Competitive Advantage And Porter's Generic Strategies Model

Competition is one of the biggest factors when it comes to determining the success or failure of a firm. Sustainable Competitive Advantage is when an organization implements a value generation strategy that is difficult for current and potential competitors to imitate (Barney, 1991). Michael Porter (1985) found a modern way in which companies could gain sustainable competitive advantage – cost leadership, differentiation and focus. This essay will reflect on Sustainable Competitive Advantage and how companies even today are utilizing the Generic Strategies, created by Michael Porter in 1985, to implement long term strategies that will create a perceived value in the minds of customers and differentiate them from their competitors. Strategizing involves decision making like “What sets your product or service apart from your competitors?” and “What value do you provide to customers that others don’t?” Porter’s Generic Strategies helps decode how companies can obtain value that is long-term and difficult to imitate by focusing on the elements – cost leadership, differentiation and focus.

Rationale

In today’s cut-throat and competitive era, it is crucial that firms create long term value that sets them apart from their competitors so that they are able to sustain their relevance within their market or industry. It is important that firms position themselves in such a way that they offer something of value to consumers and other stakeholders that their competitors cannot or do not. This value needs to be different from the offerings made by competitors. Analysing the three elements of Porter’s Generic Strategies – cost leadership, differentiation and focus, enables firms to apply their macro and micro environmental insights and create a long-term value generating strategy that sets them apart from their competitors. What resonates most about this subject is that although Porter’s strategy is now more than 20 years old, and there’s has been drastic, dynamic and ever-so-evolving change in markets across the globe. However, this strategy stands relevant even today.

Analysis

The concepts of Porter’s Generic Strategies – cost leadership, differentiation and focus are relevant even today (Hales & Mclarney, 2017). As cited in Hales and Mclarney (2017), Porter (1996) believed that firms get ‘stuck in the middle’ when they pursue but do not realize one of the generic strategies or if they attempt to implement more than one of the strategies simultaneously. However, Salavou (2015) argued that this is the era of combining strategies and pursuing ‘hybrid strategies’. Uber is a classic example of the success of the involvement of two elements – cost leadership and differentiation. The company has successfully been able to reduce costs and increase value for customers simultaneously. Uber focused on customer needs over industry competition and managed to capture a completely new market space. (Hales & Mclarney, 2017). Therefore utilizing two strategic elements to generate value. However, the strategy when applied to the context of fashion independent retail revealed fundamental to the industry (O'Hare, Stewart and Mc Coll, 2018). O’Hare, Stewart and Mc Coll (2018) suggest that Porter’s strategy concentrates on a niche market. When independent

retailers applied elements of Porter's Generic Strategies to their businesses, found levels of success when they presented a form of differentiation, generally through distinctive product offerings and customer service. Thereby, proving the relevance of Porter's strategy and showcasing successful implementation.

A non-profit sport club, when faced with several organisational issues with respect to memberships, finances, demographic changes and high degree of competition, implemented the generic strategy model in order to assess the effect of the severity of organizational problems and created a strategic plan. The results depicted that when clubs pursue either cost leadership or focus strategy, they severity of organisational problems experienced is much less. The effect of differentiation however, is dependent upon the problem under investigation and then the kind of differentiation implemented to deal with the problem. While in this case, providing leisure, mass sport and non-sport programs for the elderly led to reduced problems in several areas; sports for immigrants and activities similar to those of commercial providers managed to reduce problems only in a few areas but it led to an increase in other problems (Wicker, Soebbing, Feiler & Breuer, 2015). Hence proving the success of Porter's Generic Strategy and also making it evident that when implementing the differentiation strategy, it is important that one keeps in mind the degree of the need of the consumer as well as uniqueness of value.

Suleman, Rashidirad and Suleman (2019) explored the usability and applicability of Porter's strategies in e-businesses by assessing the competitive strategies of three purely online firms. The extent to which the firms' competitive strategy enables them to achieve competitive advantage was assessed in the study. The firms were Amazon, eBay and Google. The findings of the study showcased that the three companies successfully implemented Porter's strategies in order to obtain competitive advantage. The results of the study suggested that a pure online firm may not be able to effectively stand tall against industry competition and gain competitive advantage without an effective competitive strategy. It was observed that for firms of such nature to maintain a distinctive strategic position requires high degrees of innovative skills and capabilities, thereby making it extremely challenging. While cost leadership can generate greater performance because the internet allows firms of this nature to cut costs and prices, a differentiation strategy if implemented correctly will be more worthwhile and sustainable because it will enable the firms to generate greater customer value and therefore, firms can charge higher prices.

On the other hand, when Gould and Desjardins (2015) assessed the effectiveness of Porter's strategies in the telecommunications sector, they found that new businesses which depend upon internet-derived technologies require to amend the generic strategies in order to acquire sustainable competitive advantage. There may be questions as to whether Porter's perspective of the generic strategy continues to be useful in the 21st century. Gould and Desjardins (2015) presented an updated view of the generic strategy to offer a complexity related advantage whilst keeping in mind the target market. Therefore, laying emphasis on consumers.

In my view, Porter's Generic Strategies model is still very relevant today. However, while implementing it is necessary to keep in mind the fact that there has been considerable change in the way industries and markets operate and therefore it is essential that firms implement this strategy accurately in order to achieve sustainable competitive advantage. Today's market has become extremely customer oriented with increasing levels of competition and an array of alternatives for consumers. Therefore, firms must try to modernise the strategy in a way that it

puts consumers at the forefront in order to achieve sustainable competitive advantage and increase profitability.