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STRATEGIC POSITIONING FOR SUSTAINABLE COMPETITIVE ADVANTAGE: A REVIEW OF THEORITICAL AND EMPIRICAL LITERATURE

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Abstract: **Success of organizations, come about when organizations align themselves to the external environment. The paper reviews theoretical and empirical literature on strategic positioning for sustainable competitive advantage: The theory that underpins the concept of the study paper is Porter's Theory of Competitive Advantage which opines that for a firm to be successful it has to have both an attractive relative position as well as an attractive industry structure. The paper argues that the need to align an organization to its environment creates need for strategies, thus strategy is the working relationship between organizations and the environment. This however must be supported by organizational internal capabilities, unique to that organization. Positioning is meant to give sustainable competitive advantage to an organization so as to increase its market share, shareholder value, profits and customer satisfaction. It is concluded that competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. Further the paper concludes that new technologies such as robotics and information technology can provide competitive advantage, whether as a part of the product itself, as an advantage to the making of the product, or as a competitive aid in the business process for example, better identification and understanding of customers. The paper therefore recommends that before an organization undertakes proper strategic positioning endeavour, it should first scan the external environment in relation to its internal strengths and weaknesses.**

Key words: **Strategy, Strategic positioning, External environment, Competitive advantage.**

1. INTRODUCTION

Organizations cannot survive without the external environment; they are environment serving and dependant (Ansoff 1965). Success of organizations, come about when organizations align themselves to this external environment. The need to align an organization to its environment creates need for strategies, thus strategy is the working relationship between organizations and the environment. This means understanding the position of the organization in the environment, (Johnson and Scholes; Whittington 2005) and placing or positioning organizations strategically in the market. This however must be supported by organizational internal capabilities, unique to that organization (Johnson and Scholes 2005). It is with all these knowledge in mind that will enable organizations to still outdo each other.

Many researchers and business people are always concerned about what distinguishes a successful organization from the rest (Machuki & Aosa, 2011). How can two similar organizations start at the same time, with similar amounts of resources in the same industry but years down the line one totally outperforms the other? The question which needs to be answered is is what is the secret of a successful company? For years researchers from all over the world have spend their efforts trying to find out why some companies are successful in the market and why others fail (Barakova, 2010).

Different scholars agree that the reason for a successful performance in the market for many organizations is a sustainable competitive advantage brought about by strategic positioning (Barakova 2010). Strategic positioning is the source of competitive advantage (Porter 1980) and can be based on the points of difference or points of parity where the concepts of parity or difference is very similar to strategic competitive advantage, with the latter being the more broader. In the ever dynamic, turbulent and multifaceted environment(Machuki 2011), organizations need to strategically position themselves for competitive advantage (Porter 1980); the ideal being to find a strategy that competitors are frozen from reacting to given their present circumstance.

Consultants and practitioners equally have not been left out of the strategic positioning debate, with some creating various solutions to positioning of firms. Mickensy Consulting group have come up with positional matrices, Boston Consulting; 3*3 matrix, point positioning and dispersed positioning and Ansoffs Optimal Strategic Performance Positioning; all these showing how pertinent the concept of positioning is in strategy formulation and implementation.

The concept of Strategy

Since its first mention in the Old Testament the concept of strategy has largely been a semantic issue (Bracker, 1980). Indeed, numerous authors have focused this concept. Strategy comes from the word strategos meaning ‘army’ and ‘lead’ (Bracker, 1980). Various definitions of strategy have been put forward by scholars over the years, informed by the paradigm of the moment. Ansoff (1965) defines strategy as a rule for making decisions, determined by product/market scope, growth vector, competitive advantage and synergy. According to Steiner and Miner (1977) strategy is the forging of company missions, setting objectives for the organization in light of external and internal forces, formulating specific policies and strategies to achieve objectives and ensuring their proper implementation so that the basic purposes and objectives of the organization will be achieved.

Schendel and Hofer (1979) argues that strategy provides directional cues to the organization that permit it to achieve its objectives, while responding to the oppoertunities and threats in its environment. While the concept of strategy has now been firmly established as a field of study, the swinging of the pendulum still continues to properly get a bearing. Early years of this concept focused on external environment, but the development of the resource based view of the firm has once again increased the emphasis on firm’s internal strengths and weaknesses relative to their external opportunities and threats (Hoskinsson et al 1999).

Strategic positioning

Strategic positioning is the placing of an organization in the future while taking into account the changing environment and putting in mind the organization’s weaknesses and strengths. Minzberg (1987) argues that when you think about your strategic position it helps to understand your organization’s bigger picture in relation to external factors. Strategy might include developing a niche product, outsmarting competition (Porter 1987) or choosing to position among a variety of competitors and equally fit in the environment (Ansoff 1965). Many theories have drawn attention to the concept of positioning and have suggested that developing, communicating maintaining a competitive positioning strategy is crucial for any business (Barakova 2010).

Positioning is a deliberate, proactive, iterative process of defining, measuring, modifying and monitoring market’s perception of an organization (Adydin, 2001) and devising of the desired future position of the organization on the basis of present and foreseeable developments. Positioning was popularized by two advertising executives Al Ries and Jack Trout (2001) in their book Positioning: Battle for your Mind. The two posit that you can position a product or organization in the minds of prospects or customers. Positioning is an organized system of finding a window in the mind (Barakova 2011), the goal being to locate the brand, beat competition in a bid to maximize the potential benefit of the firm (Kotler & Keller 2006).

Positioning is meant to give sustainable competitive advantage (Porter 2001) to an organization so as to increase its market share, shareholder value, profits and customer satisfaction. It is equally important for the survival, legitimacy and overall growth of various questions must be asked regarding positioning of the firm; How does the future look like? How could the organization be roughly positioned in the future? How are things in the organization presently? What opportunities and threats exist in the environment? In answering this pertinent questions then an organization can position itself consequently in the environment.

Concept of competitive advantage

Competitive advantage is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market (Chacarbaghi & Lynch, 1999). Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. These attributes can include access to natural resources, such as high grade ores or inexpensive power, or access to highly trained and skilled personnel human resources. New technologies such as robotics and information technology can provide competitive advantage, whether as a part of the product itself, as an advantage to the making of the product, or as a competitive aid in the business process (for example, better identification and understanding of customers). Knowledge has in the recent past been a basis for competitive advantage.

A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player (Barney 1991). Successfully implemented strategies will lift a firm to superior performance by facilitating the firm with competitive advantage to outperform current or potential players.

A competitive advantage exists when the firm is able to delude the same benefits that exceed those of complexity products (differentiation advantage). Thus a competitive advantage enables the firm to create superior value for its customers and superior profits for itself. Cost and differentiation advantages are known as positional advantages since they describe the firms position in the industry as a leader in either cost or differentiation. A resource- based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value (Porter, 1980).

2. THEORETICAL FOUNDATION

The theory that underpins the concept of the study paper is Porter's Theory of Competitive Advantage (Venohr, 2007). The theory opines that for a firm to be successful it has to have both an attractive relative position as well as an attractive industry structure. Under this theory, Porter opines that in order to attain competitive advantage and economic profit there is need for 'Genetic Strategies'. As such in order to increase profit, a firm must either decrease cost below its competitors or increase price above its competitors. The former involves cost leadership and the latter differentiation thus the basis for 'generic strategies'. He further looks at the economics of cost leadership which entails the fact that if a product or service is of standard quality but costs are significantly lower than the industry average, superior profits can be earned. On the other hand, where a product is considered too low of quality by the buyer, price cuts may be necessary to sell; potential superior profits are lost.

The economics of differentiation opine that where either products or services are valued by customers due to their uniqueness, premium charges can be charged that lead to higher profitability, given that costs are under control. The key criteria for competitive advantage according to him are to pursue a large market, superior cost management and producing standardized products which have limited differentiated potential. This is especially for very price sensitive customers. When it comes to the differentiation strategy, business persons have to incorporate features that differentiate them from the brand of rival companies and thus buyers or customers will prefer them over those of other competitors. Additionally, the key strategy here, for competitive advantage, is that such features should not be capable of being copied.

Focus strategy, Venohr (2007) goes on to discuss the various grounds why a segment is selected and its needs met. The key criteria of competitive advantage is being able to understand the customers, competitors segment targets with each segment being strategy grounded in specific value. Focus strategy is good for smaller companies that have limited resources. The risks of this strategy though is that firms may be out focused by competitors, large competitors may enter the niche markets and preferences of niche customers may actually change and become akin to those of the broad market.

Wilson (1991) looks at the various ways of strategic positioning; He categorizes his views to include first of all enterprise success in turbulent times. Secondly, he discusses strategic-positioning assessment. This is a situational view which is very comprehensive and is based on already existing plans. Strategic planning emphasizes on marketing and the positioning of products. Additionally, in order to achieve goals and objectives by a business there has to be allocation, deployment and the optimization of resources. There's also the need to invest in already existing markets and further invest in new markets. Strategic planners have to consider both market potential and enterprise potential.

Thirdly, he looks at the appropriate knowledge of the current situation. Executives must in their planning function understand the plans, strategies, resource requirements and current resources of the corporation and its strategic business units. As such, there are two guidelines to this: Guiding Strategies and Supporting strategies. The former refers to a strategic business unit which has a combination of both current and planned products whose impact is reaching long range as well as near term goals (Wilson 1991). The latter on the other hand confers the fact that there should be existing resources so as to implement the guiding strategies.

Additionally, it should be able to identify requirements for future resources. There are four modular variables which support the guiding strategies and is critical to its goals and strategies as well-the place, space, technology as well as the people. Most corporations have a specialized way of marketing their products and have technology and innovation as well as resource co-ordination to improve their marketing. Incremental changes develop over a planning horizon and as the product/market portfolio changes the facilities portfolio must change as well. Lastly, there is the issue of linking business and facilities planning. Under this subtopic, there are three issues that ought to be designed and adjusted namely expansion of business by corporations, optimization and contraction which can be as a result of downsizing, outsourcing, divestiture or consolidation. These three facilities have to be limited in order to anticipate so as to respond to incremental change.

3. EMPIRICAL REVIEW

Many scholars around the world see successful strategic positioning as a source of company's competition advantage. Organisations position themselves in business environment using various strategies. While some will create business networks by creating relationships with others (Barakova 2010), including with suppliers at customers, (Hakansson and Snehota 1995) others would do so by superior market penetration strategies; all these aimed at creating a better position in the market and thus strategic competitive advantage.

Porter (2001) insists that firms achieve competitive advantage by positioning themselves in structurally profitable industries and strategic groups. He points out that strategic competitive advantage come from operational effectiveness or strategic positioning which is delivering unique value to customers by doing things differently than their competitors. Before choosing a strategic position in the market an organization needs to assess the environment so as to pick the most strategic vantage point that assures maximum revenue, increase shareholder value, customer satisfaction, increased profits and sustained growth. Michael Porter (2001) outlined six principles that he believes companies need to follow if they want to establish and maintain a distinctive strategic position in the market.

The first was that firms should stand for something. Porter argues that in order for a company to develop unique skills, build the right position and establish strong regulation it is important to define what the company stands for so that the company will have continuity of direction. Secondly, they should focus on profitability. This point seems obvious but that's not always the case. Porter points that at the end of the day, sustainable profits will only be possible where goods or services can be provided at price which exceeds the cost of production. Thirdly, he suggests that firms should offer consumers a unique set of benefits. Porter states that a good strategy involves being able to provide a distinct set of benefits to a particular group of consumers. Trying to please every consumer will not give a company a sustainable competitive advantage Porter (2001).

Additionally, Porter posits that firms should attempt to perform core attributes differently. He argues that if a company is able to establish a distinctive value chain by performing key activities differently from its competitors, then this will help the company establish a sustainable competition advantage. Further, Porter implores on firms to specialise adding that there is no competitive advantage to being a jack of all trades and a master of none. Porter recommends making trade-offs by focussing on certain achievements, service or products at the expense of others. A company therefore can establish a unique strategic position.

Finally, he posits that all should reinforce the company`s strategy. Porter argues that for sustainable competitive advantage to be achieved, all company activities are interdependent and as a result they must be coordinated so as to reinforce the company`s overall strategy. A company`s product design, for example will affect the manufacturing process and the way products are manufactured (Porter 2001). By coordinating all of its activities a company makes it harder for its competitors to imitate it`s strategy.

In her article, Scribner (2011) states that strategic management is a process by which organizations or firms or companies take into account include internal and external variables so as to attain long term set goals. Strategists and strategic managers in order to fulfill their objectives, have to follow a chained process right from identifying the target, doing an environmental scan and making an evaluation on the structures and resources. Having done so, strategic managers have to look at the challenges facing the organization, identify the stakeholders and plan actions and make adjustments and match them up.

One of the prime concerns in strategic management as a field of inquiry is the phenomenon of strategic 'adaptation' and indeed positioning; Infact, this has been termed as 'fit' with the environment (Zajac, Kraatz & Bresser 2000). As open systems, the semi permeable relationship between the environment and organizations cannot be ignored so much so that organizations that get the right 'fit' attain competitive advantage. However, the challenge still remains the lens through which managers continue to perceive or appreciate the environment.

And so understanding the environment remains key in postioning organizations for competitive advantage. Indeed higher environmental munifescence creates conditions for growth and profit (Dess & Beard, 1984) and so with increase in munifesence managers perceive more opportunities and aspire for growth in revenue and also aim at achieving higher return on investment. It equally helps generate organizational slack to support excess manpower and thus a larger organization. Growth remains easier to achieve in a resource rich environment where funds for expansion and diversification are available in plenty at a reasonable cost and technology and materials are accessible.

4. CONCLUSION AND RECOMMENDATIONS

Before an organization undertakes proper strategic positioning endeavour, it should first scan the external environment in relation to its internal strengths and weaknesses. Organizations should further have a vision and mission, anticipate competition and place the organization or its products in a very strategic manner in the market. Proper positioning gives competitive advantage. The entire process of strategic management is related to positioning. Indeed all point to the issue that positioning is conceptual (and directly relates to strategy formulation) It is future oriented, strength based and depends on how each independent organization thinks. In our view, the concepts of strategic competitive advantage and strategic positioning are interchanging; there is more evidence that successful strategic positioning starts with the building associations of the product based on their already existing strengths of the product.

Indeed, the entire process of strategic management revolves around positioning of the firm. Bracker (1980) argues that strategic management entails the analysis of internal and external environments of a firm to maximize the utilization of resources in relation to its objectives. In so doing Bracker says an organization is positioned in the environment for competitive advantage. The challenge today for organizations is, should an organization position itself from inside-out or outside-in.

Inside out means focusing on the resource based view; assessing internal competences and then positioning it. While the outside-in is externally assessing opportunities and threats to position the firm. We conclude that a balance of the two scenarios is essential for strategic positioning and that positioning is at all levels of the organization including product positioning, resource positioning and overall firm positioning.

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