organizations which operate within conventional competition. On the other hand those companies which introduce new, own rules of the competition without obeying the defined rules are perceived as those competing in an unconventional way.

The next division is the division into the competition intra-branch and between the branches. The first one refers to the companies from the same branch offering products or services which are the substitutes with a different price or quality. The second type of the competition happens between the branches which goods satisfy the same kind of the clients' needs or create the new needs instead of the traditional ones.

It is also possible to differentiate an imitative and innovative competition. In the first case the competition is based on following a product which was already produced by a different company and which found the clients. In the second case the competition is based on innovation that is creating and offering new products[40].

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[39] A. Pomykalski, *Zarządzanie i planowanie marketingowe*, PWN, Warszawa 2005, p. 78; W. Wrzosek, *Marketing w procesach konkurencji*, Marketing i Rynek 10/1997, pp. 5-6.

[40] H.G. Adamkiewicz-Drwiłło, *Konkurencyjność przedsiębiorstw w świetle uwarunkowań współczesnej gospodarki*, Dom Organizatora, Toruń 2010, pp. 34-36; 43-44; 48-49; 55-56.

The competition can be also dealt in a static and a dynamic approach. The static dimension can be identified with the branch structure that is a number and a size of the companies operating within it. A structural approach allows to evaluate a condition of the given branch taking the level of concentration, a differentiation of the participants, a level of competition, threats of new entrances into the market or throwing out of the market into consideration. The dynamic approach in turn points at the factors which cause the changes in the branch. It can have a behavioral or process character. In the behavioral dimension the actions of the competitors are analyzed as well as the direct and indirect interactions which create them. It allows to identify the defined patterns of behavior which can be defensive (which aim at creating the strongest possible barriers which protect against the aggression of the competitors), offensive (expressed in a desire to modify the strengths in the competitive game) and proactive (which means a maximum engagement in the competitive game and a possible stop of the activities if it is not possible to implement the defined aims). On the other hand in the process approach a competition is considered as a process of competing which transfers the structure of the branch[41].

In the literature one can distinguish a few levels of competition. The differentiation helps to recognize the companies competition for clients on a pro-consumer and company market[42]. According to Wiesław Grudzewski and Irena Hejduk the first level refers to the competition within one brand. The competitors are then other companies which offer a similar product or a service for the same clients with the same price. The second one is the competition in the form of a product. All the companies which produce the same products or the kinds of products are treated as competitors. The third level is when the competition takes place within the branch. It embraces all the companies that produce the same product or the kinds of products. The fourth level refers to the general competition. The competitors are all the companies operating on the market of a company regardless of the kind of the assortment they offer[43].

On the other hand Krzysztof Obłój distinguishes three levels of competition and combines them with a proper strategy. The first one is a direct competition

[41] M. Gorynia (ed.), *Strategie firm polskich wobec ekspansji inwestorów zagranicznych*, PWE, Warszawa 2005, pp. 84-108.
[42] R. Borowiecki, B. Siuta-Tokarska, *Problemy funkcjonowania i rozwoju małych i średnich przedsiębiorstw w Polsce*, Difin, Warszawa 2008, p. 57.
[43] W.M. Grudzewski, I.K. Hejduk, *Zarządzanie technologiami*, Difin, Warszawa 2008, p. 53.

created by the companies which offer the same products and operate on the same market. They offer a very similar assortment of products and satisfy the same needs of a concrete group of clients. The second level is a substitution competition that is an indirect competition. It is created by the companies which offer the different goods and services but satisfy the same or similar needs. These companies can operate in the same or neighboring sectors. The third level constitutes the potential competitors. These are the companies which can compete with a given company directly or by means of substitution products e.g. developing a new technology[44]. A potential competition, although it does not exist now (it is a hypothetical situation) is extremely dangerous for the company from the point of view of its survival in the long turn. Almost each product or a service change with time. What is more, in the place of the current products new products or services appear which are differently designed with better features and innovative. That is why a potential competition can be a subject of analysis and forecasting[45].

The competition is also characterized by a certain range which shaping a chain of the company's values can influence its competitiveness. There are four dimensions of this range: of segment, horizontal, geographical and of branch. The range of the segment refers to the different types of products produced by a company. The second range has a vertical character and defines in which level of the company some actions are done independently without outsourcing them to an external company. The geographical range is the range of those areas in the countries where a company is able to compete on the basis of a coordinated strategy. The range of the branch refers to all the related areas in which a company is able to compete on the basis of a similar strategy[46].

1.4. Sector and aims of sectorial analysis

While formulating a competition strategy, a particular attention of the organization must be paid to the analysis of the sector in which it operates. The sector can be defined as a part of the industry grouping the companies producing

[44] K. Obłój, *W szranki z konkurencją*, Businessman Magazine 2/1992, p. 43.
[45] O. Flak, G. Głód, *Konkurencyjni przetrwają*, Difin, Warszawa 2012, pp. 28-29.
[46] F. Bartes, A. Srzednicki, *Walka konkurencyjna przedsiębiorstw*, C.H. Beck, Warszawa 2003, p. 8.

the products or services with a similar purpose, using the same sources of supply and satisfying the needs of the same clients in the same geographic area[47].

The intensity of competition and the relations between competitors depend greatly on the stage of the sector development; that is why it is worth analyzing the different dimensions and models of the sector.

Taking into consideration the stage of the sector development one can talk about the appearing sectors, growing sectors, mature sectors and the declining ones. The appearing sectors are the ones which were just created or were transferred as the result of the technical innovations, relative changes in costs, creation of customers' new needs or other economical and sociological changes which result in perceiving the product or a service as a potential economical bargain. In such sectors there are no rules of market game, which is also the risk and an occasion for the company. The typical structural features are: technical uncertainty, strategic uncertainty, high preliminary costs, embryonic companies, people buying for the first time, the adoption of a short time horizon in the activities and a subsidy obtained by a company. Then the phase of growth takes place in which certain rules of behavior and competition on the given market are shaped. The features are: an increasing number of competitors, quick increases of sales, a lot of expenditure on promotion and increasing profits. With the time passing by many sectors go from the time of the rapid development to a more moderate growth entering the phase of maturity. It is the time in which the significant changes in the competitive environment take place, which require the adjustment of the strategy, organizational structure and the management tasks. The most common tendencies of changes are: a slower growth intensifying the competition for the market shares, an increase of the clients' experience, more pressure on costs and on a quality of service, an excess to production abilities, an adjustment of the methods of manufacturing, marketing and research of tough competition, an increase of the international competition and a decrease of profits. Later many sectors enter a declining phase, the one in which there is a decline of the volume of sales in the absolute dimension for a long time. It is characterized by decreasing margins of profits, the smaller number of competitors and the limit of the products choice, research and

[47] L. Żabiński, *Analiza strategiczna przedsiębiorstwa na potrzeby wyboru strategii rozwoju*, Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice 2000, p. 30; A.A. Thompson, A.J. Strickland, *Strategic Management*, Irwin, Homewood 1990, p. 59.

development activities and the advertising activities[48]. The structural indicators such as demand conditions (described by means of uncertainty, a pace and a character of fall, reasons for the decrease of demand), entrance barriers (described by means of a structure and a volume of assets, specialized output and fixed costs) and an instability of competition are important tools of evaluating a competitive situation in the declining sector[49].

This means in practice that during the sector development its structure changes causing the modifications of the market games and the change of the competition intensification. There are a few most important aspects that characterize the structural changes and represent the different dimensions of the sector development[50]:

- Uniformity – differentiation. When the models used by the companies become more and more similar, the branch goes in the direction of uniformity. It happens as the result of the takeover done by the less effective companies of the dominating pattern of behaviors and drop out of companies which could not adjust to the existing conditions on time. On the other hand if a company introduces a new way of activities the sector changes. The strong differentiation can be the effect of the important changes in the companies' activities or the emergence of the new ones that use the original methods of actions. The desire to go in the direction of uniformity and differentiation can be observed in all the sectors but in each case the proportions between them are different and the length of the evolution phase during which the natural selection of the companies on the market will take place is different.
- Consolidation – disintegration. When a few companies control a bigger and a bigger part of the sector of services the sector undergoes a consolidation. This can be the result of acquisitions or mergers or a withdrawal of some companies from a given activity. When the companies lose their market shares in favor of the newly created companies or the companies coming from the different branches then the structure is more and more disintegrated.

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[48] Compare: M.E. Porter, *Strategia konkurencji*, PWE, Warszawa 1998, pp. 215-219, 234-237, 250.

[49] B. Nogalski, *Strategie przedsiębiorstw w sektorach schyłkowych na przykładzie sektora stoczniowego. Uwarunkowania i ewolucja zachowań strategicznych,* in: M. Romanowska (ed.), *Strategiczna transformacja polskich przedsiębiorstw*, Szkoła Główna Handlowa, Warszawa 2004, p. 286.

[50] B. de Wit, R. Meyer, *Synteza strategii*, PWE, Warszawa 2007, pp. 257-260.

- Horizontal integration – disintegration. When the companies do more and more activities connected with the creation of values belonging to a given branch in a horizontal dimension, the horizontal integration takes place. If the companies come back to their original activities and withdraw from the creation of the different values, the structure of a sector is disintegrated and there is a horizontal stratification. The appearance in any point of the value chain of a new model of activities (e.g. as the result of the development of new technologies) can mean the serious consequences for the earlier or further elements of that chain and can lead to a permanent change of the whole structure of the sector in the horizontal dimension.
- Vertical integration – disintegration. When the borders between the types of activities in a given sector wear off, the vertical integration takes place. In a reverse situation, when the companies concentrate more and more on a given part of activities, the branch goes in the direction of the vertical disintegration or segmentation. The links between certain areas become tighter or more detached depending on the height of the barriers and the abilities to obtain intra areas synergy.
- International integration – disintegration. When the borders between the different geographical segments in a given sector lose their importance, the structure of the sector is characterized by an international integration. If the market interactions in a given sector limit to one chosen region or country, the structure of a sector in the international approach experiences disintegration.
- Development – disappearance. The sectors differ as to the features of demand. When the demand for some products or services increases, the branch is developing or expanding. When the demand is systematically decreasing, it is the phase of disappearance. The sector in which the periods of development mix with the periods of disappearance is called a periodical one.

The sectors can develop in the different ways. Generally one can distinguish four models of development: fluid, gradual, jumping and turbulent. A fluid development takes place when the very same model of activities dominates in one branch for a long period of time and is very slowly replaced by a new one, which is not really better. The companies functioning according to the dominating pattern do not have major problems adjusting to the new rules of the game so the stabilization in that factor is visible. The competition can be strong or weak, depending on the circumstances, but it is always based on the common rules. In such an environment the companies with a stable market position have an advantage. On the other hand in the sector in which the dominant model of activities change more often, but also slightly, the process of development is gradual. The companies generally do not have problems adjusting to the single modifications of the game rules but it happens that they drop out from the competition, as they are not able to keep up with the pace of changes. In such an environment the quicker a company can adopt better to the new conditions the better competitive position it will get. By the jumping development one understands the situation in which after a long period of stabilization the current model of operation is replaced by the different one, which is much better. The companies introducing this new model have advantage over the competitors who have to adjust to brand new rules of the market game. The last model refers to a branch in which the new ways of operation appear very often. In the turbulent sector the game rules change all the time, which makes it impossible for a company to maintain a dominant position for a longer period of time. The attack is the best form of protection in this kind of environment – the companies must be able to overtake the activities of competitors and quickly introduce the innovations.

The way and the pace of the sector development depend on many factors. The most important factors which cause the development of the sector coming out from outside are: socio-cultural factors (e.g. changing the needs in the field of health protection, ecological consciousness, consumption habits), ecologic (e.g. changes of exchange rates, economic growth, employees effectiveness), political and administrating (new regulations for the functioning of the sector, regulations referring to the environment protection, privatization acts). The internal factors are those connected with the different stakeholders: suppliers (innovative products, new potential clients, consolidation and so on), clients (changing needs, bigger sensitivity to a price, smaller loyalty towards a brand and so on), current competitors (e.g. increased competencies, new products, new ways of brand positioning), potential competitors (e.g. a new way of operating, a diversification strategy, new alliances), suppliers of substitution and complementary goods (increasing the assortment, new technical standard and so on). The development of the sector often faces a resistance connected with the factors increasing the rigidity of the branch. The most important factors which slow down the development are: the sector specificity (the presence of the structural factors which are permanently included in the branch e.g. the economy of the scale, the differentiation of the offer, the integration of the sector (a network of dependencies joining the different aspects of the branch), a structure of the authority (maintaining the rules of the market game by the leaders), branch stereotypes (rules adopted by the majority of the competitors managing a given sector) and the institutional pressures (norms defining the socially acceptable market behaviors)[51].

The understanding of the evaluation process has a key meaning for the survival and the development possibilities of the company. Directing the management of the organization towards a quick reaction to the needs of the environment requires taking into consideration the competition factor within a given sector. What is more a single phase of the lifecycle of the sector requires an adjustment of the differentiated mechanisms and strategies which guarantee the company's success[52]. The research of the sector should include the stakeholders with which a company enters into the different relations, mainly the transactional and the competitive ones and first of all the competitors (current and potential), consumers (their preferences and segmentation according to the different criteria), suppliers, receivers, intermediaries, partners and other institutions closely connected with the company.

The main problem of the sector analysis is the definition[53]:

1. How attractive a sector under research is for the company, what chances and threats for the company are connected with the functioning in the given sector?
2. Which sectors provide better and which worse possibilities for the development of companies functioning within them?
3. Which new attractive sectors could in the future be a field of the activities for the company and which costs must be incurred for entering those sectors?

The most important practical achievements of the sector analysis are as follows[54]:

- unification of bookkeeping rules;
- rationalization of the techniques and organizations of production;

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[51] B. de Wit, R. Meyer, *Synteza strategii*, PWE, Warszawa 2007, pp. 260-266.
[52] J. Fudaliński, *Analizy sektorowe w strategicznym zarządzaniu przedsiębiorstwem*, Antykwa, Kraków – Kluczbork 2002, p. 57.
[53] G. Gierszewska, M. Romanowska, *Analiza strategiczna przedsiębiorstwa*, PWE, Warszawa 2003, p. 93.
[54] J. Filipczuk, *Analiza strategiczna przedsiębiorstwa*, Wyższa Szkoła Zarządzania i Marketingu, Sochaczew 2008, pp. 36-38.

- elimination of the sources of mismanagement;
- improvement of the competition of companies;
- enlargement of information basis for international transfer of capital.

1.5. Range of the analysis of competitors

The competitors must be checked taking into consideration the criteria such as[55]:

1. The level of competencies defined by the usage of two methods: the internal measurements comparing the different abilities of the same competitor and the measurement of abilities of which the company disposes with the results obtained in a given sector of economy.
2. The attitudes to competitors which facilitate the assessment of the level of aggression of the company's activities on a market so the definition whether the company is active, aggressive or passive.
   From this point of view one can distinguish a few patterns of the consumers' reactions:

- a passive competitor who does not react quickly or strongly to the activities of other companies. The competitor believes in the loyalty of its clients, exploits a given business not taking care of its future and notices the activities of competitors with a big delay or lack resources for the proper reactions;
- a selective competitor is the one which reacts only to some types of attacks (e.g. the reduction of prices) but stays indifferent to others (e.g. an increase of expenditure on advertisement);
- a competitor "tiger" reacts quickly and sharply for every trail of attack on their territory. He fights until the very end;
- an unpredictable (stochastic) competitor who does not have any specific form of behavior. He can react or rest passive and it is impossible to foresee his behavior.

3. The competition reflex, which characterizes the competitors' abilities for the quick reactions to the market threats. This refers to the ability of learning and the ability to overcome the possible inertia by introducing new products and services and the ways of selling.

[55] W.M. Grudzewski, I.K. Hejduk, *Zarządzanie technologiami*, Difin, Warszawa 2008, p. 56; Ph. Kotler, *Marketing*, Gebethner i Ska, Warszawa 1994, p. 217.

The proper analysis of the competitors should include the elements presented in the figure 1.3.

Figure 1.3. Elements of competitor's analysis
Source: M.E. Porter, *Strategia konkurencji*, PWE, Warszawa 1998, p. 64.

In this analysis the following questions formulated by Michael Porter can be also useful[56]:

1. What is the current financial effectiveness of a competitor or his market share in comparison to the situation in the past?
2. What was the history of the competitor's activities and his market share in comparison with the situation in the past? In which fields did the competitor succeed?

[56] See: M.E. Porter, *Strategia konkurencji*, PWE, Warszawa 1998, pp. 66-68, pp. 74-76, pp. 80-82.

3. How did the competitor react in the past to the certain strategic activities of other companies or to the events in the sector? What is his ability for the quick reaction to the activities of others or to an immediate offensive?
4. How does the competitor assess his current situation – as for the costs, quality of products, technologies which are used or other key aspects of activities? What does he treat as his strengths and weaknesses?
5. Does the competitor strongly identify taking into consideration the history or the emotional links with certain products or certain functional principles of behaviors?
6. What are the abilities of competitor in every functional area? Is it probable to change the abilities in the nearest future? What are the competitor's possibilities to develop from the point of view of employees, abilities and productive talents?
7. Are there any cultural, regional or national differences which influence the way of perception and the assessment of the events by the competitor?
8. What does the competitor supposedly think about the future demand for the goods and the meaning of trends in the sector? Is the competitor ready to invest?
9. What does the competitor think about the aims and the abilities of other companies in this sector?
10. What are the financial aims of the competitor – the announced ones and the not announced ones? What are his possibilities to obtain profits and the increase of income, the development and the systematic payments of dividends? What are the fixed costs in comparison to the changeable costs?
11. What is the competitor's attitude to risk? Are there any barriers in the given field which prevent from the limitation of activities or withdrawing from them?
12. Does the competitor have any economical or non-economical values and convictions common in the whole organization or among the top managers which influence greatly his aims and the ways of behavior? Does he want to have the leading position on the market? Does the competitor stick to the given strategy or the functional policy?
13. What kind of the organizational structure does the competitor have? In what way does the structure determine the responsibility and the process of taking decisions in a company?
14. What kind of the control systems and motivation does the competitor use? In what way does the competitor award the top management? Do the managers possess any shares of the company? In what way are the sales teams paid?

15. Which system of accountability does the competitor possess? How does the competitor assess the supplies, divide the costs and so on?
16. What is the experience and the knowledge of the company's management? Are there any changes planned in the management in the near future? Is their unanimity as to the directions of development?
17. Are there used any methods of searching the potential employees outside the company?
18. What contract commitments can limit the competitor's abilities? Are there any restrictions connected with debts or license contracts?
19. Are there any legal, anti-monopoly or other national or social restrictions which refer to the company's activities?

The answers for these and similar questions can help to assess the market position of competitors, their strong and weak points and to define the areas in which they can be detrimental for a company.

The competitors can be also evaluated according to the model defined as a triangle of the areas of values prepared by Michael Treacy and Fred Wiersema, presented in the figure 1.4.

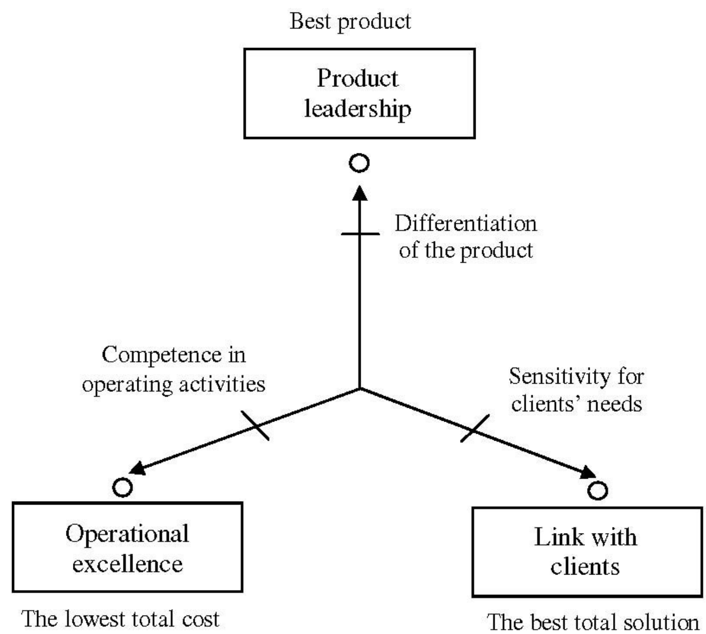

Figure 1.4. Triangle of the areas of values
Source: T.L. Wheelen, J.D. Hunger, *Concepts in Strategic Management and Business Policy*, Pearson Prentice Hall, New Jersey 2006, p. 102.

This means an analysis of the position of the competitor in three dimensions: product leadership, operational excellence and contacts with clients. The product leaders consequently try to bring into the market the leading products or create the new applications for the existing products or services. The companies which are characterized by the operational excellence use a compilation of the quality, price and good conditions of the purchase that cannot be provided by other competitors. On the other hand the companies which provide the values by means of the close relations with clients ensure a high level of their loyalty. The analysis means a marking of the position of the competitor in each of these areas as shown in the picture. Having jointed the points, a triangle which reflects a value offered by a given company in every area under research is created[57].

[57] T.L. Wheelen, J.D. Hunger, *Concepts in Strategic Management and Business Policy*, Pearson Prentice Hall, New Jersey 2006, pp. 102-103.

2. Methods of competition analysis

2.1. Analysis of Porter's five forces

The analysis of five forces prepared by Michael E. Porter is a method which structuralizes the way of the management thinking about a competitive environment[58]. It takes for granted that there are a few the most important forces which define the intensity of the competition in the given sector and its profitability as well as financial attractiveness for investors. These are[59]:

- the bargaining power of the firm's suppliers;
- the bargaining power of the firm's customers;
- the intensity of rivalry among competing firms;
- the threat of new entrants to the market (threat of other companies entering the market);
- the threat of substitute products.

The dependence is such that the higher the level of any of these forces, the smaller the development possibilities of the sector and the less attractive it is. The competitive environment becomes in this case more unfriendly and the average profitability of the sector decreases[60]. From the point of view of the company operating in the sector, a big pressure from suppliers and clients as well as an increasing competition between the competitors and a possibility for new competitors to appear with products which can be substitutes are strong threats which can influence its smaller profitability, price war, loss of a part of clients and employees and weakening of a market image.

The force or forces which are the most significant have the biggest influence on formulating the strategy of a given company in the given sector. The aim of the organization is to find such a position in which it could best defend against these forces or use them for its own advantage. An analysis of the sources of each force is a key to it as their knowledge will allow to define the strengths and weaknesses of an enterprise and their impact on a company's place in the sector.

[58] C. Bowman, *Strategy in Practice*, Prentice Hall, Harlow 1998, p. 84.
[59] M.E. Porter, *Strategia konkurencji*, PWE, Warszawa 1998, p. 23.
[60] L.J. Bourgeois, I.M. Duhaime, J.L. Stimpert, *Strategic Management Concise*, Harcourt College Publishers, Fort Worth 2001, p. 88.

Later a company should point in which areas the changes of the strategy can bring it the biggest advantages and to define those areas in which the existing trends will have the biggest meaning both as chances or threats[61].

In practice the analysis of five forces is often done in a descriptive way, analyzing the different technical features of the sector which form every of these forces. The single factors can be also presented in a table and then examined one by one stating what its intensity is (small or high) and defining its impact on a given force. It is important that in some cases a given force is increased by a low level of a given factor (e.g. a low level of the growth of the sector increases the level of competition inside it) and in others – by a high level of the factor (e.g. a big differentiation of the products offered by the suppliers increases the pressure exerted by them on the companies in the given sector). Having counted the number of factors which increase and decrease a level of the given force one can come to a conclusion whether it is weak, average or strong. At the end, on the basis of the level of all the five forces, a general situation in the given sector is analyzed.

This way of conducting an analysis takes it for granted that all the factors which influence a given force of competition are equally important. Therefore, it is possible to widen the field of analysis and to take their importance into consideration as well as to adopt a proper scale of evaluation e.g. from -5 to +5 points. The extreme results mean a very strong impact of the given sector on the decrease (-5) or the increase of a certain force of the competition (+5). The value 0 means that the influence is neutral that is it neither increases nor decreases a power of a given force. It is an average value. The example of weighted evaluation is presented in table 2.1.

The analysis of five forces is very useful for: adjusting the strengths and weaknesses of the company to the situation in the environment, anticipation of market changes, identification of the occasions for the diversification of activities and entering a new market, the implementation of changes in the rules of competing on a given market (e.g. increasing the barriers of the entrance into the sector) or for the behaviors of status quo type (e.g. maintaining a beneficial competitive advantage)[62]. This method allows both to evaluate an attractiveness of a single sector (define its strengths and weaknesses) and to compare a few

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[61] G. Gierszewska, B. Olszewska, J. Skonieczny, *Zarządzanie strategiczne dla inżynierów*, PWE, Warszawa 2013, p. 120.
[62] S.P. Schnaars, *Marketing Strategy*, Free Press, New York 1998, pp. 41-42.

sectors between themselves. Definitely the criteria of the evaluation of every force can be complementary or changed in comparison to a classic proposal of Michael Porter. It is necessary to remember about maintaining the same set of criteria for comparing the different sectors.

Table 2.1. The weighted score of the competition forces in an exemplary sector

Threat of new entrances	**weight**	**evalu-ation**	**w*e**
Economies of scale	0,20	-2	-0,40
Product differentiation	0,20	-3	-0,60
Capital requirements	0,10	-4	-0,40
Switching costs	0,10	+3	+0,30
Incumbent's control of distribution channels	0,15	-4	-0,60
Incumbent's proprietary knowledge	0,10	+4	+0,40
Incumbent's access to raw materials	0,10	-4	-0,40
Incumbent's access to government subsidies	0,05	+5	+0,25
Total	1		**-1,45**

Bargaining power of suppliers	**weight**	**evalu-ation**	**w*e**
Concentration of suppliers in relation to the sector	0,20	+1	+0,20
Availability of substitute products	0,15	+3	+0,45
Importance of the sector as a customer to the suppliers	0,20	-4	-0,80
Differentiation of the supplier's products and services	0,15	-3	-0,45
Switching costs of the sector	0,20	-2	-0,40
Threat of forward integration by the suppliers	0,10	-3	-0,30
Total	1		**-1,30**

Table 2.1 (continued)

Bargaining power of buyers	**weight**	**evalu-ation**	**w*e**
Concentration of buyers in relation to the sector	0,20	-1	-0,20
Volume of purchase	0,15	+5	+0,75
Extent of buyer's profit	0,15	+4	+0,60
Product differentiation of the sector	0,15	-3	-0,45
Threat of backward integration by buyers	0,05	-4	-0,20
Buyer's knowledge about sector's cost structure	0,10	+3	+0,30
Profits of clients	0,15	+1	+0,15
Importance of the sector's input to quality of buyer's final product	0,05	-3	-0,15
Total	1		**0,80**

Intensity of competitive rivalry	**weight**	**evalu-ation**	**w*e**
Number of competitors	0,15	-1	-0,15
Growth rate of the sector	0,15	+4	+0,60
Fixed costs	0,10	+3	+0,30
Storage costs	0,10	+4	+0,40
Product differentiation	0,15	-3	-0,45
Switching cost	0,10	+2	+0,20
Abrupt increase of production capacities	0,10	+2	+0,20
Diversity of competitors	0,05	-3	-0,15
Exit barriers	0,05	+4	+0,20
Strategic stakes	0,05	-3	-0,15
Total	1		**1,00**

Threat of substitute products	**weight**	**evalu-ation**	**w*e**
Profitability of sector producing substitute	0,40	+2	+0,80
Rate of improvement in price - performance relationship of substitute product	0,60	-3	-1,80
Total	1		**-1,00**

Source: own preparation.

The bigger modifications of this method are also possible which mean adding an extra force or forces. Anne Sigismund Huff, Steven W. Floyd, Hugh D. Sherman and Siri Terjesen are in favor of such a solution introducing a sixth forces which are companies offering supplementary offers. In many situations the supplementary goods or services increase the value of the products offered by competitors in the sector. If organizations providing supplementary products are relatively concentrated, it can be difficult for the basic suppliers to obtain a competitive gain[63].

In the analysis of the five forces, both in the classic or modified form, it is also important whether the evaluations happen from the point of view of the company already functioning in the sector or a company which is just planning to start activities in it. These companies will perceive in the different ways the barriers of entering and leaving a sector. The height of the barriers which makes it difficult to start the activities or the ones connected with finishing them decide about a mobility of a given sector. The main entrance barriers are as follows (according to Michael E. Porter)[64]:

- economies of scale, which make a company entering a market operate on a large scale and face a strong reaction of the companies existing in the sector or act on a small scale and to accept a worse cost situation;
- differentiation of products which means that the existing companies have a recognizable brand and faithful clients. The companies entering the market have to spend a lot of money on overcoming the existing loyalty of clients;
- considerable capital requirements which means a necessity to invest a big financial resources in order to be able to compete in a given sector. The capital can be needed not only for the production machines but also for the credits for clients, supplies or research and development activities;
- costs of changing a supplier that is costs that must be paid by a client switching from the goods of one supplier to another (switching cost). They can include the trainings of employees, costs of new supplementary equipment, change of the product pattern and so on. If the costs are high, a company which is entering the market must offer much better processes or much better effectiveness of the good to make a client change the supplier (which is a company from the sector);

[63] A.S. Huff, S.W. Floyd, H.D. Sherman, S. Terjesen, *Zarządzanie strategiczne. Podejście zasobowe*, Oficyna a Wolters Kluwer business, Warszawa 2011, p. 160.
[64] M.E. Porter, *Strategia konkurencji*, PWE, Warszawa 1998, pp. 25-31.

- access to distribution channels. If the distribution channels of a given product are occupied by the companies from the sector, a new company must encourage the distributors to take their goods by means of price reductions, discounts, which decreases the costs. A creation of own distribution channels means even bigger costs;
- worse cost situation regardless of the operation scale, connected e.g. with an exclusiveness of a production technique guaranteed by the patents, state subsidies, exclusive access to raw materials and good localizations as well as the usage of the learning curve or an experience curve by the companies from the sector;
- state policy which either limits or makes impossible an entrance of new companies to the single sectors by using such instruments as an obligation to get a license, limit of the access to raw materials, limit of air and water pollution and provisions which refer to product safety.

In turn, high entrance barriers cause that the companies are reluctant to leave a sector even if the conditions on it are relatively difficult. The fact that many companies remain in the sector (particularly in a declining one) increases the competition. On the other hand, high entrance costs discourage the companies from entering the sector[65]. The exit barriers are as follows[66]:

- company's possession of specialized sources which have a low value while closing down or which cause high transferring costs;
- permanent high exit costs: collective bargaining with employees, costs of transferring employees, maintaining production, ensuring spare parts and so on;
- cooperation with other entrepreneurs important from the point of view of prestige, capacity to operate on the market or access to capital markets;
- emotional barriers e.g. management commitment to the given activity;
- national regulations which discourage leaving the market, which are supposed to maintain places of work and so on.

In a model approach, taking into consideration the extreme positions of entering and leaving the market one can differentiate four situation possibilities which differ as to the level of mobility, and intensity of competition and average market profitability (table 2.2)[67]:

[65] S.M. Oster, *Modern Competitive Analysis*, Oxford University Press, Oxford 1999, p. 80.
[66] M.E. Porter, *Strategia konkurencji*, PWE, Warszawa 1998, pp. 37-38.
[67] R. Niestrój*, Zarządzanie marketingiem*, PWN, Warszawa-Kraków 1998, pp. 61-62.

1. “Plea market” – this can be a market which due to an easiness of entrance and leaving is characterized by a big mobility of companies operating on it and an average profitability.
2. “Mouse trap” – that is a market on which it is relatively easy to start the activities but it is difficult to leave it. This results in a limited profitability and a threat to increase a competition in case of a recession.
3. “Gold mine” – it is a market to which an access is protected with high barriers, which enable companies operating on it to obtain high profits and simultaneously to avoid the risk of losses connected with a withdrawal in case of deteriorating the prosperity as the entrance barriers are low.
4. “Golden cage” is a market on which thanks to the protection barriers it is possible to achieve high profits but also to experience unfavorable circumstances – to have losses due to the fact that it is impossible to withdraw quickly the invested capital.

Table 2.2. Differentiation of markets taking the layout of the entrance and exit barriers into consideration

		Exit barrier	
		low	high
Entrance barrier	low	“Plea market” Low fixed income	“Mouse trap” Low risky income
	high	“Gold mine” High fixed income	“Golden cage” High risky income

Source: R. Niestrój, *Zarządzanie marketingiem*, PWN, Warszawa-Kraków 1998, p. 62; M.E. Porter, *Strategia konkurencji*, PWE, Warszawa 1998, p. 39.

2.2. Cluster analysis

While assessing the conditions in which a given company competes it is necessary to take into consideration a fact that the sector in which it operates is a part of a bigger structure. This structure called a cluster was defined by Michael E. Porter as a geographical concentration of mutually related companies of the same branch which produce the final goods or deliver services, specialized suppliers, service units, financial institutions or companies operating in related sectors or institutions connected with them which compete among themselves but which also cooperate. The clusters are also formed by the companies which are put in the further part of the value chain (distribution channels and clients), producers of complementary products, units creating a specialized infrastructure, branch associations, government and non-government organizations ensuring specialist training, education, information, research and technical assistance (scientific centers and research centers, vocational training centers) and normalization agencies[68]. The feature of the cluster is a space concentration and a system of network connections. They differ between themselves as to the size and the range of functioning and their limits are quite flexible[69].

The cluster is identified by examining the economical path and corporation links which are the most meaningful for a company or for groups in the given sector. In other words, a recognition of the parts of the cluster starts from pointing at a big company or a group of similar companies and then a vertical change of the companies' value is searched which is to identify the sectors using the common distribution channels or producing complementary products or services. The sectors using the similar, specialized technologies or other supply links are also searched. Having defined which sectors and companies belong to a given cluster, one identifies institutions which ensure the specialized skills, information, capital and infrastructure, collective institutions which include the participants of a cluster and government institutions or others delivering provisions influencing the activities of the sector participants. A definition of the cluster limit is a relative thing, which requires an understanding of the most important connections and a complementarity between the sectors and institutions. These borders rarely answer the standard systems of the branch classification which generally does not include the links between the sectors. What is more, the limits of the clusters change when the new companies and sectors appear, when the existing branches decrease or decline and when the changes and development of the local institutions take place. Therefore, the cluster differ as for the level of development and structure. Generally more developed clusters have a deeper and more developed suppliers, a widen choice of related sectors and numerous supporting institutions. They can include both

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[68] M.E. Porter, *Porter o konkurencji*, PWE, Warszawa 2001, pp. 246, 248; M. Olczyk, *Konkurencyjność*, CeDeWu, Warszawa 2008, p. 32.

[69] Compare: M. Gancarczyk, J. Gancarczyk, *Wzrost i internacjonalizacja przedsiębiorstw w klastrach*, Organizacja i Kierowanie 3/2011, p. 60; J. Cygler, *Alianse strategiczne*, Difin, Warszawa 2002, pp. 185-186.

traditional and high tech sectors. Some of them consist mainly of small and medium-sized enterprises, some mainly of large enterprises[70].

However, in the cluster structure, it is possible to differentiate certain permanent elements such as[71]:

- a branch which creates a core of the cluster – the companies from the same branch are the key participants of the cluster, they get high income, usually serve the same international market;
- supporting branches – the companies from these branches serve the branch which is the core of the cluster. These are the suppliers of machines, materials, components, suppliers of financial services, marketing services, design, public relations. These companies are characterized by a high specialization and localization close to a company from the branch in the center of the cluster;
- "soft" infrastructure – the local schools, universities, universities of technology, institutions of local economic government, agencies of economic development which support the companies. The quality of the infrastructure and the cooperation between the stakeholders are important for the cluster success;
- "tough" (traditional) infrastructure – roads, ports, waste management, telecommunication lines.

The basic attributes of the cluster are as follows[72]:

- the interdependence of branches – the companies forming a cluster are connected (relations between a client and a supplier) but those links have a competitive and partner character;
- export orientation – a number of the companies from the sector which sell the products and services to the companies outside the region or the country;
- concentration – an employment shows a level of the concentration in the region where a cluster functions, the level of concentration is higher than the average for the whole country;
- a quick growth – newly created regional groups of companies are characterized by a rapid development.

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[70] G. Gierszewska, M. Romanowska, *Analiza strategiczna przedsiębiorstwa*, PWE, Warszawa 2003, pp. 138-139.

[71] M. Gorynia, B. Jankowska, *Klastry a międzynarodowa konkurencyjność i internacjonalizacja przedsiębiorstwa*, Difin, Warszawa 2008, p. 35.

[72] M. Gorynia, B. Jankowska, *Klastry a międzynarodowa konkurencyjność i internacjonalizacja przedsiębiorstwa*, Difin, Warszawa 2008, p. 38.

The clusters play an important role in strengthening the competition on the level of national, regional or local economy. Their existence shows that the competitive advantage depends greatly on the external factors existing outside a company and even outside its sector that is on the position of its household units. They constitute the driving forces of the experts and attract foreign investments and that is why their development should be supported by the companies. A good condition of the cluster has a big importance for the condition of the company which can get profits regardless of the branch association and a support given by the social organizations undertaking lobbying activities. According to Michael E. Porter the clusters influence the competition in three ways[73]:

- by increasing the effectiveness of companies or sectors belonging to it,
- by increasing their innovative capacity (the more related and connected industries, the bigger likelihood of a quick spreading of innovations and keeping up with the solutions introduced by the collaborators),
- by encouraging the creation of new companies which is favorable to the effectiveness and widens the cluster.

What is more by creating the clusters the companies create a common value because thanks to these structures an improvement of the productivity takes place together with a positive impact of the environment as well as the creation of open and transparent markets[74]. The clusters constitute also an element which fills in a gap in the international competition in the globalization era providing small and large companies with an access to the markets outside their regions and an access to global resources, technologies, trends, capital and so on[75].

In the development and functioning of the clusters the following factors play an important role[76]:

- Availability of specialized investments and employees. Getting supplies on the spot that is inside the cluster, minimizes a need to store the supplies, eliminates the import costs, shortens the waiting time, makes a communication easy, decreases the costs of adjusting the particular auxiliary needs such as installing the devices, removing defects or training employees.
- Access to information. Companies and local institutions which form

[73] M.E. Porter, *Porter o konkurencji*, PWE, Warszawa 2001, p. 278.
[74] J. Polowczyk, *Kreowanie wspólnej wartości*, Przegląd Organizacji 4/2011, p. 45.
[75] A. Świadek, *Klaster jako specyficzna forma systemu przemysłowego*, Organizacja i Kierowanie 4/2011, p. 26.
[76] M.E. Porter, *Porter o konkurencji*, PWE, Warszawa 2001, pp. 267-275.

a cluster gather many specialist market information, technical information or benefit from the range of the different areas. Inside the cluster it is possible to get access to what is a more effective or cheaper way which enables companies to increase their effectiveness.

- Complementarity. A cluster helps the effectiveness not only by attracting and combining investments but also by a mutual complementarity of the activities done by the cluster participants which results in the complementarity of products. This means that the particular parts of the cluster are dependent and that they can support themselves.
- Access to institutions and public goods. The clusters transfer many investments into the public goods which otherwise would be very expensive (e.g. a possibility to employ the employees trained during local trainings eliminates or decreases the costs of internal trainings).
- Encouragements and measurement of effectiveness. The clusters encourage to obtain the bigger effectiveness of the company activities, mainly due to competing with other competitors inside the cluster which operate in the similar conditions and with which it is easy to make comparisons. They also facilitate the measurement of activities effectiveness done inside a company as often other local companies fulfill similar functions. Therefore, the managers get more possibilities of comparing the transaction costs outside and of decreasing the monitoring costs of employees by comparing on the spot their effectiveness with other units.

The companies which form the clusters can compete in one area and simultaneously cooperate in other areas. While attracting the clients and keeping them there is a strong competition but in other areas they can cooperate which in the majority of cases has a vertical character, includes related sectors and refers to local institutions. The companies which form the cluster get certain advantages from participating in it such as an access to specialized and advanced resources, services and infrastructure, an access to the demanding clients whose needs anticipate the changes on the international market, a closeness of innovative, related branches, institutions supporting them or related to them as well as a closeness of other stakeholders connected with the cluster[77]. The companies in the clusters can often notice more quickly and better the new needs of clients. They get profits from the fact that they are placed in the vicinity

[77] M. Gorynia, B. Jankowska, *Klastry a międzynarodowa konkurencyjność i internacjonalizacja przedsiębiorstwa*, Difin, Warszawa 2008, p. 105.

of a group of the companies knowing the clients and keeping contacts with them, the companies from the related sectors, specialized units generating information and certain clients. The participation in the cluster makes it possible to get an advantage in the perception of new technical possibilities, operational or technical possibilities which is favorable to introducing innovations, obtaining a bigger flexibility and a speed of acting. The companies in the clusters often obtain more quickly new components, services, machines and other elements needed to implement innovations referring to the new assortments of products, new process and a new logistic model. The local suppliers and partners can engage more in the process of innovations causing their investments to respond better to the company needs. The companies in the cluster can experiment with the lower prices and postpone big commitments until they are certain that a new product, process or a service will have a success. The factors which strengthen the advantages connected with innovations in the geographically concentrated clusters are the competitive pressures inside them, pressures exerted by equal units and endless comparisons. Definitely, the advantages are also: the existence of the compliance of aims between the stakeholders in the given sector and a facilitation of the information flow between a significant number of these stakeholders[78]. The cluster internal communication depends on the type of the cluster. In a network cluster based on a loose branch and regional relations an oral communication based on talks and unofficial meetings or systematic meeting of the members of the cluster is dominant whereas is a concentric cluster, in which a group of smaller partners is concentrated around a dominating one, it is more formalized, based on procedures and reports. In turn, in an institutional cluster it can be based on the different tools although in the majority of cases it is a written communication such as reports supported by the oral tools of communication such as meetings and conferences[79].

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[78] P. Finlay, *Strategic Management*, Prentice Hall – Pearson Education, Harlow 2000, p. 309.

[79] S. Lachiewicz, A. Pietras, P. Pietras, J. Wasiela-Jaroszewicz, *Typologia organizacji sieciowych według formy komunikowania się,* in: S. Lachiewicz, I. Staniec (ed.), *Sytuacja ekonomiczna organizacyjna i kadrowa dużych organizacji gospodarczych w aglomeracji łódzkiej*, Katedra Zarządzania Politechniki Łódzkiej, Łódź 2007, p. 141.

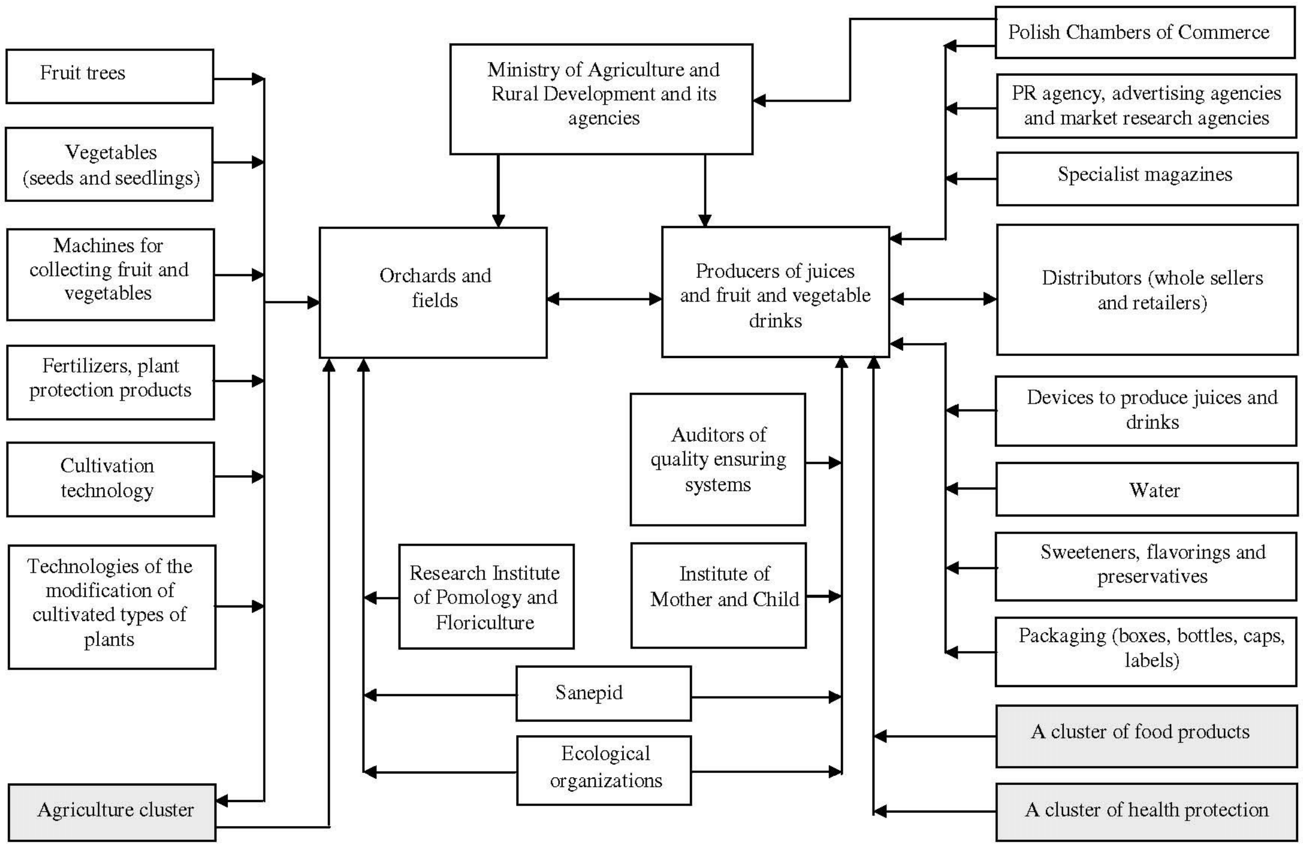

Figure 2.1. Polish cluster of juices and fruit and vegetable drinks

Source: own preparation.

In some circumstances, the participation in the cluster can delay innovations. When the companies compete in the same way, then a certain type of group thinking can strengthen the current behavior making the implementation of improvements more difficult. The clusters can also avoid very radical innovations being afraid that they could cause a loss of meaning of the current resources, skills, information, suppliers or infrastructure[80]. Depending on the level of innovativeness and the development speed the static and dynamic clusters can be differentiated. The first ones use only the economics of localization in the production chain whereas the second ones are a result of a permanent improvement process. Nowadays the majority of the world industry operate according to a static model with limited innovations[81].

According to Grażyna Gierszewska and Bogdan Wawrzyniak, the concept of clusters is a new way of thinking about the economy, not only the global one but first of all about the strategy of local companies. These companies are dependent in a concrete way on the business environment in which they are located[82]. As a result, a competitiveness of a single company analyzed in reference to the whole sector can be viewed differently than if referred only to the closest competitors. That is why it is worth including a cluster analysis in the sector analysis in order to get a full picture of the position of competitive strengths and possibilities of the company activities. In this analysis it is useful to create a scheme showing the elements of a given cluster as indicated in figure 2.2. This scheme can be treated as an example due to the fact that precising the components and limits of a cluster may require further research.

2.3. Map of strategic groups

The concept of strategic groups makes it easier to analyze the competition as in many sectors there are too many competitors to analyze them

[80] M.E. Porter, *Porter o konkurencji*, PWE, Warszawa 2001, pp. 246-323.

[81] E. Skawińska (ed.), *Konkurencyjność przedsiębiorstw*, PWN, Warszawa – Poznań 2002, p. 94.

[82] G. Gierszewska, B. Wawrzyniak, *Globalizacja. Wyzwania dla zarządzania strategicznego*, Poltext, Warszawa 2001, pp. 148-149.

individually[83]. A concept of the strategic groups map based on it is a tool which enables to get to know a layout of the competition in the sector taking for granted that the competition takes place both inside the groups and between them[84]. It is a graphic presentation of the areas within a given sector characterized by a different level of attractiveness for investors and claimants. It is possible to eliminate the areas of competitive advantage that is the same configuration of the sector criteria which provides the competitors that are inside them with the best advantages in reference to other competitors from the sector and in this way with the possibilities to get even bigger competitive advantages[85].

A strategic group is a group of companies in the sector which use similar competition strategies (e.g. use the same distribution channels, run an intensive promotional campaign), have similar resources and skills, address their offer to similar clients, have similar features (e.g. a size, an aggression towards competitors)[86]. The division of the groups is done with the usage of highly differentiating criteria which can form the specific elements of strategies applied by the participant in the competitive fighting within a given sector[87]. These can be such criteria as profitability, level of costs, level of product prices, quality, range of assortment, size of the market served, kind of a market strategy, way of distribution, expenditure on promotion, applied technologies and so on. Theoretically, it may happen that there will be only one group in the sector (when all the companies are similar to one another) or each enterprise will constitute a separate group (when they differ a lot)[88]. These are of course the extreme cases, in practice in the sector there are a few groups (4-8).

It is possible to prepare for a given sector one map or more. A single map is built on the basis of two criteria creating a coordinative system. Later, a place of

[83] C.A. de Kluyver, J.A. Pearce, *Strategy: A View from the Top*, Pearson Prentice Hall, New Jersey 2006, p. 53.
[84] See: M.E. Porter, *Strategia konkurencji*, PWE, Warszawa 1998, pp. 148-151.
[85] G. Gierszewska, B. Olszewska, J. Skonieczny, *Zarządzanie strategiczne dla inży-nierów*, PWE, Warszawa 2013, p. 136.
[86] D.A. Aaker, *Strategic Market Management*, John Wiley & Sons, New York 1992, p. 65; M. Coulter, *Strategic Management in Action*, Pearson Prentice Hall, New Jersey 2005, p. 185.
[87] A. Zelek, *Zarządzanie strategiczne*, Wydawnictwo Zachodniopomorskiej Szkoły Biznesu w Szczecinie, Szczecin 2000, p. 39.
[88] Compare: Z. Matyjas, *Koncepcja grup strategicznych – w stronę dynamicznych modeli konkurowania (przegląd badań światowych)*, Acta Universitatis Lodziensis, Folia Oeconomica 258/2011, p. 81.

each company is defined on it and those which are close to one another are closed in one circle. The size of the circle is proportional to a sale of a given strategic group in the sale of the whole sector (figure 2.2).

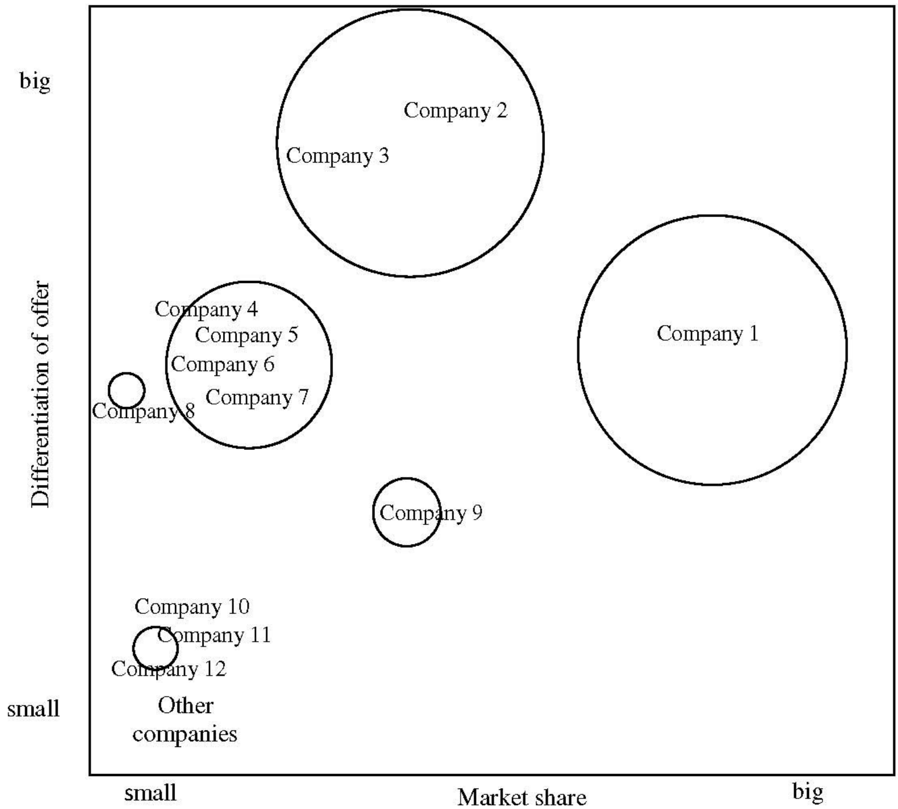

Figure 2.2. A map of strategic groups based on the criteria: market participation and product differentiation (an example)
Source: own preparation.

The analysis of the strategic groups is done in a structural and in a subjective aspect. The structural aspect refers to a classification of the companies belonging to the sector with a distinction into groups and subgroups, an identification and an examination of the relations between the companies of particular groups and between groups. These relations can have a character of cooperation links or formalized links of organizational dependence (hierarchical and functional), the research on the dynamics of the groups which means the evaluation of the pace of the increase of sales in particular groups in time and a comparison of the changes in the structure of the different sectors. The subjective aspect in turn includes a preparation of characteristics of the applied strategies in particular groups, an evaluation of operational risk of the strategic group analysis, an analysis of the development of groups taking into consideration their average competitive position, a discovery of market niches and a preparation of multi-option projections defining a kind and a chronology of appearing new strategic groups[89].

Analyzing a layout of strategic groups taking into consideration a character and an intensity of the competition in the sector it is necessary to analyze such factors as[90]:

- The number of strategic groups and their comparable sizes (the bigger the groups are and the more similar their sizes, the stronger the competition between them).
- A level of market interdependence of groups (if an offer is directed to the same group of clients, the competition between the groups is stronger).
- Strategic distances between the groups (the smaller they are, the stronger the competition is).

From the point of view of a specific company, this analysis allows to answer the following questions[91]:

- To which strategic group in the given sector the enterprise belongs?
- What are its competitors in their strategic group?
- What strategy is implemented by the competitors in the different groups?
- Which factors cause the biggest changes of the intensity of competition between the strategic groups?
- What is the attractiveness of the strategic groups; in which groups the company has the best possibilities of developing?
- Which opportunities and threats for a company are connected with remaining in a given strategic group?
- What are the possibilities of moving from one group to another?
- Are there any market niches on the market which are not interesting for any strategic group?

[89] A. Stabryła, *Zarządzanie strategiczne w teorii i praktyce firmy*, PWN, Warszawa – Kraków 2000, pp. 158-159.
[90] H. Mruk (ed.), *Analiza rynku*, PWE, Warszawa 2003, p. 250.
[91] G. Gierszewska, M. Romanowska, *Analiza strategiczna przedsiębiorstwa*, PWE, Warszawa 2003, pp. 137-138.

Considering a belonging of the company to a given strategic group it is necessary to pay attention to the fact that these groups, although they are operating in the same sector, can have completely different skills of getting profits from the changes taking place in the environment. As the effect a relative profitability of the groups can change in time[92].

Having done this analysis, a company can adopt one of its strategies: remain in a given group and strengthen its competitive advantage, move to a different group or create a new group if there is any visible effective gap on the map which can be taken by a given company. The change of the group is relatively a difficult option as a company must always adjust its strategy to strategies operating in a given group of companies. What is more it must overcome the exit barrier from a current group and entrance barriers to another. Mobility barriers within a sector can be symmetric which means that a passage from one group to another is just a matter of investments spent on the development of a given skill or an increase of resources. In turn, in case of the asymmetric barriers, an increase of the investment scale does not provide a possibility to enter a different group without acquiring specific skills unattainable for a current group[93]. The barriers can also have absolute and relative character. The first ones can be overcome by the companies in a given time. These are the barriers created by the company which take the forms of purposeful legal regulations, the barriers resulting from a patent protection of products or the barriers with such a size which in order to overcome them, one must have more capital than the capital which can be gained in the company within the given time. In practice, the relational barriers which can be overcome by the existing or potential producers by means of extra investments are dominant. They are created both by the companies operating on the market and by the state. One can talk about the structural barriers connected with a market structure (referring to the size of the demand for the offered products, the number and bargaining force in certain groups and so on) and strategic, resulting from the behavior of competitors operating on the market (e.g. taking retaliation competitive actions)[94].

The map of strategic groups is a relatively simple method of sector analysis which provides information necessary to formulate a strategy and facilitate

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[92] S.M. Oster, *Modern Competitive Analysis*, Oxford University Press, Oxford 1999, p. 96.

[93] G. Gierszewska, M. Romanowska, *Analiza strategiczna przedsiębiorstwa*, PWE, Warszawa 2003, p. 129; Strategor, *Zarządzanie firmą*, PWE, Warszawa 1997, p. 43.

[94] W. Wrzosek, *Funkcjonowanie rynku*, PWE, Warszawa 1998, pp. 341-344.

taking decisions connected with resource allocation[95]. It allows to understand a competition in the given sector or recognize strategic occasions[96]. It also allows to identify the mobility barriers, which protect an own group against the attacks of the different groups[97]. What is more the different groups influence the managers' perception of an own company in the context of others[98]. The map must be updated from time to time because a lay-out of the competitive strengths between the companies and the groups created by them change depending on the intensity of competition, a height of the entrance and exit barriers, a size of the market as well as a profitability and a growth rate of the sector. In the author's opinion, a preparation of the map of strategic groups is necessary for a proper evaluation of the sector and for formulating a proper competition strategy. Generally one map or several maps (usually two or three) should be done and these maps should be based on the criteria which are the most important for a given sector.

2.4. Score for the sector attractiveness

There are two kinds of evaluating a sector attractiveness: a subjective and an objective one. The objective method means identifying a dozen or more of the most important features of a sector under research (such as profitability, growth rate, entrance barriers, exit barriers, level of competition, seasonality of sale, level of process, quality of the products offered and so on), rating each feature on a scale (e.g. 0-5 or 0-10 points) and later summing up all the partial evaluations. Such a way of analysis takes for granted that all the features of the sector are equally important. A subjective method in turn allows to evaluate a value of the sector from the point of view of a company which functions in this sector or wants to enter this sector. That is why, each criteria besides evaluation is awarded a special weight. This weight is multiplied by the respective evaluations of the factors and the values obtained

[95] W.C. Bogner, H. Thomas, *The Role of Competitive Groups in Strategy Formulation: A Dynamic Integration of Two Competing Models*, Journal of Management Studies January/1993, p. 53.
[96] G. Johnson, K. Scholes, R. Whittington, *Podstawy strategii*, PWE, Warszawa 2010, p. 73.
[97] G.G. Dess, G.T. Lumpkin, A.B. Eisner, *Strategic Management*, McGraw-Hill Irwin, Boston 2007, p. 68.
[98] A.S. Huff, S.W. Floyd, H.D. Sherman, S. Terjesen, *Zarządzanie strategiczne. Podejście zasobowe*, Oficyna a Wolters Kluwer business, Warszawa 2011, p. 162.

in this way are added getting a total subjective value of the sector. The definition of the weights in such a way that they add up to one allows to get to know immediately what the height of the obtained result is. In practice, the subjective method is applied most often.

The advantage of this method is an easiness of using it and a transparency of the obtained results. The disadvantage is a subjectivity in the choice of the sector features and awarding them evaluations and in case of a subjective method providing certain factors with the weights. This method is used both for examining a single sector and comparing a bigger number of sectors among themselves. While comparing the sectors it must be remembered to keep the same set of the factors. The example of such an analysis is presented in the table 2.3.

Table 2.3. Subjective score of sector attractiveness (example)

Factor	**Weight**	**Evaluation**	**Weight * evaluation**
1. Market size	0,09	10	0,90
2. Pace of market growth	0,09	5	0,45
3. Sector profitability	0,10	5	0,50
4. Average product life cycle	0,03	8	0,24
5. Intensity of competition	0,09	6	0,54
6. Possible appearance of substitutes	0,04	7	0,28
7. Availability of raw materials	0,04	8	0,32
8. Bargaining forces of buyers	0,08	6	0,48
9. Bargaining force of suppliers	0,04	7	0,28
10. Possibility of differentiating products	0,04	5	0,20
11. Possibility of state subsidies	0,02	2	0,04
12. Transfer technology within a branch	0,06	4	0,24
13. Exit barriers from the sector	0,04	4	0,16
14. Entrance barriers to the sector	0,03	6	0,18
15. Seasonability of sale	0,02	5	0,10
16. Ecological technology	0,03	6	0,18
17. Scientific and research facilities	0,03	3	0,09
18. Level of the branch informatization	0,03	5	0,15
19. Fulfilling the requirements of quality norms	0,03	6	0,18
20. Innovativeness	0,07	3	0,21
Total	**1**		**5,72**

Source: own preparation.

The author advices the managers to prepare a score of sector attractiveness in the subjective variation as the company does not operate in the "void" but in a complex environment, interacting with many different stakeholders. The system of these dependencies influences the importance that the given company attaches to certain factors in the sector evaluation.

2.5. Analysis of stakeholders in competitive environment

A company enters into different relations with stakeholders. These are individuals or the groups of people which in a way can influence a company and/or can be influenced by it. They directly or indirectly get profits or have costs connected with a company functioning and are able to exert an effective pressure on it[99]. The stakeholders differ as to the engagement in the company's affairs, strength of influence and their character which means that in a given moment they can be favorable for the company, act towards its detriment or be neutral. The strength of influence and approach changes generally in time and together with changes which take place in the environment and in the very company. The interests of the different stakeholders can be coherent or completely contradictory and that is why a company must recognize their needs and the level of pressure and define a hierarchy of the importance of the particular stakeholders[100].

The relations with the stakeholders have influence on the opinion about the company that is on its market image. What is more the stakeholders create the conditions in which a company operates, creating opportunities or threats for its survival and development. That is why the company must take into consideration their needs, preferences, motives and ways of operating both in the current activities and in defining the mission and the strategy[101]. From the point of view of the competition strategy, the most important will be the stakeholders which operate in the competitive environment that is the closer the external ones such as competitors, suppliers, intermediary clients, final clients, partners. A certain importance can be also played by the external further stakeholders

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[99] B. Olszewska, *Współczesne uwarunkowania zarządzania strategicznego przedsiębiorstwem*, Wydawnictwo Akademii Ekonomicznej we Wrocławiu, Wrocław 2001, p. 27.

[100] R. Lynch, *Corporate strategy*, Prentice Hall, Harlow 2000, p. 521.

[101] I. Penc-Pietrzak, *Strategie biznesu i marketingu*, Wydawnictwo Profesjonalnej Szkoły Biznesu, Kraków 2000, p. 67.

such as e.g. a government, parliament, the European Union. The classification of a given stakeholder into a close or a further environment is subjective and depends on relations the stakeholder has with a company. E.g. a bank which runs a company's account and gives credits is an element of the close environment but another bank with which a company does not have any important relations can be considered as a bank from the further environment. Apart from the external stakeholders (the closer and the further ones), there are also internal stakeholders (president, board, accountant, employees, trade unions and so on). Another division is into primary stakeholders (in other words active stakeholders) who have a direct influence on the company and into secondary stakeholders (passive stakeholders) who have an indirect influence[102]. One can also distinguish current stakeholders (already existing) and the potential stakeholders (the so-called amorphous) which can be created as a result of joining the different stakeholders if it is required by a market or political situation.

The way in which the organization behaves towards its stakeholders is a part of its strategy whereas a majority of the companies think that strong and socially responsible relations with the stakeholders increase their competitiveness[103]. It is the more important that in the current market conditions the expectations towards the companies are bigger and bigger. The external stakeholders expect not only the implementation of the tasks which refer to the effectiveness and profitability (investors) but also the implementation of social activities (clients, employees, local communities)[104]. The company should get to know their features, aims, motives and mechanisms of the stakeholders activities and react properly to the needs and expectations. The relations with the most important stakeholders should be taken into consideration in the competitive strategy in order to strengthen and use their positive influences and to avoid or at least limit the negative ones.

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[102] T.L. Wheelen, J.D. Hunger, *Concepts in Strategic Management and Business Policy*, Pearson Prentice Hall, New Jersey 2006, p. 60; P. Finlay, *Strategic Management*, Prentice Hall – Pearson Education, Harlow 2000, p. 14.

[103] D. Hussey, *Strategy and Planning. A Manager's Guide*, John Wiley & Sons, Chichester 2000, p. 32; M. Coulter, *Strategic Management in Action*, Pearson Prentice Hall, New Jersey 2005, p. 49.

[104] M. Aluchna, *Społeczna odpowiedzialność biznesu: zachowanie konsumenta, strategia i regulacja*, Przegląd Organizacji 2/2012, p. 48.

The analysis of the stakeholders can be done in a descriptive way. Then it is necessary to identify the stakeholders, describe their type and strength of the pressure exerted by them on the companies and present a possible evolution of this influence on the closest future. From this point of view one can differentiate[105]:

- The stakeholders who are not very much involved in the company issues and who have little influence on it and who require the minimum attention from the management.
- The stakeholders who are very much interested in the issues of the company but those which exert small impact and those who must be informed about the company's issues on an ongoing basis.
- Stakeholders with very low interest in the company's issues but who exert significant influence on it which means that it is necessary to take care of a proper level of their satisfaction from the operation of the company.
- Key stakeholders, very much interested in the company issues who have a lot of influence on it, who require a lot of attention from the management as well as taking their needs and requirements in the company's strategy.

A map on which a company is marked together with its most important stakeholders and their mutual relations presented by means of arrows is a particularly useful form of an analysis (figure 2.3). The lengths of the arrows show a level of a distance of a stakeholder from current activities of the company and their thickness shows their impact on the organization. A direct impact is presented by means of a continuous line and an indirect influence – by means of a dotted line. The indirect impact can influence, weaken or strengthen the direct relations. Their identification can lead to pointing at the stakeholders who even if themselves do not have a strong direct influence on the company, are strong enough to influence other stakeholders and that is why their intensions or aims must be taken into consideration. In this way it is possible to mark a character of their influence (positive or negative).

[105] G. Johnson, K. Scholes, *Exploring Corporate Strategy*, Prentice Hall Europe, London 1999, pp. 215-217.

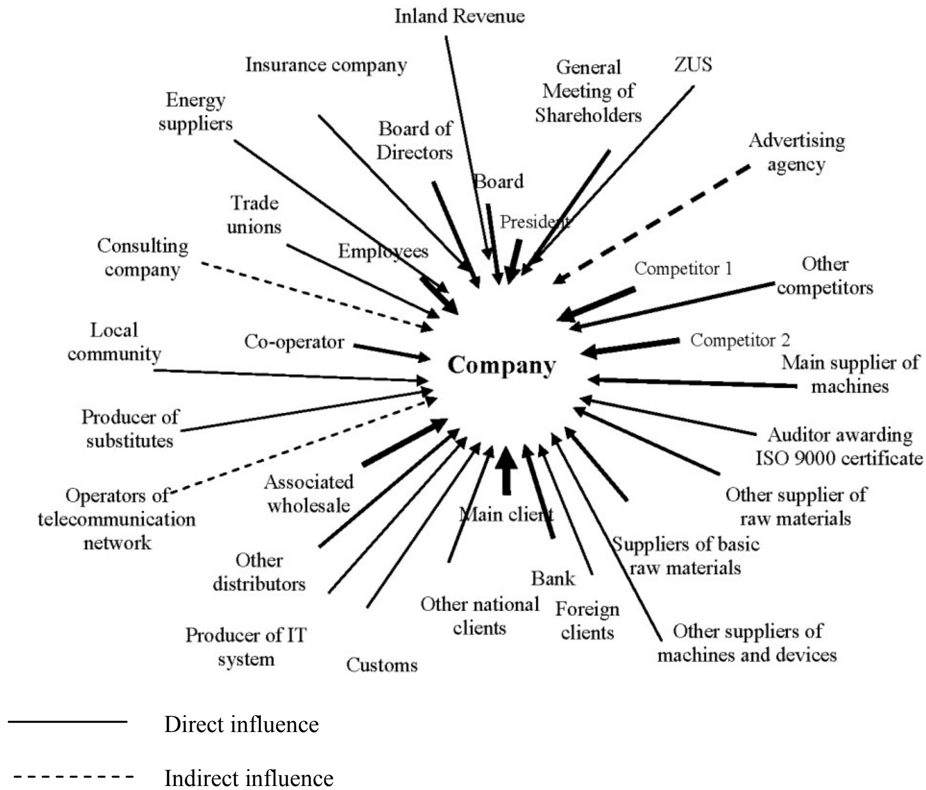

Figure 2.3. Examples of internal stakeholders and the stakeholders from the closer environment of the company
Source: own preparation.

The analysis in the form of the map allows to create an estimated hierarchy of stakeholders and as a consequence allows to give the managers an important clue whose interests and preferences must be most taken into consideration[106]. This map should be accompanied by a detailed description of a the company's relations with the particular stakeholders and their influence on the competitive strategy of the company. Particularly the following questions must be answered[107]:

- Who the main stakeholders are?
- How important they are from the point of view of the company's activities?

[106] K. Obłój, *Strategia organizacji*, PWE, Warszawa 1998, pp. 112-113.
[107] G. Gierszewska, B. Olszewska, J. Skonieczny, *Zarządzanie strategiczne dla inżynierów*, PWE, Warszawa 2013, p. 17.

- What is their approach – positive or negative?
- What is the best way of cooperation and strengthening a positive or weakening a negative influence of the single stakeholders?

The concept of stakeholders provides a company with the following conclusions[108]:

- A company is a system of primary stakeholders.
- A survival of the organization and ensuring the profitability depends on the creation and distribution of the values in such a way as to make all the primary stakeholders want to remain in the system.
- Lack of a possibility to keep any of the primary stakeholders can lead to a company bankruptcy.
- Lack of a possibility to keep primary stakeholders can be a result of a lack of possibilities to create proper values or their unfair division between the group of stakeholders.

In practice, this means a possibility of a sensitive and responsible behavior towards the primary stakeholders, both the internal and external ones.

The relations of the company with the different stakeholders have a very big meaning from the point of view of the concept of Corporate Social Responsibility. CSR derives from business ethics and states that organizations, besides their economical responsibility and legal liability, are obliged to take actions which help to protect and increase social standards[109]. It is consistent with Peter Drucker's opinion when he states that "each company is fully responsible for its influence on local community and societies in which they operate"[110]. A company which implements CSR concept should be oriented on three aspects defined as 3 P concept: people, planet and profit. They constitute a basis of a company sustainable development which means making strategy and actions taken by a company dependent on its needs and on the needs of its stakeholders protecting at the same time and increasing the value of

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[108] M. Rybak, *Etyka menedżera - społeczna odpowiedzialność przedsiębiorstwa*, PWN, Warszawa 2004, p. 52.

[109] M. Kuszaj-Milewska, *Instrumenty informatyczne szansą dynamicznego rozwoju CSR*, in: W. Kowalczewski (ed.), *Ewolucja czy rewolucja? Czas przemian – czas wyzwań. Zmiany w teorii i praktyce zarządzania*, Wydawnictwo PRET S.A., Warszawa 2012, p. 208.

[110] P. Drucker, *Społeczeństwo kapitalistyczne*, PWN, Warszawa 1999, p. 87.

human resources and of natural resources for future needs[111]. In a practical approach CSR means taking responsibility for the consequences of business activities which violate the rules or protect moral and legal rights of company's stakeholders[112]. The company supports the interests of a wide group of companies which co-create it and its stakeholders as partners who cooperate with it, creating both a social and economic value. The business role does not only mean generating profits but is a kind of service understood as a necessity to fulfill expectations of a company and to balance the interests of different groups which function in it[113]. In the majority of cases CSR is tackled on four levels: economic responsibility, legal liability, ethical responsibility and philanthropic responsibility[114]. That is why it is important to define the type of the company's responsibility in relation to its stakeholders (table 2.4).

Table 2.4. Identification of a company's responsibility towards stakeholders

Stakeholders	**Economic responsibility**	**Legal liability**	**Ethical responsibility**	**Philanthropic responsibility**
Shareholders, employees, natural environment				

Source: M. Rybak, *Etyka menedżera – społeczna odpowiedzialność przedsiębiorstwa*, PWN, Warszawa 2004, p. 91.

While formulating the competitive strategy, the relations of the responsibility towards the stakeholders of the closer environment of the company will be the most important.

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[111] U. Gołaszewska-Kaczan, *Zaangażowanie społeczne przedsiębiorstwa*, Wydawnictwo Uniwersytetu w Białymstoku, Białystok 2009, p. 140.

[112] G. Bartkowiak, *Społeczna odpowiedzialność biznesu w aspekcie teoretycznym i empirycznym*, Difin, Warszawa 2011, p. 25.

[113] H. Howaniec, *Marka społecznie odpowiedzialna – wpływ stosowania CRS na wartość marki*, in: M. Brzozowska-Woś (ed.), *Marketing. Ujęcie relacyjne*, Wydawnictwo Politechniki Gdańskiej, Gdańsk 2010, p. 193.

[114] Ł. Bryl, *Społeczna odpowiedzialność biznesu na przykładzie firmy Schattdecor Polska*, in: M. Matejun, M. Szczepańczyk (ed.), *Aktualne problemy zarządzania małymi i średnimi przedsiębiorstwami*, Wydawnictwo Politechniki Łódzkiej, Łódź 2010, p. 458.

2.6. Analysis of critical success factors in a sector

Critical success factors (CSF) are resources, competencies and skills which create a competitive advantage of a company on a given market nowadays which can decide about a possibility of its success in the future. They point in which areas the central decisions should be located. They decide about the fact that the clients prefer certain products and that the competitors are eager to cooperate with the company[115]. One can differentiate four possible sources of success factors: own specific conditions defined by the areas of a company activity; a position of the company within a given sector; a company environment, clients' preferences, economic and political factors and current organizational factors which meaning is dependent on a new situation[116].

The various research on critical success factors show that these factors depend significantly on the specificity of the sector and on a region or on a country in which a given company operates. Generally one takes for granted that the key success factor in an appearing sector is a technology, in the development phases – being rooted on the market, in the maturity phase – a productivity and in the decline phase – costs[117]. E.g. in a sector producing car parts the following success factors were identified: engagement of the top management, high quality, clients satisfaction, flexibility of production and distribution processes, innovations and technology, cost control, chemical management and cost leadership[118]. In turn in hi-fi sector such factors are: skills related to acoustic engineering, skills in the field of electronic engineering, production quality and service agreements[119]. The critical success factors in IT branch are: a quality of the solutions offered, availability and high technical level of after sales service, motivating employees to endlessly update their knowledge and the quality of their work, keeping up with and even undertaking the trends in the development of IT market, increasing the participation of professional

[115] L.G. Flores, J. Fadden, *How to Have a Successful Strategic Planning Meeting*, Training & Development January/2000, p. 33; A. Góralczyk, *Myślenie strategiczne w zarządzaniu*, Infor, Warszawa 1999, p. 21.
[116] F. Bartes, A. Srzednicki, *Walka konkurencyjna przedsiębiorstw*, C.H. Beck, Warszawa 2003, p. 42.
[117] B. Kożuch (ed.), *Wstęp do teorii zarządzania*, Wydawnictwo Nauka - Edukacja, Warszawa 1999, p. 102.
[118] R.A. Kasul, J.G. Motwani, *A proposed model for evaluating a company's operations profile*, Industrial Management & Data Systems 8/1996, pp. 8-10.
[119] D.F. Abell, *Dualizm w zarządzaniu*, Poltext, Warszawa 2000, p. 192.

services in sales and an access to stable and flexible sources of financing based on own funds and credits[120]. For the same branch in the area of the success of IT projects the following factors are enumerated: engagement of the final user, support of the management, clear expectations to the whole project, proper planning, realistic expectations, short periods between nodal points, competent and dedicated personnel, identification with the product, clear vision and project aim and hardworking team[121]. For consulting companies these factors can be: knowledge and skills of knowledge management, innovativeness, reputation and quality as well as group work and alliances[122]. In the bank sector one can point at such critical success factors as: strong brand, bank size, IT technology, innovativeness, range of offered services, level of the services offered and the level of prices[123].

There were also the research which referred to the whole Polish economy. In the year 1993 45 companies from the different branches were chosen at random, which allowed to distinguish 13 key success factors. The following factors were considered to be the most important ones at that moment: adjustment of a production or services to clients' wishes; a proper style of management; a flexible price policy; a high quality of the products or services; highly qualified personnel; a cooperation with abroad, a trade mark; a good opinion about a company; an order in the company; a company decentralization; an avoidance of unnecessary risk; a monopolistic position; a good work organization[124].

The similar research was conducted also 5 years later on a group of 300 Polish companies from the different sectors. On the basis of the research 17 key success factors were differentiated such as: products and services quality; own costs; a price policy; a sale on a national market; new markets; a modernization of the assortment; a satisfaction of the final users; an image of the company and a market knowledge; a knowledge about the market (market research); an increase of production potential; an advertisement and sale promotion; an increase of the production potential; a distribution of products and clients

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[120] http://www.wsz-pou.edu.pl/biuletyn/druk.php?p=&strona=biul_itechczII2&nr=3
[121] Z. Szyjewski, *Zarządzanie projektami informatycznymi*, Agencja Wydawnicza Placet, Warszawa 2001, p. 99.
[122] http://www.teleinfo.com.pl/portal/showCategoryArticle.do?id=6630&issue=teleinfo
[123] http://www.wsz-pou.edu.pl/biuletyn/?strona=biul_bank2&nr=5&p=
[124] A. Pabian, *Jak zapewnić sukces przedsiębiorstwa na rynku*, Ekonomika i Organizacja Przedsiębiorstwa 1/1994, p. 15.

service; an usage of the production capacities; a sale on the foreign markets; work effectiveness and new kinds of activities[125].

The next research conducted in 2005 on the research sample of 72 companies from the whole sectors of economy allowed to differentiate other set of "market factors of competitive advantage". These are the existence and maintaining special relations with clients; time of realizing orders; a product brand and a company reputation; a price 10-20% lower with a comparable quality; a competitive gain in an intensity and a consequence in looking for the clients; a design and a high level of product differentiation; overtaking the competitors in product novelties; a qualitative advantage with slightly higher prices; a price 20-35% lower with a comparable quality; competitive advantage in the area of service; other factors[126].

The newest research from 2009 conducted on the group of 200 companies from the different sectors showed that in case of the big enterprises, the managers find the following factors as the most important market competition factors: high product quality; price; punctuality of delivery / speed of delivery; market participation; product offer / wide range of products; novelties and new designs; reliability; honesty; references; good opinion; product features; niche products; new / modern production technologies / technological level; good relations with clients; production costs, lower production costs / enterprise costs; beneficial conditions for regular customers; markets / distribution channels / distribution network[127].

While identifying the key success factors one must remember that[128]:

- only a limited number should be defined;
- they should not refer only to one aspect of company functioning;
- they must enable the implementation of visions and strategic aims;
- they are neither the aims nor the measurers;
- they should enable a company to differentiate from the competitors;
- they should be clearly defined so that everybody would understand them;

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[125] R. Niestrój, P. Hadrian, *Czynniki sukcesu jako wyznacznik orientacji przedsiębiorstwa*, Marketing i Rynek 8-9/1999, p. 5.
[126] Z. Pierścionek, S. Jurek-Stępień (ed.), *Czynniki sukcesu polskich przedsiębiorstw na rynkach Unii Europejskiej*, Szkoła Główna Handlowa, Warszawa 2006, p. 101.
[127] M. Johann, *Rynkowe czynniki konkurencyjności polskich przedsiębiorstw*, Przegląd Organizacji 5/2011, p. 13.
[128] J. Michalak, *Pomiar dokonań od wyniku finansowego do Balanced Scorecard*, Difin, Warszawa 2008, p. 187.

- each factors should have a measurer defined in the following phase;
- the aims referring to them should be defined on a level which is high enough in order to enable an implementation of the company vision and its strategic aims.

The way of identifying key success factors is presented in figure 2.4.

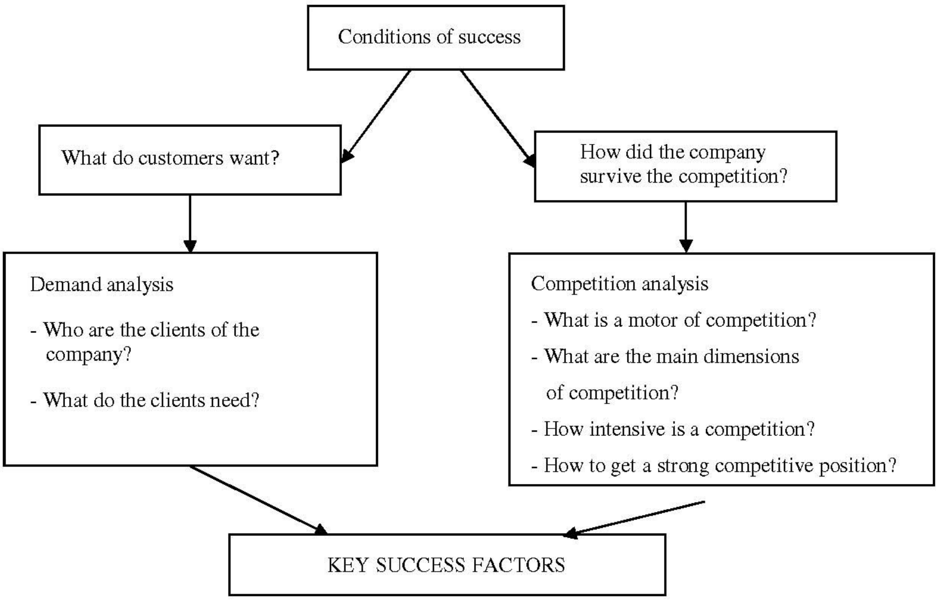

Figure 2.4. Identification of key success factors
Source: R.M. Grant, *Contemporary Strategy Analysis*, Blackwell Publishing, Oxford 2005, p. 93.

The analysis of success factors makes it necessary to define what is really important and what the basis of the organization of the success is[129]. The knowledge of these factors enables a company to show which areas, procedures or processes should be improved. It is connected with a reallocation of resources, additional investments, purchase of patents, obtaining new knowledge, employees' trainings, verification of strategic and operational aims and so on. This analysis is done in comparison to other competitors from the branch which can lead to using the benchmarking.

[129] N. Lake, *Planowanie strategiczne w firmie*, Helion, Gliwice 2005, p. 55.

2.7. Competitive benchmarking

Benchmarking of a company means a creative adaptation of the solutions worked out by other companies, which are considered "as the best in their class" in own organization. It is connected with a permanent observation of the competitors and companies from outside a sector in terms of the best practices or promising practices, which after some necessary modifications taking into consideration a specificity of a given company can improve its activities. It is a process of a permanent measurement and a comparison of the processes which take place in a company with analogical processes in the organizations which are considered to be an example of excellence in order to obtain information which will help to precise and implement improvements. The aim of the benchmarking is to increase an effectiveness as well as an operational and strategic efficiency, a quality of services and a guarantee of clients' satisfaction[130]. It is a valuable tool in defining and introducing changes in an organization[131]. It is helpful in an imitation of good practices of management and in the creation of a company reputation. The references or comparisons with the competitors explain how managers oblige the companies to invest capital in the development of new production capacities or basic and development research[132]. It is also a way to notice the business directions of development and improvement of own concepts and a chance for a creative and more effective achievement of profits[133].

The concept of the benchmarking includes three basic directions of activities: finding a better way of solving a problem, understanding its essence and moving and using this way in an own environment. It influences also the main aims such as: an improvement of the effectiveness of actions, an achievement and an improvement of the competitive position, an improvement of the products and technology, an improvement of the effectiveness and becoming better. The indirect aim are: obtaining information, development of the company's skills and learning, usage of the experience of other companies

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130 B. Andersen, *Industrial Benchmarking for Competitive Advantage*, Human Systems Management 18/1999, pp. 287-288; E. Morphy, *Best Practices Made Perfect?*, Global Business May/2000, p. 62.

131 V. Ambrosini, G. Johnson, K. Scholes (ed.), *Exploring Techniques of Analysis and Evaluation in Strategic Management*, Prentice Hall – Pearson Education, Harlow 1998, p. 62.

132 F. Krawiec, *Kreowanie i zarządzanie reputacją firmy*, Difin, Warszawa 2009, p. 33.

133 J. Śliwiński, *Potrzeba analiz benchmarkingowych*, Marketing w Praktyce 11/2002, p. 60.

and a definition of aims and the ways of their implementation. Benchmarking is not a way of implementing single improvements or innovations but it is a process which should lead to an implementation of a new strategy and innovation procedures which allow to obtain a better position on the market and a competitive advantage[134]. It should be a repeatable process which means a permanent improvement of the organization.

The effective benchmarking projects should fulfill 3A formula: adopt, adapt and advance. In order to make it possible, an organization must fulfill a few conditions[135]:

- a possession by the managers and other employees of the knowledge on the benchmarking concept;
- a proper attitude of the leaders and support by the managers;
- benchmarking trainings for the whole team;
- documentation of own processes;
- orientation on sharing the knowledge inside and outside the company;
- efficient IT systems;
- proper resources, time and funds.

The range of the benchmarking can be different and dependent on a company's needs. It can improve the whole organization or some of its functions, processes and procedures. Comparing with an excellent company, it is possible to take into consideration all the aspects of activities from a given sector or concentrate only on critical success factors. A similar freedom is in the choice of a benchmark. It can be a current or a potential system of reference while evaluating an activity of a company under research. For a comparison one excellent company can be chosen or a few of them or a different company for every aspect of activities. Table 2.5 presents the advantages and disadvantages of the different partners to benchmarking.

Taking into consideration an organization with which we compare and the functions, activities or processes which are improved as well as a moment of measuring, the different types of benchmarking can be differentiated.

According to the criterion of the benchmark an internal and external benchmarking can be differentiated. The first one takes place when an own

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[134] W.M. Grudzewski, I.K. Hejduk, *Metody projektowania systemów zarządzania*, Difin, Warszawa 2004, pp. 168-169, 173.
[135] Ch.E. Bogan, M.J. English, *Benchmarking jako klucz do najlepszych praktyk*, Helion, Gliwice 2006, pp. 101-102.

company is compared, its divisions or even single positions. In the second case an external company is a benchmark. In that case one can differentiate a competitive benchmarking when a business reference is a competitor (including a strategic one, when a competitor is a market leader); a horizontal or a generic one when a benchmark is a company from outside of the sector or a relational benchmarking when a benchmark is a permanent partner e.g. a supplier, a client, an ally which is a member of an alliance to which a company belongs.

Table 2.5. A choice of a benchmarking partner

Advantages and disadvantages of different benchmarking partners	
Advantages	Disadvantages
Other units within the same organization	
Cooperation with other well-known people Good access to data Solutions that can be easily transferred and accepted	Internal biases Problems of the type "this is not our idea" Hiding the truth – sometimes worse than hiding the truth by a competitor
Competitors	
Comparable data Similar market conditions Comparable practices	Problems with revealing information Confidential character of trade information Lack of information whether competitors have really some new ideas
General partners and from an own branch	
Easiness of gathering and exchanging information Comparable practices Comparable data Less delicate issues	Problems connected with a size of an organization and a distance at which it is placed Problems with understanding the activities of a different organization Comparison mistakes

Source: J. Bramham, *Benchmarking w zarządzaniu zasobami ludzkimi*, Oficyna Ekonomiczna, Kraków 2004, p. 129.

Taking in turn a criterion of a subject into consideration, the benchmarking can be divided into a total one (when one compares all or almost all aspects of a company functioning), functional (when a certain function realized by the company is compared e.g. marketing, production), process (in which the essence is a comparison of the process done in an own company and in the benchmark), procedural (when a certain procedure is compared), product (when a product or a service is compared) and a benchmarking of management methods (when it refers to the company management). One can also distinguish marketing benchmarking which is not understood as a functional benchmarking but as comparing the clients opinions on a department, division or the whole company with the opinions on the benchmark.

It is also possible to use a criterion of the stage of measuring and distinguish a benchmarking of the way of implementation and a benchmarking of the results. The first one is often described in the literature as the benchmarking of processes as it includes flows, ways of organization, executive schemes and so on so the ways of realizing a given function, procedures or processes which allow to achieve a high level of a company's effectiveness. On the other hand a benchmarking of the results pays attention to the achievements, results of the undertaken activities that is on the results obtained. This means carrying out the comparisons in the field of the data which proves a level of the effectiveness of the company. In practice, the benchmarking of the way of implementation and of the results are often closely connected because a way of conducting a given procedure or functions influences directly the results achieved.

Regardless of the aforementioned divisions in the literature it is possible to find the following differentiations of benchmarking[136]:

- Passive – traditional, based on quantitative factors. It is mainly used to analyze such categories as a size of the expenditure on the single elements of promotion-mix or a return factor during the mailing actions.
- Active – based mainly on qualitative analysis. The information which is necessary includes: an identification of the changes implemented in the benchmarks, an analysis of the applied process of changes management and the ways of overcoming external barriers connected with the implementation of changes.

According to the author, the typical activities which constitute the benchmarking can be included in the following stages:

1. A phase of benchmarking project. It includes a creation of a project team, a choice of the areas, processes or procedures that a company is going to improve, their accurate documentation, a definition of measurers (indicators) of the effectiveness of the improved aspects of activities, finding the partners

[136] H. Mruk, P. Kwiatek, *Audyt – narzędzie kontroli marketingowej*, Marketing w Praktyce 1/2001, p. 44.

for benchmarking, contacting them and getting a consent to conduct research and define a range, aims, applied methods and so on.

2. Research phase (observation and analysis). In this phase the benchmark is visited, the data which is needed is collected as well as the information needed by means of the methods defined before, the obtained data is processed, the results analyzed and the reasons of obtaining better results by the benchmark are analyzed.
3. A phase of formulating a plan of improvements. It includes a preparation of the document which defines the needed changes, their range, ways of introducing them, resources (financial, material, human and informational) needed to implement the improvements, timetable and employees responsible for their realization.
4. A phase of project implementation. It means a realization of a defined plan and controlling on an ongoing basis of the progress in the implementation that is monitoring the obtained results and if needed implementation of the proper corrections.
5. The phase of reporting. This phase is preparing a detailed report from benchmarking which includes a description and an evaluation of every of the former stages, a presentation of the results and an estimation of the level of realization of the defined aims.

The benchmarking method has many good points and it can bring many advantages to an organization because[137]:

- It helps a company to understand well its own organizational processes and underlines the need of improving them.
- Enables to find outside the new sources of improvements and new ways of behavior.
- Defines the points of references for measuring the level of the realization of the different processes.

[137] K. Obłój, *W szranki z konkurencją*, Businessman Magazine 2/1992, p. 45; A. Świda, *Benchmarking a realizacja strategii przedsiębiorstwa*, in: M. Moszkowicz (ed.), *Tożsamość i strategia przedsiębiorstwa – modele i doświadczenia*, Oficyna Wydawnicza Politechniki Wrocławskiej, Wrocław 1997, p. 324; A. Węgrzyn, *Benchmarking*, Antykwa, Kluczbork – Wrocław 2000, p. 150; J. Brilman, *Nowoczesne koncepcje i metody zarządzania*, PWE, Warszawa 2002, p. 263; W.M. Grudzewski, I.K. Hejduk, *Metody projektowania systemów zarządzania*, Difin, Warszawa 2004, p. 174, 191; Ph.B. Schary, T. Skjott-Larsen, *Zarządzanie globalnym łańcuchem podaży*, PWN, Warszawa 2002, p. 242; Ch.E. Bogan, M.J. English, *Benchmarking jako klucz do najlepszych praktyk*, Helion, Gliwice 2006, p. 46.

- It focuses an attention of the company on a permanently changing environment and on the achievements of competitors, which allows to prevent the potential threats.
- It allows to define the future trends and directions of development.
- It prevents an organization from becoming self-satisfied by comparing it with excellent organizations.
- It speeds up the processes of learning within an organization and motivates to implement changes and improvements.
- It speeds up the processes of permanent improvement of an organization and ensures an implementation of the new solutions on the ongoing basis.
- It helps to define the priorities in the execution of the different skills.
- It creates a work culture in an aspect of trying to improve.
- It increases efficiency, effectiveness and a possibility to adapt new processes.
- It promotes innovativeness and creativity of employees.
- It concentrates on long-term results of economic activities.
- It is a good way of defining operational and strategic aims, helps to improve a strategy.
- It enables to learn on the mistakes made by other organizations, which allows to save a lot of effort, time and money.
- It generally helps to increase clients' satisfaction.
- It helps to eliminate the results of the resistance towards the changes inspired by the environment of the company.
- Allows to identify a competitive position.
- Improves the relations and increases understanding between benchmarking partners.
- It increases the chances of winning an award in the field of the quality such as e.g. Malcolm Baldrige National Quality Award, in case of which the achievements of a company in the field of benchmarking are the important criteria of awarding it.
- It requires less resources than other ways of obtaining knowledge and experience.
- It ensures a quick access to knowledge.
- It provokes changes and is a carrier of innovation in the branch.
- It can be applied by any organization, regardless of its resources and branch in which it operates.

On the other hand, the disadvantage of benchmarking are as follows[138]:

- Limiting a company's creativity by an excessive concentration on the achievements of other organizations.
- Making mystery of the solutions applied by the benchmarks particularly when they are the competitors as well as a reluctance to cooperate and make other data available.
- Perception of benchmarking as espionage or corporate espionage.
- Making the companies alike as a result of using a benchmarking. A mutual imitation in the field of quality, organization and a pace of work influences a unification of strategic concepts, which consequence is enhancing a competition in the sector. The offered products and services become more alike and the profits decrease when the companies fight for resources and small segments of the market.
- A too strong sticking to the methods dominating in the branch causes problems with acquiring information, knowledge and solutions coming from outside the sector. A trail to adopt the solutions coming from outside the company often creates an internal resistance because of the feeling of difference from other companies.
- Deliberate or not breach of moral rules. Even if there is a purposeful breach of the principle of the confidentiality or even law, the company can easily loose a good opinion and be perceived us unreliable and not trustworthy, and in this way prevent an implementation of the benchmarking in the future.
- Superficiality of comparisons – making the comparisons by means of parameters which reflect the investment and result. The parameters allow to discover a part of the truth about a partner but they tell hardly anything about the differences between an own practice and a practice of a benchmarking partner, do not allow to recognize fully the reasons and results of the influence of the different factors on the company.

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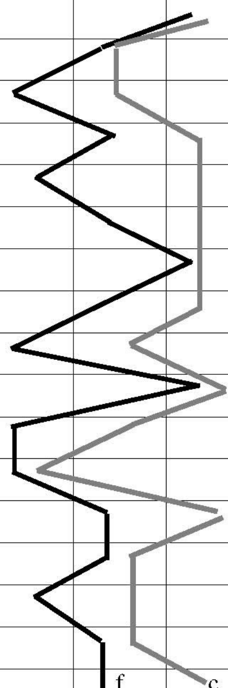
[138] See: M.E. Porter, *Strategia, co to takiego?*, Manager 10/1997, p. 46; A. Węgrzyn, *Benchmarking – moda czy nowa filozofia zarządzania*, Przegląd Organizacji 11/1997, pp. 21-22; K. Obłój, *Strategiczne wyzwania: tworzenie i zawłaszczanie wartości na rynku*, Master of Business Administration 3/2001, pp. 17-19; A. Kupczyk, H. Korolewska-Mróz, M. Czerwonka, *Radykalne zmiany w firmie*, Infor, Warszawa 1998, p. 85; D. Ulrich, *Liderzy zarządzania zasobami ludzkimi*, Oficyna Ekonomiczna, Kraków 2001, p. 76; K. Zimniewicz, *Współczesne koncepcje i metody zarządzania*, PWE, Warszawa 1999, p. 46; G. Johnson, K. Scholes, R. Whittington, *Podstawy strategii*, PWE, Warszawa 2010, p. 111; G. Aniszewska, *Najlepsza metoda ≠ najlepsza strategia*, Przegląd Organizacji 10/2000, p. 40.

* Excessive concentration of the benchmarking team on a given procedure while visiting the benchmarks and exploring these companies only from the perspective of one procedure, without a reference to other organizational issues which can lead to misleading conclusions. E.g. visiting the research centers of big companies should explain the conditions and procedures of trainings but it does not have to make realize which place the training programs have in the general philosophy of the company management and what the mechanisms of a strong engagement of the managers in these trainings are.

Table 2.6. A comparison of the level of mastering key success factors by a company under research (f) and its biggest competitor (c)

Key success factors *	**1**	**2**	**3**	**4**	**5**
Quality of products and services					
Own costs					
Price policy					
Sales on the Polish market					
New markets					
Modernization of assortment					
Satisfaction of final users					
Image of a company and knowledge of brand					
Knowledge about a market (market research)					
Increase of production potential					
Advertisement and sales promotion					
Employment, remuneration, social issues					
Distribution of products and client service					
Usage f production capacities					
Sales on foreign markets					
Work effectiveness					
New kinds of activities			f	c	



* For the Polish market on the basis of the research conducted in 1998 by a research team of Cracow University of Economy (R. Niestrój, P. Hadrian, *Czynniki sukcesu jako wyznacznik orientacji przedsiębiorstwa*, Marketing i Rynek 8-9/ 1999, p. 5)

Source: own preparation.

A correctly conducted (in a professional way and according to the ethical rules)[139] process of benchmarking is an important way of increasing a competitiveness of the company, which is confirmed by the practice of many organizations. The table 2.6. presents the exemplary comparison of a given firm (f) with its competitor (c) according to the level of mastering key success factors. It includes the competitive profiles of the companies, which are based on a list of key success factors. A score obtained on the basis of such a list is not very laborious and can be used by the employees of the company without a help of a consulting group and it provides a multi-criteria and a complex evaluation of the company[140].
In turn, the table 2.7 presents an exemplary weighted score of the level of mastering key success factors by these companies.

Table 2.7. Weighted score of the level of mastering key success factors for a company (f) and a competitor (c)

Factor	**Weight**	**Rate for the firm (f) (1-5 points)**	**Weight * rate**	**Rate for competitor (c) (1-5 points)**	**Weight * rate**
Quality of products and services	0,113	4	0,452	4	0,452
Own costs	0,105	3	0,315	3	0,315
Price policy	0,098	2	0,196	3	0,294
Sales on the Polish market	0,091	3	0,273	4	0,364
New markets	0,085	2	0,170	4	0,340
Modernization of assortment	0,078	3	0,234	4	0,312
Satisfaction of final users	0,072	4	0,288	4	0,288
Image of a company and knowledge of brand	0,065	3	0,195	4	0,260
Knowledge about a market (market research)	0,059	2	0,118	3	0,177
Increase of production potential	0,052	4	0,208	4	0,208
Advertisement and sales promotion	0,046	2	0,092	3	0,138

[139] See: I. Penc-Pietrzak, *Analiza strategiczna w zarządzaniu firmą*, C.H. Beck, Warszawa 2003, pp. 87-89.
[140] M. Romanowska, *Planowanie strategiczne w przedsiębiorstwie*, PWE, Warszawa 2004, p. 73.

Table 2.7 (continued)

Employment, remuneration, social issues	0,039	2	0,078	2	0,078
Distribution of products and client service	0,033	3	0,099	4	0,132
Usage of production capacities	0,026	3	0,078	3	0,078
Sales on foreign markets	0,019	2	0,038	3	0,057
Work effectiveness	0,013	3	0,039	3	0,039
New kinds of activities	0,006	3	0,018	4	0,024
Total	**1**		**2,891**		**3,556**

Source: own preparation.

Benchmarking is a method that can be recommended to the Polish managers but of course taking care of the ethical issues. It does not have to be always a total benchmarking. Good effects should be also brought by a benchmarking including those functions or processes that create the most value for the clients and the benchmarks can be both the competitors and companies from outside the sector. If a company possesses the research results of the key success factors in the branch or in a region in which it operates the author recommends to do competitive profiles of an own company and competitive companies.

Having conducted an analysis of the competition, when the company knows exactly a structure and a level of competition in its own sector, the company can define its development possibilities and identify the threats and chances in it and identify and estimate its own potential. Later, after confronting the research results of the environment with own possibilities, competencies and resources, a company will be able to choose the proper strategies of competition.

3. Competitiveness and competitive strategy of a company

3.1. Competitiveness of a company

Competitiveness is a feature of organizations operating among competitors, which is underlined by Marek J. Stankiewicz, defining it as a capacity of a company to successfully implement the aims on market competition area[141]. It is more precisely defined by the experts of the European Union who define it as a capacity to maintain the potential which serves to satisfy the needs of clients by means of an effective supply of goods and services on the better and better price conditions and non-price conditions and of a better quality than those offered by the competitors[142]. It is presented in a similar way by the different definitions which state that it is a capacity to[143]:

- design, produce and sell products which prices, quality and other features are more attractive than respective prices of products offered by competitors;
- sustainable development and an aspiration of a company to maintain and increase the market shares;
- increase of the effectiveness of internal functioning by strengthening and improving market position;
- obtaining and maintaining competitive position;
- effective opposition to competition;
- activities and survival in a competitive environment;
- adjustment of products to the requirements of a market and competition, mainly taking the assortment, quality and price into consideration as well as to an optimal usage of sales channels and promotion methods;
- offering proper products and services with a suitable quality, price and in the due time;

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[141] M.J. Stankiewicz, *Konkurencyjność przedsiębiorstwa*, Dom Organizatora, Toruń 2002, p. 36.
[142] O. Flak, G. Głód, *Konkurencyjni przetrwają*, Difin, Warszawa 2012, p. 40.
[143] H.G. Adamkiewicz-Drwiłło, *Konkurencyjność przedsiębiorstw w świetle uwarunkowań współczesnej gospodarki*, Dom Organizatora, Toruń 2010, p. 122; M. Olczyk, *Konkurencyjność*, CeDeWu, Warszawa 2008, pp. 15-16; T. Dołęgowski, *Konkurencyjność instytucjonalna i systemowa w warunkach gospodarki globalnej*, Szkoła Główna Handlowa, Warszawa 2002, p. 9.

- facing the competition of other competitors, maintaining and increasing market shares and obtaining profits related to it;
- remaining on a market for a longer period of time.

The competitiveness on a micro-scale is connected with the benefits and products quality, which influence a proper level of effectiveness and profitability of the sold goods and in turn imply a certain share of a company on a given market[144]. Therefore, the company who on one hand is able to increase an attractiveness of products and services which is necessary e.g. to increase a market share and on the other hands ensures an achievement of a defined level of profitability is competitive. The competitiveness expresses an efficiency to use the resources of the company in the processes of creating values, first of all for clients but also for the remaining business groups. It is a notion evaluating the stakeholders participating in the competition both from the point of view of the achieved results and a capacity to obtain profits in the future in a changing environment. It means a general way of coping with a competition which allows to define the mechanisms and tools of competing both in the long and short term. The competitiveness has a relative character so there is no absolute scale of its measurement and that is why this notion can be used to describe mutual relations of a company in the given sector[145]. One can talk about the competitiveness when there is a mechanism of competition which creates natural needs of influencing a consumer, making them purchase the products or services[146]. On the other hand, the competitiveness of one firm can be strengthened, if this company is a part of business network, especially a global one[147]. And according to Magdalena Rosińska-Bukowska, the competitiveness of global business network is a result not only of the garnered economic capital, but also of the intangible assets, contained in the created system of relations[148].

Several kinds of competitiveness can be differentiated according to such criteria as: range, actions or results, moments of evaluations, areas of presence, parties of market relations, time of observation and level of competitiveness.

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[144] N. Daszkiewicz, M. Olczyk, *Konkurencyjność podmiotów – ujęcie teoretyczne*, in: N. Daszkiewicz (ed.), *Konkurencyjność*, PWN, Warszawa 2008, p. 14.

[145] O. Flak, G. Głód, *Konkurencyjni przetrwają*, Difin, Warszawa 2012, pp. 40-42, 44.

[146] H.G. Adamkiewicz-Drwiłło, *Konkurencyjność przedsiębiorstw w świetle uwarunkowań współczesnej gospodarki*, Dom Organizatora, Toruń 2010, p. 68.

[147] M. Rosińska-Bukowska, *Rozwój globalnych sieci biznesowych jako strategia konkurencyjna korporacji transnarodowych,* Wydawnictwo Uniwersytetu Łódzkiego, Łódź 2012, pp. 97-114.

[148] M. Rosińska-Bukowska, *Koncepcja paradygmatu międzynarodowej konkurencyjności przedsiębiorstw,* in: U. Mrzygłód (ed.), *Wyzwania gospodarki globalnej*, Prace i Materiały Instytutu Handlu Zagranicznego Uniwersytetu Gdańskiego nr 31, Gdańsk – Sopot 2012, p. 554.

In line with the first division done by David Faulkner and Cliff Bowman, one can talk about an operational and system competitiveness. The operational competitiveness is a concrete technical skill important from the point of view of company's functioning on a given market. The system competitiveness refers to a wide range of actions done by a company and is more taken into consideration while formulating a competitive strategy. It includes providing value (maintaining effectiveness), increasing value (a permanent verification of products in order to improve them and to increase a level of the perceived utility value) and innovativeness (a preparation of new products and improvement of the current ones)[149].

The second criterion (concentration on taking actions or their effects) allows to differentiate a factor and a result competitiveness. The factor competitiveness refers to capacities of companies to take actions which create basis for effective competing: quick reactions to changes in the environment, a good usage of own results or a rationality of decisional processes. The result competitiveness defines the results of competing: market share, financial results in reference to the leaders and so on.

The criterion of the moment of evaluation serves to distinguish ex post competitiveness (which a company has already achieved) and ex ante competitiveness (that it intends to achieve in the future).

In turn, on the basis of the criterion of the area of presence one can talk about the competitiveness of a given company on the different markets, differentiated from the point of view of the kinds of products, kinds of resources or territory.

The criterion of the parties of market relations serves to differentiate a competitiveness "at the entrance" from the one "at the exit" of a given company. A competitiveness of the organization "at the entrance" is its capacity to implement the aims which are connected with the transactions of attracting the resources. The competitiveness "at the exit" is a capacity to effectively implement aims connected with the transactions of acceptance of the market offer by the clients that is a purchase of the goods. In a long period of time these two kinds of competitiveness have a tendency to get equal.

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[149] D. Faulkner, C. Bowman, *Strategie konkurencji*, Gebethner i Ska, Warszawa 1996, pp. 35-37.

According to the criterion of the time of observation one can differentiate a static and dynamic competition. The first one is a state of a competitiveness of a given company in a given moment whereas the second one means the changes of the level of a company competitiveness in time that is the dynamics of competitiveness.

The last criterion is the level of the company competitiveness reflected by a proficiency in achieving results. The results of the activities evaluated by the stakeholders of the company allow to differentiate three kinds of competitiveness: normal (when the results of certain interactions are equal to the expectations of stakeholders participating in those interactions), less than normal (when the real results do not fulfill the expectations of stakeholders) and more than normal (when the real results are higher than the expectations of stakeholders)[150]. The effects of activities are influenced by many various factors which can be divided according to such criteria as[151]:

1. Market character

- The factors of competitiveness with a market character, among which the following can be considered as the basic: a size of a market offer (the number of products offered on the market), price of products, quality of products as well as conditions of sale of goods and services.
- Competitiveness factors with non-market character, among which the technological progress is considered to be the most important.

2. Kinds of the decisions taken

- Competitiveness factors with an external character among which the basic ones are the norms: technical, ecological and legal. These are the factors on which a company has a limited influence or does not have an influence at all.
- Competitiveness factors with an internal character among which the most important ones are: a character of a property of a company, a system of organization and management, marketing (particularly public relations that is shaping mutual relations of a company with a market), qualifications of employees (and particularly production employees and managers of the company), production decisions (including the decisions concerning

[150] M.J. Stankiewicz, *Konkurencyjność przedsiębiorstwa*, Dom Organizatora, Toruń 2002, p. 36-44.
[151] H.G. Adamkiewicz-Drwiłło, *Konkurencyjność przedsiębiorstw w świetle uwarunkowań współczesnej gospodarki*, Dom Organizatora, Toruń 2010, pp. 218-219.

the production size and production costs related to this size). These factors are connected with the decisions taken by the company on the different levels of management. They lie in the area of autonomous activities of a company and include the issues which refer to shaping the size of production, decreasing own costs, increasing the quality of the purchased goods and delivered services, offering new types and kinds of products, increasing competitiveness and so on.

The configuration of these factors and their intensity shapes a competitiveness of a given company and influences it evaluation by the different stakeholders.

The criteria of the evaluation of the company competitiveness can be very different. The most important ones, included in the concepts of the different authors, are presented in the table 3.1.

Table 3.1. Criteria of evaluating a company's effectiveness (the order according to the alphabetic order of the authors' names)

Author of the concept	**The most important criteria of the evaluation of company competitiveness**
L. Dwyer, Ch. Kim	▪ a capacity of a permanent delivery of an added value to the stakeholders of the company
R. Feurer, K. Chaharbaghi	▪ financial strength of the company ▪ values for shareholders ▪ values for clients
G. Hamel, C.K. Prahalad	▪ a set of key skills, competencies and resources so the ones that bring values for a client, lead to increasing a group of clients and create conditions for the creation of new products
J.E. Lombana	▪ profitability ▪ maintaining a dominant market position ▪ price and product quality ▪ productivity of resources ▪ production costs
McKinsey Company	▪ competitive position defined on the basis of such factors as: a relative participation in the market, a profit in relation to competitors, a level of prices, quality of products, applied technologies and know how, market knowledge

K. Obłój	▪ natural (monopolistic) position resulting from a localization, access to the sources of raw materials or patents ▪ the relations between a price and a quality ▪ system of customer service increasing the costs of the change of suppliers ▪ a system of customer service creating high entrance barriers ▪ imitation of the leader offer ▪ a substitution which means doing the same things as the leader but in a different way
M.E. Porter	▪ cost advantage (offering products with a competitive price resulting from a cost leadership) ▪ a product differentiation (offering outstanding products with the features which are unachievable for the competitors and a client is ready to pay a higher price for them)
A. Rappaport	▪ a relation of a long-term value of the company sale in reference to the total costs, including the costs of capital
P. Skat-Rordam	▪ taking advantage of the occasions which are on the market
E. Urbanowska-Sojkin	▪ expenditure on R+D, the number of the introduced products, categorized features of a production technology, level of the qualifications of the staff responsible for designing new products, a unit cost of the product, incremental effects of the production ▪ market feature of the portfolio of products, numeric distribution and weighted distribution, expenditure on promotion in relation to turnover, intensity of activities in the field of public relations, an image of the company ▪ a value of fixed assets, depreciation, obsolescence and economic assets ▪ number of employees, profitability per employee ▪ a mission and a vision of the company, an organizational and a legal form, a kind of an organizational culture, a level of the management informatization, company profit ▪ added value, profit, appropriation of profit for business development

T. Wattanapruttipaisan	▪ productivity ▪ effectiveness in delivering products in comparison to the competitors

Source: own preparation on the basis of: J. Bieliński, *Uwarunkowania i czynniki konkurencyjności przedsiębiorstw na rynku globalnym* in: J. Bieliński (ed.), *Konkurencyjność przedsiębiorstw w świetle Strategii Lizbońskiej*, CeDeWu, Warszawa 2005, pp. 17-20; O. Flak, G. Głód, *Konkurencyjni przetrwają*, Difin, Warszawa 2012, p. 40; E. Urbanowska-Sojkin, *Zarządzanie przedsiębiorstwem*, Wydawnictwo Akademii Ekonomicznej w Poznaniu, Poznań 1999, p. 100.

The competitiveness of the company consists of four important elements which are influenced by the general environment and they interact with a competitive environment. The following elements belong to them[152]:

- a potential of competitiveness;
- a competitive advantage;
- instruments of competing;
- a competitive position.

There are feedbacks between these elements, which is shown in figure 3.1.

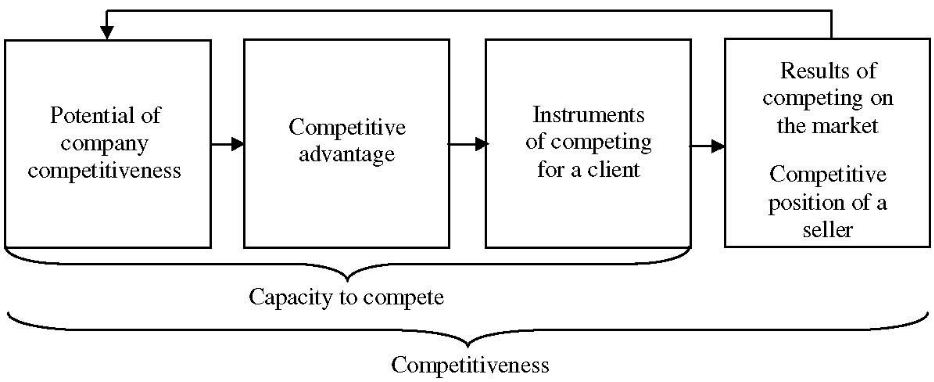

Figure 3.1. Structure of competitiveness
Source: M.J. Stankiewicz, *Istota i sposoby oceny konkurencyjności przedsiębiorstwa*, Gospodarka Narodowa 7-8/2000, p. 97.

The first element of competitiveness that is a competitive potential can be defined as a system of material and non-material resources which enable

[152] M.J. Stankiewicz, *Konkurencyjność przedsiębiorstwa*, Dom Organizatora, Toruń 2002, p. 89.

a company to use the optimal instruments of effective competing on the global markets[153]. In practice it turns out almost always that the company has not an ideal (in every aspect of operation) level of competitive potential. On the basis of the research conducted by Marek J. Stankiewicz a characteristic of a potential which is effective enough with a division into the different areas of the company functioning was prepared:

- Information – good knowledge on competitors and their strategies, clients and their needs and situation on the market together with the prognosis of the development.
- Research and development – good quality of staff, equipped with the latest devices and contacts with scientific and research centers.
- Production – a modern technology, good quality of machines, good quality of technical staff, medium flexibility of production.
- Quality management – engagement of the managers and all the employees in the implementation of quality assurance programs such as ISO system and a permanent control of quality, at least by a static control of production, possession of branch quality certificates.
- Logistics – an optimization of supply – achievement of a situation similar to just-in-time system, average quality of the staff, unlimited access to the resources, or permanent links with suppliers.
- Distribution – a thick distribution network which includes the most important markets for the company, a possibility to create new distribution channels, well-qualified staff dealing with sale, proper connections between receivers.
- Marketing – average to high quality of the staff, suitable meaning given to marketing in a company, suitable financial expenses, pro-market orientation of all employees.
- Finances – a financial potential of a company, easy access to external sources of financing, low level of costs, suitable methods of planning, analysis, control and cost calculation.
- Organization and management – highly qualified managers, creation of operational plans and strategic plans at least in one option, flexible and tested organizational structure, effective internal communication, usage

[153] M.J. Stankiewicz (ed.), *Budowanie potencjału konkurencyjności przedsiębiorstwa*, Dom Organizatora, Toruń 1999, p. 77.

of the methods of preparation and taking decisions, staff taking part in management.

- Employment – proper education of employees, inclination to innovations and changes, loyalty and "cooperation spirit", proper personnel policy and particularly a system of motivation and trainings.
- Invisible resources – good reputation, proper organizational culture, established contacts with clients and decision centers, skills and possession of the lobby favorable to a company.

What is more within the same research an order of strengthening key elements of company's competitiveness in the Polish companies was defined. First of all it is necessary to develop such factors as: market knowledge, quality of managerial staff, possibility to produce effective products, financial potential of the company, level of total costs, research and development activities, modern technologies, quality of staff employees employed in sale processes, a possibility of a quick realization of new ideas and a quality of machinery. Subsequently the following aspects were enumerated: a possession of an effective monitoring and early warning, applied motivation policy, applied instruments of management accounting, applied methods of preparing and taking decisions, a possession of international quality certificates, a speed of taking decisions, a possibility to optimize the delivery, unique skills and usage of TQM[154]. Obviously, a development of key elements of potential cannot mean neglecting others due to the fact that a competitive potential is a system which elements must cooperate and be complementary.

A competitive advantage, defined as a set of factors or capacities which allow a company to overtake its competitors is the second element of a company competitiveness[155]. In other words it is a capacity of such a usage of a competitive potential which enables such an effective generation of an attractive market offer and effective competing instruments that ensures a creation of an added value[156]. This advantage should be relatively durable

[154] M.J. Stankiewicz (ed.), *Budowanie potencjału konkurencyjności przedsiębiorstwa*, Dom Organizatora, Toruń 1999, pp. 221, 265.
[155] L.J. Bourgeois, I.M. Duhaime, J.L. Stimpert, *Strategic Management Concise*, Harcourt College Publishers, Fort Worth 2001, p. 56.
[156] M.J. Stankiewicz, *Konkurencyjność przedsiębiorstwa*, Dom Organizatora, Toruń 2002, p. 172.

and that is why it must be based on unique and difficult to copy resources, skills and competencies. What is more it should[157]:

- be important enough in order to differentiate an offer among the competitors (a given feature must provide clients with an important advantage);
- remain important despite market changes and competitors activities;
- be exposed as a visible, positive feature of a business which is supposed to combine a competitive advantage with a positioning of a given business.

In practice, there are the different kinds of competitive advantage whereby one often distinguishes a potential and an effective advantage. The first one is expressed in a predominance of a seller over other sellers without confronting the preferences of clients. It is built in the process of creating a supply of products and services and is visible in a sphere of costs or of material effects (e.g. a higher quality). It transfers into an effective competitive advantage when a lower level of costs and prices and a higher level of the quality of products find the acceptance of buyers. The effective advantage is created as a consequence of a confrontation of potential competitiveness with the preferences of clients and criteria of purchasing the products[158]. These dependencies are depicted in figure 3.2.

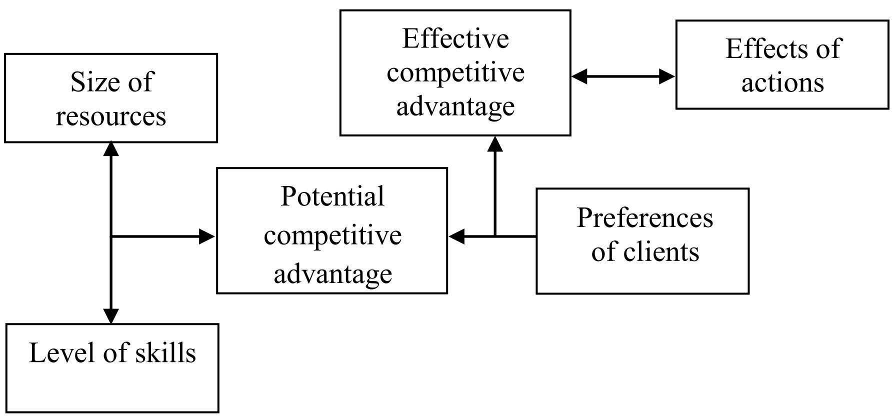

Figure 3.2. Potential and effective competitive advantage
Source: W. Wrzostek, *Funkcjonowanie rynku*, PWE, Warszawa 1998, p. 64.

[157] D.A. Aaker, *Strategic Market Management*, John Wiley & Sons, New York 1992, pp. 184-185.
[158] W. Wrzosek, *Funkcjonowanie rynku*, PWE, Warszawa 1998, p. 64.

Krzysztof Obłój enumerates four basic types of advantages[159]:

- natural, resulting from a localization, access to resources or legal regulations,
- relation between a price and a quality (cost-pricing advantage or a qualitative advantage),
- a system of service increasing the costs of the change of supplier, which is based on a deep knowledge of reality and needs of receivers, a creation of a wide and well-adjusted offer of products to the needs of the single segments and on a creation of strong economic and legal barriers for a possibility to change a supplier by a client,
- a system of service which creates high barriers of entrance (a quasi-monopolistic predominance on a limited market, based on tradition, technology, brand and a specificity of relations with receivers or an advantage resulting from a creation and a control of a standard in the branch).

They are not separable and sometimes the effect on the market can be identical, although there are the different basis of advantage.

In turn, taking into account a marketing aspect, one can differentiate the competitive advantage into:

- price advantage, resulting from the lower costs of producing a product, a proper strategy of introducing a product to a market, a discount policy and so on,
- distribution advantage, resulting from an adjustment of the distribution channels to the needs of clients, the punctuality of supplies and so on,
- product advantage connected e.g. with a size of assortment, quality of products or post-sale service,
- promotion advantage, resulting e.g. from a well-targeted advertisement, application of the attractive forms of sale promotion (coupons, lotteries) or loyalty programs.

One can also divide competitive advantage taking into consideration such criteria as: durability, transparency, availability or a number of sources. An example of the classification is included in table 3.2.

[159] K. Obłój, *Tworzywo skutecznych strategii*, PWE, Warszawa 2002, pp. 104-121.

Table 3.2. Classification of competitive advantage

Criterion	Form of advantage
Kind	qualitative – quantitative
Number of sources	focused – dispersed
Materiality	material – immaterial
Reality	real – unreal (simulated)
Transparency	demonstrated – hidden
Durability	durable – temporary
Dynamics	existing – new
Originality	unique – repeated
Ambiguity	clear – unclear
Location	internal – external
Availability	commercial – exclusive
Capacity to aggregate	single – synergic

Source: I. Bielski, *Tworzenie efektywnej strategii marketingowej przedsiębiorstwa*, Przegląd Organizacji 2/2000, p. 34.

This table can be complemented by other criteria e.g. a character of the source of advantage. From this point of view an achieved competition advantage can be included into a higher or a lower level. An advantage of a lower level is based on the low costs of human labor, cheap resources and is in the majority of cases neutralized by the competitors by changing a source of supply or a localization of the conducted activities. The advantage of a higher level is a possession of a more effective technology, a wider and a bigger assortment of products, a reputable brand, a big durability of connections with clients by a high cost of the change of the sources of supply, cumulated investment in durable goods, high qualifications of employees and valuable research and development work. The achievement of the competitiveness of a higher level depends on the unique and specialist knowledge and methods of acting[160].

The sources of competitive advantage are looked for both outside and inside of a company. The internal sources of a company are the resources and key competencies of the company, whereas the external determinants of the competitive advantage is a situation in a closer and further environment[161]. The sources of the competitive advantage can be very different depending on

[160] O. Flak, G. Głód, *Konkurencyjni przetrwają*, Difin, Warszawa 2012, pp. 145-147.
[161] O. Flak, G. Głód, *Konkurencyjni przetrwają*, Difin, Warszawa 2012, p. 140.

the branch, country and a region in which a given company operates. Bob de Wit and Ron Meyer enumerate the following elements as the most important in competitive advantage: low price, performance feature of a product, image of the company and relations with clients. Michael Treacy and Fred Wiersema look for the reasons of competitive advantage in an operational excellence, cost leadership or relations with clients. James Craig and Robert Grant point at such aspects of activities as: experience curve, economy scale, costs of raw materials, technological process, designing products or managerial skills. In turn Michael E. Porter thinks that all the sources can be put into two wide categories: low costs and differentiation. This means that a competitive advantage results from offering products with a competitive price resulting from a cost leadership and/or offering contrasting products which have the features that are unattainable for clients and clients are ready to pay a higher price for them. Phlippe Lasserre distinguishes three basic sources: of resource (an access to rare materials, localization or information, qualified staff, credits with low interest rates and so on), capital (low costs, patents, brand reputation) and sources of competencies (e.g. know-how, quick development of product, effective information flow)[162]. On the other hand Eulalia Skawińska underlines a meaning of internal sources of advantage such as: access to natural production factors, natural conditions and localization[163].

A relatively detailed research which referred to these issues mentioned by David A. Aaker was conducted in the USA on the sample of 248 companies. It was assumed that every company can have a few sources of competitive advantage. The results were slightly differentiated depending on a kind of sector. However, a few sources could be treated as the most important ones: high quality, post-sell service, brand recognition, good management, qualified employees, low costs of production, proper financial resources, orientation on a client, a size of assortment and technical advantage. An average number of the sources of competitive advantage per company was also calculated which was 4,58[164]. This means that generally the strategy is not based on just one source

[162] B. de Wit, R. Meyer, *Synteza strategii*, PWE, Warszawa 2007, pp. 156-159; J.C. Craig, R.M. Grant, *Strategic Management*, Kogan Page, London 1993, pp. 67-71; Ph. Lasserre, *Global Strategic Management*, Palgrave Macmillan, New York 2003, p. 47.
[163] E. Skawińska (ed.), *Konkurencyjność przedsiębiorstw*, PWN, Warszawa – Poznań 2002, p. 82.
[164] D.A. Aaker, *Strategic Market Management*, John Wiley & Sons, New York 1992, p. 186.

of advantage but on a bigger number. In other words, a market advantage of the company is generally not based on one kind of resources or skills but on a duly selected set.

By using the different sources a company can obtain a competitive advantage with a certain size. This size is understood as a difference between the parameters describing the activities of the company and the parameters referring to its competitors. It depends on the efforts of the company and on the activities of the competitors in the same time[165]. Taking into consideration a size of the competitive advantage over the competitors (regardless of the number of the sources of this advantage) one can differentiate four possible situations. These are[166]:

- an absolute advantage when a profile of strengths and weaknesses of a company dominates over a profile of competitors;
- an advantage based on some strengths, when the strengths of the company are higher than the strengths of the competitors;
- an average situation when a profile of strengths and weaknesses of the company overlaps with a profile of competitors;
- mostly weaknesses, when all together the strengths of the competitors are bigger than the strengths of the company.

Table 3.3. Variants of a situation taking a company's competitive strength into consideration

Strengths / Weakness	big	small
small	Absolute advantage	Average situation
big	Advantage based on some strengths	Mostly weaknesses

Source: R. Niestrój, *Zarządzanie marketingiem*, PWN, Warszawa – Kraków 1998, p. 124.

The most desirable situation is definitely an absolute advantage of an own company over the competitors. However, a properly used advantage based on some selected strengths can also lead to a market success. The remaining two

165 O. Flak, G. Głód, *Konkurencyjni przetrwają*, Difin, Warszawa 2012, p. 142.
166 R. Niestrój, *Zarządzanie marketingiem*, PWN, Warszawa – Kraków 1998, p. 124.

situations require an implementation of the improvements in the organization using the chances in the competitive environment.

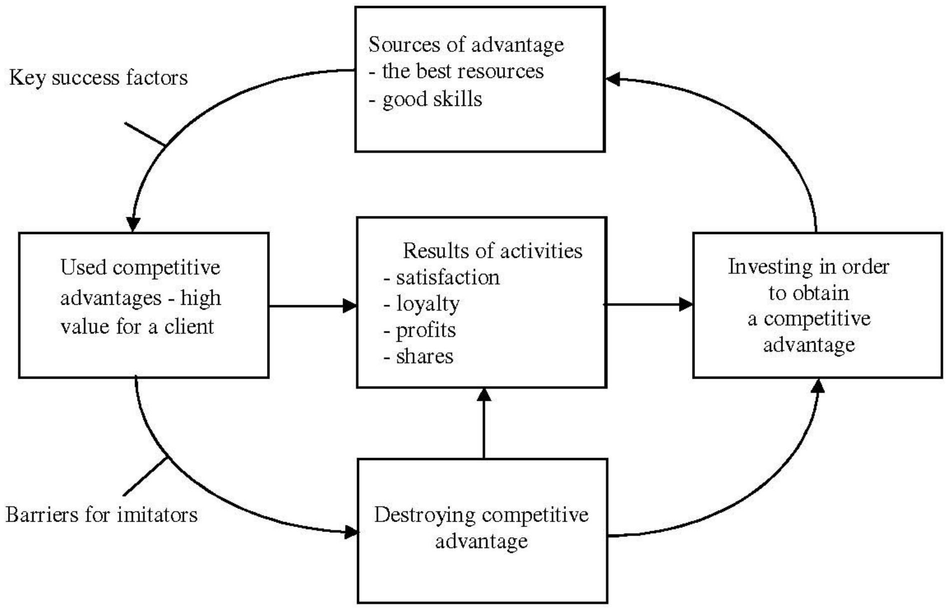

Figure 3.3. A cycle of competitive advantage
Source: C.A. de Kluyver, J.A. Pearce, *Strategy: A View from the Top*, Pearson Prentice Hall, New Jersey 2006, p. 6.

A competitive advantage is not something permanent but it can be created, maintained and lost. This is reflected by a term hyper-competition by which one understands the conditions of permanent, alternating loosing and obtaining competitive advantage among the competitors. It refers to four kinds of advantages based on such factors as: costs and quality, a quickness of actions and knowledge, a creation of entrance barriers for potential and real competitors, a financial situation and a strong position in the sector[167]. In the conditions of a hyper-competition a frequency and an aggression of the dynamic movements of the market players increase and they lead to a permanent state of unbalance and change. The market stability is also endangered by short life cycles of products, shorts cycles of designing products, new technologies,

[167] M. Moszkowicz, *Strategia przedsiębiorstwa okresu przemian*, PWE, Warszawa 2000, p. 37; J. Cygler, *Kooperacja – nowy typ relacji między konkurentami*, Organizacja i Kierowanie 2/2007, pp. 62-63.

entering the market by new, unexpected companies, repositioning of the current companies and a radical redefinition of the borders of the market because of the process of merging of the different branches. Such an environment is characterized by a higher and higher level of uncertainty, dynamism, heterogeneity and mutual hostility of competitors[168].

Due to the fact that creating and maintaining (possible loosing and getting back) of a competitive advantage is a permanent process, it is possible to talk about a certain cycle which is presented in the figure 3.3.

The third element of competitiveness and namely the instruments of competing are the sources which are consciously created in order to obtain the clients for a presented or a future offer[169]. They can be very different or can have a different meaning and strength depending on the market specificity. However, the research conducted in 1999 by Mirosław Haffer showed that 18 instruments of competing can be differentiated. They include[170]:

1. Quality of products.
2. Price.
3. Diversity of the offered goods.
4. Flexibility in adjusting the products to the client needs.
5. Putting new products on the market more often than competitors.
6. Ensuring potential clients a comfortable access to products (a developed network of distribution, information etc.).
7. A width of assortment.
8. Advertisements.
9. Sale promotion.
10. Range of post-sale services.
11. Range of pre-sale services.
12. Prices of post-sale services
13. Quality of post-sale services
14. Conditions and a period of guaranty.
15. Image of a company.

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[168] A.S. Huff, S.W. Floyd, H.D. Sherman, S. Terjesen, *Zarządzanie strategiczne. Podejście zasobowe*, Oficyna a Wolters Kluwer business, Warszawa 2011, pp. 176-177.
[169] M.J. Stankiewicz, *Konkurencyjność przedsiębiorstwa*, Dom Organizatora, Toruń 2002, p. 89.
[170] M. Haffer, *Instrumenty konkurowania* in: M.J. Stankiewicz (ed.), *Budowanie potencjału konkurencyjności przedsiębiorstwa*, TNOiK Dom Organizatora, Toruń 1999, p. 52.

16. Brand.
17. Conditions of payment.
18. Creation of unknown needs.

A competitive potential, a competitive advantage and competing instruments form altogether a capacity of a company to compete. Shortly it can be said that a competitiveness of the company includes its capacity to compete and a competitive position. A capacity to compete can be defined as a skill to shape dynamically the combination of resources, processes, strengths of a company as an answer to current and anticipated challenges of the environment. It means a skill to look for the new solutions with a restructuring or innovative character which have its economic, organizational, technical and personal dimension[171].

A competitive position which is a result of the usage of certain competitive advantages on the market is the fourth element of the competitiveness of the company. This position is always defined in relation to the competitors in a sector or in a strategic group. The change of the competitive position in time allows to evaluate the effectiveness of the competition strategy[172].

The competitive position can result from a qualitative and quantitative analysis of the strength of the company in relation to other competitors in a given sector. It is influenced both by external and internal factors. The first group includes the economic factors (a possibility to cope with changes, technical skills, a protection of inventions, applied technologies and so on), social factors (reaction of a company to the activities of the clients, relations with the environment) and a market (participation in the market, dynamics of the growth of sale, range of the impact on the market, level of a company integration and so on).

The company with a strong competitive position has a competitive advantage in one or many strategic fields of its activity. This position enables to improve the effects or to decrease investments with a given effects. It shows a market strength and a financial strength of the company and therefore maintaining and improving it is an important strategic aim[173].

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[171] B. Olszewska, *Współczesne uwarunkowania zarządzania strategicznego przedsiębiorstwem*, Wydawnictwo Akademii Ekonomicznej we Wrocławiu, Wrocław 2001, p. 109.

[172] M. Romanowska, *Planowanie strategiczne w przedsiębiorstwie*, PWE, Warszawa 2004, p. 262.

[173] O. Flak, G. Głód, *Konkurencyjni przetrwają*, Difin, Warszawa 2012, pp. 170-171.

According to Rainer Feurer and Kazem Chaharbaghi there are three basic dimensions which serve to define a competitive position: a financial strength of a company, a value for shareholders and a value for clients[174]. This concept is presented in the figure 3.4.

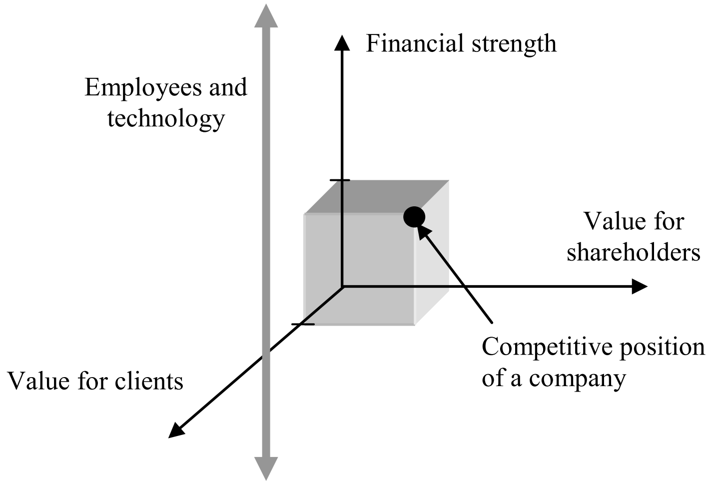

Figure 3.4. A map of competitive position
Source: J. Bieliński, *Uwarunkowania i czynniki konkurencyjności przedsiębiorstw na rynku globalnym* in: J. Bieliński (ed.), *Konkurencyjność przedsiębiorstw w świetle Strategii Lizbońskiej*, CeDeWu, Warszawa 2005, p. 20.

On the other hand, in the opinion of the Strategor group, a level of mastering by a company of key success factors put into five basic categories is a measure of a competitive position. They are as follows[175]:

- market position of the company, which can be measured by the absolute or relative market share and the evolution of the share;
- a cost position of the company (supply costs, production and sale costs);
- brand and a stable position on the market;
- technical competencies and mastering of technology;
- profitability and financial strength.

A competitive position of a given company is a sum of its strengths and weaknesses analyzed in comparison to the competitors.

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[174] J. Bieliński, *Uwarunkowania i czynniki konkurencyjności przedsiębiorstw na rynku globalnym*, in: J. Bieliński (ed.), *Konkurencyjność przedsiębiorstw w świetle Strategii Lizbońskiej*, CeDeWu, Warszawa 2005, p. 20.

[175] Strategor, *Zarządzanie firmą*, PWE, Warszawa 1997, p. 69.

Robert Gogel and Jean-Claude Larreche on the basis of the criteria such as: geographical range (the number of the served markets) and the strengths of the products offered (table 3.4) proposed a different way of assessing the competitive position.

Table 3.4. A matrix of the company's international competitiveness

	Geographical range	
Strengths of products	small	big
big	"barons"	"kings"
small	"commoners"	"expansionists"

Source: H.G. Adamkiewicz-Drwiłło, *Konkurencyjność przedsiębiorstw w świetle uwarunkowań współczesnej gospodarki*, Dom Organizatora, Toruń 2010, p. 71.

The companies defined as the "kings" which operate on many markets, offering products with a lot of values have the best competitive position. The companies described as "barons" have products with big strengths but they sell them on a small number of markets. "Expansionists" are companies which operate on many markets but with a small characteristic of complementary products. In turn the "commoners" are most often the producers who operate on the markets with administrative protection characterized by a small range and a low level of competitive products. A definition of a company belonging to a given group is useful from the point of view of the definition of the development strategy and a choice of a proper marketing instruments[176].

3.2. Resources and key competencies of company

From the point of view of a possibility to build a competitive advantage and to achieve a desirable competitive position as well as implementing a competitive strategy, the resources and competencies possessed by the company are very important.

[176] H.G. Adamkiewicz-Drwiłło, *Konkurencyjność przedsiębiorstw w świetle uwarunkowań współczesnej gospodarki*, Dom Organizatora, Toruń 2010, pp. 71-72.

Taking into consideration a competitiveness of the company, in the literature the resources are divided into three groups[177]:

- Primary resources which include a philosophy of entrepreneur and a possibility to gather in the organization know-how and other resources (having the necessary capital for taking the actions).
- Secondary resources which include material production factors (fixed assets, materials, raw materials and semi-finished products and operating resources), staff resources, innovation, distribution channels, ways of organizing a company and information resources.
- Result resources that is an image and a knowledge of the brand of the company, clients' attachment to products and the barriers of the customers switching to other suppliers.

According to a different division, depending on the level in which the resources and competencies contribute to a creation of a competitive advantage, they can be divided into: breakthrough resources, core resources, base resources and peripheral resources[178]. This division is presented in figure 3.5.

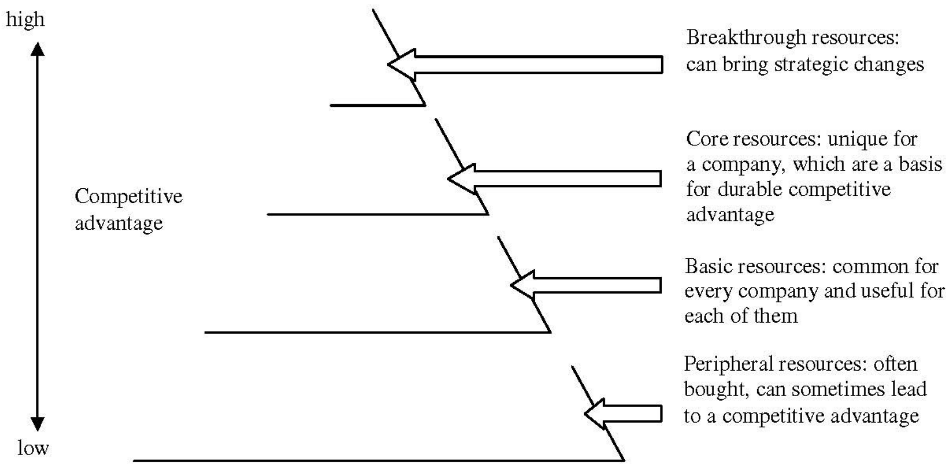

Figure 3.5. Hierarchy of resources
Source: R. Lynch, *Corporate strategy*, Prentice Hall, Harlow 2000, p. 283.

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[177] M. Gorynia, *Teoretyczne aspekty konkurencyjności* in: M. Gorynia, E. Łaźniewska (ed.), *Kompendium wiedzy o konkurencyjności*, PWN, Warszawa 2009, pp. 55-56.
[178] R. Lynch, *Corporate strategy*, Prentice Hall, Harlow 2000, pp. 282-283.

Breakthrough resources are a specific kind of core resources. They enable an introduction of important innovations within a product, technology or a process which can be a breakthrough in a given sector or industry. This kind of resources, competencies or skills are very rare. They are difficult to obtain or copy and they can be hardly copied by the competitors in the short period of time. Core or in other words key resources and competencies of the company allow for an effective competition, making the most of the appearing occasions and a creation of new possibilities of obtaining a market success. In turn the basic resources are possessed by all the companies in the sector. They are relatively cheap and easy to get. They are not as unique as the previous kinds of resources but the functioning of the company without them is impossible. The companies possess also other resources which are purchased when needed. They are generally less important but in a concrete market situation can ensure a competitive advantage. These are the resources or skills which are peripheral connected e.g. with transport, advertisement or legal services.

In the modern management a lot of attention is paid to a possibility to work out by the company the key competencies understood as capacities of the organization to collective learning and cumulating knowledge in the range of coordinating the different kinds of activities and production skills and integrating many streams of technology[179]. These are the unique skills which decide whether a company gets the synergic effects in the form of a long-term competitive advantage and a possibility of the diversification of the activities towards the areas which seem to be unconnected with the basic activities. They are connected with the area of technology, production and management. Simultaneously they are a totality of the different skills possessed by the particular strategic units of the company. For this reason they are common mainly in the diversified companies, using the different technologies, which combination provides a possibility to generate new product ideas and to introduce the new elements of the values to the products which are already produced. From the point of view of the market success of the company, the transformation of key competencies which include the whole value chain into a concrete value for the client is important. This means that a success of the company depends on a skills to make the basic processes the strategic skills

[179] G. Hamel, C.K. Prahalad, *Przewaga konkurencyjna jutra*, Business Press, Warszawa 1999, p. 170; M.J. Stankiewicz, *Konkurencyjność przedsiębiorstwa*, Dom Organizatora, Toruń 2002, p. 211.

(competencies), which enable to satisfy the clients' needs[180]. The competencies are unchangeably important mainly on the markets which function within a hyper-competition so in the situation of a strong competition from many sides, causing the quick changes and making it difficult for one company to keep the competitive advantage for a long period of time[181].

Key competencies clearly differentiate a company from the competitors. They are a basis of the competitive capacities of the company and the achievement of the competitive advantage in the given area and as a result a basis for formulating a strategy. The key competencies refer to the totality of the company and can be found on the junction between the different functions. These are more the sets of skills and knowledge than products and functions. They are generally placed in the critical elements of the value chains which decide about the success of the whole company. These can be the unique sources of the development within the value chains. They are very often created in the places where the gaps of knowledge were appearing, eliminated later by the proper investments in the intellectual resources. These competencies are important for clients in the long period of time. The long-time maintaining them in the company makes them be deeply rooted in the culture and organizational culture. They enable a creation of the services and goods which exceed the conventional expectations of the clients[182]. This causes that they are relatively durable and unique, specific for a given company. The key competencies are very difficult to imitate and to replace (substitute) and they also have a limited possibilities of the purchase and sale. They are generally based on the knowledge and are strategically valuable which means that they enable a usage of opportunities and avoid threats in the environment of the company. Their possession opens an access to many markets or the segments of the markets and creates a possibility of creating innovations[183]. The key competencies do not mean a control of resources but the way in which the company conducts its activities. They are generally unnoticed or hidden by the meaning of the products. They refer to a combination of technical,

[180] M. Rybak (ed.), *Kapitał ludzki a konkurencyjność przedsiębiorstw*, Poltext, Warszawa 2003, pp. 16-18.

[181] J. Hernik, *Kluczowe kompetencje organizacji pozarządowej*, in: T. Leczykiewicz, A. Springer (ed.), *Kompetencje pracownika a funkcjonowanie współczesnej organizacji*, Zeszyty Naukowe Wyższej Szkoły Bankowej w Poznaniu, z. 34, Poznań 2011, p. 44.

[182] See: M. Bratnicki, *Kompetencje przedsiębiorstwa*, Agencja Wydawnicza Placet, Warszawa 2000, pp. 24-25.

[183] Compare: K. Obłój, *Strategia sukcesu firmy*, PWE, Warszawa 1998, p. 90.

organizational and cultural skills for implementing the activities in the concrete areas[184].

It is necessary to distinguish the competencies of the organization from the competencies of single employees. The competencies of employees must be understood as a capacity to transfer the knowledge and skills to the new professional situations. They include an organization, planning of work, innovations and coping with non-typical actions as well as personal features connected with being effective which are necessary at work for the contacts with the collaborators, managers and clients[185]. They refer to an integrated usage of the capacities, personal features as well as acquired knowledge and skills in order to lead to a successful implementation of the mission in the company[186]. The competencies of the employees are their capacities to act in order to obtain an expected result in a given situation and with the usage of the given means. They are expressed by the actions which were taken and the results obtained by such actions[187]. In practice this means that they constitute an internal potential of the given unit but one can talk about them only when they are visible in the external behavior that is in the process of the executed work[188].

In other words, the competencies of employees are the durable properties of the employees which lead to achieving by them more than average effects of work. One can differentiate five kinds of properties: knowledge, skills, values, motives and attitudes. The competencies which are based on them can be: specific for certain functions, specific for certain organizational rules and the key ones. The competencies characteristic for the function includes the description of competencies required from the staff depending on the area of the activities of the company they deal with. Their differentiation serves to do the comparisons between the employees of the same departments. On the other

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[184] J. Woźniak, *O pojęciu kompetencji jako podstawie modelu kompetencyjnego, czyli cztery znaczenia terminu „kompetencje" w naukach o zarządzaniu*, in: T. Leczykiewicz, A. Springer (ed.), *Kompetencje pracownika a funkcjonowanie współczesnej organizacji*, Zeszyty Naukowe Wyższej Szkoły Bankowej w Poznaniu 34/2011, p. 19.
[185] M. Armstrong, *Zarządzanie zasobami ludzkimi*, Oficyna Ekonomiczna, Kraków 2000, p. 243.
[186] C. Levy-Leboyer, *Kierowanie kompetencjami*, Poltext, Warszawa 1997, p. 19.
[187] D. Thierry, Ch. Sauret, *Zatrudnienie i kompetencje w przedsiębiorstwie w procesach zmian*, Poltext, Warszawa 1994, p. 83.
[188] A. Springer, *Znaczenie postaw i kompetencji pracownika w zarządzaniu zasobami ludzkimi organizacji*, in: T. Wawak (ed.), *Komunikacja i jakość w zarządzaniu*, Wydawnictwo Uniwersytetu Jagiellońskiego, Kraków 2010, p. 75.

hand the competencies characteristic for the role enable the employees to play the specific roles in the organization. Their separation allows to evaluate and compare the employees employed on the very same level of the organizational hierarchy[189]. The key competencies of the employees are required from all the participants of the organization. They are directly linked to an organizational culture and the values approved by companies. The competencies of the employees are closely attributed to concrete people whereas the competencies of the company refer to the whole company. The employees come into an organization and leave it but the competencies of the organizations, just as the mission, main values or a philosophy of operation, will remain in it.

The competencies possessed by the company create the proper conditions for the employees which favor the effective activities and more precisely create the circumstances which allow to obtain and maintain competitive advantage. The competencies understood as a possibility to do something valuable for the clients use the predispositions to easily mastering and effectively realizing the processes of creating the added value and a practice knowledge of the economic processes and skills (competencies) of people[190]. The similar opinion is shared by Jean-Marc Baugier and Serge Vuillod according to whom "the competitive advantage nowadays results from the distinctive competencies (knowledge, skills, experience) of a company. They prove that the company is trying to acquire mastery"[191].

In the literature one can encounter a division of the key competencies of the company into the universal and the specific ones. However, the key competencies of the company are supposed to be specific and unique for a given company. That is why it is better to talk about the key competencies in the universal areas, common for the majority of institutions and about the competencies connected with a specificity of the organization, e.g. its history, conditions, product offer or the shared values.

The first group of competencies refers to such areas as[192]:

- a capacity to implement a mission, a vision and a strategy and to satisfy the defined social needs;

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[189] Compare: L. Gratton, S. Ghoshal, *Inwestowanie w „osobisty kapitał ludzki"*, Zarządzanie na Świecie 11/2003, pp. 20-25.
[190] M. Bratnicki, *Kompetencje przedsiębiorstwa*, Agencja Wydawnicza Placet, Warszawa 2000, p. 7.
[191] J.M. Baugier, S. Vuillod, *Strategie zmian*, Poltext, Warszawa 1993, p. 17.
[192] T. Oleksyn, *Zarządzanie kompetencjami*, Oficyna Ekonomiczna, Kraków 2006, p. 29.

- effectiveness and efficiency of operating;
- a capacity to self-finance and to generate the profits;
- a capacity to cooperate effectively with the environment, introduce the changes and flexibly adjust, survive and develop;
- a capacity to act respecting the law (also in the field of environmental protection) and good customs.

On the other hand the examples of the key competencies in the specific areas can be the competencies worked out by the company Sony. They are built around such values as: promoting the Japanese culture and national values; pioneering an approach that is not copying others, achievement of the things which are "impossible" and supporting personal skills and the creative actions undertaken by the employees.

The creation of key competencies must happen in the way which overtakes the existing products, the market tendencies and the future strategies of the company. What is more, these competencies cannot remain static but they must keep on evaluating and changing taking into consideration the dynamics of changes which take place in the environment. Only those companies which keep on investing and updating their competencies are able to create new strategic alternatives[193]. This requires a very good knowledge of the possessed resources and processes realized in a company and permanent monitoring of an environment and an analysis of the tendencies of changes happening within it.

The creation of the key competencies is closely connected with the learning processes of the organization. It takes place in three stages which have the character of the loops of learning: a routinization loop, a capacity loop and a strategic loop which is shown in the figure 3.6.

Within the routinization loop, the company learns how to use the standard resources and to create effective practices, which are the concrete and specific skills, created in the environment of the organization and simultaneously influencing its shape. The loop is the first stage in the process of using the resources of the company. In the capacities loop the capacities of a company are built from the effective practices. This process is supported by organizational routines (learned, automatic ways of operating). In this loop the existing capacities can be improved or the new ones can be created. Only some of the created capacities have strategic meaning and become the key ones, which happens within the strategic loop. As the result of experiencing the changes in

[193] M. Rybak (ed.), *Kapitał ludzki a konkurencyjność przedsiębiorstw*, Poltext, Warszawa 2003, p. 8.

the environment, the employees learn which capacities have the key meaning that is allow to avoid threats and use the possibilities. It happens so because every competitor in order to obtain them would need to recreate a historic process of learning and the content of three learning loops in a concrete organization in their own company[194].

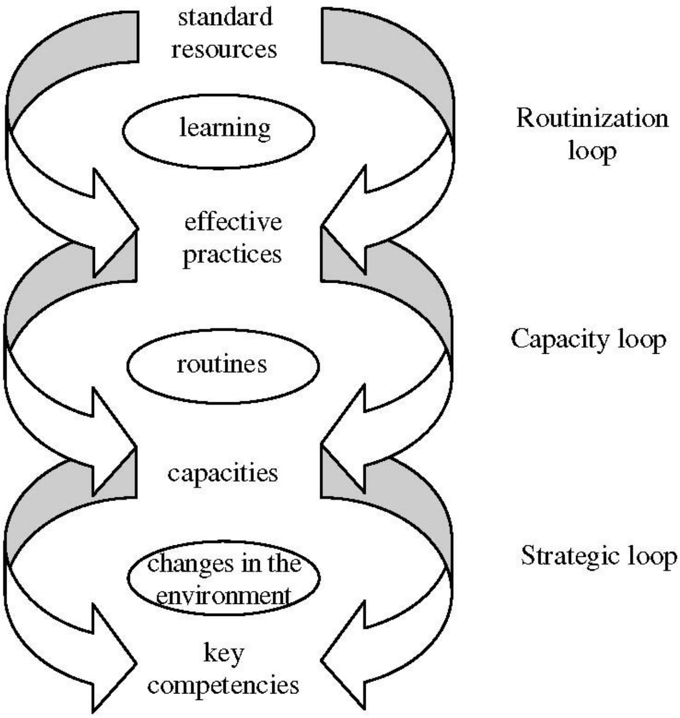

Figure 3.6. Creation of key competencies
Source: own preparation on the basis of: M. Rybak (ed.), *Kapitał ludzki a konkurencyjność przedsiębiorstw*, Poltext, Warszawa 2003, pp. 16-21.

It is the more so difficult that the very learning of the organization is a multi-aspect and complicated process. It includes such forms as[195]:

- inheritance of knowledge by acquiring it from the founders of the organization;
- acquiring of the conclusions and recommendations resulting from the conducted literature studies and analysis;

[194] M. Rybak (ed.), *Kapitał ludzki a konkurencyjność przedsiębiorstw*, Poltext, Warszawa 2003, pp. 16-21.
[195] See: A. Jashapara, *Zarządzanie wiedzą*, PWE, Warszawa 2006, pp. 89, 93-98.

- switching from an adaptive learning (which means maintaining the conditions which are in line with the theory applied by the organization by detecting and correcting the deviations from the defined rules) to a transformative one (which means questioning of the current rules and assumptions and replacing them with the new ones) by questioning the key assumptions and values;
- adopting the various experience gathered by the employees in the private and professional life;
- following the strategy, technology or the methods of the competitors (borrowing knowledge, benchmarking);
- learning by acting in line with the experience curve;
- employing new employees who dispose of the needed knowledge and skills (transfer of knowledge);
- an acquisition of another company disposing of the key competencies;
- developing the knowledge and skills on one’s own by means of the different programs of improving the personnel;
- following the activities of other companies done by the top-level managers in order to obtain non-typical but needed information;
- looking for information necessary to solve a concrete problem;
- monitoring the results of the company taking into account the defined aims and objective measurers, as well as the level of satisfaction of the external stakeholders;
- sharing the information by the employees (information flow);
- interpreting information;
- remembering the information by the employees;
- saving information in the form of paper and electronic documents.

In order to lead to a situation in which the learning of the organization leads to a creation of the key competencies, the managers have to take the proper actions. They include first of all[196]:

- treating people as an investment, which should ensure a dynamic development of the company;
- ensuring an intensive individual motivation for employees;

[196] H. Król (ed.), *Szkice z zarządzania zasobami ludzkimi*, Wydawnictwo Wyższej Szkoły Przedsiębiorczości i Zarządzania, Warszawa 2002, p. 29, pp. 39-41.

- creating conditions for individual and team competing;
- creation of a success climate;
- permanent preparation and improvement of employees in order to increase the professional qualifications;
- considering professional ethic as a basis for a harmonious cooperation of people and a condition for the success of the company.

These activities should be implemented in the everyday functioning of the organization and should be realized within the system of the competencies management.

The system of the competencies management should be closely connected with a strategy and a culture of the company and put into its mission and vision. Its task is to define which competencies must be developed in the single organizational units and in the given work posts. It included such detailed activities as[197]:

- analyzing the needs and designing the competencies;
- identifying the possessed competencies and adjusting them to changes;
- creation (working out) new competencies;
- creation of the configuration of competencies, their integration and coordination;
- ensuring the proper competencies when they are needed;
- using the competencies to create an added value;
- maintaining the possessed competencies, protecting them against their disappearance or fragmentation;
- encouraging the employees to obtain and develop new needed competencies;
- dissemination of competencies in the organization;
- analyzing and evaluating the relations between the needed and possessed competencies;
- leading to compliance between the needed and possessed competencies, e.g. by staff re-location, requalification and trainings and a choice of the staff from the external labor market;
- renewing the competencies when needed.

The above – mentioned activities form the system of competencies management presented in an action approach. However, in a substantial approach

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[197] Compare: T. Oleksyn, *Zarządzanie kompetencjami*, Oficyna Ekonomiczna, Kraków 2006, pp. 36-37, 186.

this system consists of the following elements: a philosophy and a general concept of the competencies management system in the given company, projects and programs which are the developments of the concept which was adopted earlier, tools (profile of positions, performance review sheets, tariffs systems, jobs descriptions, job evaluation sheets, trainings programs and so on), procedures connected with preparing, verifying, accepting and implementing these tools and planning the staff development, people who design and handle a system and the financing of this system[198].

Many different external and internal conditions influence the functioning of the system of competencies management. According to Tadeusz Oleksyn the basic external conditions are as follows:

- fields of studies and the quality of education in the educational institutions;
- external labor market;
- multi-establishment collective agreement;
- quality of the services of the consulting and training companies;
- binding law.

The internal conditionings of the competencies management system are:

- quality of the management system;
- level of the competencies of mangers, leaders, specialists and other employees;
- competencies of the designers and people handling the competencies management system;
- the attitudes of the trade unions and a quality of cooperation with them;
- type of the organizational culture and a level in which it answers the needs;
- financial capacities of the company[199].

The competencies management in the company concentrates on two levels: an organization as a whole and an individual employee[200]. The system of the competencies management is closely connected with the system of human resources management the more so that the competencies of the whole organization are based on the competencies of employees. This means that if it

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[198] T. Oleksyn, *Zarządzanie kompetencjami*, Oficyna Ekonomiczna, Kraków 2006, pp. 190-192.
[199] T. Oleksyn, *Zarządzanie kompetencjami*, Oficyna Ekonomiczna, Kraków 2006, p. 192.
[200] B. Mikuła, *Metody rozwoju kompetencji organizacji* in: *Przeszłość i przyszłość nauk o zarządzaniu. Metody i techniki zarządzania*, joint publication, Katedra Zarządzania, Uniwersytet Łódzki, Łódź 2001, p. 167.

is properly constructed and developed, it should be the basis of an effective recruitment and selection, a sensitive evaluation system, an effective system of awarding and professional development of employees and promotions. What is more, according to Małgorzata Sidor-Rządkowska, a properly designed and implemented system of competencies management enables an integration of the single areas of human resources management in one totality[201]. These connections are visible in the different competencies models used in human resources management.

One of the best known models of this type is an integrated human resources management system based on competencies, prepared by Michael Armstrong. It takes for granted that four basic sub-functions of personnel management can be based on the system of competencies used in the company. In the recruitment phase, a definition of the concrete competencies is supposed to allow for a decrease of the number of candidates leaving those who are the most likely to succeed in the final position. A methodology of the selection is based on the definition of the competencies needed at work in a given post and on a description of what to pay attention to in order to recognize whether a given person possesses these competencies. It creates the frameworks of the structured job interviews. What is more the processes of planning human resources can be combined with the prognosis of the future requirements which refer to the competencies and to an analysis of the gaps to be fulfilled between a possible demand for certain types of competencies and a foreseen supply of people possessing those skills. On the other hand, in the field of the management of the staff development, a competition model is connected with defining which areas of the personnel skills need to be developed. For each position a diagnosis of the needed competencies is carried out, which helps to define the competencies gaps of the employee who is supposed to take over a given position. The understanding which competencies are required to fill in the single gaps is the best basis to create the possibilities and the learning plans such as directing the learning of employees, trainings and consulting, personal development plans and more formal trainings and programs. The next subsystem refers to the staff evaluation and management by results on the basis of competencies. Staff evaluations are connected here with the competencies of the whole corporation and refer to the implementation of the defined aims. They are supposed to define whether the candidates for a given position are

[201] M. Sidor-Rządkowska, *Kompetencyjne systemy ocen pracowników*, Wolters Kluwer, Kraków 2006, p. 11.

really suitable or whether they should be promoted. An integrated evaluation puts emphasis on the behavior which is considered in the categories of the dimensions of competencies characterized by the high effects. The management by effects is the process which serves the evaluation and improvement of the effects of activities. This evaluation is based on the defined aims, requirements referring to competencies and development needs, measurement of the achievements and effects in reference to these needs, defined new aims and professional plans based on the measurement which was done. In turn, as far as motivating and remunerating employees is concerned, a competence system provides the criteria which enable the support of skills and qualifications and attitudes in a direction desired in the company. The usage of the payment which is dependent on competencies means a connection of the levels and the size of remuneration with the achievement of the defined levels of the employees' competencies[202].

In a similar way the models of the competencies in the different fields of human resources management were prepared by Steve Whiddett and Sarah Hollyforde. They use the competencies models in the process of selecting the staff, while evaluating the effectiveness of work, in the processes of training and development and in the processes of awarding the employees and job scheduling. In the area of the staff selection a proper model ensures: the examples of the model behaviors necessary for an effective work in the given positions, ready statements which can be used in job advertisements, criteria which must be applied while choosing the methods of evaluation and a preparation of the procedures of conducting it, examples of references important while taking the decisions and a set of criteria while monitoring the selection of the personnel. In case of the assessment of the work effectiveness, a competence model serves to: define the standards of the quality and work effectiveness, the localization of such areas in the company in which the effectiveness should increase, a definition of the potential of organization in the area of internal recruitment and discussion with employees about the plans of their professional development and their career paths. In the field of trainings and personnel development a proper model can be helpful in: an objective

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[202] See: M. Armstrong, *Zarządzanie zasobami ludzkimi*, Oficyna Ekonomiczna, Kraków 2000, pp. 248-250; J. Woźniak, *Cztery rodzaje modeli kompetencyjnych w zarządzaniu zasobami ludzkimi*, in: T. Leczykiewicz, A. Springer (ed.), *Kompetencje pracownika a funkcjonowanie współczesnej organizacji*, Zeszyty Naukowe Wyższej Szkoły Bankowej w Poznaniu 2011, z. 34, pp. 23-30.

definition of the needs in this area, a design of training activities and development activities, choice of the proper kind of development undertaking and training undertaking, evaluation of the effectiveness of the undertakings taking into consideration their adequacy to the real needs and being in line with the strategy of the organization as well as monitoring the employees' progress in achieving the defined aims of trainings and development. In turn in the process of awarding the employees and job scheduling a competence model helps to state into which category a given position should be put and what remuneration within the given level of salary an employee should get for the work in the given position[203].

A different model of competencies which is also a basis for building a model of human resources of the company was formulated by Jean-Marc Baugier and Serge Vuillod. This model allows to identify a range of the required competencies (with a division into active and unused competencies connected with the aims of the company), a possibility to change the competencies and all the employees who possess these competencies and according to their professional categories and places of using them[204].

An introduction of this type of model of human resources management has a very big practical meaning. It influences shaping the behaviors of employees and their obtaining and developing of their competencies. As a result it should lead to possessing by a company a proper infrastructure of competencies and using them according to the needs.

Competencies management adopted many ideas from the concept of the learning organization and particularly, as stated by Bogusz Mikuła in "learning how to learn". Obtaining new competencies by an employee is not a process proceeding work but it happens while working. It is mainly connected with using the individual competencies of the employee by their critical attitude to the way of perceiving and solving problems, the rule of functioning of the company, dominating values shaping the ways of employees behaviors and their changes later. Generally the assumptions of the competencies management, which are in line with the concept of the learning organization are as follows[205]:

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[203] S. Whiddett, S. Hollyforde, *Modele kompetencyjne w zarządzaniu zasobami ludzkimi*, Oficyna Ekonomiczna, Kraków 2003, pp. 71, 117, 155, 190.
[204] J.M. Baugier, S. Vuillod, *Strategie zmian*, Poltext, Warszawa 1993, pp. 141-142.
[205] B. Mikuła, *Metody rozwoju kompetencji organizacji*, in: *Przeszłość i przyszłość nauk o zarządzaniu. Metody i techniki zarządzania*, joint publication, Katedra Zarządzania, Uniwersytet Łódzki, Łódź 2001, pp. 170-171.

- The most important are the competencies of the organization which consist of operational skills of employees, “tough” factors of the organization and their “soft” strengths.
- A concentration on the competencies of the organization already possessed and required in the future.
- The competencies possessed by the organization and their flexibility decide about the competitiveness.
- A big pressure put on the science by acting and obtaining new experiences using the idea of mobility and learning by opposing the existing assumptions.
- In order to achieve a proper behavior of people they must be equipped with the acquired competencies and powers and allow them to act.

This allows to improve the current competencies and to shape the new ones depending on the needs and the diversity of internal and external conditionings.

3.3. Simple methods for identification and evaluation of the company's resources

From the point of view of the importance of resources for the implementation of competitive strategy they can be divided into strategically valuable and others. Thanks to the first ones the company may respond to external challenges as opportunities or threats. Examining from this point of view the potential of the company, the following questions must be answered[206]:

- Do the company’s resources have a strategic value, do they allow to formulate the answers to the threats and opportunities and if yes, which of the resources are the most important in this aspect?
- How many strategically valuable resources are now possessed by the company and is it possible to formulate an effective strategy on the basis of them?
- What are the possibilities of obtaining or creating strategically valuable resources, with what costs and in which period of time can a company overcome resources limits of an effective strategy?
- Is a company able to configure correctly, to allocate strategic resources and then to explore them in the most effective way?

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[206] B. Godziszewski, *Zasobowe uwarunkowania strategii przedsiębiorstwa*, Wydawnictwo Uniwersytetu Mikołaja Kopernika, Toruń 2001, pp. 63, 75-76.

- What are the circumstances which condition a possibility of coping or a substitution of the resources of the company by its market rivals?

There are three simple methods of the identification and the general evaluation of the resources possessed by the company which allow to state whether an allocation of the resources in the company is correct or whether these resources are sufficient for the implementation of the designed competitive strategy. These are such methods as: SAP/CAP analysis, a strategic balance and a matrix of the functions and resources.

The first of the enumerated analysis shows critical areas of activities which are either the strengths or weaknesses of the organizations[207]. In the literature it is called SAP (Strategic Advantage Profile) or CAP (Capabilities Assessment Profile). This method is to identify and assess the strengths and weaknesses of the company and first of all those strengths or a combination of them which are distinctive competencies and on which a competitive advantage of the company can be based. Therefore, SAP or CAP are parts of the SWOT analysis which refer to the interior of the organization. The classification of each factor into the strengths or weaknesses depends on several criteria. The evaluation of the company potential is referred to an average level of a given factor in the branch or on the level by the concrete competitor. Another criteria of the evaluation of resources and activities are the aims of the organization which mean that one takes into consideration a level in which the usage of these resources leads to the implementation of the aims and strategy of the company. The current trends which show a level of shaping certain factors in the past periods of time are another point of reference. The subjective opinions of managers and consultants who evaluate the strengths and weaknesses of the companies (their experience, knowledge of the success factors in the branch and so on) are also important[208].

SAP/CAP analysis can be presented in the form of a real profile which allows to visualize the strengths and weaknesses of the company functioning. The example of such a profile for the company which was examined is presented in the table 3.5 in which individual factors were assessed in the five-point descriptive scale (with the result very strong, strong, average, poor, very poor). The scale may also have the form of a point scale such as 1-5 or 1-10 points. There is also a possibility to give additional weights to the factors in the

[207] L.R. Jauch, W.F. Glueck, *Business Policy and Strategic Management*, Mc-Graw Hill, New York 1988, p. 180.
[208] M. Coulter, *Strategic Management in Action*, Pearson Prentice Hall, New Jersey 2005, pp. 118, 124.

descriptive form (e.g. a very important factor, an average importance, not important) or points – 1-3 points.

Table 3.5. A profile of strengths and weaknesses of the company

	Evaluation				
Factors (the most important strenghts and weaknesses of an organization)	very strong	strong	average	weak	very weak
1. Size of the assortment		X			
2. Quality of products		X			
3. Level of costs		X			
4. Production potential			X		
5. Financial fluidity creditworthiness			X		
6. Sale network		X			
7. Localization	X				
8. Availability of raw materials		X			
9. Modernity of technology				X	
10. Employees' qualifications		X			
11. Activity of marketing department				X	
12. Brand being recognizable			X		
13. Design of new products				X	
14. Pattern possibilities					X

.... a profile of the company under research (X)

Source: own preparation.

A method which is similar to SAP/CAP analysis but much more detailed is a strategic balance. The preparation of such a balance means a division of the company into a few strategic areas and an identification of the different factors in these areas. These areas can be: marketing and sale, production, logistics, research and development, finances, human resources, management, quality, environmental protection and so on. In each of the selected areas one can differentiate a few to a dozen of factors. These factors are then analyzed according to the adopted scale. The scale, similarly to SAP/CAP method, can have a descriptive character (e.g. a weak factor, a medium factor, a strong, a leading factor) or be expressed in points (e.g. 1-10 points). Getting familiar with these evaluations and in case of the point scale summing the values for the single areas allows to state which factor (resource, skill or process) requires an improvement and which area must be invested or between which areas the reallocation of the funds must be done.

An execution of the strategic balance means in practice a preparation of the profile of strengths and weaknesses of the company so a SWOT analysis which refers to the interior of the company. This method is relatively easy to conduct but it is also time consuming and requires a lot of work due to the fact that it is very detailed. It is a good introduction to the application of the more complicated methods of the analysis of the company potential such as an analysis of the value chains.

Table 3.6 presents an example of the strategic balance for the chosen company on the basis of the proposal of George de Sainte Marie.

Table 3.6. A strategic balance of the company under research (historic data)

Assets	strong	medium	strong	Leading
A. Marketing / sales / distribution				
- Quality of products				x
- Range of products			x	
- Image of products		x		
- Product life-cycle			x	
- Post-sale service		x		
- Level of prices			x	
- Price conditions		x		
- Price fluctuations		x		
- Profit margins		x		
- Sale potential			x	
- Distribution channels		x		
- Geographical range			x	

- Transport			x	
- Distribution costs		x		
- Internal flow of information			x	
- Knowledge of market			x	
- Adjustment to the market		x		
B. Production / logistics				
- Localization				x
- Expansion possibilities			x	
- Conditions of buildings		x		
- Transport connection			x	
- Neighbourhood of suppliers			x	
- Neighbourhood of clients				x
- Quality of equipment		x		
- Quality of the preparation of production/ computer aided design			x	
- Quality of methods		x		
- Production capacity			x	
- Level of using production capacities		x		
- Capacity to develop			x	
- Level of automation			x	
- Continuity of the cycle				x
- Production costs			x	
C. Research and development				
- Areas of research			x	
- Methods		x		
- Patents			x	
- Agreements		x		
- Following technological novelties			x	
- Budget (% of sales)		x		
D. Finance				
- Structure of balance		x		
- Own funds			x	
- Demand for the current assets		x		
- Liquid assets			x	
- Added value		x		
- Gross result			x	
- General cost		x		
- Net results			x	
- Self-financing		x		
- Debts			x	
- Economic profitability			x	
- Financial profitability			x	

Table 3.6 (continued)

E. Management control				
- Analysis of costs			x	
- Customers' accounts		x		
- Financing plan		x		
- Plan of managing the liquid assets			x	
- A general list (a synthetic table)		x		
- Information systems			x	
- IT quality			x	
- Access to date base banks				x
F. Human resources				
- Recruitment/ integration			x	
- Training/ vocational improvement			x	
- Internal information flow		x		
- Motivation systems		x		
- Promotion systems (plans of professional carriers)		x		
- Level of remuneration		x		
- Evaluation of achievements		x		
- Definition of the function	x			
- Delegation (of tasks, powers, responsibility)			x	
- Relations at works			x	
- Social management		x		

Source: G. de Sainte Marie, *Kierowanie małym i średnim przedsiębiorstwem*, Poltext, Warszawa 1993, pp. 66-67 (the table was modified to include the results for the company).

This analysis can be extended giving the answers to the following questions proposed by Grażyna Gierszewska[209]:

1. Does the level of all the materials and non-materials elements of the assets shaped so far which define the company's value guarantee its further effective development?
2. Whether and in what way it is possible to increase the effectiveness of the company by introducing the changes in the technique and production technology?

[209] G. Gierszewska, *Strategie przedsiębiorstw w dobie globalizacji*, Wyższa Szkoła Handlu i Prawa w Warszawie, Warszawa 2003, pp. 152-153.

3. Does a technical condition and an economic condition which is its result allow to introduce such changes?
4. Does the structure of the welfare in the company respond to the activities and are all the potential possibilities used?
5. Does the employment structure in the company fully respond to the needs and are there any obstacles in increasing the effectiveness and efficiency of the actions?
6. Is the current system of management, organizational structures and the strategy of the company adequate to the problem of restructuring?
7. What are the financial expenditure and material expenditure necessary to implement the changes?

The method of the strategic balance can be also used to define the key resources and competencies which create a competitive advantage of the company.

The third simple method which allows to identify and evaluate the resources of the company is the matrix of the function and resources, prepared by Charles W. Hofer and Dan Schendel. It allows to explore the following resources: finances (cash in hand, state bank accounts, securities, cash flow, debt capacity, return on capital, level of indebtedness, liquidity, etc.), physical – the material ones (buildings, soils, equipment, and so on), human (staff, managers and so on), organizational (systems of information, quality, control, technical infrastructure and so on) and the technological ones (information standards, brands, patents, know-how and so on)[210]. The authors consider the financial potential to be the most important ones as it possession enables to obtain a different kinds of resources. All these resources are analyzed in the functional section so from the point of view of the production, marketing, finances, management and research and development in such a way as it is presented in the table 3.7.

The aim of this analysis is to define the size of the funds attributed to the functional areas, a definition of the correctness of their allocation and pointing whether there is a need to obtain the new resources. The analysis of the function and resources, although relatively time consuming and requiring a lot of work is simple and easy to adjust and it is a good starting point to carrying out a more advanced analysis of the company potential, e.g. value chain analysis.

[210] H. Steinmann, G. Schreyögg, *Zarządzanie*, Oficyna Wydawnicza Politechniki Wrocławskiej, Wrocław 1995, pp. 129-131; J. Machaczka, *Podstawy zarządzania*, Wydawnictwo Akademii Ekonomicznej w Krakowie, Kraków 2001, p. 93.

Table 3.7. Matrix of functions and resources according to Hofer-Schendel

Function and resources	**Research and development**	**Production**	**Marketing**	**Financial management**	**Management**
Allocation of financial resources (budget of the last year)	Basic research Development of new products Improved products and technologies	Production halls Equipment Materials Remuneration	Sales and promotion Distribution Service Market research	Cash Obtaining capital Capital allocation Settlements	System of planning Information system of management area Personnel development Development of the organization
Material resources	Size, age and localization of laboratories and equipment	Size, age and localization of workshops, level of automation, type of production	Number of localization of offices and sales points and service points	Number and type of computers, other equipment	Equipment of central administration
Human resources	Number, qualification, specialties of scientists and engineers Level of fluctuation	Number and age of the basic personnel Level of fluctuation	Number, qualification and age of the main sellers and marketing department Level of fluctuation	Number, qualification and age of the basic personnel Level of fluctuation	Number, qualification and age of managers, management style, motivation Level of fluctuation
Organiza-tional resources	System of controlling the progress and evaluating the development	Kind and a level of complexity of the supply system, planning and production control, system of inventory	Kind and a level of system complexity: - distribution - service - defining aims - market research	Kind and a level of the complexity of systems: - cash management - planning finances - book-keeping	Kind of organizational culture, model of management, systems of communication
Technolo-gical resources	Number of patents and new products, per cent of sales obtained from new sales	A possibility to dispose of raw materials, productivity, usage of production capacity, development of costs	A participation of marketing costs in the unit costs, loyalty towards the brand, capacity to dictate prices and influence the demand	Creditworth-iness, cash flows, changes of exchange rates	Prestige of the company, relations with public institutions, specific know-how

Source: H. Steinmann, G. Schreyogg, *Zarządzanie*, Oficyna Wydawnicza Politechniki Wrocławskiej, Wrocław 1995, p. 130.

3.4. Value chain analysis

Value Chain Analysis designed by Michael E. Porter is a very useful method in the fight with the competitors for clients. This method allows to increase the values of the products in order to obtain a competitive advantage.

This analysis means an identification and a proper allocation of material resources, human resources, as well as financial and information resources and a proper coordination of the single activities of the company in such a way as to ensure a production of the goods or a delivery of the services which have the biggest value for clients. The price that the clients can pay for the products offered by the company is the value in the competitive approach. It is defined on the basis of the total of revenues – the number which is a function of the price defined for the product and the number of the units sold[211].

The value of the product offered to the customer includes an element of an added value, which is the difference between the cost of external provisioning of the process (including raw materials, energy, capital, services) and sale price[212]. They are created by: net income, income tax, depreciation, interest of loans, salaries and related costs. The difference between the lowest possible costs and the highest possible price that can be obtained for the products or services is a maximum added value. A possibility to obtain a maximum added value is only potential as a company should not always diversify so strongly to possess the whole, potentially possible value chains and these activities are not always so effective that the added value created as their result is higher than the transactional costs which result from the cooperation with other companies creating the whole chain[213].

The added value can be created in the different spheres of the company's functioning in which the single activities can lead to strengthening a relative cost position of the company and create a basis for the product differentiation. The chain value therefore shows adding the value of the product starting from the changes at the entrance to the system, by processing operations, until sale

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[211] M.E. Porter, *Przewaga konkurencyjna*, Helion, Gliwice 2006, p. 65.
[212] A.K. Koźmiński, *Zarządzanie międzynarodowe*, PWE, Warszawa 1999, p. 61; J. Kay, *Podstawy sukcesu firmy*, PWE, Warszawa 1996, p. 8.
[213] J. Rokita, *Zarządzanie strategiczne*, PWE, Warszawa 2005, p. 185.

and post-sale services[214]. By analyzing the single activities in this chain it is necessary to take into consideration that the activities which add a real value are the ones which bring a product closer to the client (a delivery of a proper documentation, a creation of the product on a client's order, a process of the realization of supply, a production process and so on). Also the activities which do not lead to a creation of a product or a service but which are important for the functioning of the company e.g. a preparation of financial reports or a preparation of the order forms are also important. Other activities do not add any value but they are responsible for the increase of costs and for lengthening the time of the operation duration[215].

The activities in the chain value of Michael E. Porter were divided into the primary ones and the support ones. The primary activities are connected with a physical processing of raw materials, materials and semi-finished products and a delivery of the ready products to the clients. They include e.g.:

- Inbound logistics – planning transportation from suppliers, receiving, storage and distribution of raw materials and components, inventory control, preparation of returns.
- Operations – a processing of raw materials and semi-finished products including machine processing, installation, testing and packing of the products, maintenance of machines and devices.
- Outbound logistics – storage and distribution of the products, delivering services, obtaining and realizing orders, planning deliveries.
- Marketing and sales – a definition of the assortment, defining prices, choice of the distribution channels, different forms of promotion, invoices handling and so on.
- Service – installation, repairing, supply of spare parts, trainings.

In turn, the support activities assist the primary ones but they can play this role for all the types of activities (e.g. human resources and a company infrastructure) or only to some of them. These are:

- Procurement – a purchase of materials, components and equipment, choice of suppliers, negotiating, signing agreements, settling invoices.

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[214] J. Czekaj, T. Kafel, *Założenia metody analizy łańcucha wartości Portera jako narzędzia określania informacyjnych czynników tworzenia „wartości dodanej"*, in: Z. Martyniak (ed.), *Zarządzanie informacją i komunikacją*, Wydawnictwo Akademii Ekonomicznej w Krakowie, Kraków 2000, pp. 173-174.

[215] A. Laskowska, *Konkurowanie czasem – strategiczna broń przedsiębiorstwa*, Difin, Warszawa 2001, pp. 47-48.

- Research, technology and systems development – know-how, construction work, implementation of the technology.
- Human resources management – recruitment and selection of a personnel, career advancement, payment, motivating and training of employees.
- General administration – general management, planning, finances, bookkeeping, legal issues, a choice of infrastructure, quality management, information flow[216].

A classic value chain including the aforementioned sphere of activities is presented in the figure 3.7.

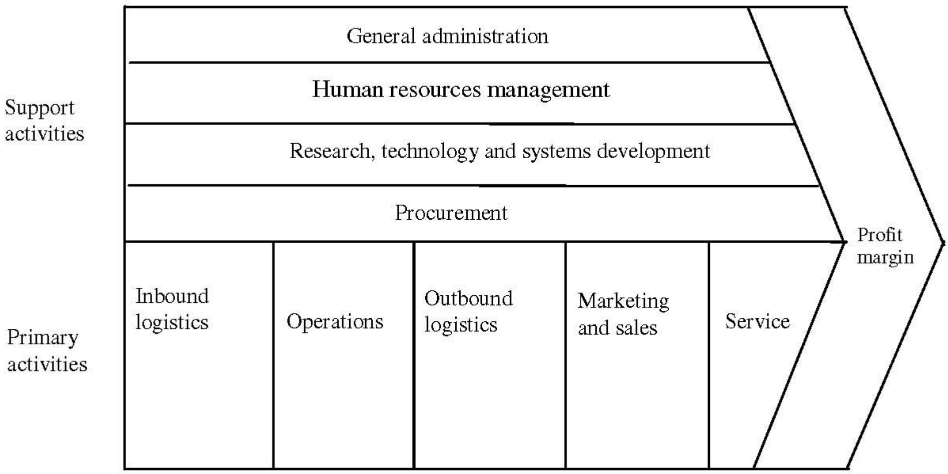

Figure 3.7. Classic chain value according to M. Porter
Source: J.L. Thompson, *Strategic Management*, Chapman & Hall, London 1993, p. 431.

Doing this analysis in practice it is possible to implement in the model the changes which result from the character of the company activity, opinions of managers or a specificity of the branch or a region of the company activities. These changes can refer to the modification of the introduction of the primary and support functions. E.g. Wiesław M. Grudzewski and Irena K. Hejduk differentiated three basic functions in the company in which they were carrying the research: a pre-production phase (research and development, a design of goods, a purchase of raw materials and materials, a purchase of subassemblies, a transport to the factory, a storing), a production (production of subassemblies,

[216] Compare: R. Lynch, *Corporate Strategy*, Prentice Hall, Harlow 2000, pp. 267-268.

storage of the parts, installation, external transport, finishing the products, packaging, storage of the ready products and other actions) and sales (distribution, transport, repairs, delivery of spare parts, maintenance and other activities). However, they also included strategic management of the company, staff policy, marketing strategy, technological strategy and finance strategy[217] into the support functions. In turn the author postulates adding the following two functions that is: quality and environmental protection to the classical support functions.

The increase of the value for clients in the described chain includes three levels. The first one is an optimization of the single areas of activities, both the primary and the support ones. If a company does not dispose of such big resources to implement all these activities on a very high level, it should identify those activities which will bring the biggest value for clients and try within them to obtain a competitive advantage. The second level of the analysis is a proper coordination of the different primary and support activities in the value chain. The activities which generate the values are dependent one on the another and each of them can have impact on the costs and results of the other one. These dependencies result from the fact that the very same function can be implemented in a few different ways; thanks to more efforts put in the implementation of the intermediate activities it is possible to decrease the costs or improve the quality of the execution of the direct tasks; the actions taken inside the organization limit a necessity to present, explain the rules of functioning and servicing a product which can be explored; the activities in the field of the quality control can be implemented in the different way. The relevant coordination of the proper activities enables a creation of the added value which is expressed e.g. in the quicker service of clients or a higher quality of products. The third level of generating a higher value is a coordination of cooperation with partners placed in the forefront and in the background of the chain value that is the distributors and suppliers. This can also refer to the loyalty programs for clients or post-sale service[218].

[217] W.M. Grudzewski, I.K. Hejduk, *Projektowanie systemów zarządzania*, Difin, Warszawa 2001, p. 152.
[218] Strategor, *Zarządzanie firmą*, PWE, Warszawa 1997, pp. 64-67; M.D. Hutt, T.W. Speh, *Zarządzanie marketingiem*, PWN, Warszawa 1997, p. 276-281; M.E. Porter, *Przewaga konkurencyjna*, Helion, Gliwice 2006, pp. 78-79.

The concept of the chain value of the company can be used to such aims as[219]:

- Getting to know and understand an own chain value and a search for the sources of differentiation and gain in the form of the lower costs.
- Identification of the elements of the chain value which influence the most a creation of the added value and the discovery of those elements which generate a negative added value that is cause the losses.
- Disclosure of those elements between which there are the conflicts and which have a negative impact on other elements.
- Checking whether and how a company is placed in the chain value for the client.
- A definition of its place in the chain value of the suppliers and the distributors of the company.
- The identification of those elements which are characterized by a weak adjustment to the external chain values (by suppliers, partners and receivers).
- A definition in what way the competitive companies create a value and what is the comparison of their activities between the activities of other companies.

It is necessary to take into consideration that the value can mean the different things for the different stakeholders. E.g. for the clients the value is connected with the advantages deriving from the product relation to its price. For the employees the value can refer to the functioning of the work executed by them, working environment, salaries and other forms of remuneration whereas the shareholders concentrate generally on the price of the shares[220].

What is more the process of generating the values by the company should be understood in a wide way both as a creation, maintaining and implementation of the value. A capacity to offer the products or services to clients with the prices that respond to a usage value for the client is connected with the creation of the value. The maintenance of the value means making the best not to destroy what was produced with an improper management of the company. On the other hand the implementation of the value means redirecting it e.g. to the investors in the form of dividends or the sale of shares which values were increased[221].

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[219] A. Payne, *Marketing usług*, PWE, Warszawa 1997, pp. 133-134; J.D. Antoszkiewicz, Z. Pawlak, *Techniki menedżerskie*, Poltext, Warszawa 2000, p. 144.

[220] W.B. Rouse, *Essentials Challenges of Strategic Management*, John Wiley and Sons, New York 2001, p. 60.

[221] J. Michalak, *Pomiar dokonań od wyniku finansowego do Balanced Scorecard*, Difin, Warszawa 2008, p. 13.

3.5. Portfolio methods

The portfolio methods took their name from a financial portfolio which means a set of shares in the different institutions acquired in order to disperse the investment risk. These methods serve the analysis of different activities within a given company and taking decisions which ones are supposed to be developed, preserved, explored and eliminated. A good competitive strategy leads to a creation of a balanced portfolio which includes the mature units providing the cash and the units which absorb the cash but which have a high return on investment rate without transgressing an acceptable general level of risk. A possibility to use the common financial resources is the justification for combining the independent organizational units within one company[222].

The units in the portfolio of activities are defined as Strategic Business Units (SBU). Their concept was created in 1971 by the consulting firm McKinsey&Company which at that time was conducting the research in the firm General Electric. The ideas of strategic business units mean a differentiation and an identification of the development chances of the single areas of the company activities and ensuring them a development by means of a separate management, planning, shaping the production and marketing activities. A separation of SBU takes place when:

- the products satisfy a special kind or a group of the needs of one market segment;
- the products have common technological features and sources of supply;
- the products possess the competitors who can be identified and have the same competitive advantages;
- a possibility of a single strategic planning, marketing and finance is provided;
- they allow for an organizational and functional separation[223];
- their manager can have a relatively big independence in formulating and implementing their strategy.

Taking the aforementioned features into consideration, strategic business units are treated as separated parts of the organizations operating on the external

[222] B. de Wit, R. Meyer, *Synteza strategii*, PWE, Warszawa 2007, p. 206.
[223] T. Sztucki, *Marketing w pytaniach i odpowiedziach*, Agencja Wydawnicza Placet, Warszawa 2001, p. 209.

markets having own strategies of activities and the managers responsible for their development. They constitute the deliberately shaped areas of the interests of the company, more or less homogenous from the point of view of the effective strategic management[224]. In practice these can be the single products, group of products, brands, divisions of the organization.

The portfolio method is a set of tools which enable to evaluate the possibilities of acting for a company and to define its future position on the market. They allow to evaluate a competitive situation of the single units and of the whole company in comparison to any competitor or the whole sector. They are based on a comparison of the evaluation of a given strategic business unit situation with the evaluation of the sector in which they operate. Depending on the kind of matrix, the evaluation is done on the basis of its market participation (a size of sale) or a competitive position taking the different factors into consideration (a market participation, a product profitability, mastering the distribution channels, a technology and know-how, financial resources, a localization, a company image, level of costs, products quality, an expenditure on promotion and so on). Therefore, these are the costs controlled by the company. On the other hand, the sector evaluation is done on the basis of the external factors which are not controlled by the company[225]. In the single matrixes the following variables are taken into consideration: a pace of market growth, sector attractiveness (which consists of: a market size, a rate of market growth, a branch profitability, a possibility of substitution, an intensity of competition, an availability of raw materials, a bargaining power of clients, a possibility to differentiate the products, barriers of leaving the branch, a seasonality of sales, a level of expenditure on research and development and so on), a future profitability of the sector (which takes into consideration the similar factors as the sector attractiveness) or the phases of the sector life cycle. The comparison of these evaluations allows to define the place of every examined unit in the matrix. The units are placed in the matrixes in the form of the wheels. In the majority of cases the size of the wheel is proportional to the size of the market which is served by the given SBU and the size of the unit share in this market is shown by hatching a proper part of the wheel (in this aspect the BCG matrix in which the size of the wheel is proportional to the

[224] J. Altkorn (ed.), *Podstawy marketingu*, Instytut Marketingu, Kraków 1998, p. 399.
[225] See: L. Garbarski, I. Rutkowski, W. Wrzosek, *Marketing*, PWE, Warszawa 1992, pp. 94-95.

market share of the given unit is untypical). Later a proper strategy for each unit is defined. The basic strategies are:

1. Expansion strategy used towards the strong units, which means investing and developing a given kind of activity. This strategy requires considerable financial investments for the increase of the production scale and distribution, products modification, improvement of the production technology, an expansion of the assortment and the different kinds of promotional actions.
2. Selective development strategy which is addressed to the units of an average attractiveness. It means partial investments and concentrating on the current incomes.
3. Exploitation and liquidation strategies which are suitable for the weak units. The exploitation strategy is supposed to maximize the profits in the short period of time minimizing at the same time the risk and limiting financial investments. Later when the sale of the products does not bring profits it is advisable to withdraw from the market.

At the end the level of balancing the whole portfolio of the company production is assessed.

Following the above-mentioned methodology the tasks of the portfolio methods include[226]:

- Showing a balance or a lack of balance in the company development by using the simple matrixes.
- Creation on their bases the reasons for defining the type and the character of the strategy.
- Limiting a complexity and a differentiation of phenomena and structuring them.
- Leading to structural changes in companies diversified by a proper allocation of resources, concentration on the strengths of the company.
- Risk rationalization in the strategic decisions.

A general way of constructing the portfolio methods is presented in the figure 3.8.

[226] Z. Dworzecki, *Zarządzanie strategiczne przedsiębiorstwem. Rodzaje metod portfelowych*, Przegląd Organizacji 6/1989, p. 48.

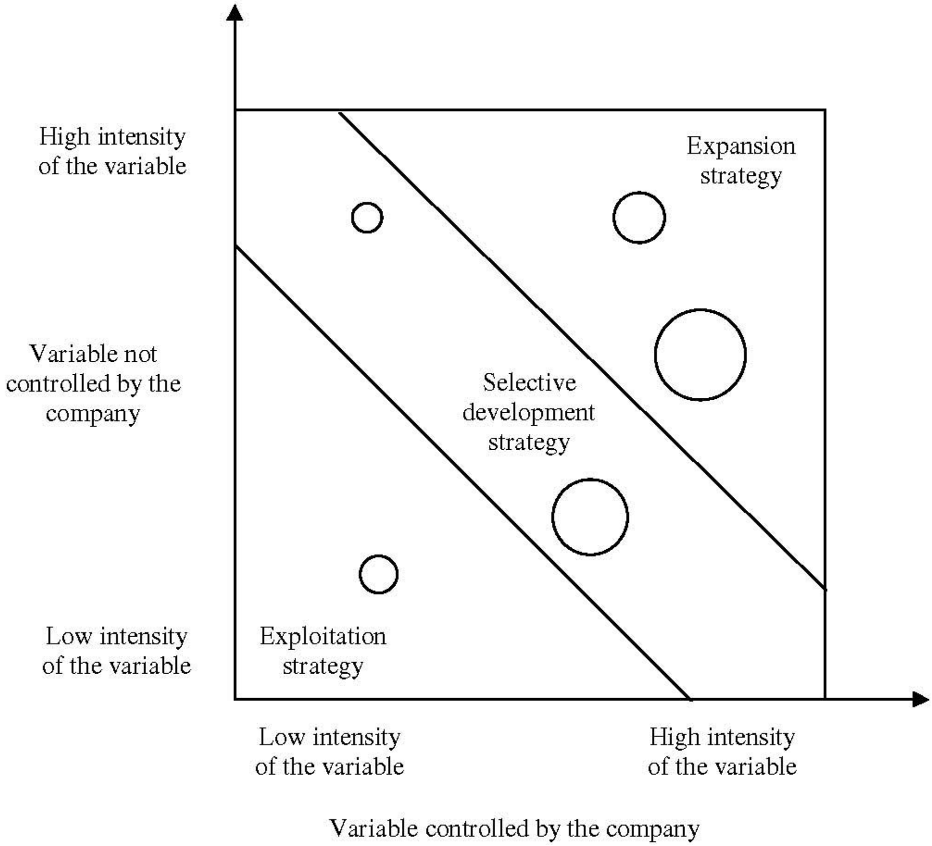

Figure 3.8. A general way of constructing portfolio methods
Source: own preparation.

The best-known portfolio methods are[227]:

- BCG matrix (Boston Consulting Group);
- General Electric matrix or in other words McKinsey's matrix;
- Shell matrix;
- ADL matrix (Arthur D. Little Company);
- Hofer matrix.

The comparison of the basic features of these methods is presented in the table 3.8.

[227] See: I. Penc-Pietrzak, *Planowanie strategiczne w nowoczesnej firmie*, Oficyna a Wolters Kluwer business, Warszawa 2010, pp. 225-265.

Table 3.8. A comparison of the chosen portfolio methods

Feature	BCG matrix	GE matrix	Shell matrix	ADL matrix	Hofer matrix
Wariables	• Relative market share • Sale growth in the market	• Competitive position of the company • Long-term sector attractiveness	• Competitive position of the company • Future sector profitability	• Competitive position of the company • Phase in the sector life cycle	• Competitive position of the company • Phase in the sector life cycle
Advantages of matrix	• Application of simple indicators which makes a construction of matrix easy • Basing on a simple conviction that the unit which has the highest market share shows the biggest capacity to generate a financial surplus • Showing the competitive position of the single strategic units on the market • Defining the directions and the ways of the further development of single areas (a choice of the proper strategic)	• Application of multi-dimensional variables which include the different factors which define a competitive position of the companies and sector attractiveness, which considerably increases an area of analysis • A flexible way of constructing a matrix that is a choice of the proper factors and awarding them the right importance and an evaluation done according to the adopted scale	• Application of multi-dimensional variables which include the different factors which define a competitive position of the companies and a future profitability of the sector, which considerably increases an area of analysis • Unit analysis taking a future situation in the sector into consideration when other portfolio methods concentrate only on the current situation	• Application of multi-dimensional variables which include the different factors which define a competitive position of the companies, define a phase in the cycle of sector life, which will increase an area of analysis • A flexible way of constructing a matrix that is a choice of the proper factors and awarding them the right importance	• Application of multi-dimensional variables which include the different factors which define a competitive position of the companies, define a phase in the cycle of sector life, which will increase an area of analysis • A flexible way of constructing a matrix that is a choice of the proper factors and awarding them the right importance and an evaluation

	• Taking into consideration in the portfolio optimization cash flows from the different kinds of activities	• Showing strengths and weaknesses of the portfolio of the company’s activities • A definition of the proper strategies for single strategic business units	• A flexible way of constructing a matrix that is a choice of the proper factors and awarding them the right importance and an evaluation done according to the adopted scale • A creation of a bigger chance to balance the production portfolio than in case of BCG matrix • Showing strengths and weaknesses of the portfolio of the company’s activities • A definition of the proper strategies for single strategic business units	• Showing the strengths and weaknesses of the company taking into consideration a capacity to generate profits by the single units and allowing the optimization of this portfolio • A definition of the proper allocation of resources and a choice of a proper strategy for single strategic units	• Showing the strengths and weaknesses of the company taking into consideration a capacity to generate profits by the single units and allowing the optimization of this portfolio • A definition of the proper allocation of resources and a choice of a proper strategy for single strategic units
Drawbacks of matrix	• Indicators used in the construction of the matrix are one-dimensional variables, which significantly narrows the scope of the analysis • In practice it may happen that the units bring considerable	• Implementation of the subjective evaluation criteria, which increase a risk of choosing a wrong strategy for a given business strategic units • A concentration on the current situation of the company and a	• Implementation of the subjective evaluation criteria, which increase a risk of choosing a wrong strategy for a given business strategic units • Lack of taking into consideration the relations (e.g. the complementary	• Subjectivity while choosing and evaluating the factors on the basis of which the competitive position of the company is evaluated • More usefulness to explore the companies with a	• Subjectivity while choosing and evaluating the factors on the basis of which the competitive position of the company is evaluated • More usefulness to explore the companies with a

Table 3.8 (continued)

	profits even if the relative market share is not big; a strategy “a small turnover- a big unit profit” can also lead to considerable total profits • A matrix does not take into consideration the units with the negative pace of growth- a scale of the pace of growth starts from zero and does not include the negative values • In the matrix nobody takes into consideration the size of the given market but only the unit share • The matrix does not take into consideration the relations (e.g. the complementary ones) between the single units, all SBU are tested independently • More usefulness in the analysis of the big companies with diversified activities	sector without a possibility to take into consideration the prognosis of the development of situation • Lack of taking into consideration the relations between the single SBU which are researched independently • More usefulness in the analysis of the big companies with a diversified activities	ones) between the single SBU which are researched independently • More usefulness in the analysis of the big companies with a diversified activities	differentiated activities than small and medium-sized enterprises • A possibility of a wrong identification of the phase of life cycle of the sector	differentiated activities than small and medium-sized enterprises • A possibility of a wrong identification of the phase of life cycle of the sector

Application	• A strongly diversified company, operating first of all in the mature sectors with a weak innovation, standard products and easy market that is based on the production volume	• A strongly diversified company, operating in many sectors	• A strongly diversified company, operating in many sectors	• A strongly diversified company, operating in many sectors	• A strongly diversified company, operating in many sectors

Source: own preparation on the basis of: G. Gierszewska, M. Romanowska, *Analiza strategiczna przedsiębiorstwa*, PWE, Warszawa 1994, pp. 148-152; Strategor, *Zarządzanie firmą*, PWE, Warszawa 1997, pp. 139-142; J. Supernat, *Tezaurus kierownictwa*, Kolonia Ldt, Wrocław 2000, p. 42.

Due to the fact that the construction of the strategy at the level of the single strategic business unit is different, the portfolio models are of great importance in the strategic planning of diversified companies. This means mainly that[228]:

- They present in a synthetic way the results of the internal strategic analysis (a competitive position of the company) and an external analysis (a competitiveness of the sector) and in this way facilitate the usage of the results of these analyses.
- They encourage to identify the leading external and internal influences on the company's strategy; a choice of a given portfolio methods means treating certain influences as principal.
- They encourage to prepare and apply a coherent and deepened methodology of the evaluation of the competitive strategy and the attractiveness of all the units and all the sectors.
- A formalization of the evaluation of branch attractiveness and competitiveness influences the analysis deepening and noticing many dependencies which so far have not been noticed.
- A graphic methods of the presentation of the units and sectors provide a clear picture of the company which influences positively the development planning.

The values of the portfolio methods mean first of all the improvements of the strategic analysis methods and making it easy to formulate the competitiveness strategy.

3.6. Essence and a creation of the competitive strategy

In order to allow a company to operate effectively in the conditions of the competition, the company must have a prepared and implemented proper competitive strategy based on a reliable analysis of the environment (particularly the closer one) and an analysis of the own potential. This strategy is a long-term and complex conception of competing[229]. It is a way of obtaining a chosen competitive advantage in order to obtain an intended competitive position[230].

The strategy of competition (competing) is a very important element of the total strategy of the company which must cooperate with a financial

[228] Z. Pierścionek, *Strategie rozwoju firmy*, PWN, Warszawa 1998, p. 263.
[229] A. Kaleta, *Strategia konkurencji w przemyśle*, Wydawnictwo Akademii Ekonomicznej we Wrocławiu, Wrocław 2000, p. 30.
[230] M. Romanowska, *Planowanie strategiczne w przedsiębiorstwie*, PWE, Warszawa 2004, p. 262.

strategy, a personnel strategy, a production strategy and so on. While defining the market aims, the ways of competing and a needed allocation of resources, a competitive strategy gives a character to the general strategy directing it and influencing its other aspects. What is more, just as in the case of the general strategy, the competitive strategy must derive from the mission and vision of the organization and must be in line with the values or with the philosophy of the company.

An effective strategy should point at a thrilling goal, combine the assets of the company with the chances deriving from the conditionings, use the current success and at the same time explore new possibilities. It should also generate rather than intensely use the resources, coordinate and point at the activities and react to the new conditionings which appear with time[231]. According to Frantisek Bartes, an active approach to formulating and applying a competitive strategy means an adoption in the company of a kind of the philosophy of fighting. It consists of[232]:

- a power philosophy, which basis is the usage of the power (the usage of own potential) in the competitive fight;
- a philosophy of flexibility which basis is a careful monitoring of the rival, recognition and then using the mistakes;
- a progress philosophy, which basis is a careful familiarizing with the style of work and methods of taking the decisions and as a relation a discovery of the following activities of the competing company, which will enable a preparation of the trap for this company;
- a philosophy of "clean hands" which means fighting from a hidden place which aim is to prepare such conditions and such manipulation of the competitor that the competitor will fall in the trap prepared by themselves.

The adoption of such a philosophy favors an application of an offensive strategy, concentrated on shaping a competitive environment and using the chances which are appearing in it. Those chances are often the occasions to offer a new or a better product, service or experience to clients. It is particularly important to notice and use the beneficial chances which lead to a creation of the company and the achievement of the competitive advantage[233].

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[231] A.S. Huff, S.W. Floyd, H.D. Sherman, S. Terjesen, *Zarządzanie strategiczne. Podejście zasobowe*, Oficyna a Wolters Kluwer business, Warszawa 2011, pp. 15-16.
[232] F. Bartes, A. Srzednicki, *Walka konkurencyjna przedsiębiorstw*, C.H. Beck, Warszawa 2003, p. XX.
[233] A.S. Huff, S.W. Floyd, H.D. Sherman, S. Terjesen, *Zarządzanie strategiczne. Podejście zasobowe*, Oficyna a Wolters Kluwer business, Warszawa 2011, p. 115.

Although a formulation and an application of the strategy in the turbulent environment is difficult, according to Michael E. Porter, the opinions on the uselessness of the strategy in the situation when the quick changes are needed mean a very superficial opinion on the phenomena of competition. According to this author, a formulation of the competitive strategy has a key meaning for the company also in current changeable conditions of the environment. The increase of the turbulence of the environment is not a reason for resignation from defining a major direction of the company activity. Only the strategy can ensure the durable competitive assets and co-create the specific features of the company. It should be based on offering the clients certain different advantages. According to Michael E. Porter the company shows arrogance if it believes that it can offer the same kind of the products as the competitors and achieve in this way the better results for a long time. It is dangerous to treat the skills of competitors as insufficient and it is done by the companies for which the operational efficiency is more important than the preparation of the strategy. What is more, paying the main attention to this factor creates a destructive form of competition for everybody. If all the competitors want to offer more or less the same they encourage the clients to base their choice only on the price. Michael E. Porter underlines that in case of each strategy a profitability which is more than on the average level should be an important aim. This strategy must also mean a continuity, particularly when the company is positioned on the market. It defines which main values the company is trying to offer to the clients and which groups of clients it wants to serve. It is particularly important to combine a durable strategic direction with a permanent improvement of the ways of operating. A capacity of a permanent and effective introduction of changes appears easier in the company which has a clear strategic direction. Having a prepared strategy, it is easier for a company to catch new occasions which improve its offer[234]. It requires a considerable flexibility of the organization particularly in the redefinition of aims and strategies which is possible when accompanied by flexibility in structure and resources and a proper engagement of the managers and employees[235].

A competitive strategy is connected with an improvement, a reconstruction and an adjustment mutually of all the organization processes in order to

[234] *Prof. Porter: kluczowe znaczenie strategii również w zmiennych warunkach*, Zarządzanie na Świecie 4/2001, pp. 34-36.
[235] G. Gierszewska, B. Olszewska, J. Skonieczny, *Zarządzanie strategiczne dla inżynierów*, PWE, Warszawa 2013, p. 23.

concentrate on a client and to add values in all the areas in the most effective way[236]. This means a preparation of such a competitive position in order to use best the competitiveness it has in comparison to other market participants. Its implementation requires a lot of knowledge on the competitors, mainly their aims, level of satisfaction with the current market position and the current financial results as well as on the changes they can introduce in the currently implemented aims. According to Mirosław Kwieciński a level of recognizing the aims of competitors and foreseeing changes influences the way and a direction of formulating an own strategy by the company. In order to do it, it is necessary to obtain the knowledge on the current evaluation of the clients done by the competitors. The diagnosis of the aims of competitors should be accompanied by the knowledge of their market position, applied technologies and status in the social environment[237].

It is necessary to try to make the designed strategy a sustainable one. Its feature is that it can be implemented for a longer period of time with a minimum negative impact on the environment and society. What is more, the stakeholders expect not only the minimization of the damages done but they expect a positive input into the environment, society and a company survival. Such a situation requires from the managers a preparation "of the concrete resources or competencies resistible to the destroying actions of the competitors"[238].

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[236] Z. Banaśkiewicz, *Strategie w firmie*, Manager 1/2000, p. 46.
[237] M. Kwieciński, *Koncepcja wywiadu gospodarczego w przedsiębiorstwie*, Organizacja i Kierowanie 1/2000, pp. 30-31.
[238] A.S. Huff, S.W. Floyd, H.D. Sherman, S. Terjesen, *Zarządzanie strategiczne. Podejście zasobowe*, Oficyna a Wolters Kluwer business, Warszawa 2011, p. 306.

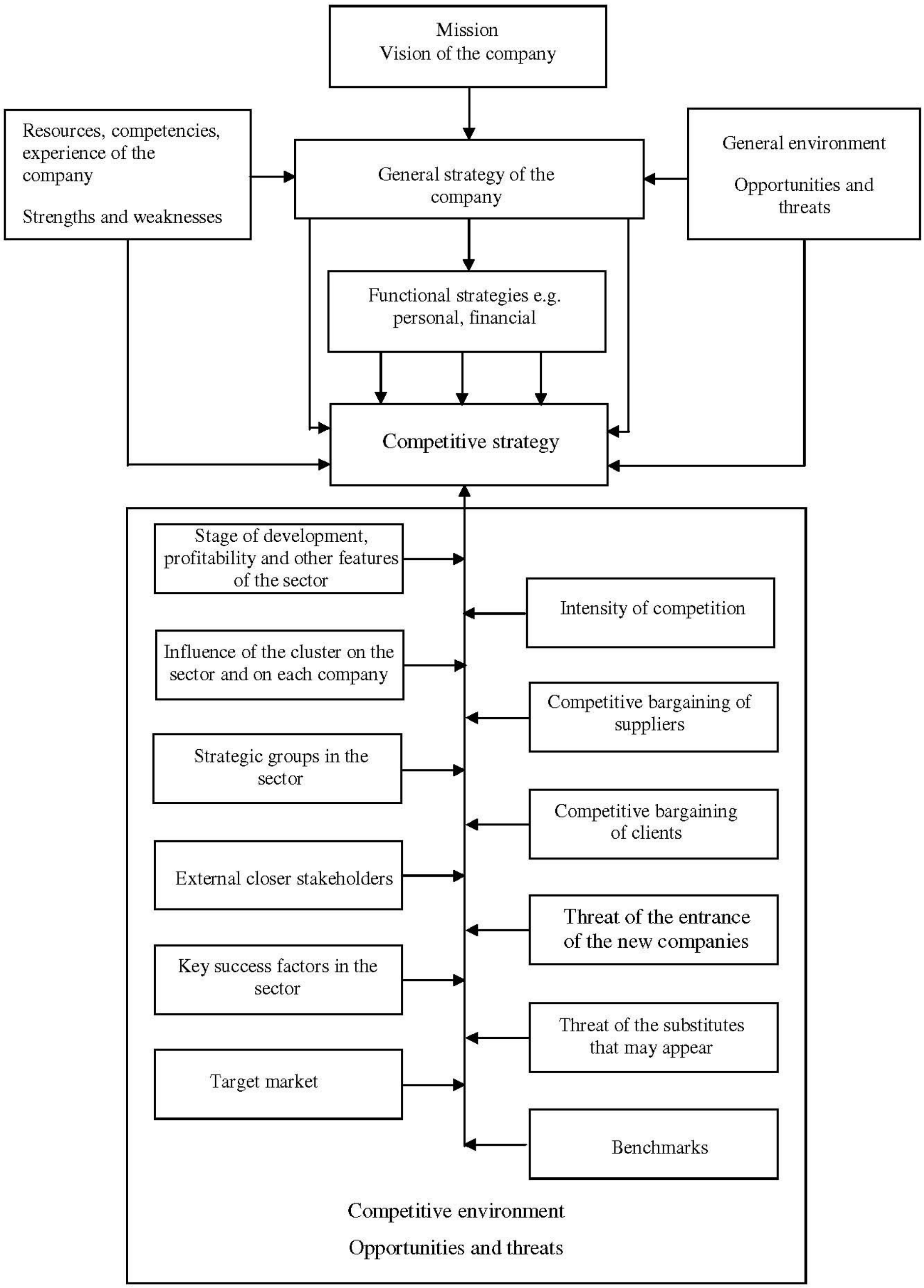

Figure 3.9. Formulation of the competitive strategy
Source: own preparation.

As it was described earlier, a competitive strategy can result directly from a general strategy of the company which in turn should be the consequence of the mission and a vision of the company. It should be also consistent with a financial strategy, a personnel strategy and other functional strategies as the activities implemented within them must be coordinated and a division of the resources should be done in such a way to ensure its effective implementation and the achievement of the defined aim. While formulating a strategy a total amount of the resources of which the company disposes is taken into consideration including the material and non-material resources, competencies, knowledge and experience as well as the influence of the external factors which create the framework conditions for the operation of the company in a given environment. It is later translated into partial strategies, including a competitive strategy. The basic elements taken into consideration while creating the competitive strategy are presented below.

Apart from the resources, competencies and experience of the company including the current experience connected with the creation and implementation of the competitiveness strategy and a system of strengths and conditions in the further environment, a situation in the sector and on the market served by the company is particularly important for formulating a competitive strategy. The stage and the development of the sector in which the company operates and its attractiveness for current and potential investors is important. A dispersion of the competitive strengths in the company can be defined using the method of five strengths by Michael E. Porter based on an estimation of such factors as an intensification of the competition between the single groups, a threat of the substitutes that may appear and a threat of entering of new competitors into the sector. A division of the companies into the strategic groups, barriers for intra-sectorial mobility and a level of competition between the single groups must be also explored. A general attractiveness of the sector can be defined taking into consideration its features in the point method of the evaluation of sector attractiveness. It is also necessary to point at the most important stakeholders in the competitive environment and to define their influence on the company. A particular attention must be paid to those competitors who have interesting solutions which can be the benchmarks. While looking for the perfect companies and the field of improvements a knowledge of the key success factor in the sector can help. While assessing a sector it is also worth analyzing the influence of the cluster on the whole branch and on the single competitors and other stakeholders from the competitive environment. The company must get to know the references and needs of the clients in order to satisfy them better than the competitors.

4. Kinds of competitive strategy

4.1. Offensive strategies in a classic and modified approach

A general division of strategies, which is very often used, is a differentiation of offensive and defensive strategies. The offensive strategies means taking strategic initiatives in the field of competition. A company influences in an active way the development of marketing environment in order to obtain the intended aims. By exerting the pressure on the competitors or by creating the proper conditions a company makes them behave in such a way that they cannot threaten it.

According to Frantisek Bartes, a proper mastering of the basic rules of a successful fighting is a necessary condition for an effective application of the offensive strategy of competition. According to these rules it is necessary to concentratein an optimal way on the weaknesses of the competitor and to use own strengths, devote as much attention as possible to the moment of surprise, choose a place of fighting in such a way as to enable using own assets, pay attention tothe communication between the management and units, harmonize the aims of the strategies and means chosen to obtain them and remember that by changing the ways of doing things, products or services one can gain a lot but it is not only the change of the technical means that counts but also the way of fighting. The moment of taking a strategic initiative by the company implementing an offensive strategy is also important. From this point of view one can differentiate: own attack, taking over while attacking and simultaneous attack. In the first case, a competitive company is overtaken by the aggressor. After the identification of a possible risk from the competitor it is necessary to start immediately a needed defense and to attack in the right moment using an optimal strategy. This attack can have a character of an indirect attack or distraction and then a direct attack or a permanent “crushing” of the competitor. Taking over in the moment of the attack starts from awaiting the initiative of the competitor. When the attack takes place, at the beginning one can pretend to be weak and then attack a weak point of the competitor. The second possibility is to hit strongly during the attack and then use the positive effects of destroying the rhythm of the activities of the competitive company. Just as is the case of the simultaneous attack of two companies already at the beginning it is possible to attack a weak point of the competitor. If an attack of the competitor is slow, one can join this action, use the created irregularities for its own benefit and only later attack a weak point of the competitor or to direct their actions to the different aims[239].

The following approaches are the basis of the offensive strategies: imposing an own way of fighting on the competitor, a permanent threatening the competitor and exerting influence on psyche and morale of the competitor.

The essence of imposing an own way of fighting on a competitor means that when a competitor is busy reacting to the attacks, they can make a mistake more easily. That is why it can also happen that the company is not able to finish their activities on time which are the threats for the competitors.

A permanent threatening of the competitor means that the rival should not be left on its own even for a moment. A lack of relaxation and a necessity of permanent reactions to the attacks from the different sides cause the tiredness and can lead to mistakes or even limiting or withdrawing from the activities.

The impact on the psyche and morale of the competitive company includes exerting influence on its behavior: distracting attention, causing disorientation or provoking activities beneficial for the attacking company. The deliberate exerting of psychological impact on the management of the competitive company causes an increase of the number of mistakes in its decisional process. A lack of calm, energy and self-confidence increase and in case of people from the top management a feelings of helplessness and powerlessness, loss of operability, the tendency to risk-taking, recklessness or chaos may appear. A resistance of the competitive company can be weakened "from inside" causing such an internal condition in which it will be sure about the lack of possibilities or the uselessness of opposing the attacks.

From this point of view, the basic offensive strategies of competition are the following strategies: "holding down the pillow", strategy "holding down the shade" and "cutting off the roots".

The first option means a permanent damping of the majority of useful actions in the competitive company, it limits the area of actions or even provokes it to participate in the actions which are useless for it. The usage of this strategy is connected with high requirements which refer to information background and possibilities of influencing the decisions of competitors. The second strategy has as its aim to hinder the competitor to use fully in the moment

[239] F. Bartes, A. Srzednicki, *Walka konkurencyjna przedsiębiorstw*, C.H. Beck, Warszawa 2003, pp. XIX, XXI, pp. 22-23.

of attack a prepared strategy or an organized defense. In this way the competitive company is forced to improvise and then the likelihood of making mistakes is higher. In the third strategy there is no direct attack against a given company but against its sources, suppliers or creditors. Its aim is to weaken the competitor at the basis of its activities[240].

The strategies formulated by Michael E. Porter are among the best known offensive competitive strategies. These strategies include: strategy of low costs, differentiation and concentration.

The strategy of low costs is connected with winning a leading position in the sector taking the total costs into consideration. It requires a considerable investment in the production machines on an effective scale, trials to decrease the costs by obtaining the trust, a tight control of the direct and general costs, avoiding the clients with a marginal meaning, minimization of the costs in such areas as research and development, post-sale service, advertisement and so on. The achievement of the position of the low costs requires also a high participation in the market or the different kind of competitiveness e.g. a beneficial accesses to the sources of raw materials. It ensures a protection against the competitors as the lower costs means that a company can achieve the profits even when the competitors lose their ones as the result of competition. However, it also includes some dangers. The technological changes in the given sector can be so quick that a company is not able to cope financially with the purchase of new machines or other equipment. In such a situation a competitor who is already present on the market can start to implement the very same strategy after having prepared a cheaper technology or obtain even a better results in the costs. Besides, the company concentrated on decreasing the costs cannot notice a need to introduce the necessary changes in the field of marketing.

The differentiation strategy means such a differentiation of a product to make it be perceived by the clients as something exceptional and unique that other companies are not able to offer. This differentiation can refer to: a design of the product or of the brand, technology, features of the product, post-sale service or a network of sale. The differentiation protects the company against the competitors because of the clients' loyalty towards a brand and a smaller sensitivity to a price resulting from this also increases a margin of the profit.

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[240] F. Bartes, A. Srzednicki, *Walka konkurencyjna przedsiębiorstw*, C.H. Beck, Warszawa 2003, pp.74-76.

Generally it makes it impossible to obtain a bigger market share as it requires resigning to a certain extent from a massive sale. The differentiation strategy requires a big flexibility from the company and a capacity to adapt to the market requirements. It is generally connected with a market segmentation. However, the results that should be fulfilled while applying this strategy are: a high effectiveness of marketing activities, a high product quality, a beneficial image about the product and its producer or seller (image) among the clients, innovativeness of the company and a systematic analysis of the own activities and the observation of the competitor activities. A certain risk is also connected with this strategy. The companies which operate on the whole market can obtain a considerable price advantage in comparison to the differentiating ones. Then the clients can resign from an exceptional product for a cheaper one. What is more, the imitation reduces visible, high values of the product.

On the other hand, the concentration means focusing on a given type of clients, on a given fragment of the assortment or on the geographical market. This strategy is based on a conviction that a company can serve better in this way its narrow, strategic segment than the competitors operating on a wider scale. As the effect, a company achieves a differentiation as the result of a better satisfaction of the needs of own sector or decreases the costs of its service or both. In this way a company can obtain higher than the average profits compared to own sector. The concentration strategy causes certain limitation for obtaining a full market share. A risk of narrowing the market is also connected with this type of strategy. It is possible that the companies which will find in the segment the smaller sub-segments and will take them over will be created. Besides, together with the development of the sector the differences between a product for a given segment and the whole market start to vanish[241]. Far-reaching specialization exposes the company to fail in the case of the collapse of the product market. The change of the consumers' tastes, a new technology or a substitute can destroy a specialized company in a short period of time and that is why the companies implementing this strategy must constantly analyze the market and follow the technical changes[242].

Table 4.1 presents the detailed requirements connected with the aforementioned strategies.

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[241] Compare: M.E. Porter, *Strategia konkurencji*, PWE, Warszawa 1998, pp. 50-56; K. Nizińska, *Źródła przewagi konkurencyjnej przedsiębiorstw oraz sposoby jej osiągania i utrzymywania*, cz. II, Handel Wewnętrzny 3/1995, p. 5-8.

[242] B. Niemczynowicz, *Podstawowe strategie firmy*, Firma i Rynek 4/1997, p. 128.

Table 4.1. Requirements connected with the basic competitiveness strategies

Kind of strategy	Skills and needs usually needed	Organizational needs
Leading as far as the total costs are concerned	Permanent investments and access to capital. A skill to design technology. A strong supervision of the manpower. Technologization of the products construction.	Tight cost control. Frequent and detailed control reports. Structuralized organization and the ranges of responsibility. Encouragements based on an exact execution of the quantitative plans
Differentiation	Big marketing skills. Designing products. Creative skills. A big possibility to conduct basic research. A good reputation or a leading position of the corporation in the field of technique. A long tradition in a given sector or a particular combination of the skills of people attracted from other companies.	A strong coordination of the research and development functions, preparation of the products and marketing. Subjective evaluations and encouragements instead of the quantitative measurements. Attractive conditions which attract highly qualified employees, researchers, creative people.
Concentration	A combination of the aforementioned rules of behaviour, directed on a defined strategic segment.	A combination of the aforementioned rules of behaviour, directed on a defined strategic segment.

Source: M.E. Porter, *Strategia konkurencji*, PWE, Warszawa 1998, p. 56.

According to Michael E. Porter, a company which will neglect a preparation of its own strategy at least in one of the directions is condemned "to get stuck". It usually has a low profitability, it loses clients who buy a lot of products but who demand low prices or it must resign from the profits in order to pull away the customers from the companies selling with lower prices. The company which "got stuck" must take a decision about the choice of the strategy. It should be trying to obtain a leading position in terms of the costs or at least to make them equal with others. It usually requires modernization investments and sometimes a decision to buy a market share. The company can also concentrate on a given segment (concentration) or try to stand out in a given aspect (differentiation)[243].

In the Michael E. Porter's concept, a differentiation strategy, defined also as quality-leadership strategy and cost leadership strategy are presented as mutually exclusive options. However, although there are examples of the successes of pure cost and qualitative strategies the management practice did not confirm the thesis of the alternative character of these two strategies. The research conducted in Japanese companies showed that none of them was implementing neither a pure cost leadership strategy nor pure differentiation strategy. All of them were trying more or less intensely to build both competitive advantages. The authors of this research proposed to extend a Porter's model and to include two additional strategies of competitiveness: a strategic uncertainty and a strategic integration.

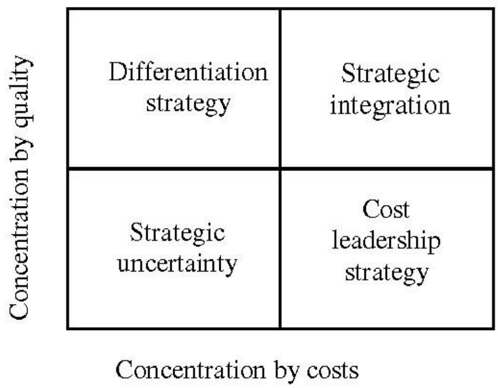

Figure 4.1. Kinds of competitiveness strategies
Source: M. Romanowska, *Zarządzanie strategiczne firmą*, CIM, Warszawa 1995, p. 137.

Strategic uncertainty is typical for new companies looking for their own place in the sector and for the best competitive strategy. It means a penetrating of the sector searching for the development chances and strengthening its own position. If a company implements for too long a strategic uncertainty it risks getting out of the market. That is why after getting to know the situation in the sector or identifying its own weaknesses or strengths a company should as quickly as possible decide on the choice of one of three remaining competitiveness strategies. In practice the new companies rather do not decide

[243] M. Porter, *Strategia konkurencji*, PWE, Warszawa 1998, pp. 56-57; B. Wiśniewski, *Wybierz strategię*, Cash, No. 29, 21 lipca 1995, p. 20.

immediately on the implementation of an integrated strategy due to the fact that their potential and experience are too small although there are cases of adopting such a strategy by young companies operating in the niches.

A strategy of integration means a simultaneous creation of both competitive advantages that is a high quality and a low cost. It combines all the advantages of the basic strategies and protect the best the company against the competitors in the branch. The biggest problem in its application is a necessity to have a lot of investments in all the aspects of the company operation. The cheaper solution available for less rich companies is a creation of the strategy integrated within a market niche. In the niche, with a smaller or not existing competition, it is easier to find a factor differentiating a product and the low costs can be generally achieved without extending the potential and a massive sale[244].

4.2. Offensive strategies dependent on the level of competition

Krzysztof Obłój uses a different division of the competitive strategies which is connected with the level of competition. According to this differentiation there are three possible competitive strategies: a confrontation strategy, market niche strategy and strategy of competition avoidance. They are presented in the table 4.2.

Table 4.2. Main combinations of the strategy instruments and competition on the market

Characteristic	**Confrontation strategy**	**Market niche strategy**	**Strategy of competition avoidance**
Direct competition	Price wars, limited use of the method of service	Price wars, limited use of the quality and method of service	Creating uniqueness by a combination of the quality, method of service and market division

[244] M. Romanowska, *Zarządzanie strategiczne firmą*, CIM, Warszawa 1995, pp. 136-139.

Substitution competition	–	A combination of strategy based on the quality, way of service and a limited usage of process	A strategy based on the combination of quality, way of service, alliances and cooperation
Potential competition	–	–	A creation of legal, capital and cultural barriers of entering the market, market segmentation, increase of the pace of technological and product innovations, diversification, common undertakings

Source: K. Obłój, *W szranki z konkurencją*, Businessman Magazine 2/1992, p. 43.

The confrontation strategy is based on the strategy of obtaining a leading position in the sector proposed by Michael E. Porter taking the total costs into consideration. The competitive confrontation means that a company competes directly with the suppliers of identical or similar products or services trying to create an advantage of their offer visible for clients. They ways of confrontation can be different, depending on the conditions on the given market, a type of the consumer to which the product is given, features of the competitors or mutual relations between these elements. However, one can talk about three basic methods of the competitive fight which are: a decrease of the price, an increase of the quality of understood widely a customer service and increasing the quality of the products offered. This strategy is quite risky particularly when it is connected with competing by means of the price. The lower prices mean a decrease of profits and a necessity to inform the clients about the price reduction which is connected with some additional expenditure on promotion. It can lead to a price war which can be destructive not only for the competitors but also for the company which started it. A strategy of the market niche is a concentration strategy which means a concentration of the company on a given group of clients, on a given part of the assortment or on a geographical market. It is based on the conviction that the company can more effectively and more quickly serve its narrow strategic segment than the competitors operating on a larger scale. As the effect a company differentiates its product on the market adjusting it as much as possible to the needs of a given segment (niche) and decreases the costs of its service. In this way a company can get the profits which are higher than the average ones in comparison to own sector. The strategy of concentration on a narrow segment (a market niche) is connected with certain limitation of the possible market share that can be obtained. It requires therefore a resignation from a part of the sale volume for the sake of profitability. The risk connected with this strategy refers mainly to the decrease of the differences in the products desirable by a given segment and by the whole market and the competitors' search for narrower sub-segments which allows them to obtain even a greater competitiveness than the given company.

A strategy of competition avoidance is meanwhile a more versatile strategic option. It must combine the quality of the delivered products and the way of service with a clear division of the market into segments. This strategy corresponds to the strategy of differentiation and means such a differentiation of the product which makes that it is treated by the clients as something exceptional, unique, that other companies cannot offer. This means an orientation of the company on creating its unique image in the clients' eyes by means of a market-product specialization and obtaining a leader position. The differentiation protects the company against the competitors as the result of the clients' loyalty towards the brand and a smaller sensitivity to the price resulting from it and increases the profit. A self-protection from the possible attacks of direct and potential competitors e.g. increasing the pace of investment which is a sector entrance barrier is a high level of this strategy. A different way of the protection of own position is a cooperation and a common undertaking with the potential competitors[245].

A strategy prepared by W. Chan Kim and Renee Mauborgne is the extreme option of strategy of competition avoidance. It is called by the authors "a strategy of the blue ocean". The "blue ocean" is a free market space on which the competition is not important. It is the opposite of the "red ocean", that is an area of the market on which the competition is strong. This strategy, instead of concentrating on beating the competitors concentrates on making the competition less important which is possible by creating new values for the clients and own company opening at the same time a free market space. The innovation in the field of values put the same pressure on the value and on

[245] M.E. Porter, *Strategia konkurencji*, PWE, Warszawa 1998, pp. 50-56; K. Obłój, *W szranki z konkurencją*, Businessman Magazine 2/1992, pp. 42-45.

the innovation. It appears only when the companies combine in one totality innovation with usefulness, price and the cost positions[246]. It is not so much a strategy of looking for the market on which there is no fight but a strategy of creating a new market[247]. A comparison of the strategy of the red and blue ocean is presented in table 4.3.

Table 4.3. A comparison of the strategy of the red and blue ocean

Strategy of a red ocean	**Strategy of a blue ocean**
Competition in the existing market space	Creation of a free market space
Fighting with the competitors	Competition stops to be important
Usage of the existing demand	Creating and catching of a new demand
A necessity to find a compromise between a value and the cost	Breaking a necessity of the compromise between the vale and the costs
Putting order in the whole system of the company's activities done in accordance with its choice between uniqueness and low costs	Putting order in the whole system of the company's activities in line with its desire for uniqueness and low costs

Source: W. Chan Kim, R. Mauborgne, *Strategia błękitnego oceanu*, Wydawnictwo MT Biznes, Warszawa 2005, p. 38.

A main analytical scheme of the innovations value and a strategy of the blue ocean is a strategy canvass. Creating it, one places the competition factors and investing in the branch on the horizontal axis whereas the vertical branch shows a level of the intensity of the offer of the company and companies in the branch in reference to every factor. The links of the points (evaluations) give a curve value which is presented in the picture 4.2.

[246] W. Chan Kim, R. Mauborgne, *Strategia błękitnego oceanu*, Wydawnictwo MT Biznes, Warszawa 2005, p. 8, pp. 30-31.
[247] G.G. Dess, G.T. Lumpkin, A.B. Eisner, *Strategic Management*, McGraw-Hill Irwin, Boston 2007, p. 445.

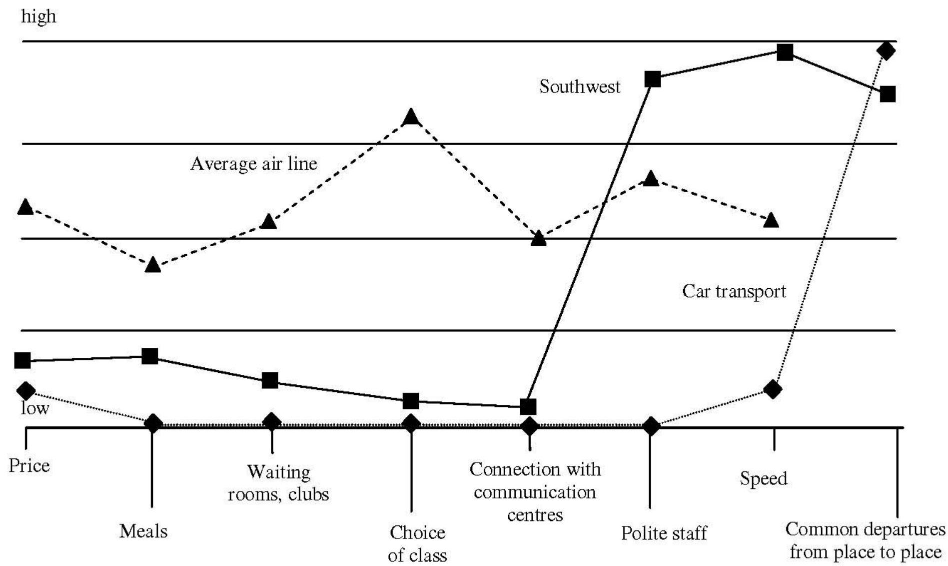

Figure 4.2. Strategy canvass of Southwest Airlines
Source: W. Chan Kim, R. Mauborgne, *Strategia błękitnego oceanu*, Wydawnictwo MT Biznes, Warszawa 2005, p. 65.

In order to create a curve of the new value one must find the answers to the questions which enter into four activities:

- Which factors considered in the branch as a certainty can be eliminated?
- Which factors can be reduced much below the branch standards?
- Which factors must be strengthened above the branch standards?
- Which factors which have never been offered by the sector must be created?

The effective strategy of the blue ocean must be characterized by three features: a concentration point on the defined activities, a discrepancy between a branch strategy and a punch line that is attracting attention with an advertising slogan. Four activities which aim to create a new curve of value can be conducted in such a way to build a strategic profile with three features[248].

What is more W. Chan Kim and Renee Mauborgne prepared six rules of the blue ocean strategy. The first rule is a reconstruction of the market borders which can be done by:

[248] W. Chan Kim, R. Mauborgne, *Strategia błękitnego oceanu*, Wydawnictwo MT Biznes, Warszawa 2005, pp. 53, 64.

- Having a look at the branches which offer the alternative products that is the products or services different in terms of functionality and forms but offered with the same aim.
- Observation of the strategic groups in the own branch.
- Analyzing chains values of the clients and identifying buyers, users and stakeholders.
- Analyzing the complementary products.
- A recognition of the functional and emotional factors influencing the clients' behavior.
- Analyzing the time perspective. It is necessary to compare a value which is brought today to the market with the value it can bring in the future. The trends on which the strategy of the blue ocean can be built must have a decisive influence on the company, must be irreversible and must have a clear trajectory.

The second rule of the blue ocean strategy is a concentration on a wide vision and not on the numbers. This rule has a key meaning for the minimization of the risk of planning. The strategic planning in this case is based on designing a framework of the strategy (visualization strategy) and an analysis of the possessed strategic units taking into account their inclusion into a certain type. They can be "pioneers", "migrators", "settlers". The "pioneers" are those who offer an unprecedented value and their value curve differs from the competition. "The settlers" curve overlaps with the branch curve whereas "the migrators" are in the middle. The presence of the "pioneers" in the company gives a company a possibility to develop and to implement a strategy of the blue ocean. The third rule of the strategy of the blue ocean is reaching beyond the existing demand. Instead of concentrating on the clients, the company must have a close look on those people and companies which are not its clients. What is more, instead of making a detailed market segmentation, a company should find the features to which the clients attach the values. The fourth rule is a proper order of the strategic elements that is a proper strategic sequence. The company should build a strategy of a blue ocean according to the following sequence: an exceptional usefulness for the client (innovativeness in the area of values), a price acceptable for an average client (strategic price), cost allowing to get profits with a given price and an application. The fifth rule is overcoming organizational obstacles while implementing the strategy. The biggest ones are: a perception obstacle (understanding of employees, including the managers, of a need to implement a strategic change), an obstacle connected with limited resources (obtaining resources or their reallocation), a motivational obstacle (necessity of motivation of employees) and a political obstacle (a change of the company policy, which makes it necessary to overcome an opposition from all the stakeholders). In order to overcome these obstacles one can apply the so-called leadership in critical points that is a concentration of the efforts on the fundamental changes, on people, behavior and the activities strongly influencing the results. The last rule is planning the implementation of strategy which is connected with building the trust of employees and obtaining their engagement. The process of the implementation of the strategy should consist of three elements: staff engagement visible in their participation in taking the strategic decisions, explaining the decisions and clear expectations towards the employees (3E rule: engagement, explanation, clarity of expectation)[249].

The blue ocean strategy causes the important barriers for the imitation. They derive from the following facts[250]:

- The innovation in the field of value does not seem to be reasonable from the point of view of a conventional logic of the company's activity.
- This strategy can argue with the brand image of other companies.
- A natural monopoly is a blockade for imitating when the size of the market does not allow another company to enter it.
- The imitation can be blocked by patents or other legal measures.
- A big volume of sale resulting from the innovation in the field of the value brings considerable cost benefit discouraging potential followers from entering a given market.
- The network advantages prevent the companies from an easy and reliable imitation of the blue ocean strategy.
- The imitation often requires from the companies an introduction of relatively basic changes in the current business practice and that is why the politics often interferes with it which considerably delays an engagement of the company in copying this kind of strategy.
- The companies which implement the innovations in the field of the value get a lot of publicity and loyal clients which discourage the followers.

Those barriers after some time are weakened. The company in order to avoid a trap of competing must monitor all the time the curves value on the strategy canvass and if needed start looking for the new area of operation.

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[249] See: W. Chan Kim, R. Mauborgne, *Strategia błękitnego oceanu*, Wydawnictwo MT Biznes, Warszawa 2005, pp. 77-252.

[250] W. Chan Kim, R. Mauborgne, *Strategia błękitnego oceanu*, Wydawnictwo MT Biznes, Warszawa 2005, pp. 265-268.

The strategy of the blue ocean is an interesting strategic option which in case of the success can ensure the company the profits for a relatively long period of time. However, it is a difficult strategy which requires an unconventional thinking, a possession of a strategic vision, a detailed market knowledge and the needs of the clients as well as the capacities to foresee their changes and taking some risk. This can be particularly useful on the markets today on which together with the advancing intensity of the competitiveness, the pace of the changes is increasing. In this case the meaning of the competiveness strategy of the company, which basis is only the economy of scale, the increase of the market turnover and the reduction of the unit costs resulting from it is decreasing[251]. This strategy shows that the competition imperatives cannot be the only basis of the business logics which was already perceived by many enterprises stopping the strategy of sharp competition for the current markets for the sake of searching the new, prospective areas of activities.

4.3. Strategies dependent on the strategic advantage

Krzysztof Obłój distinguishes also other kinds of the competitive strategies based on two convictions. On the basis of the first one, a company can build its strategic advantage on some strengths or on some success factors in the branch (a concentrated advantage) or on many resources or skills simultaneously (a dispersed advantage). It is more difficult to achieve a dispersed advantage but it is much less transparent for competitors and therefore more difficult to copy. A second conviction refers to a strategy which must be oriented against the competitors or towards the clients. A strategy against the competitors is built in such a way which enables to strike the weaknesses of the market competitors and to use the assets whereas a strategy directed towards the clients is created in such a way as to differ from the competitors and simultaneously maximize the clients' satisfaction.

A matrix including four strategies of the market success: two line and two lateral ones is created as a combination of the aforementioned two convictions (figure 4.3). The strategy of a frontal attack and obtaining the market belong the lateral strategies, which essence is a better implementation of what already exists on the market. On the other hand the lateral strategies which mean a creation

[251] A. Herman, *Przedsiębiorstwo w warunkach globalizacji*, in: W.M. Grudzewski, I.K. Hejduk (ed.), *Przedsiębiorstwo przyszłości*, Difin, Warszawa 2000, p. 20.

of innovations and doing something in the different way than the competitors are the strategies of passing by competitors and a creation of the new market.

	Concentrated strategic advantage	Dispersed strategic advantage
Strategy against competitors	Strategy of frontal attack	Strategy of passing by competitors
Strategy of satisfying the clients' needs	Strategy of obtaining the market	Strategy of creating a new market

Figure 4.3. Strategies of market success
Source: K. Obłój, *Mikroszkółka zarządzania*, PWE, Warszawa 1994, p. 78.

The strategy of the frontal attack means a usage of the competitors' weaknesses and focusing on the usage of the basic resources and skills against the competitors.

A strategy of obtaining the market means a usage of the company strengths to satisfy a concrete need of the client.

A strategy of passing by competitors boils down to attacking a competition but in a delicate, almost invisible way and simultaneously in many directions.

While the strategy of the creation of the new market is directed first of all on satisfying the clients' needs but a way of achieving a strategic competition on the market means a usage of the innovative combination of many resources and skills. Due to the difficulty of copying such a combination in reality this means a creation of a new type of the market or relations: a company – a client[252].

Other kinds of the competitive strategy based on the concept of the strategic advantage result from a diagnostic – design matrix prepared by the Boston Consulting Group (figure 4.4). It was based on the basis of two criteria. The first criterion is a number of the possible ways of building a competitive advantage. The second criterion is a current evaluation of the strategic advantage of the company, dependent on the situation in the company referred to the competitors and the heights of the market entrance barriers.

[252] K. Obłój, *Mikroszkółka zarządzania*, PWE, Warszawa 1994, pp. 76-80.

Four strategies result from this matrix: of segmentation and differentiation, of specialization, of strategic stalemate and a scale of activities.

Possibilities to build competitive advantage	Strategic advantages over competitors: slight	significant
many	Segmentation, differentiation	Specialization
few	Strategic stalemate	Scale of activities

Figure 4.4. Strategies resulting from a diagnostic – design matrix by the BCG
Source: K. Obłój, *Strategia organizacji*, PWE, Warszawa 1998, p. 276.

A strategy of the segmentation and differentiation, described also as a strategy of dispersion is based on a skill of effective actions on a relatively small market with a multi aspect but a small competitive advantage which in practice means staying one step ahead the competitors. It is relatively preventive as it means obtaining and maintaining a position protecting simultaneously the current profits and minimizing the investments also the ones connected with the market expansion. It is connected with a market segmentation and a differentiation of the offer depending on the needs of the different segments.

The second strategy is the specialization strategy, a concentration strategy on the selected segments of the markets. The key competitive feature is a skill to handle the highly specialized parts of the market, connected with a multilateral considerable competitive advantage.

The strategy defined as “strategic stalemate“ is directed on a survival, a cost reduction and a maximization of the productiveness. It requires a skills to maintain even a small cost advantage on the market with a very strong competition, resulting from a similarity of the offers of the companies in the branch.

In the scale of activities the strategy of the cost leadership plays also an important role but in relation to the economy of scale what means that a company wants to get the domination in the range of the low costs and/or the size of the sale[253].

The model prepared by Lawrence R. Jauch and William F. Glueck largely coincides with the model of the BCG company. These authors did not introduce the names of the strategies but presented more detailed recommendations for every option which are presented in figure 4.5.

Size of a possible competitive advantage

Different ways of creating competitive advantage (number of factors)	small	big
many	Key features of competitiveness: Many aspects to achieve a competitive advantage, but a size of the advantage is estimated on a small market. Strategic recommendations: - obtain a position and maintain it, - put emphasis on the current profits, - minimize the investments, - be careful as for expansion.	Key features of competitiveness: Specialized approach to many segments of the market, creation and protection of the advantage while serving these segments. Strategic recommendations: - look for a niche, - obtain a position in serving the selected segments, create and protect chosen kinds of advantage, - overtake the competitors who want to compete using the very same kind of advantage, - monitor the changes.
few	Key features of competitiveness: Cost-price competition; many companies possess almost the same position. In such a case it is a real stalemate. Strategic recommendations: - apply an aggressive strategy of reducing the costs, - put emphasis on the increase of effectiveness, - increase cash flow, - look for the possibilities of differentiation.	Key features of competitiveness: Only a company which can get and maintain one of the strong competitive advantage will survive; usually the basic advantages are the low costs. This advantage can be often the volumes of sale. Strategic recommendations: - use economy of scale, - use an experience curve, - get the clients from the weaker companies, - in case of the loss of the position, withdraw or look for new competing possibilities.

Figure 4.5. Strategies based on the competitive advantage
Source: L.R. Jauch, W.F. Glueck, *Business Policy and Strategic Management*, Mc-Graw Hill, New York 1988, p. 184.

[253] L.R. Jauch, W.F. Glueck, *Business Policy and Strategic Management*, Mc-Graw Hill, New York 1988, p. 184; K. Obłój, *Strategia organizacji*, PWE, Warszawa 1998, pp. 276-277.

4.4. Simple-rules strategy

Simple-rules strategy, called sometimes the strategy of using the occasions, was proposed by Kathleen M. Eisenhardt and Donald N. Sull. It is based on a conviction that "some time ago, when the business environment was simple, the companies could afford to have the complicated strategies but now when the very business is complicated, the simplification of the strategies is needed"[254]. In such a turbulent environment, the companies are linked to a very big number of other stakeholders by many complicated dependencies which are quickly changed. In order to survive and develop in such conditions, the companies need to prepare a transparent strategy ensuring the flexibility[255].

The simple rule strategy is a unique set of strategically important processes (such as e.g. a creation of product innovations, entering a new market, attracting new clients, training the new employees) and the rules which enable a proper directing of these processes. The kind of processes which are considered to be the crucial ones depends generally on the combination of chances and limits which take place in the company environment. The features of simple-rules strategy are presented in table 4.4.

Table 4.4. Simple-rules strategy

Feature	Simple rules strategy
Strategic logic	Using the occasion
Strategic stages	Entering a specific situation Take actions Get occasions End with a success
Strategic questions	How to proceed later?
Sources of advantage	Key processes and unique simple rules
Specificity	Rapid changes, uncertain markets
Period of advantage	Unpredictable period
Risk	Managers cannot use the promising occasions
Main aim	Growth of organization

Source: K.M. Eisenhardt, D.N. Sull, *Strategy as Simple Rules*, Harvard Business Review January/2001, p. 109.

[254] K.M. Eisenhardt, D.N. Sull, *Strategy as Simple Rules*, Harvard Business Review January/2001, p. 107.
[255] A. Kaleta, *Współczesna strategia – kierunek czy reguła rozwoju*, in: R. Krupski (ed.), *Zarządzanie strategiczne. Strategie organizacji*, Wałbrzyska Wyższa Szkoła Zarządzania i Przedsiębiorczości, Wałbrzych 2010, p. 24.

The rules on which this strategy is based can be divided into five groups. These are the following rules:

- How-to rules. They define the key, unique features and the ways of implementing a given process.
- Boundary rules. They show the managers which occasions must be used and which not.
- Priority rules. They help managers to define a hierarchy of the importance of the different kinds of activities and occasions in the environment.
- Timing rules. They allow to synchronize a pace of activities and the usage of the market chances in all the parts of the organization.
- Exit rules. They help the managers to take the decisions when to resign from a given occasion.

While creating a simple-rules strategy, it is necessary to concentrate on a few the most important unique rules. It is difficult to define in advance their optimal number; it is dependent on the organization size, its resources, field of activities, level of the environment changeability and the mangers' experience. Kathleen M. Eisenhardt and Donald N. Sull state that the more complex and the more changeable the environment is, the smaller the number of rules should be in order not to limit the organization flexibility. The managers' experience, gained both through successes and failures, is usually a source of rules. The rules can be also the result of the rational thinking, obtaining knowledge from the scientific sources or following the achievements of other companies (benchmarking). These rules cannot be changed too often as they should constitute a basis of a strategy unique and difficult to imitate[256]. The creation of a unique strategy based on a few important, characteristic for a given company rules is in line with the opinion of Krzysztof Obłój according to whom "the essence of the effective strategy means a creation of the uniqueness of the company and allows both the employees of the company and the actors from the environment to distinguish a given company from all the competitors in a clear way"[257]. The effect of such a strategy can be a high loyalty of clients towards the company and a beneficial market image.

The usage of simple-rules strategy requires from the company:

- Defining the challenges for the existing logics of running a business and sensitizing the company to the new occasions.

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[256] K.M. Eisenhardt, D.N. Sull, *Strategy as Simple Rules*, Harvard Business Review January/2001, pp. 108-113.
[257] K. Obłój, *Strategia sukcesu firmy*, PWE, Warszawa 1998, p. 32.

- Inspiring for looking for the opportunities by means of external catalysts (e.g. dissatisfied clients).
- A creation of the new visions which refer to the specific occasions of running the business.
- Precising and choosing the best opportunities.
- Using the best opportunities in practical functioning of the company.
- Leaving unattractive occasions and supporting the attractive ones.
- Combining an appearing direction with a knowledge obtained while using the occasions[258].

It is also necessary to know the life cycle of the occasion which, according to Rafał Krupski, consists of the following phases:

1. Perceiving an occasion which depends on the market knowledge and new technologies, interactions: a client- a market, cooperation with partners, a proper perception of the possibilities of the company and so on. Within this stage it is necessary to:

- Identify quite precisely the areas of the closer and remote environment and a company in which the occasions appear, regardless of their content and potential.
- Organize a business intelligence which will gather the information which have a potential meaning of the occasion.
- Learn how to interpret the weak signals from the environment by means of the statistical methods- the systems of the early warning and recognition or logical concluding.
- Try to evaluate an expected value of the occasion that is extra material and non-material values which can be obtained thanks to using the occasions and a likelihood of its achievement.

2. Precising an occasion which is a result of the divagations which actions must be taken in order to implement a given idea. It is quite difficult as a turning of an occasion into a reality requires from a company doing new things connected with uncertainty. A quick evaluation of the attractiveness from the point of view of the additional values for the company is necessary.
3. Financing the usage of occasions which source can be the reduced budgets of other areas of the company activities or some special sources devoted to the financing the occasions. The financing should be spilt in time and relatively careful.

[258] P. Skat-Rordam, *Zmiany decyzji strategicznych*, PWN, Warszawa 2001, pp. 127-128.

4. Using the occasions which should be accompanied by a concentration on learning, mainly by experimenting. An important factor is a skill of a deep understanding of the circumstances in which an occasion appears and basing on it while taking the proper strategic decisions. What matters is a speed of the taken actions. The occasions must be used before they are gone, otherwise the costs of their using will significantly increase. What is more in this phase it is necessary to:

- Associate the strengths with the opportunities that is to engage the key competencies of the company in the new projects.
- Apply the organizational procedures and IT software prepared before.
- Apply the different elements of project management theory.
- To gradually engage the financial resources from external and internal resources organized before thinking about any possible occasions.
- Exploit previously prepared relational capital (formal and informal contacts with the environment elements).

5. Management of occasion life cycle connected with the usage of the different qualifications of employees in all the phases: a beginning phase, a maturity phase, a closing phase. A property of such a cycle is a smaller control over the development of the events at the beginning and bigger after entering a maturity phase. During the life cycle of the occasion a skill to withdraw the conclusions from the reactions of the different stakeholders on the market and an adjustment to them decides about the success.
6. Supervising the occasions that is the implementation of an undertaking. It requires first of all an autonomous treatment of occasions so an organizational separation of processes and the means connected with it[259].

While implementing simple-rules strategy a method proposed by Peter Skat-Rordam can be also useful which means a creation of the so-called portfolio of occasions which enable a review and an evaluation of the single opportunities in the perspective of the whole company. This model includes four different types of occasions distinguished as for the meaning (tactical and strategic) and a character (ready or shaping). The ready occasions with a strategic meaning are easier to use. It is slightly more difficult to identify and quickly react to the opportunities with the very same meaning but which are just shaping. The ready occasions with a strategic meaning are classified as typical new undertaking

[259] R. Krupski, *Strategia bez celów*, Przegląd Organizacji 11/2003, pp. 9-10; P. Skat-Rordam, *Zmiany decyzji strategicznych*, PWN, Warszawa 2001, pp. 119-123.

whereas the appearing opportunities are a good occasions for learning and can lead to enlarging the activities. Balancing such a portfolio of occasions can mean implementing a proper number of undertaking with a long-term potential and those which can bring the benefits in a shorter period of time[260].

The simple-rules strategy is particularly needed in the conditions of the big turbulences of the environment that is on the markets which are not very stable and structured on which the competitive advantage comes from an effective usage of flying occasions than from the usage of the possessed resources or a stable market position.

4.5. Entrepreneurial strategy

Other equally popular strategies of competing are the entrepreneurial strategies prepared by Peter F. Drucker. The following strategies belong to them: "being fustest with the mostest", "hitting them where they ain't", finding and occupying a specialized "ecological niche" and changing the economic characteristics of a product, a market or an industry.

While using the strategy which is defined as "being fustest with the mostest" an entertainment wants to get a leading position or even to dominate in a new market or a new industry. This strategy means trying to get a durable leading position and a creation of a big company can be its result. It goes towards a creation of a new and changed product, service or even an industry and that is why it requires a high concentration of efforts and considerable resources. It is a risky strategy but when it is successful it can bring significant effects. There is no partial success in it which means that it ends up either with a success or a failure.

"Hitting them where they ain't" is a different strategy which includes two different strategic options: "creative imitation" and "entrepreneurial judo". "The creative imitation" means that a company is imitating a different company but it understands better the essence of the given innovation than the organization which prepared it and put it in practice. A creative follower does not find a product or a service but it improves it and places on the market. A strategy of the creative imitation aims at obtaining a leading position on the market or in the given industry if not at dominating it. In turn, an "entrepreneurial judo" aims at winning a bridgehead of the market which is not protected by other companies

[260] P. Skat-Rordam, *Zmiany decyzji strategicznych*, PWN, Warszawa 2001, pp. 153-154.

or is protected half-heartedly and then to take control over the whole market. This strategy requires a real innovation to a certain extent. Generally it is not sufficient to offer the same product or service with a lower price but it is necessary to introduce something which will distinguish it from the already existing products. There are three situations in which the strategy “entrepreneurial judo” can be particularly effective: when other companies do not respond to an unexpected success or failure, omit them or completely do not notice it; when a new technique is appearing and it is developing quickly but the innovators who introduced it to the market are behaving like the monopolists that is are using their leading position to “skim” the market and to obtain the prices which are bringing exceptional profits and when the structure of the market or industry is quickly changing.

On the other hand the strategy defined as finding and occupying a specialized “ecological niche” aims at obtaining a monopoly in a narrow area by looking for and completing a gap on the market. In its framework three strategies are possible. The first one is a “toll-gate strategy” which means a complete control over a small market thanks to an introduction of a very important but not widely used product. This product must have a principal meaning for a given process and the risk of non-compliance must be infinitely bigger than its price. A toll-gate position is connected with some risk as a company can in a way do nothing to expand its activities. Regardless of the quality and a price of the product, the supply depends on a demand for a given process or a product for which a “toll-gate” product is just an element. The second strategy is a “specialty skill strategy” which aim is to win and maintain an important position due to specialist skills of the company. The niches which are obtained in this way are relatively big in comparison to the niches of the “toll-gate” companies. Getting control over a specialized niche always requires something new which is a real innovation. A choice of the proper moment for applying this concept is also very important: a niche must be created at the very beginning, when a new industry, a new market or a new tendency is created. A certain limit for the company using the specialized skills is the dependency on the companies introducing a given product or a service to the market. There is also such a danger that the specialty will become universal. The third strategy is a “specialty market strategy” similar to the “specialty skill strategy” but the niche is created not around the product but around a very detailed knowledge of a given market. This requires a systemic analysis of a new tendency, new industry or a market, a concrete innovative input which can be even a small change or a permanent work on improving the product in order to maintain a leading position. Table 4.5 presents the basic features of the strategy of operating in the market niche.

Table 4.5. Strategies of operating in the market niche

Kind of a strategy	**Controlling the niche**	**Strategy application**	**Losing control over the niche**
Toll-gate strategy	A unique "toll-gate" position „Toll-gate product"	A risk of non-using the product bigger than the very price of the product	Disappearance of the "toll-gate" practice
Specialty skill strategy	Unique skills	A new industry, market, tendency	A lack of a permanent improvement of skills
Specialty market strategy	Unique market	Needs not satisfied currently	A market becomes bigger and as a result more attractive for the bigger competitors

Source: W. Cohen, *The Practice of Marketing Management*, Maxwell Macmillan International, New York 1991, p. 358.

The following strategy means "changing the economic characteristics of a product, market or industry". Its aim is to transfer an old product into a new one by changing its usefulness, values and economic features. There is no physical change but from the economic point of view it is a completely different, new product. A strategy of the change of values and features allows to attract the clients by creating a usefulness for the clients, defining the price, adjusting to the social and economic reality and providing the clients with what constitutes a real value for them[261].

4.6. Strategies of leaders, pretenders, followers and market niche specialists

Taking into account the role that the companies play towards the competitors, Philip Kotler distinguished the following groups of companies: leaders, pretenders, followers and market specialists.

[261] P.F. Drucker, *Innowacja i przedsiębiorczość*, PWE, Warszawa 1992, pp. 224-269.

Market leaders strategies

Generally, in the majority of the branches there is one company which is considered to be a market leader. It has the biggest share in the market of the given product, it generally leads other companies in shaping the prices, introducing the new products, range of the distribution and the intensity of promotion. The leader is a certain point of reference for the competitors. It is a company which can be given a challenge, be followed or simply avoided. Despite the dominating position, a leader situation is not easy as other companies are trying to defend it and use its weaknesses. The companies which have a leading position are trying to maintain it as long as possible. In order to achieve this aim a company should find a way to increase a total market demand protecting its own market share by the proper defensive and offensive actions or to try to increase their market share.

Aiming at the increase of the market size can mean a search of the new users, new ways of using the products and an increase of the frequency of their purchase. These actions must be often connected with the activities which aims are to protect an occupied position against the attacks of the rivals. The company which is a market leader can try to increase its profits by widening its market share at the expense of other companies. However, it must take into consideration that not always an achievement of a high market share will automatically increase the profits as the costs of obtaining this share can considerably exceed the potential benefits.

A permanent development of innovations in the field of producing and selling the products is a necessary strategy in case of the leader. The leader is not satisfied with the current situation and acts to develop the new products and services, a better distribution, effective promotion, decrease of costs and so on[262].

A possession of an innovative product influences the way the company is operating on the market. The company implements then an offensive, innovative strategy among which the "big play strategy" and "the bottom line" strategy are particularly important.

The first one means a creation of barriers in such a way to make difficult the access of the competitors to the possessed technologies, make it impossible for them to reach a system of the distribution and trademarks. In order to do it, a company can use own patents, a sale of licenses and a big scale of production.

[262] Ph. Kotler, *Marketing*, Gebethner i Ska, Warszawa 1994, p. 354.

The limitation of this strategy is making it impossible to create own standards to which the corporations and the producers of the complementary products refer.

The second strategy in turn is based on a skill of a quick reaction to market changes in order to use the temporary occasions. It is necessary to do what the competitors do but better than them. That is why is case of the "bottom line" strategy a professionalism of the executive employees is very important[263].

The widely applied strategies of attacking a client include: a direct attack, reinfection, total attack, faked attack, tricks and traps, "Chinese whisper" and a quiet strike.

The aim of the direct attack is an effective and a quick strike in the most delicate place of the competitor in an unexpected moment. A desirable effect of such an action is not frightening or lying to the competitor but to strike a decisive blow. If a direct attack is to succeed, it should result from the context of the whole conflict with the competitive company. It is necessary to define the right time and keep it as a secret just as an aim, a way of realization and a sense of the attack.

A reinfection is another attack against a competing company in the moment when it is still in the phase of shock after the first attack or eventually in the moment when it is paralyzed.

A total attack means an attack against the competitor including all its weaknesses.

A faked attack is a pretended attack which role is to prepare a proper background for the following attack. Its aim is to distract a competitor's attention from a prepared real attack that is attracting their attention, deprive them of calmness and make it impossible for the competitor to concentrate on the preparations of the real action.

Tricks and traps are understood as the ways by means of which it is easy to put a competitor in the situation in which it is easy to defend them or to give a blow. The aim of such a behavior is to make the rival react in a way that is beneficial to the company.

The strategy defined as a "Chinese whisper" is an attack on the image of the competitive company.

In turn, a quiet strike means a weak strike, seemingly directed on the unimportant places in the competitive company which after some time causes a situation in which the competitor does not have any time for a successful

[263] M. Laszczak, *Zmieniaj się lub znikaj*, Manager 5/2002, pp. 22-23.

and effective defense. In the competitive fight, it is in the majority of cases related to using the attacks directed against the factors or the conditions which make it impossible to obtain the competitive advantage[264].

According to Michael E. Porter, these strategies can be successful when an attacking company fulfills a few conditions. They include[265]:

- The competitiveness that can be maintained – an aggressor should have in comparison to the company which is attacked a straightforward and a clear advantage which can be maintained in a longer period of time and which enable to create time reserves for filling in the gaps in market shares before a company which is attacked is able to successfully follow it.
- Operating in related areas – the attacking company should have a capacity to partially or fully neutralize the competitive advantages of the attacked company.
- Defending in retaliation – or eventually direct the defense of the attacked company on other, less dangerous areas which are against the intensions of the defending company.

The company with a dominating position on the market must also decide which areas of the activities must be protected even with a loss and which can be given away without fighting. It does not always mean to defend all their positions and then concentrate their means on the most important areas. The aim of the defensive strategies is the decrease of the attack likelihood, a transfer of the attack to the less important areas and a decrease of its intensity. Each attack can threaten the profits but the form and the speed of the defense can significantly influence the size of losses. Philip Kotler distinguishes six basic kinds of defensive strategies which can be applied by the market leader. These are: the position defense, the flanking defense, the preemptive defense, the counter-offensive defense, the mobile defense and the contraction defense.

A strategy of the position defense means enhancing a currently occupied position. However, this strengthening, as all the static defense actions, often does not play their role. What is more, a simple protection of the current position is often an example of a "marketing myopia". The attacked leaders must try to avoid an aim which means using all the resources for building the strengthening around one main product because even the best known products of a given company should not become the only source of development and income of the its producer.

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[264] F. Bartes, A. Srzednicki, *Walka konkurencyjna przedsiębiorstw*, C.H. Beck, Warszawa 2003, pp. 19-20.

[265] F. Bartes, A. Srzednicki, *Walka konkurencyjna przedsiębiorstw*, C.H. Beck, Warszawa 2003, p. 21.

According to the idea of the strategy of flanking defense, a market leader should not stop at the defense of their own position, controlling the weaknesses and if needed making them the entry points to the contract. A strategy of flanking defense is not very effective if it is not fully applied. It can bring the success only when it is implemented after a full recognition of threats and a proper financial engagement.

A more aggressive defensive maneuver is attacking a competitor before it starts a defense that is to use the strategy of preemptive defense. The company can also in this way start the partisan actions on the market and maintain in this way the state of destabilization. This attack can also obtain a scale of a big surrounding action. This strategy has as its aim to maintain initiative and to push the competitors towards the defensive positions.

A counter-offensive defense refers to a situation in which a market leader, when attacked by a pretender, responds with a counter-attack. However, it does not have to be immediate, it can be postponed until a more suitable moment. This means that the leader can allow some small losses or even allow for a full development of the offensive and attack only when a gap appears on the opponent line (a moment in which a counter-offensive can be started).

In case of the mobile defense, a leader enlarges its domination into the new areas which in the future are to serve as the means of attack and defense. These new areas are not obtained by a normal extend of the brand but by the innovative activities which are two-fold: enlarging and diversifying the market. It provides a larger freedom of a strategic maneuver allowing to organize a permanent attack and retaliation actions.

A contraction defense takes place when a big enterprise realizes it is no longer able to defend the total area of activities. The best solution is such a case is a retreat which does not mean that the attack was abandoned but it means giving up the weaker areas and moving the defense to the better ones. Its aim is to unite the forces and to concentrate on the important positions.

Strategies of market pretenders

According to Philip Kotler, the market pretenders are the companies which have the second, third or further places in the branch. The basic aim of this strategy is the increase of the market share and as the result the increase of the profit. In order to achieve an aim, a pretender can attack a market leader. It is a very risky but potentially highly profitable strategy. It has its sense e.g. when the leader deals wrongly with the market. While wanting to apply it, it is necessary to examine the needs of the consumers or their dissatisfaction. The segments which are not occupied or wrongly served by the competitors are a good aim. It is less risky to attack companies with a similar scale of operating which are badly performing their tasks and are not sufficiently financed. A pretender must first of all examine a level of satisfying the consumers' needs and the innovative potential. If the resources of the second company are limited, even a frontal attack can be successful. The third possibility is to attack small local and regional companies which operate badly and which are underfunded. Having a clearly defined aim and an opponent a pretender must choose an optimal strategy of attack. A staring point is a rule of a massive strike, which states that the basic forces must be kept until a critical moment and for the achievement of the most important task.

Philip Kotler distinguishes five basic strategies implemented by the pretender: a frontal attack, a flank attack, an encirclement attack, a bypass attack and a guerilla attack.

A frontal attack takes place when an aggressor concentrates its strengths directly opposite the enemy. The strong points and not the weak ones are attacked. The result depends on who has more strengths and stamina. In a pure frontal attack an aggressor often tries to harm the opponent in terms of a product, advertisement, price and so on. Generally in order to make such an attack a successful one, an aggressor must have an advantage over the competitor. In case when their resources are smaller than the ones of the defender, a frontal attack changes into a simple suicide action. A modified way of a frontal attack is an alternative for it which the best example is a decrease of the price to the level applied by the opponent. Such an attack can have two forms. A traditional way is to catch up with the offer of the leader in every aspect and to possess a competitive price. It can be successful if a market leader does not start any retaliation actions decreasing their prices and if a competitor convinces the consumers that their product is equally good and being less expensive, it is a real bargain. The second method means an application of the aggressive price strategy requiring big investments from the attacker in order to achieve a lower production costs and to attack a leader at a later stage.

A flank attack is a strategy using the fact that generally the opponent concentrates its strengths in the areas when it expects an attack. Therefore, it is obvious that the defense is weaker on the flanks and in the back. The flank attack is particularly beneficial for an aggressor possessing smaller resources than the opponent. It can happen in two strategic dimensions: the geographic dimension and the market segmentation. In case of the geographic attack, an aggressor looks for the place in which the opponent is not successful. The second flanking strategy means finding the needs which are not satisfied by the leaders. The flanking strategy means recognizing the transfers within the market segments, causing a creation of free spaces so not satisfying the needs and filling in those places and turning them into the strong segments. It leads to a fuller satisfaction of the market.

An encirclement attack in turn is supposed to obtain a big part of the opponent territory. It requires an application of a wide offensive on all the fronts in order to make an opponent defend at the same time the front, wings and backs. The attacking company can offer the consumers everything that is offered by the opponent and even more to make its offer irresistible. The encirclement attack has its sense when the attacker disposes of the bigger resources and believes that by means of a quick attack the will of the opponent will be broken.

The bypass attack strategy considers the least direct way of striking. It means evading the opponent and attacking the easier markets. The bypass attack allows to use three types of approaches: a diversification towards other products, towards other geographical markets and a switch towards the new technologies in order to support the existing products. A technological switch is a strategy applied mainly in the branches producing highly specialized products. Instead of copying a competitor's strategy and undertaking a costly frontal attack, a candidate must develop a new strategy and attack moving the "field of the battle" towards its own territory on which it is really dominant.

The guerilla attack in turn is particularly beneficial for companies with small resources. The guerilla war means doing small attacks on the different field of the opponent in order to decrease its morale or possibly obtain frontons. A company implementing such a strategy is using e.g. a decrease of prices and an intensive promotion or even takes the legal actions. The implementation of such a strategy can be expensive although it is generally cheaper than the frontal attack, the encirclement attack or even the flank attack. However, the guerilla attack is rather the preparations to war than the very war. If the aggressor hopes to "beat" the opponent, they must finally decide to have a stronger attack.

Philip Kotler distinguishes also the different kinds of the strategies of attacking by the pretenders. They include:

1. Price decrease strategy (a market pretender may sell a comparable product with a lower price).

2. Cheaper product strategy (a market pretender can offer a product with a low or medium quality but its price must be really lower).
3. A strategy of the prestige goods (a market pretender can launch to the market a product with a better quality and more expensive than the leader's product).
4. A strategy of product differentiation (a market pretender may attack the leader offering a bigger choice of the versions of one product).
5. A strategy of the product innovation (the pretender may attack introducing the innovations in the existing product).
6. A strategy of the improved services (the pretender may offer new or better services to the consumers).
7. A strategy of innovations in the system of distribution (the pretender may discover or develop a new way of distribution).
8. A strategy of the costs decrease (the pretender achieves lower costs of production than competitors by decreasing the costs of an employment and investing in a modern machine park).
9. A strategy of intensive promotion (the pretender attacks the leader increasing the expenditure on the advertisement).

Market followers strategies

As proven by the practice, the imitation strategy sometimes can be as profitable as the strategy of the production innovation. The innovator has many costs connected with the product development, its distribution and market promotion. An achievement of the leader position may be the result of the implementation of innovation. However, it may happen that a different company will copy the product, improve it and launch to the market in a better version. The company will not probably overtake the leader but will achieve many profits when it did not cover earlier the costs of innovations.

Many companies which are placed on the more remote market positions prefer to follow than to attack the leader. If the follower tries to get the clients of the leader by defining a lower price, a better service or additional functions of the product, the leader can quickly catch up with that and disperse the attack. Besides, the leader will probably be able to survive in the real market fight for longer, which will probably deteriorate the situation of both the companies. However, this does not mean that the followers do not have the possibilities of acting. The companies must be able to keep the current clients and try to obtain at least a few new ones. Each follower tries to offer on its target market certain advantages by means of the distribution system, attractive conditions of crediting and so on. Due to the fact that the following companies are often the aims of the attacks of candidates, they must keep the production costs on a very low level and the product quality on the high level. They can also enter newly opening markets.

Philip Kotler distinguishes three kinds of followers, depending on the type of the strategy applied by them. They include: a clone, an imitator and an adapter.

The clone follows the leader' products, its distribution, promotion. It does not create anything new but tries to use the investments of the leader. In the extreme version the clone in the counterfeiter producing the copies of the leader products.

The imitator copies only some elements of the leader's offer but maintains a differentiation in terms of the packaging, price, advertisement and so on. The imitators do not disturb the leader until they attack the leader in the aggressive way on the market. Their existence can be even beneficial for the leader because it protects the leader against an accusation of the market monopolization.

The adapter takes the leader's product, adopts it and generally improves. The adapter can decide to sell the product on the different markets in order to avoid a confrontation with the leader.

Strategies of market specialists

Being a leader on a smaller market is an alternative to being a follower on the bigger market. The smaller companies avoid competing with bigger enterprises, sticking to small segments (niches) which do not interest or interest the leaders very little. This strategy is generally profitable first of all because the specialist gets to know their clients so well that they can satisfy their needs better than other companies occasionally selling their products in this niche. As the result the specialist may want a higher price in return for a high value of the product[266].

A company using the strategy of market niches is generally characterized by the fact that[267]:

- It implements a competitive advantage that can be maintained delivering the products to the specific segments or operating on the specific markets.

[266] Ph. Kotler, *Marketing*, Gebethner i Ska, Warszawa 1994, pp. 355-373; A. Borczuch, *Strategia wojenna a strategia zarządzania przedsiębiorstwem*, Ekonomika i Organizacja Przedsiębiorstwa 4/2000, pp. 8-10.

[267] P. Chwirot, H. Mruk, *Strategie działania w niszy rynkowej*, Marketing i Rynek 1/1997, p. 10.

- It has a possibility to create an important potential of trust and kindness in a relatively short period of time and in a way which deters potential competitors.
- It bases its competitive advantage on the long term interests of the clients.
- It shows initiative in maintaining the relations with consumers.
- Long-term interests of the company can be transferred towards the durable relations with the separate group of interests.

According to Peter F. Drucker the market specialists can choose the described above three basic strategic options that is: a toll-gate strategy, a specialty skill and a specialty market. On the other hand Philip Kotler proposes more detailed specialization strategy such as:

1. A specialization directed at a final user (the company specializes in serving one type of the client).
2. A vertical specialization (a company specializes in serving of part of a production and a distribution chain).
3. A specialization according to the client's size (a company focuses on small, medium-sized or large clients).
4. A specialization directed on the service of the specific client (a company sticks to serving one or a few main clients).
5. Geographic specialization (a company sells only in the given area, in a given region or in a given part of the world).
6. Product specialization (a company sells only one product or one line of products).
7. A specialization according to the criterion of the product features (the company specializes in producing a certain kind or a variation of the product).
8. A specialization which means the production of things for concrete orders (the company produces enriched versions of the product based on the individual wishes of the client).
9. Quality-price specialization (the company produces the products for clients which are likely to buy also the more expensive or cheaper products).
10. Service specialists (the company offers one or a bigger number of services which are not delivered by other companies).
11. Specialists of distribution channels (the company specializes in serving only one distribution channel).

Therefore, the market specialists are to execute three tasks: create the niches, enlarge them and defend them. An ideal market niche has the following features:

- it possesses a sufficient size and purchasing power to become profitable;
- it possesses growth perspectives;
- other big companies are not interested in it;
- the company possesses proper skills and resources to serve well this niche;
- a company can defend against the attacks of the big competitors thanks to a good reputation by the clients.

The main risk of the specialization is that the niche may become unpopular and that it can be easily attacked. That is why the company must take into consideration that its niche can be weakened and keep on creating new market niches. It can stick to its strategy but not necessarily in a given niche. It is more preferable to occupy many niches than to specialize in the single one. It results from the fact that developing in two or more areas the company increases its chances to survive[268].

4.7. Product strategies

Taking into consideration a product and a way of competing, Kenichi Ohmae differentiates four basic strategies which are the most often used by the Japanese companies. These are: a strategy of the creation of functional diversity, an aggressive initiative, a relative advantage and a maximization of a client's satisfaction (figure 4.6).

	Existing products	New products
Frontal competition	Strategy of building a functional diversity	Strategy of aggressive initiative
Avoiding competition	Strategy of relative advantage	Strategy of the maximization of client satisfaction

Figure 4.6. Japanese market strategies
Source: K. Obłój, *Mikroszkółka zarządzania*, PWE, Warszawa 1994, p. 74.

[268] Ph. Kotler, *Marketing*, Gebethner i Ska, Warszawa 1994, pp. 373-374.

The strategy of building a functional diversity means finding the reasons which decide about a success or a failure in a given branch e.g. the quality of construction and technology in the aviation branch. This strategy is effective until the competitors copy it.

The strategy of aggressive initiative means an intelligent negation of what everybody has considered so far as obvious. It leads to a creation of the new technological concepts and new products e.g. decaffeinate coffee, an electronic newspaper.

The strategy of relative advantage means a comparison of own company or the products with competitors and using the weaknesses of competitors on a specific market for building its advantage. The result of its application was e.g. the concept of fast food built on the observation of the slow service in the ordinary restaurants.

The strategy of the maximization of client satisfaction means a careful analysis of what a client expects from a product and adjusting the useful features of the product[269].

The competitive strategies, dealt from the point of view of mutual relations taking place between a market and a product were proposed by H. Igor Ansoff (figure 4.7). He distinguishes four basic kinds of product-market strategies: a strategy of market penetration, a market development, a product development and a diversification.

		Markets	
		current	new
Products	current	Market penetration	Market development
	new	Product development	Diversification

Figure 4.7. Product-market strategies
Source: R.A. Kerin, R.A. Peterson, *Strategic Marketing Problems*, Allyn and Bacon, Boston 1993, p. 6.

[269] I. Łącka, *Tak samo, tylko lepiej,* Businessman Magazine 11/1995, p. 86; J. Lipecki, *Zasady strategii firm japońskich*, Ekonomika i Organizacja Przedsiębiorstwa 10/1994, p. 26.

The strategy of market penetration means an increase of the sale of the current product on the current market. This means that the company is trying to use fully the possibilities of the existing markets and products. The effect of the usage of this strategy can be an increase of the market share and as a result the increase of the possibilities to influence the level and stability of prices and a decrease of the unit costs as the result of the increase of economy of scale. On the other hand the company must take into account the expenditures e.g. on advertisements, improvement of the quality of packaging, personal sale or the improvement of distribution. It is necessary to take into consideration a possibility to decrease a price. The strategy of market penetration can be implemented by:

- An increase of the size and frequency of the purchase by the current clients (improvement of the product, making the clients interested in its different application, increase of the unit packaging, strengthening the promotion, usage of reminding advertisement, making the distribution network more dense).
- Attracting the new clients by distracting them from the competitive products (improvement of the product, increase of the effectiveness of advertisement, decrease of the price and so on).
- Obtaining new clients which so far have not bought such products (promotion, launching new distribution channels, breaking the price barriers by a proper differentiation of products and prices).
- A protection of the current market from the competitors (a deepened market segmentation, an enhancement of the distribution channels, a particular care for clients doing frequent and big shopping).

A market penetration strategy is applied first of all in the relatively saturated market and in the stable situation when the products are in the further phases of the life cycles. Due to the fact that the effectiveness of this strategy in the long period of time can turn out to be limited, it is necessary to keep on examining the new possibilities of penetrating the existing market.

The strategy of the market development means a sale of the current product on the new markets. It can be implemented through such actions as:

- Spatial expansion that is a geographic expansion (leaving a local market towards a regional, supranational, national or international one). It can have a concentric character (entering the areas directly neighboring the frontiers of the current region of activities), selective (entering the selected, particularly beneficial areas, with a later conviction to fill the gaps between them and the current region) of an island type (a creation in the big urban center of the frontons for the further concentric or selective expansion).

- A creation of an additional market for a given product (expanding the features of the product taking into consideration the needs of the new clients, advertising the new possibilities of product application, development of the service network and so on).
- Winning new segments of the market so the new groups of clients which are different from the current clients of the product (an adjustment of the product, a distribution network and a promotional program to the needs and requirements of a new market segment).

A strategy of market development can lead to an internationalization of the company. While implementing it, it is necessary to take into consideration the fact that the different markets can react in a different way. The application of this strategy requires a multi-sided analysis of the possibilities of operating on an extended or a new market whereas the knowledge on preferences and aspirations becomes necessary. It is particularly important in the reference to the international markets in which the preferences can result from believes and a type of culture.

The strategy of the product development means offering a new or a changed product on the current market. A possibility of the company's actions within this strategy are wide and dependent on the scale of the innovativeness of the product. The implemented changes may refer to the external look of the product and product possibilities, the appearance and the size of the packaging, a size of the post-sale service, an image, a product availability, prices and so on. These changes can be small but it is the most important to change the product in the opinion of the clients. Doing such changes enables to obtain additional clients and at the same time leads to an increase of the product sale.

A diversification strategy means entering new markets with new products. It is connected with regrouping the resources which are at the disposal of enterprises and taking the actions which are really different from those done in the past. The diversification can be done with an own effort of the company, by a purchase of the license (know-how) or by the acquisition or mergers among the companies[270]. There are a few important reasons for which it is worth considering the possibilities of diversification:

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[270] Compare: J. Altkorn (ed.), *Podstawy marketingu*, Instytut Marketingu, Kraków 1998, pp. 414-415; L. Garbarski, J. Rutkowski, W. Wrzosek, *Marketing*, PWE, Warszawa 1992, pp. 339-343; B. Mróz, *Strategia przedsiębiorstwa*, Firma 4/1992, p. 28.

- a diversification decreases a risk of the business by its dispersion;
- it allows to obtain a synergic effect of these activities which means an achievement of the extraordinary effect resulting from a combination of the different resources and skills;
- it allows a company to avoid the negative results of the aging sector in which it was operating so far;
- it creates for a company a chance for a long-term development using its potential in the effective way;
- it ensures a stability of profits of the company and its financial safety;
- it forces the development and progress in the company, its creativity in order to obtain the competitive advantage.

Among the negative effects of the diversification, one can enumerate first of all:

- a possibility to lose the specialization of the company;
- difficulties in the management of the diversified company;
- decrease of the effects of the big scale production and the specialization of the production and sale[271].

One can differentiate three directions of diversification: vertical, horizontal or parallel.

The horizontal diversification means an extent of the production with the products or services which are closely connected with the current field of activities in order to make it possible to use the possessed know-how and the experience of the company. These are the most often the products which satisfy other needs of the current clients or the similar needs in a different way. The application of this kind of differentiation is favorable to maintain or improve a competitive position of the company first of all due to operating in the well-known areas and in the conditions of the lack of important changes among the clients.

The vertical diversification means undertaking activities which are a former link (backwards diversification) or the following one (forwards diversification) in relation to the current activity. This diversification causes the decrease of the risk of activities by limiting a level of dependence on the suppliers or on the wholesalers. Simultaneously, the advancing integration of production processes

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[271] M. Barańska-Fisher, *Dywersyfikacja przedsiębiorstw w procesie restrukturalizacji*, in: *Małe i średnie przedsiębiorstwa w procesie transformacji polskiej gospodarki*, praca zbiorowa, Politechnika Łódzka, Łódź 1996, p. 29; M. Romanowska, *Zarządzanie strategiczne firmą*, CIM, Warszawa 1995, pp. 58-59.

leads to a decrease of the flexibility of actions and makes it difficult to adjust a company to the changing conditions of the environment. That is why a vertical diversification is effective first of all in the technologically mature branches of production characterized by a relatively low technological progress.

The vertical and horizontal diversification is often called a related diversification as it means the company's entering into the sectors which are in some ways related to the current activities so the related sectors.

A parallel diversification (not-related) means taking the actions completely different from the current ones. In this way the range of the produced goods not showing any technological or marketing links with the current ones offered by the company are enlarged. The parallel diversification requires a simultaneous operation in the different market segments but the differentiation of the production conditions and company environment leads to an increase of the technological and economic risk[272].

The diversification strategy is the most complex one which the most stimulates the company's development. It requires the knowledge of the market and new solutions in the field of production allowing to produce the new, modified products and to obtain new skills and qualifications by the employees and managers.

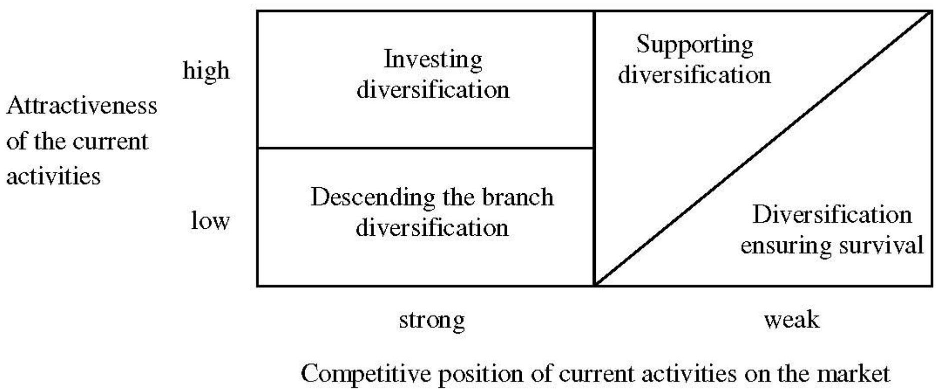

Figure 4.8. Model kinds of diversification
Source: L. Garbarski, I. Rutkowski, W. Wrzosek, *Marketing*, PWE, Warszawa 1992, p. 344.

[272] M. Romanowska, *Zarządzanie strategiczne firmą*, CIM, Warszawa 1995, p. 64.

Depending on the situation of the company, including its market position and attractiveness of the activities carried so far, the diversification strategy can lead in the different ways to the development of the company. Four kinds of strategies can be differentiated: an investing diversification, a descending the branch, supporting and ensuring a survival (figure 4.8).

The investment diversification can be applied only by the companies which have a very good competitive position on the market. When the current production program is attractive, further investments may be needed in order to maintain a leading position on the market. Depending on the financial capacities of the company, one looks for such an area of activities which will ensure the biggest profit with the current possibilities.

The diversification of leaving the branch is directed to the companies which are approaching the "maturity" that is slowly withdrawing the produced products from the market. The diversification in this case is a substitute of an economic growth because the current activities are decreasing. The gap which is created as the result of shrinking of the activities should have been filled in earlier. It is therefore necessary to plan and undertake new actions earlier.

The supporting diversification has as its aim the protection of the current activities. Adding a new area of activities it is supposed to increase the current competitiveness of the company. The choice of such an area is done taking into consideration the synergic effect from the current and design activities. That is why the vertical diversification is particularly beneficial.

The diversification ensuring the survival, as indicated by its name, enables a company with a bad competitive position to survive on the market. While applying this strategy, it is necessary to be particularly careful. Due to the bad financial situation of the company, the sizes of the new activities should not be big. What is more, the new activity should be carefully synchronized with the current activities of the company[273].

The strategies proposed by H. Igor Ansoff must be treated as dynamic that is from the point of view of their change in time. One can notice three typical directions of changes[274]:

- I strategy is the most traditional and it means a lack of expansion on the new markets due to the fact that the company after a saturation of the market with

[273] L. Garbarski, I. Rutkowski, W. Wrzosek, *Marketing*, PWE, Warszawa 1992, pp. 343-344.
[274] A. Sznajder, *Strategie marketingowe na rynku międzynarodowym*, PWN, Warszawa 1995, pp. 90-91.

its own products does not enter a new one but introduced a new product to the same market.

- L strategy means that after a saturation of the market of primary activities, the company launches a new product to the very same market and then enters also the new markets or segments within it.
- Z strategy means a maximum usage of the sale possibilities of the currently produced goods. Only later a new product is launched on the primary market and finally it is introduced to the new markets.

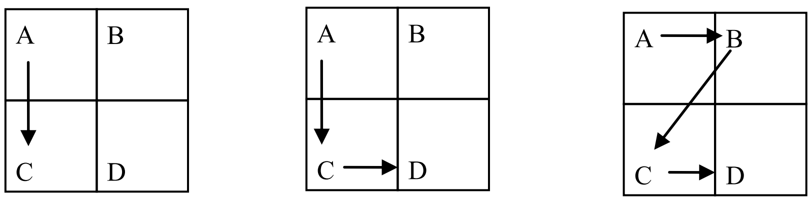

Figure 4.9. Directions of the changes of product-market strategies
Source: A. Sznajder, *Strategie marketingowe na rynku międzynarodowym*, PWN, Warszawa 1995, p. 90.

While formulating the general guidelines of product-market strategies, the attention must be paid to[275]:

- Historic factors which include e.g. the patterns of the past behaviors during the periods of activities and effectiveness of the company which can have an influence on its current functioning.
- Resources and particularly a lack of financial resources which causes a feeling of instability of conditions in the company which negatively influences an inclination to undertake the development activities. It is necessary to take into consideration that the limits in the access to financial and material resources determine the development capacities of the company.
- External conditionings on which the company does not have any influence e.g. the decisions taken on the national level, accidents.
- Intended actions done by the very company which are the reaction to the changes taking place in the environment and sometimes in the very company e.g. the cultural changes.

[275] A. Pomykalski, *Strategia przedsiębiorstwa*, Zeszyty Naukowe Politechniki Łódzkiej, Organizacja i Zarządzanie, z. 26, Łódź 1996, pp. 13-14.

The strategies differentiated on the basis of the criteria: key competitiveness features - market are a variation of the product - market strategies differentiated by H. Igor Ansoff. Instead of considering whether an offered product is a new one or a current one it is taken into consideration whether the features which are needed to produce a product or to deliver a service and for satisfying the customers' needs are new or the current ones. However, the market criterion remains unchanged which means that the market is divided into the current and new one. This division is presented in figure 4.10.

		Market	
		current	new
Features of competitiveness	new	Super plus	Mega possibilities
	current	Filling in the gaps	White stains

Figure 4.10. Competitiveness features-market strategies
Source: O. Flak, G. Głód, *Konkurencyjni przetrwają*, Difin, Warszawa 2012, p. 128.

The "super plus" strategy means competing on the current market developing simultaneously and using the new features of competitiveness.

The strategy "mega possibilities" means developing and using the new features of competitiveness which will be needed on the new, the most attractive markets in the future. It is a very important strategy from the point of view of long-term creation of the market position and company image.

The strategy of "filling in the gaps" shows what the possibilities of the improvement of the company position on the current markets are thanks to a better usage of the currently possessed competitiveness features such as e.g. a well-known trade mark. This also means concentrating on own competitiveness potential.

The strategy "white stains" means a usage of the currently possessed competitiveness features on the new markets. It responds to the question what products a company should produce in order to use creatively or modify the current key competitiveness features. In this strategy, it is very important to conduct research and development actions[276].

Basing on such criteria as: a product – a market, one can also distinguish other competing strategies than the ones resulting from the matrix of H. Igor Ansoff. The market here is considered from the point of view of differentiation of customers' needs and the product is considered from the point of view of a possibility to distinguish own market offer (a standard or a differentiated product). This allows to differentiate four basic kinds of strategies: of massive product, differentiation, market segmentation and a speciality (figure 4.11).

		Features of the product	
		standard product	differentiated product
Market features	homogenous market	Massive product strategy (commodity)	Differentiation strategy
	market segments	Market segmentation strategy	Specialty strategy

Figure 4.11. Kinds of strategies according to the criteria: product-market
Source: R. Kłeczek, W. Kowal, J. Woźniczka, *Strategiczne planowanie marketingowe*, PWE, Warszawa 1999, p. 223.

The strategy of market segmentation means offering a less or more standardized product to a limited part of clients. The common feature of this group of clients must be a homogeneity of preferences, which will allow to treat it as a differentiated market segment. However, it is not always possible to use this strategy in the marketing activities due to the fact that the differentiation of the clients' preferences generally takes place in the moment of the market maturing. In the situation when the market is in the phase of growing or when on the given market the differentiation of the clients' preferences is not clear it is more justified to apply the strategy of a massive product or differentiation. However, when the differentiation takes place and when the market

[276] O. Flak, G. Głód, *Konkurencyjni przetrwają*, Difin, Warszawa 2012, pp. 127-129.

segments start to appear, a segmentation strategy can be a way to achieve a stable market position.

The specialty is characterized by a differentiation of own marketing offer on one of the separated market segments. In this strategy it is necessary to concentrate the marketing actions on the needs of the given segment of the market and a differentiation of own offer in comparison to the competitors.

Massive product strategy (commodity) leads to an achievement of the defined strategic aims by using a product which is not differentiated and offered on the whole market. Thanks to a product standardization, a massive production is possible which is favorable to the appearance of the experience effect decreasing costs and prices. Obtaining a cost leadership, which allows to achieve a considerable market shares and big volumes of sales is a way to succeed on the market. This strategy is generally used towards the markets which are in the growth phase when the consumers do not show such differentiated needs and preferences.

A differentiation strategy aims at achieving strategic goals by differentiating own product on the market. In this strategy, the whole attention of the company is concentrated on differentiating own offer in comparison to the offer of competitors. Such activities provide a possibility to obtain a big market share and higher sale prices. The main problem is to differentiate this offer which must be an important motive of the purchase for the totality of the consumers on the market and must provide such an advantage over the competitors that they will not be able to threaten it for a long period of time[277].

The main aim of the differentiation strategy is to avoid a direct cost and price confrontation by providing an unique offer. Taking two criteria into consideration: a dissimilarity of the offer in comparison to the standard one in terms of the value and price and the existence or a lack in the given moment of a proper market segment that is the group of specific clients to whom the specific offer is addressed, one can differentiate four basic types of the differentiation strategy: improvement, specialization, pauperization and narrowing strategy (figure 4.12).

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[277] R. Kłeczek, W. Kowal, J. Woźniczka, *Strategiczne planowanie marketingowe*, PWE, Warszawa 1999, pp. 222-226.

	Uniqueness of the offer is perceived and appreciated by the whole market	Uniqueness of the offer is perceived and appreciated by a given market segment	
Value and price increase above standard offer	Improvement strategy	Specialization strategy	A positive difference
Value and price fall beyond the standard offer	Pauperization strategy	Narrowing strategy	A negative difference
	Segmentation caused by supply	Already existing segmentation creates supply	

Figure 4.12. Typology of differentiation strategy
Source: Strategor, *Zarządzanie firmą*, PWE, Warszawa 1997, p. 102.

The improvement strategy equals the strategy of a positive differentiation, clearly perceived and appreciated by the market or its considerable fragment. "The improved" product offered with a comparable price will be preferred by the majority of the clients in relation to a standard product and then it can become a standard itself. The market division into a standard and improved offer is done on the basis of the price criterion and not the criterion of perceiving the values of an improved product.

A specialization strategy means offering a product addressed to a particular pre-defined type of clients who will be able to notice and appreciate a specificity of the offer. In this case the increased standard of the product is also present but the improvement will have a meaning only for a specific segment of the market and only these clients will be able to pay a higher price for it. Such special offers are e.g. the products for a specific kind of users (e.g. the disabled, people with non-typical sizes and so on).

A pauperization strategy is a strategy of offering the products with the lower value in comparison to the standard offer with the lower prices. These offers, just as the improved products, are perceived as different from the standard ones (in a negative way) and a reason a lower price is a reason for their purchase. The example of such an offer can be e.g. the charter flights.

The narrowing strategy is also the strategy of the negative differentiation but it is simultaneously an offer addressed to a particular segment of the market that is the clients for whom the standard offer is too expensive. This does not mean decreasing the product value in the eyes of these clients by depriving them of some kinds of "extras" which will enable to define a lower price as the result of saving in the production costs. The example of such an offer can be e.g. offering by some American companies only local phone calls. Due to the facts that the costs of the services are cheaper, their prices can be lower. Such an offer is interesting for the clients who very rarely make international phone calls or do not make them at all[278].

According to a different division of the differentiation strategy one can differentiate nine strategies which are difficult to be copied by the competitors. They include: a differentiation by being the first, an appropriation of attribute, a leadership, traditions, a market specialization, clients' preferences, technology, popularity and the newest achievements.

The differentiation strategy of being the first is based on an opinion popular among the clients that the product of the producer who was the first on the market is original and all the others are plagiarisms. In the majority of cases the fact of appearing on the market earlier than others ensures a significant advantage over those who enter later. It happens particularly when the name of the first brand becomes a common name. It makes other companies entering the market later look for an own positioning strategy. If the competitors try to follow the first company it only strengthens the activities of the founder. It is easier to enter the consciousness of the clients being the first than to convince them that the following product is better than the one already present in their memory.

The strategy of differentiation by appropriation of attribute refers to developing in a perfect way of some characteristic, specific or recognizable features of the product which are important for the client. Each product depending on the category possesses many attributes and their originality and exceptionality decides about its uniqueness. However, the companies try too often to follow the leader although the usage of a similar attribute is not always effective. In this way, instead of creating an individuality of the brand they only support the actions of the competitors. It is better to find an opposite attribute which can be used against the leader.

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[278] Strategor, *Zarządzanie firmą*, PWE, Warszawa 1997, pp. 101-102.

The implementation of the leadership strategy is a form of differentiation. Being a leader is the strongest way to differentiate a brand and simultaneously the simplest way to build the reliability in the clients' opinion. The reliability is a safety which provides a brand with the quality guarantee. The leading position can be achieved in many ways and namely in the field of sale, technology, quality and so on.

The differentiation strategy by using the tradition is the best solution which serves to overcome the uncertainty of clients. The tradition confirms people the rightness of their choice because people imagine that the company must be doing something really well if it has existed on a market for such a long period of time. An important aspect of the tradition is an origin of the product and defining the family relations in case when the producer is the family company.

The strategy of the differentiation by the market specialization is connected with a perception of a producer as an expert in the given area. Concentrating on a given product, activity or an advantage, a company can appear more easily in the clients' awareness than the companies dealing with many areas.

The strategy of the differentiation on the basis of the clients' preferences means providing the clients with what other clients consider as proper. People generally consider a given behavior as a correct one in a given situation as long as people behave like that as well. It is the so-called principle of the social proof.

A differentiation strategy by using the technology is based on some technological element which decides about the whole product. This technology is very often patented. In case when on the market there are many similar products offering the same advantages what differentiates a given product can be the way of producing it. If the company can define this factor or element and name it, it starts to attract the clients.

The differentiation strategy by popularity means ensuring publicity by the company particularly in the situation when it has achieved a very high market position. A company should explain to the clients how they obtained this position and what kind of benefits it possesses. In order to achieve it, it can use the different instruments of promotion-mix mainly public relations and publicity.

The strategy of differentiation by the newest achievements means an adaptation of the attitude concentrated on offering newer, better and more modern product. In this strategy it is important to visibly cut from the past e.g. the old technologies. In order to make it effective, three rules must be fulfilled:

the products of the new generation should solve the important problems of the clients, should not act against the tradition and be better than the current ones[279].

The differentiation strategy can also refer to the single element of marketing mix e.g. product, promotion, distribution or the applied price strategy. From this point of view one can differentiate five basic strategies used first of all by the companies serving the market niches: differentiation by the product strategy, based on the client service, based on the distribution channels, the communication strategy and the price strategy.

The differentiation by the product strategy is based on the fact that the company serving the market niches gets to know its clients very well and as a result can satisfy their needs better than other companies and as a result demand a higher price for its products. Such a company has high profits.

The differentiation strategy based on the client service means modifying and adjusting the service to the needs of clients, grouped in the niches served by the companies. The choice of the product is often done by the clients on the basis of the service and additional services such as: guarantee, quick repairs, detailed instructions, possibilities to buy on installments and so on.

While applying a strategy of differentiation based on the distribution channels it is necessary to use every available way by means of which the products and services can reach the consumers. Each company must try to send the products to the clients in a way which is easy, quick and comfortable for them (e.g. some supermarkets deliver home the purchased products). The differentiation of the distribution channels to make the products available easily and more widely is a natural prolongation of the differentiation based on the customer service.

The differentiation by the communication strategy is connected with the fact that every niche is different and is in the majority of cases managed by the different purchase motives, even while taking a decision of purchasing the same products. It is impossible to show all the values of the product in one, single advertisement. In such a case the purchase motives would be mixed and an advertising campaign would be created which would not be able to influence any of the groups of clients. A differentiated way of communication is needed which is adjusted to the concrete clients.

The strategy of the differentiation by the price means a differentiation of the prices of products depending on the price sensitivity of the single groups

[279] M. Klimczyk-Bryk, *Strategia wyróżniania się na rynku*, Manager 5/2000, pp. 26-28.

of receivers. This strategy enables to satisfy a bigger number of consumers, serves the bigger number of market niches which finally result is the growth of the product sale and profits. The policy of just one price means that this price can be too high for some potential clients and deters them which results in the loss of sales. On the other hand, putting the price on a too low level means a loss of the part of the profits which could have been obtained[280].

4.8. Cost strategies

Cost strategies direct all the activities of the company on one main aim which is the minimization of the total costs. They are based on a conviction that the best competitive position is obtained by those companies which have the lowest costs. If it is the market which shapes the prices, the highest profit is obtained by those producers who produce the most cheaply. In turn a high profit allows them to continue investing and at the same time strengthen their market position.

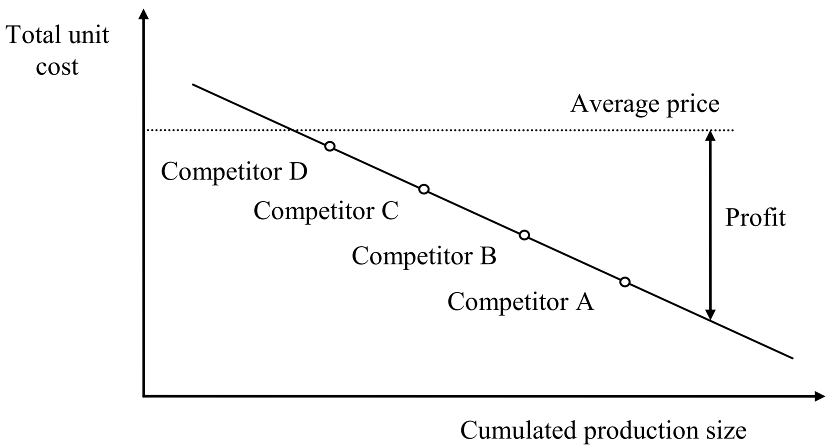

Figure 4.13. Experience curve and a relative profit level
Source: R. Kłeczek, W. Kowal, J. Woźniczka, *Strategiczne planowanie marketingowe*, PWE, Warszawa 1999, p. 207.

[280] P. Chwirot, H. Mruk, *Strategie działania w niszy rynkowej*, Marketing i Rynek 1/1997, pp. 13-14.

The results of the research conducted in many branches show that a company producing with the lowest costs is also the one which cumulated the highest production. This fact was a starting point to prepare a concept of the experience effect. According to this theory, the total unit cost of the product decreases by constant percent every time when the cumulated value doubles. This cost is measured according to the durable value of money that is without taking the inflation into consideration. After every doubling of the experience cumulated by the company in the given area the costs fall from 10 to 30%[281]. The figure 4.13 presents the experience curve which angle of inclination shows the size of the experience effect.

The reasons for the appearance of the experience effect are very often the economies of scale which means that a unit cost in a given area of production decreases when the production capacities and sale increase. This results from the distribution of the total costs (research and development of the product, advertisement and so on) for longer series and decreased investment costs calculated per product unit. The second reason is the so-called proficiency effect which means that the repetition of tasks shortens the time necessary to execute them and at the same time decreases the costs. An employee who repeats a given operation many times becomes more skillful which means that the work is done quicker. What is more the whole system of work organization becomes better adjusted to the executed tasks which also causes a decrease of the unit costs. The third reason are innovations and the fact that the factors of capital and work can be the substitutes. The gathering of experience allows to improve a product by removing those elements which are the most unreliable and using the cheaper components for production. Simultaneously, the process of the production is improved by replacing slowly the work with other production factors.

Taking into consideration the shaping of the price in relation to costs (which level is influenced by the experience effect), it is possible to differentiate five basic price strategies which respond to the competitive position of the company and the increase of the competition on the market. These are: a dumping strategy, a domination strategy, an umbrella strategy, a strategy of capture and an abandonment.

The dumping strategy means agreeing with the preliminary losses in order to impose a substitution product. While wanting to launch a new product, quickly increase its sale and use fully the experience effect, a company can at the

[281] Strategor, *Zarządzanie firmą*, PWE, Warszawa 1997, pp. 78-79.

beginning accept the risk of losses with the hope that the decreasing costs will slowly cause an achievement of a satisfactory level of production profitability. However, this requires in the initial period a definition of the price on the competitive level for all the existing substitution products. Thanks to a quick growth of sale a company can in the short period of time cumulate enough experience (figure 4.14).

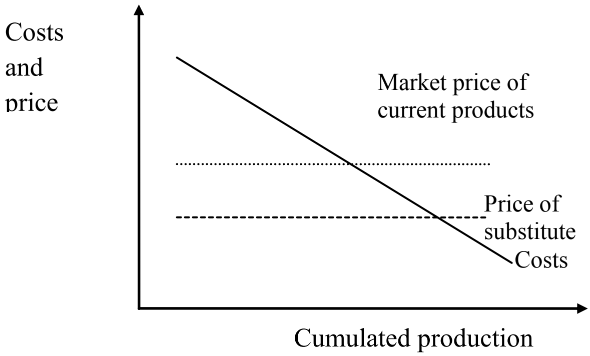

Figure 4.14. Dumping strategy
Source: Strategor, *Zarządzanie firmą*, PWE, Warszawa 1997, p. 84.

The domination strategy means a reflection of costs in prices. It is a strategy which can be used only by the companies dominating in the given sector. This means a simultaneous decrease of the price following a decrease of the production costs. The company using this strategy takes the market initiative and defines the prices imposing them on the competitors. By maintaining a stable margin of profit, it makes it difficult for other competitors to enter the market and eliminates the weaker companies from the market (figure 4.15).

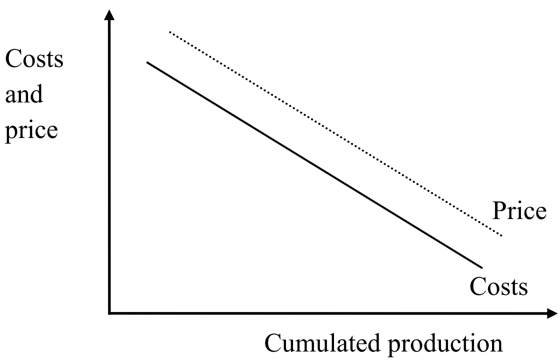

Figure 4.15. Domination strategy
Source: Strategor, *Zarządzanie firmą*, PWE, Warszawa 1997, p. 85.

The umbrella strategy is connected with maintaining a given level of price in order to increase a margin of profit. The company instead of decreasing a price together with decreasing the production costs, at the beginning maintains a high price, making it in this way a kind of a price umbrella. It enables at the beginning to obtain a big profit and ensures a quick return on the invested capital. However, this strategy cannot be applied in price wars. The appearance of the new competitors, encouraged by a high profitability of the sector or an offensive started by the competitors wanting to increase their market share cause generally a necessity to decrease the prices following the decreasing production costs (figure 4.16).

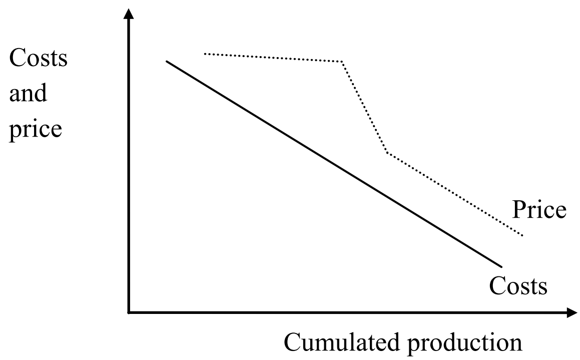

Figure 4.16. Umbrella strategy
Source: Strategor, *Zarządzanie firmą*, PWE, Warszawa 1997, p. 85.

The capture strategy means overtaking a part of the market. It is a strategy which enables a company in an unbeneficial starting position to increase its market share and to catch up with the leaders. In order to catch a part of the market, the company decides in a given moment to sell its products with the lower prices than the competitors and sometimes even lower than its own production costs (figure 4.17).

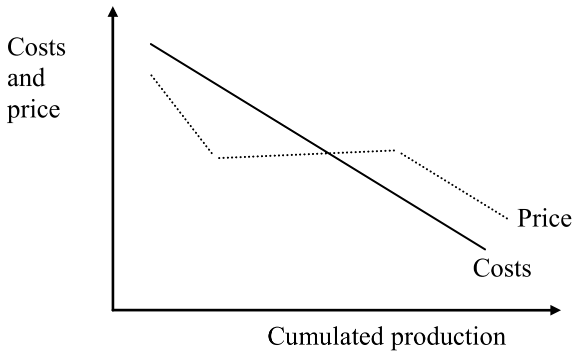

Figure 4.17. Capture strategy
Source: Strategor, *Zarządzanie firmą*, PWE, Warszawa 1997, p. 85.

The abandonment strategy means a gradual withdrawal from the sector maximizing the profitability at the same time. This strategy is applied by the companies which without maintaining a sufficient competitive position, decide in a given moment to withdraw from the market trying at the same time to obtain from it as much as possible in order to obtain at least a return on the invested capital (figure 4.18).

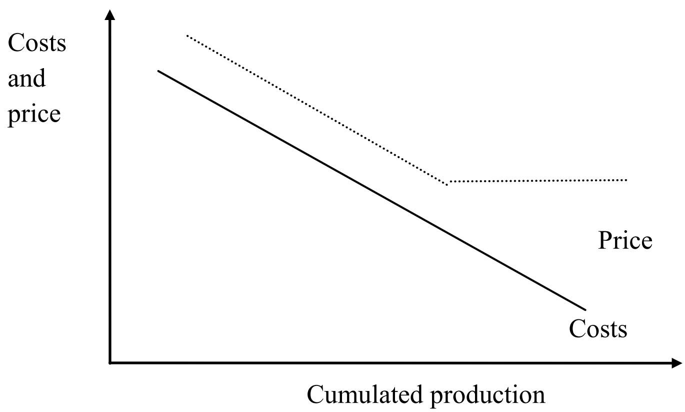

Figure 4.18. Abandonment strategy
Source: Strategor, *Zarządzanie firmą*, PWE, Warszawa 1997, p. 86.

The application of the described strategies results not only from the evaluation of own market position but first of all from the phase of the sector maturity. The figure 4.19 presents an evaluation of the dependence of the price strategy on a stadium of the sector maturity.

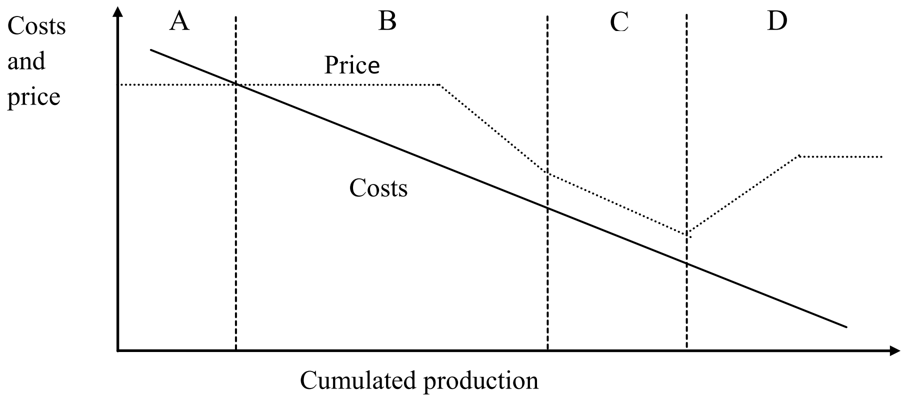

Figure 4.19. Price rigidity versus the stadium of the sector maturity
Source: Strategor, *Zarządzanie firmą*, PWE, Warszawa 1997, p. 86.

In the A phase (start of the sector) a company in order to impose its product uses the policy of low prices, even risking losses. In the B phase (sector growth) the company maintains at the beginning the rigid prices in order to make up for the losses encountered in A phase. However, an appearance of the new competitors or trying to maintain a dominant position on the market make the company decrease the level of prices, adjusting them to the decreasing production costs. In the C phase (sector maturity) a structure of competition stabilizes. When the sector enters a decline phase (D) the companies remaining in it try to use the obtained positions and to achieve a maximum of profitability[282].

4.9. Qualitative-price strategies

A company, while formulating a strategy of influencing the market, must take into consideration the fact that clients differ not only in terms of needs, desires and possibilities but also react in the different way to the different marketing instruments. It is therefore necessary to define a proper

[282] Strategor, *Zarządzanie firmą*, PWE, Warszawa 1997, pp. 80-82, 84-87.

combination of two main instruments of impact: widely understood offer quality and the price.

Figure 4.20 presents a graphic illustration of the price-quality strategies. On the horizontal axis the range of satisfied needs and the preferences of the clients are marked whereas on the vertical axis an intensity of the price advantages or qualitative advantages connected with an offered product (functionality, originality, durability). The points lying close on and close the axis obliquely intersecting the coordinate system reflect the range of the possible options of influencing the market in terms of quality and price. On the opposite edges the points presenting the extreme options which can be defined as: a pure strategy of qualitative preferences and a pure strategy of qualitative-price type are placed. Close to the intersection of the coordinate axis there is an area called "the Bermuda triangles". This expression is supposed to attract the attention to the threats connected with the choice of the strategies which do not ensure any visible advantages for clients, neither the qualitative nor the ones related to the price[283].

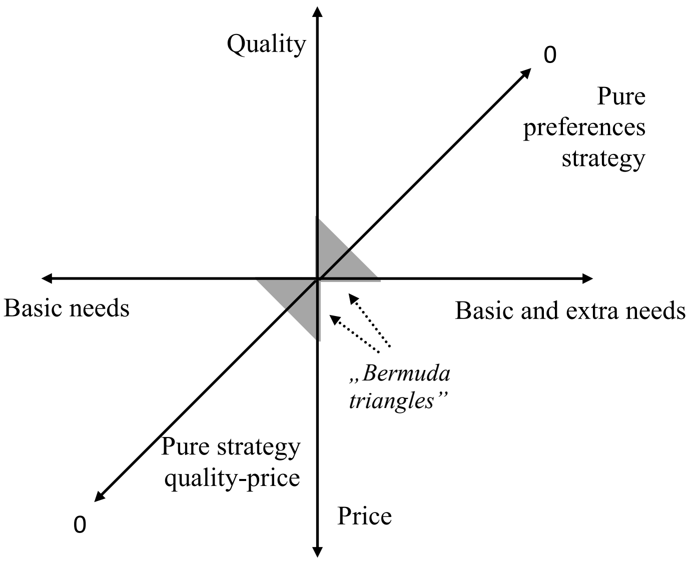

Figure 4.20. Basic options of the quality-price strategy
Source: J. Altkorn (ed.), *Podstawy marketingu*, Instytut Marketingu, Kraków 1998, p. 415.

The strategy of the qualitative preferences is addressed to the so-called brand clients so the clients who in their decisions concerning the purchase are

[283] J. Altkorn (ed.), *Podstawy marketingu*, Instytut Marketingu, Kraków 1998, pp. 415-416.

guided mainly first of all by the product quality and a level of satisfying their individual, often sophisticated needs and preferences. They pay a lot of attention to the level of service and to the opinion of the product brand or the company. The usage of this strategy requires a long-term and expensive creation of the company's image and an application of the carefully prepared and rich composition of marketing tools. This entails high costs for marketing. A skillfully applied preference strategy enables an achievement with a certain category of clients of a quasi-monopolistic position and obtaining high costs related to it without paying a particular importance to the scale of turnover.

Contrary to the strategy of the qualitative preferences, the strategy price-quantity is based on the rule: a big turnover – a small unit profit. It is oriented on the so-called price clients so the clients who while taking a decision on the purchase are guided first of all by the price attractiveness of the offer. It is connected with a readiness to limit the qualitative requirements and to resign from the prestige connected with the product brand. The main condition of the effectiveness of this strategy is a maximum reduction of the unit costs of producing and marketing. This means a standardization of products, a limit of their variations, long production series, client service reduced to minimum, limited packaging, modest advertising and so on. The price-quantity strategy implemented in this way can bring relatively quick economic effects. However, they are insecure due to an easiness of following them by the competitors and a risk resulting from calculating the prices close to the profitability margin[284].

Table 4.6 presents the basic features differentiating the strategy of the qualitative preferences and the strategy price-quantity.

Table 4.6. Basic differences between a preference strategy and a strategy price-quantity

Features	**Preferences strategy**	**Strategy price-quantity**
Rule	Compete by means of quality	Compete by means of price
Aim	High margin of profit	Turnover and market share
Essence	Shaping and satisfying the sophisticated needs and preferences of clients; taking care of the brand image; obtaining the trust of loyal clients	Satisfying the basic needs; attracting clients with low prices; creation of an offer alternative towards expensive brand

[284] R. Niestrój, *Zarządzanie marketingiem*, PWN, Warszawa-Kraków 1998, pp. 155-157.

Table 4.6 (continued)

Category of clients	Mainly the so-called brand clients who put the quality before the price	Mainly the so-called price clients who are driven by the price effectiveness of the offer
Effectiveness	Slow but durable effects	Quick but not durable effects
Dominating functions	Marketing, creating value, client service	Production, technique, work organization, concentration on the decrease of costs
Marketing-mix	• High product quality • Attractive packaging • Brand image • Intensive promotion • Personal sale • High price as an aim and element of the strategy	• Average product quality • Rational packaging • Non-brand products • Moderate promotion • Effective forms of sale • Low prices
Main advantages	A chance to build a strong and relatively durable market position	A chance to obtain the advantages resulting from the economy of scale of the activities
Main drawbacks	High investments and a risk of failure in creating a brand image	A small margin of acceptable mistake in shaping the offer and a strong threat of price competition

Source: R. Niestrój, *Zarządzanie marketingiem*, PWN, Warszawa-Kraków 1998, p. 156.

Between the extreme options described above, there are many variations which result from a desire to attract as many as possible of the so-called average clients or the ones which constitute a transitory period in the process of the evolution of the marketing strategy and the company image (table 4.7). This process can happen in both directions so both in the strategy price-quantity “upwards” or from the position of the strategy of preferences “downwards”.

Table 4.7. Strategic options in influencing the market

Quality \ Price	Low	Medium	High
High	Activating strategies		Strategy of qualitative preferences
Average	Intermediate strategies		
Low	Strategy price-quantity	Predatory strategy	

Source: R. Niestrój, *Zarządzanie marketingiem*, PWN, Warszawa-Kraków 1998, p. 157.

A transfer from the level of low prices "upwards" shows quite a natural desire of producers to increase a market to a higher level obtaining the necessary capitals, production and trade experience and the clients' trust. On the other hand, a transfer from the level of the preferences strategy "downwards" can result from a wrong evaluation of the chances to create a proper brand image and this makes it necessary to adjust a strategy to the real needs of the company or because of an insufficient capacity of the upper market segment which in the given moment can be a barrier for the further development of the company. In both cases the company strikes the area of the transition strategies.

The quality of the offer is positively correlated with the price which results from the obvious dependencies between the quality and the price which should cover them with interest. The activating strategies and "predatory strategies" negate this dependency so they cannot constitute a durable basis of the marketing strategy of the company.

The activating strategies which mean offering the products with the prices much lower than the average ones for a given level of quality, can be applied only temporarily while implementing temporary aims connected with market penetration or "emptying" the distribution channels before launching a new product to the market (sales).

In turns, the application of the "predatory strategies" means offering the products with an average or low quality with high prices and which are presented as the goods of the high quality (packaging, promotion, service). It is necessary to include into the phenomena from the area of marketing pathology. They constitute an abuse of the clients trust and negatively influence the company's image[285].

[285] R. Niestrój, *Zarządzanie marketingiem*, PWN, Warszawa-Kraków 1998, pp. 157-159.

A slightly different division of the price-quality strategies is possible. There are four strategies defined as: a market bargaining, a market penetration, a market luxury (premium strategy) and a "hit and run" strategy[286].

	Low price	High price
Low quality	Market bargaining	"Hit and run"
High quality	Market penetration	Premium strategy

Figure 4.21. Price-quality strategies
Source: K. Obłój, *Mikroszkółka zarządzania*, PWE, Warszawa 1994, p. 68.

Bargaining strategy is a strategy of offering a product with an average or a low quality with a low price. It generally leads to a big sale, low profitability and a weak image of the company on the market. A high level of sale results from the fact that clients perceive a product as a kind of occasion and decide to buy it while wanting to save. A low profitability is caused by the fact that a low quality generally does not mean low costs but the average costs which with low costs lead to a low profits. It is in other words a strategy of market trash negatively influencing the market image.

The market penetration means offering a product with a high quality with a low price. It allows to quickly win the market and create a positive image of the company. It is effective only when a company has a low level of costs or cheap sources of financing its market expansion and runs effectively the marketing activities.

Premium strategy is offering the products with a very good quality with the high prices. This strategy ensures very high profits and a very good reputation in the branch.

The strategy defined as "hit and run" means offering a weak product with a high price. The company using this strategy changes all the time the market segments in order to use newer and newer groups of clients. It is an unethical activity which in the short period of time leads to a maximization of sale and profits.

[286] K. Obłój, *Mikroszkółka zarządzania*, PWE, Warszawa 1994, pp. 68-70.

A more detailed division of quality-price strategies is proposed by Philip Kotler and Gary Armstrong. They differentiate nine kinds of those strategies resulting from the matrix presented in the figure 4.22[287].

		Price		
		high	medium	low
Product quality	high	1. Strategy of the highest quality	2. Strategy of high value	3. Strategy of perfect value
	medium	4. Overload strategy	5. Strategy of medium value	6. Strategy of good value
	low	7. Extortion strategy	8. Apparent saving strategy	9. Strategy of saving

Figure 4.22. Strategies in the system price-quality
Source: Ph. Kotler, G. Armstrong, *Principles of Marketing*, Prentice-Hall, New Jersey 1994, p. 372.

The strategies placed on the matrix diagonal (the strategy of the highest quality, medium value and the strategy of saving) can coexist on the market that is one company can offer the products with a high quality with a high price and the second one the products of a medium quality with a medium price and a different company products with low quality and with a low price. All three kinds of companies can co-exist as long as three groups of clients exist: those paying attention to a price, to a quality and to both of these elements.

The strategies of high, perfect and good value are the ways of attacking the companies using the strategies lying on the diagonal. E.g. a strategy of a high value intends to explain to the client that the company offers a product with the same quality as a company applying the strategy of the perfect value but with a lower price. This means that buying a product of this company the client will do some savings.

[287] Ph. Kotler, G. Armstrong, *Principles of Marketing*, Prentice-Hall, New Jersey 1994, p. 372.

The strategies of overload, extortion and saving boil down to defining the prices of products on a level which is too high in relation to the quality. Clients who purchase such goods will feel cheated and probably in the future will not use the offer of the producers of these goods.

4.10. Market entry strategy and global strategies

A company which took a decision to expand its activities should define its potential markets and analyze them. This evaluation must be conducted even more carefully in case of international markets. The analysis of such markets should take into consideration many factors, among which the following ones can be considered as the most important ones (the so called 12 C)[288]:

1. Country – a detailed knowledge about a country in which a company will run business.
2. Culture and consumer behavior – a knowledge of a culture and a tradition and the motives of customers' behaviors on the market.
3. Concentration – a spatial distribution of potential clients.
4. Communication – means of transport available on the given market (both of people and goods) and the ways of sending information (telephones, faxes, Internet and so on).
5. Channels of distribution – a possibility to use the existing channels of distribution in a given area and a possibility to create the new ones.
6. Capacity to pay – a capacity of the market stakeholders to pay for goods and services they want to purchase. The capacity to pay understood in this way is dependent on many restrictions on the spending of reserves of foreign currency, interest rate and other terms of credit and so on.
7. Currency – a currency in which the transactions are calculated, exchange rate fluctuation.
8. Control and coordination – a level of control of a company over all the areas of its activities. The bigger the investments and the risk connected with activities on the foreign market, the bigger the needed range of control.
9. Commitment (engagement in activities, knowledge about a market) – engagement of the company in a given activity which permanently enables to obtain and deepen the knowledge about the market.

[288] A.R. Morden, *Elements of Marketing*, DP Publications Ldt, London 1993, pp. 196-203.

10. Choices of marketing mix – a set of marketing mix elements (including promotion mix) which will bring the best effects on a given market.
11. Contractual obligations – conditions on which a company concludes transactions (required financial deposits, fines for delays or for a lack of product supply, insurance of goods and so on).
12. Caveats (warnings, important issues) – besides the aforementioned factors, a company should also take into consideration other issues which can decide about the effectiveness of marketing on new markets. They include e.g. a market reputation dependent on the quality of products and services, time of delivery, long-term presence on the market, cooperation with local stakeholders and so on; motivating sellers of exported goods, evaluation of risk connected with running a business on a given market, political stability in a given country or region, knowledge of relations between companies and other stakeholders on the local market, government policy towards own and foreign companies and so on.

Having conducted a detailed analysis of the single markets, the company should choose a way of expansion for them and define the order of market mastering. With a conviction that there is some optimal number of markets on which the company intends to operate, it can use the alternative strategies which are differentiated taking into consideration the way of achieving this aim in time: a convex strategy and a concave strategy.

The convex strategy means that from the very beginning the company wants to achieve the aim very quickly. It has a lot of expenditures and as a result a quick growth of sale and profit takes place.

On the other hand a concave strategy is characterized by the fact that the company is slowly entering the market and then intensifies the activities on it and quickly approaches a defined aim. These strategies are presented in figure 4.23.

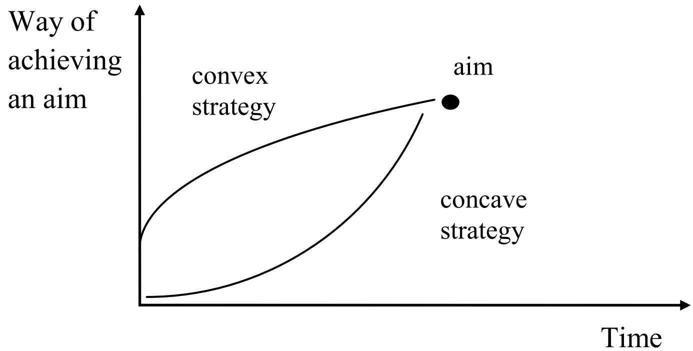

Figure 4.23. Company strategy taking into consideration the way of achieving an aim
Source: A. Sznajder, *Strategie marketingowe na rynku międzynarodowym*, PWN, Warszawa 1995, p. 80.

The convex strategy can be also applied when a company disposes of relatively big resources and operates on the market with a small risk. On the other hand, when it prefers being careful and does not intend immediately to have big investments in the fear of risk or in order not to attract the consumers' attention to the new products before obtaining a proper market position the company chooses the concave strategy.

The aforementioned strategies of market entry can be also defined as market concentration strategy or market diversification strategy (figure 4.24).

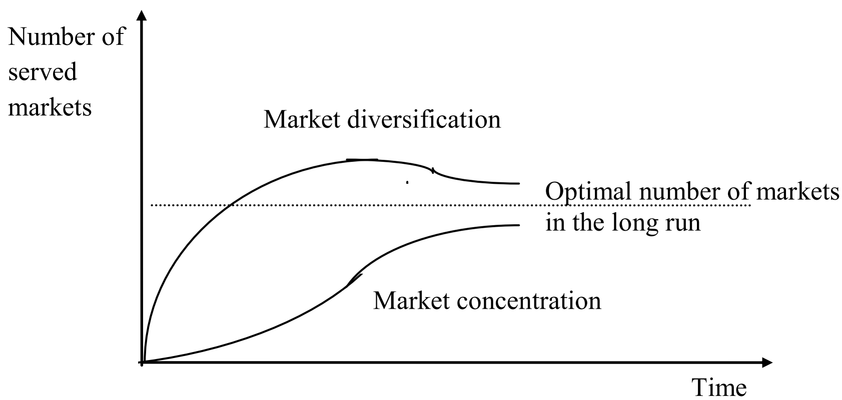

Figure 4.24. Strategies of concentration and market diversification
Source: W. Cohen, *The Practice of Marketing Management*, Macmillan, New York 1991, p. 383.

According to the assumptions of the market concentration strategy, a company increases slowly and systematically the number of markets on which it offers its products. In turn, according to the rules of market diversification strategy, the company serves at the beginning a bigger number of markets but with time and development slowly eliminates the least profitable products from the market. It is taken here for granted that acting on such a large scale a company is not able to spend enough of financial resources to conduct market research and to apply the required marketing means in order to control properly all these markets. A part of the markets is eliminated after some time in order to get their optimal number[289].

Entering the new markets (or the current ones with new products) can have different forms e.g. by the acquisition of a different company, joint venture or only on the basis of own potential. Table 4.8 presents the kinds, advantages and disadvantages of the basic entry strategies.

Table 4.8. Market entry strategies

Entry strategy	**Main advantages**	**Main disadvantages**
Export	Basing on the existing resources Avoiding risk and the costs connected with the acquisition of a different company or setting up a branch	Costs connected with transport, customs, access to new channels of distribution and a possible adjustment of a product to the needs of the new markets
Setting up a branch or a daughter company abroad	Usage of the existing resources Avoiding costs connected with acquisition of a new company, especially when the new market or a technology of the new product are not well known	Takes a lot of time Unsecure future of the branch

[289] A. Sznajder, *Strategie marketingowe na rynku międzynarodowym*, PWN, Warszawa 1995, pp. 79-81.

Table 4.8 (continued)

Acquisition of a different company	Saving a lot of time Overcoming entry barriers Integration of two organizations Making available knowledge and experience and ensuring a properly qualified staff	Generally connected with high costs Purchase of necessary assets A risk of managers' leaving although the company would like to keep them
Joint venture or alliance	The combination of technological and marketing capabilities should provide a synergistic effect Risk division	A possibility of conflicts referring to common activities A danger of the decrease of meaning (value) of one of the companies
Purchase of a licence	Quick access to technology Reduction of financial risk	A company may not possess proper technological skills Dependence on the company which shared the licence
Venture capital (capital injection by the acquisition of shares)	A possibility to access a new technology and/or a new market	It is unlikely to be a decisive factor in stimulating growth of the company
Sale of licence	A quick access to the market Low costs of expansion and risk	Limited control of production, sale and product development A licensee may become a dangerous competitor to the company
Franchising (a sale of limited rights to use the company's name)	Quick access to the market Low expansion costs and risk	Costs of controlling franchisee Distribution of profits

Source: own preparation on the basis of: D.A. Aaker, *Strategic Market Management*, John Wiley & Sons, New York 1992, p. 282; Z. Pierścionek, *Strategie rozwoju firmy*, PWN, Warszawa 1998, p.p. 322-326.

The choice of the proper market entry strategies depends first of all on the aims the company wants to achieve expanding its activities to the new areas and the level of knowledge on a given market or segment[290]. A level of company's mastering of the production technology of a given product or of delivering

[290] I. Penc-Pietrzak, *Strategiczne zarządzanie marketingiem*, Wydawnictwo Key Text, Warszawa 1999, p. 174.

a service is also important. Taking into consideration the knowledge of the market, one can talk about the following markets: the current one, a new known one and a new unknown one. Technologies and services connected with the product can be similarly divided. These criteria served to construct a matrix which helps choose an optimal entry strategy to a given market (figure 4.25)[291].

Market	new unknown	Joint ventures	Venture capital or acquisition of the different company in order to obtain its knowledge	Venture capital or acquisition of the different company in order to obtain its knowledge
	new known	Internal development or an acquisition of a different company or joint venture	Internal undertaking or an acquisition of a different company or a purchase of a license	Venture capital or acquisition of the different company in order to obtain its knowledge
	current	Internal development or an acquisition of a different company	Internal development or an acquisition of a different company or a purchase of a license	Joint ventures
		current	new know	new unknown
			Technology of producing a product	

Figure 4.25. Matrix helping to choose an optimal market entry strategy
Source: D.A. Aaker, *Strategic Market Management*, John Wiley & Sons, New York 1992, p. 284.

If in the new markets which the company is entering there are the foreign markets, one can talk about strategies of international expansion. Those companies which decide to compete on the international market face two basic kinds of competitive pressure: a necessity to react to tendencies taking place on the single national markets and a necessity to control costs. These two kinds of pressure mean for a company mutually conflicting needs. In order to minimize the costs a company must standardize the products which are offered and integrate them with international activities to ensure the highest cost unit. However, it limits a possibility to offer the differentiated products adjusted

[291] D.A. Aaker, *Strategic Market Management*, John Wiley & Sons, New York 1992, pp. 283-285.

to the needs and preferences of clients in the different countries. A preparation of the different products and an implementation of the different market strategies for every single country increases the costs. Taking into consideration two kinds of competitive pressure, four alternative international strategies presented in figure 4.26 can be differentiated.

Figure 4.26. Alternative international strategies
Source: A.S. Huff, S.W. Floyd, H.D. Sherman, S. Terjesen, *Zarządzanie strategiczne. Podejście zasobowe*, Oficyna a Wolters Kluwer business, Warszawa 2011, p. 281.

International strategy can be implemented on those markets on which the pressure on the low cost and a pressure on reacting to local trends is low. This means using the national resources and possibilities to expand a range of sale and operational activities outside the country. When the company states that the local competitors do not possess such development possibilities as the company, the company can sell there its own product in the same version as on the local market. The majority of the companies implementing this strategy have research and development departments in the country of origin and use a marketing strategy prepared for the needs of its own market in the foreign activities.

A strategy of adjusting an offer to single national markets is applied when the competitive pressure on a low cost is small and a pressure on reacting to local trends is big. This strategy means adjusting the products and services to the tastes and preferences of clients in different regions and countries. Sometimes it is connected with regulations binding abroad. The companies implementing this strategy give a considerable autonomy to its branches allowing them to react effectively to the local needs and conditionings. Competitive activities are undertaken without considering their impact on activities in other country. A satisfaction of the needs of local clients is an advantage of such an approach. The high costs resulting from the fact that in every country the dependent branches copy many actions which fall into the chain value of the given company are the disadvantage.

A transnational strategy means reacting simultaneously to the local needs and to the requirements of the global effectiveness. It is used on the markets on which a pressure on a low cost and a pressure on local trends are high. On some very competitive markets an aggressive aspiration to adjust to the local conditions obtaining at the same time the advantages for which the international activities allow is necessary. Transnational companies react to local needs, playing at the same time an active role in the international economy. Due to high research and development costs, the companies eagerly coordinate the work in this range for the needs of all the served markets. Simultaneously, they must adjust to the local provisions referring to prices, research, advertisement, distribution.

A global strategy is useful on the markets on which there is a big pressure on the low cost and a low pressure of responding to the local needs. Sometimes it is not necessary to cover the costs of adjusting an offer to single markets in the different countries due to the fact that the new technologies of communication and transport result in unifying the tastes and likes of consumers in the different part of the world. What is more a need of depreciation of high costs of research and development necessary to design new products and a desire to obtain economy of scale make companies use a global strategy. These companies perceive all the served markets as the elements of integrated totality so the competitive initiatives in any of the countries are undertaken only after an analysis of their impact on the different markets. Value chains are built in such a way to maximize an advantage resulting from a localization or an economy of scale. The marketing strategies are almost everywhere implemented in one form in order to create brands which are recognized all over the world. A realization of a world-wide products in a few effective factories strategically spread in many parts of the globe is an effect of such integrated decisions. The implementation of the global strategy means a close coordination of the activities of the single company of the group all over the world. This means focusing the control in the company headquarter. The majority of the strategic decisions undertaken on the level of the dominating company are implemented by the managers in the branches. Thanks to it, the company can implement its own competitive initiatives simultaneously in a few countries. The global advertisement is a very important aspect of the global success. The loss of flexibility connected with running factories in a few places is a disadvantage of the global strategy. The distortion of production of any of the important elements can be very expensive. Another disadvantage is connected with a fact that a centralization of activities (e.g. of the research and development type) increases a likelihood that the company will notice more slowly the innovations appearing in the countries in which it only sells. The so-called „glocal" strategies paying attention to the differences between single local market but running certain activities on the global level appeared as a reaction to those problems[292].

4.11. Defensive strategies

Defensive strategies are equivalent to the response of the company to the existing market situation. The company influenced by the internal or external forces must react both the existing threats and opportunities. When applying such an approach for a long time a danger appears that the company will subconsciously follow a foreign influence. It will be compelled to concentrate its forces on a doubtful protection of status quo or on decreasing the pace of having losses[293]

Michael E. Porter distinguishes four types of competing strategies in a declining sector that a company can use either separately or in sequence. These are: a leadership, a niche, a harvest and a quick divestment strategy [294]. The aims of these strategies are presented in table 4.9.

Table 4.9. Strategies of competing in the declining period

Variation of the strategy	**Aim of the strategy**
Leadership	Trying to obtain a leading position from the point of view of market share
Niche	Getting or defending a strong position in the given market segment
Harvest	Simultaneous policy of gradual withdrawal and using of the strengths
Quick divestment	Possible early elimination of investments in the decline phase

Source: M.E. Porter, *Strategia konkurencji*, PWE, Warszawa 1998, p. 262.

[292] A.S. Huff, S.W. Floyd, H.D. Sherman, S. Terjesen, *Zarządzanie strategiczne. Podejście zasobowe*, Oficyna a Wolters Kluwer business, Warszawa 2011, pp. 281-286.
[293] F. Bartes, A. Srzednicki, *Walka konkurencyjna przedsiębiorstw*, C.H. Beck, Warszawa 2003, p. XIX.
[294] M. Porter, *Strategia konkurencji*, PWE, Warszawa 1998, pp. 262-266.

The leadership strategy aims at using a declining sector which structure enables a company to obtain a profitability higher than the average one and to obtain a leading position among the competitors. The company wants to be the only one or one of the few companies remaining in the sector. Having achieved this position, the company changes its way of operation aiming to maintain an existing situation or to obtain a limited strategy of harvest depending on how the sale is arranged in the sector. This strategy takes it for granted that after obtaining a leadership the company has more possibilities to maintain its position or to have harvest. It is connected e.g. with the investments in the sphere of prices, marketing and others, leading to the increase of the market share and a quick withdrawal of other companies from the sector as well as acquiring or eliminating the production capacities of competitors.

In turn, the aim of the niche strategy is to detect in a declining sector a segment in which there is a not only a stable or slowly decreasing demand but which has the structural features which enable a high return rate. Then the company invests in order to gain its position in this market. After it the company can apply a harvest strategy or a quick divestment strategy.

During the harvest time, a company aims at optimizing the profits from a given branch. In order to do it, it does not undertake any new investments or considerably limits them, decreases the resources on maintenance and repair of devices and uses all other strengths to increase prices or to maintain sales despite reducing the expenditure on advertisement and research and development works. What is more the company limits the number of the used distribution channels, resigns from the small clients and decreases the level of service as far as the punctuality of delivery, speed of repairing or post-sale services are concerned. In the end, a given company is sold or close up. The harvest strategy takes it for granted that a company will still maintain the strengths which will enable to survive and that there will not be any destabilization of the sector leading to a severe competition. In practice it is very difficult to manage a controlled liquidation due to the problems connected with the attitude of employees, suppliers trust and motivation of managers.

The quick divestment strategy is based on the conviction that the company can maximize the investment expenditure recovered from a given company, selling it in the early period of the decline phase. This sale usually maximizes a price which can be obtained because the earlier it takes place the bigger will be the uncertainty whether the demand will really decrease and a bigger likelihood that the market are not saturated yet. The quick divestment can place a company against such exit barriers as a risk to lose reputation and market connections. In order to weaken some of these problems, the company can use a strategy of non-labeled goods or sell its assortment to competitors.

	Company has a strong position in comparison to competitors	Company lacks strengths in comparison to competitors
Favourable structure of the sector in the decline phase	Leaderhip or niche	Harvest or quick divestment
Unfavourable structure of the sector in the decline phase	Niche or harvest	Quick divestment

Strategic need of a company to remain in the given area

Figure 4.27. Strategies in the declining period
Source: M.E. Porter, *Strategia konkurencji*, PWE, Warszawa 1998, p. 267.

The process of the choice of strategy in the decline period means a comparison of advantages remaining in the sector with a relative situation of the company. Depending on the structure and a market position it is possible to define which strategies are the most optimal for it.

4.12. Strategies creating threats for companies

According to George de Sainte-Marie it is possible to differentiate such types of strategies which should not be trusted and which should be avoided because they create a considerable threat for the company's survival. The following strategies belong to the first type[295]:

- Imitative strategies encountered in those kinds of activities in which the

[295] G. de Sainte-Marie, *Kierowanie małym i średnim przedsiębiorstwem*, Poltext, Warszawa 1993, pp. 111-112.

production size is the main aim. They generally do not take into consideration the specific strengths or weaknesses of the company.

- Grappling strategy which means fighting in order to achieve an increase of turnovers. The market position is obtained by means of price decreases. However, it forces to increase the trade costs, transport, advertisement costs and so on. This strategy generally leads to weakening all enterprises which participate in it.
- "Ostentatious hits" strategy, which means demonstrating the strength that in the reality the company does not possess. It ends up generally with a severe retaliation of opponents.

A strategy of ignoring the competitors is also a risky one and it means a creation of an impression that the competition does not interest a given company and that their goods, organization and the conditions of purchase are so good that they are not threatened by anything[296]. Such an approach can obviously lead a company to considerable financial losses and to a deterioration of the market position in the long terms.

The strategies which should be avoided are[297]:

- "Bis" strategy which means a repetition of strategy which brought a success on the market without taking into consideration the changes which took place since that time both in the company and in the environment.
- Strategy of "trying again" which means investing again in the areas in which the company had some losses in the past.
- Strategy of "escape forwards" which means a desire to deal with everything, to catch every occasion. In the majority of cases it leads to a fragmentation of means and activities as a result of which a company can face bankruptcy.
- Strategy of "drifting downstream" which means expecting better times and treating with a lot of reserve everything around the company. This strategy is a result of an improper attitude of managers who do not want to perceive the possibilities created by the environment.

4.13. Strategies of fragmentary cooperation (co-competition)

The term co-competition describes a situation in which the competitors severely compete on some markets and cooperate in other areas. This cooperation can take different forms, from informal, spontaneous and short-term

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[296] T. Wojciechowski, *Encyklopedyczne podstawy marketingu*, Agencja Wydawnicza Placet, Warszawa 2009, p. 86.
[297] G. de Sainte-Marie, *Kierowanie małym i średnim przedsiębiorstwem*, Poltext, Warszawa 1993, pp. 111-112.

in case of some crisis situation to a formal and long-term one in difficult and expensive areas of activities. The area of research and development which requires a lot of investments particularly by the companies implementing an exploration strategy is such an area. A cooperation with competitors can in such a case decrease the costs of research, lead to working out branch standards, decrease a risk of entering the new markets or increase the sector entrance barriers[298].

Co-competition often takes the form of the strategic alliances. The alliances are the contracts between the current and potential competitors which have the following features:

- are concluded on the partnership bases;
- are long-term but they have a limited time range;
- common needs and works occur in them and the advantages which are derived are adequate to the input of partners;
- are porposeful, but the aim is generally to maintain or to strengthen the current competitive position[299].

The alliances are an intermediate form between a competition and a merger including both the elements of cooperation and fighting[300]. Many phenomena and factors influence their creation: a creation of a global competition, a speeding of the technological progress, an increase of research costs and a risk connected with it, a shortening of the product life cycle, a decreasing meaning of fixed costs in time, an increasing need of acting flexibly, increasing market and production specializations, a desire to have access to new technologies, increase of the meaning of small and medium-sized companies in the global economy, increase of the meaning of regions with the advantages deriving from the geographical location and an increasing tendency of creating industrial networks[301].

Alliances take one of three legal forms. These are: cooperation contracts, joint ventures and minority alliances[302].

Cooperation contracts e.g. license contracts or franchising contracts (*nonequity alliances*) refer in the majority of cases to common research,

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[298] A.S. Huff, S.W. Floyd, H.D. Sherman, S. Terjesen, *Zarządzanie strategiczne. Podejście zasobowe*, Oficyna a Wolters Kluwer business, Warszawa 2011, p. 149.
[299] J. Cygler, *Alianse strategiczne – atrakcyjna broń w działalności ponadnarodowej*, Przegląd Organizacji 4/1995, p. 19.
[300] M. Romanowska, *Alianse strategiczne przedsiębiorstw*, Businessman 11/1994, p. 75.
[301] D. Jones-Evans, D. Kirby, *Partnerstwo strategiczne*, Ekonomika i Organizacja Przedsiębiorstwa 3/1993, p. 14; J. Cygler, *Alianse strategiczne w eklektycznym modelu produkcji międzynarodowej J.H. Dunninga*, Przegląd Organizacji 11/1996, p. 31.
[302] J. Cygler, *Alianse strategiczne – atrakcyjna broń w działalności ponadnarodowej*, Przegląd Organizacji 4/1995, p. 19.

marketing, promotion or other activities creating a value chain of every partner. The license contracts generally mean single or repeated transfer of patent, technological or organizational knowledge with defined financial conditions or limits, resulting from the way of using this knowledge. These limits refer in the majority of cases to geographical markets on which a licensee wants to offer products with a given technology. These contracts can be treated as a form of a strategic alliance only when the licenses are a contribution (input) of one of the contract partners. Franchising which means selling a partner the right to use a formula of selling the goods and services on a territorially limited area belongs to this group of alliances. The basic advantage for the franchisor is an extension of own marketing system and expansion of the impact of own name and trade mark without any major financial investments. What is more it obtains an additional source of income which are the payments for the licenses. This contract is also beneficial for the franchisee as it enables to use organizational and trade experience of the partner and a reputation connected with the name and trade mark, receiving help in the organization and operational running the business and so on[303]. Due to a mutual engagement of partners resulting from the specificity of the franchising contract, this form requires much bigger changes in the management of the company than is the case while selling a license.

Joint ventures are in turn new organizational units created by the participants of alliances. Joint venture (common risk, common undertaking) means combining the separate resources of two or more independent partners in a relatively durable way which creates a new business entity. From the point of view of foreign crediting, this company is a kind of an active credit that is a share of a foreign capital in the common company[304]. A success of this form of alliance and its market success depend on the organizational balance between the partners and on effective strategies of the cooperation promotion.

Minority equity alliances are the third form of alliances. They mean the buyout of shares of another company or the mutual buyout of shares. The alliances can take the form of partial buyout of shares but done in such a way that the parties still maintain their independence.

Alliances can be based on two logics: transaction or competitive. The transaction logic means linking partners who have the different features e.g.

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[303] J. Penc, *Leksykon biznesu*, Agencja Wydawnicza Placet, Warszawa 1997, p. 127.
[304] H. Chwistecka-Dudek, *Strategia joint ventures*, Ekonomika i Organizacja Przedsiębiorstwa 2/1989, p. 17.

a company which has well developed scientific and research facilities joins with a company dominating in sale and service. The advantages of such alliance mean obtaining by every partner an access to the necessary key competitive advantages. The logic gives advantages deriving from the effect of specialization and complementarity of partners resources and that is why the alliance built on it is called complementary. This alliance is connected with a high level of mutual dependence between partners as none of them is able to produce a product individually basing only on own resources. It creates therefore a danger of a big dependence of companies until losing a capacity to remain individually on the market.

Competitive logic means trying to strengthen the competitive position by increasing the scale of operation and using economies of scale. The partners combine skills and resources of the same type, e.g. research laboratories, distribution networks, sources for advertisement or production companies. In this way they increase their market share and decrease the unit costs of the product. The field in which the partners cooperate influence the level of their mutual dependence. The least limiting are the alliances which refer to conducting together research and development works as they allow the partners to take independent decisions in production and sale whereas the most limiting are the ones referring to sale as they open an access to all the important information in the company[305]. Competitive logic leads to a creation of two kinds of alliances: integration and additive ones. Integration alliances are started by companies which are trying to obtain the economies of scale in the production of some components or in the realization of some extracted stadium of the production process. Those specific products are then included into the production of each partner and then sold on the market. In case of a close integration a market competition between partners can remain open as their products have the substitution character. The alliances are the most often limited to common research and development. Their aim is not to penetrate the new market areas. Generally, the companies which are territorially close can merge (e.g. the European ones, the national ones) and the ones with a similar market position. The strategic alliances are common in automotive industry (a production of the common equipment) or in IT sector (common research and development and creation of components). In turn, additive alliances mean the

[305] M. Romanowska, *Zarządzanie strategiczne firmą*, CIM, Warszawa 1995, pp. 95-96, 101-102.

alliances of companies jointly producing and selling some product. The partners are the companies with similar competitive position. The skills and input of partners have a similar character and their common aim is to obtain a production scale which is big enough. These alliances require a complete suspension of the competition between partners who should behave as if they merged. However, this does not mean that any competition between them disappears but it should be almost invisible for customers. The additive alliances include the whole value chains (R+D, production, sale). Just as in case of integration alliances their aim is not to penetrate new territorial markets. They are concluded in order to divide the tasks among the partners. In many cases the sale of the final product is done jointly. The majority of such alliances take place in the defense industry and in aviation[306].

The alliances can be also divided into the unsymmetrical and symmetrical ones taking into consideration the size of potentials of the single partners. The unsymmetrical alliance happens when it is done by companies with unequal economic, technological and organizational potentials. This phenomena is characteristic for cooperation of companies from highly developed and underdeveloped countries. The alliance can lead to a loss of independence of the weaker partner. A symmetrical alliance is created by companies with a comparable economic, technical and organizational potential. The research shows that a big asymmetry is not favorable to achieve common aims when the symmetric alliances lead to a growth of partners' market share and the improvement of the competitive position. A joint venture company is considered as an ideally symmetrical alliance in which the partners with similar potential and market position have each 50% of shares[307].

The strategic alliances bring both a lot of advantages and dangers. The main advantages of this form of cooperation mean that a company which has entered into an alliance can:

- jointly overcome the barriers of entering a new sector or a geographically new market;
- decrease the risk of investing in an unsecure environment;
- can achieve the benefits deriving from the economy of scales and effect of experience;
- deal with increasing costs of research and development;

[306] Strategor, *Zarządzanie firmą*, PWE, Warszawa 1997, pp. 244-248.
[307] M. Romanowska, *Zarządzanie strategiczne firmą*, CIM, Warszawa 1995, p. 102.

- can achieve advantages deriving from crossing the technologies and making available the inventions without a necessity to buy patents or licenses;
- can get to know the strengths and weaknesses of the partner in order to use this knowledge in the future in the competitive fighting.

The basic dangers in turn are as follows:

- regardless of what is defined in the contracts among the companies and in the statutes of the company, profits are not always divided in line with the expectations of all the partners and a result the alliance can be a strengthening of the market position of one of them;
- in case of the alliance between the partners with unequal economic, technical and organizational potential, a weaker partner can lose its independence;
- a big number of unbeneficial foreign alliances can deteriorate an economic situation of the country, a loss of markets, capital outflows and so on[308];
- after stopping an alliance, one of the partners can use the experience obtained during the cooperation against an ex-partner.

Alliances are a commonly accepted and applied form but more and more often they refer to just a part of activities (mainly to research and development and a production of subsystems) whereas the cooperation is not moved to the area of sale and marketing in which an increased competition is visible.

[308] M. Romanowska, *Alianse strategiczne przedsiębiorstw*, Businessman 11/1994, pp. 74-75, 78, 80.

Ending

A category of competition considered from a different scale (of the world, region, country, company) has been for many years an important yet controversial issue in the theory of economics and in the management sciences. It is therefore an immanent element of human life, a phenomena penetrating all the areas and an important factor motivating people, organizations and societies in the development process. As rightly observed by the experts from the Lisbon Group "a competition which derives from the word "compete" that is "search together" is an important tool and a principal dimension of economic life. Competing for an effective exploitation of natural resources and creating new ways of satisfying individual and collective needs had an enormous input into the improvement of the quality of life and material and non-material level of welfare. As one of the driving forces of technological innovations and a growth of productivity, the competition stimulated a level of human aspirations and led to the highest possible achievements"[309].

Competition therefore plays a fundamental role in the growth of companies and national economies as well as in socially-economic progress. This naturally refers to a sound competition, stimulating creativity and a creation of new values and solutions thanks to which an organization expands its capacities of serving a society and creating own future[310]. Such a competition is based on technological and economic innovations which enable a quick reaction to the changing conditions of the environment. Definitely, competition has its limits and wrongly shaped can lead to many dysfunctions and that is why in many areas it should co-exist with cooperation (the so-called co-competition). In the reality, there are the structural limits for the excessive competition which activities cause high social costs in the environment in which the company operates. That is why the company must take into consideration not only the economic effects of its activities but also the social and ecologic ones.

The competition plays today a particularly important role in the business world, making it necessary to define and monitor the needs of the target market, an adjustment of the products and services to these needs and satisfying them more effectively than the competitors. The company should try to overcome the

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[309] Grupa Lizbońska, *Granice konkurencji*, Poltext, Warszawa 1996, p. 13.
[310] Compare: P.M. Senge, *Piąta dyscyplina*, Dom Wydawniczy ABC, Warszawa 1998, pp. 26.

competitors with the advantage of values for clients which means that it must observe and analyze the behavior of market competitors, better manage the elements of the marketing process that is a product, a price, a distribution and a promotion and to introduce proper innovations. By imposing such attitudes and actions, the competition pays a basic and positive role in the given sector and in the whole market economy.

Each company should shape its own competitive potential, achieving a higher level of development and organization. It must improve its structure and a culture and become an environment friendly organization starting a cooperation with the different stakeholders. The company must also build a strategy of own development which will reflect the future chances and not current problems[311]. If it does not build such a strategy and does not increase the effectiveness of own actions, it can fall into a trap of the so-called active inertia. This means an inability of an organization to undertake the proper actions and sticking to the patterns of thinking and behavior which gave it success in the past but currently makes it difficult to notice new chances and the new forms of connections and cooperation[312]. Such heaviness can make it difficult to satisfy the needs of stakeholders and to weaken considerably the image and reputation of the company. The management of the company must therefore try to react quickly to changes, foresee future needs and requirements of stakeholders and develop key competencies of companies.

The competition can be based on shaping the different features of market offer such as: a price, a quality, a method of payment or a way of delivering goods. The company can use the different forms and strategies of competition but it must also enter more and more the new dynamic links which are generated and imposed by the process of internationalization and globalization, creating a global space for business[313]. Business in fact increases its results and competitiveness if it uses the appearing occasions and improves its portfolio of offers as well as enters new branches and undertakes new kinds of activities. In this way it creates a bigger competitiveness, improving the different elements of creating the value chains and creating their new combinations.

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[311] J. Penc, *Innowacje i zmiany w firmie*, Agencja Wydawnicza Placet, Warszawa 1999, p. 14.
[312] D.N. Sull, *Why good companies go bad*, Harvard Business Review 4/1999, pp. 42-52.
[313] See: M. Rosińska-Bukowska, *Rola korporacji transnarodowych w procesach globalizacji*, Wydawnictwo Adam Marszałek, Toruń 2009, pp. 14-16.

Entering the process of competition, the company should take into consideration that in the light of the rules of the European management a profit is not a fundamental aim of the company's existence and the only justification of its existence. The survival of an organization in the long period of time and it sustainable development are equally important. It must act in a socially responsible way taking the strategic decisions. It can have certain social commitments and even play a kind of a social role[314].

The competition which is in line with the rules of ethics and is not excessive, is necessary for the company's development, influencing greatly its system of internal and external relations and conditions the economic result. What is more it provokes the employees' initiative, increases their aspirations and spreads the culture of common responsibility for the prestige and results of the company. In order to allow the competition to have such an impact of the company, the managers must have a proper knowledge and practical skills of formulating competitiveness strategies and applying its proper type on a given market as well as be able to develop the key competencies of the company and to enhance its competitiveness. The author hopes that this book will help in this difficult task.

[314] H. Bloom, R. Calori, Ph. de Woot, *Zarządzanie europejskie*, Poltext, Warszawa 1995, pp. 25, 65.

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