THE IMPORTANCE OF COMPETITIVE ADVANTAGE ASSESSMENT IN SELECTING THE ORGANIZATION'S STRATEGY

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Abstract: *The main purpose of designing and implementing the organization's strategy is to obtain the competitive advantage in the competitive environment in which the organization operates. The paper aims to present the main sources of the competitive advantage and to analyze comparatively the main models of competitive advantage analysis in correlation with the possible strategies the organization can adopt in managerial practice. Finally, a conceptual model of the competitive advantage is proposed. The paper is based on theoretical research and direct observations.*
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1. Introduction

As an invisible component of the organization's strategy, the competitive advantage derives from the ability with which business management combines basic and secondary resources and capabilities in the form of well-synchronized activity systems.

The organizations that consider the competitive advantage are directed, on the one hand, to controlling their main resources and capabilities and, on the

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other hand, to protect the stakeholders interests (customers, employees, suppliers, distributors, shareholders, etc.) focusing on the multifaceted skills of the organization and encouraging innovative ideas.

In the above context, the paper aims to highlight the importance of the competitive advantage for the purpose of selecting the organization's strategy. It presents the main sources of the competitive advantage and analyzes some analysis models of the competitive advantage of the organization in correlation with the alternative strategy to choose.

2. Sources of the competitive advantage

By competitive advantage is designated the making by a firm some superior products or services from a significant point of view for consumers, compared to similar offers of most competitors. "The competitive advantage is the ability of the firm to have a superior performance to its competitors in terms of the basic purpose of the organization's existence: the profitability" (Grant, 1997, p. 174).

The competitive struggle has been and is defined as a struggle for competitive advantage, therefore, the action that does not lead to competitive advantage for the management of the organization is not of strategic interest.

An unfavourable business environment amplifies the action and the consequences of all types of difficulties the company is exposed to, from the perspective of the diversity of forms under which they appear and due to the magnitude of the effects they generate (Dragomir, 2016).

In an organization, the competitive advantage can be obtained from internal sources of the organization, from external sources to the organization or, obviously, from both sources simultaneously.

Among the external sources for obtaining the competitive advantage we mention:

- changes in customer or beneficiary demand;
- price changes;
- changes in the technical and technological level;
- capability of scanning the environment and obtaining information;
- flexibility to respond to change, involving the structure, culture and equipment of software, etc.

The role of external factors in creating competitive advantage does not consist in passively conferring advantage but results from the firm's ability to respond to change. Any change in the external environment gives the company new opportunities to create profit, so the response to change and opportunities is an attribute of strategic management, of top managers.

Responding to change generally includes anticipating changes over time as well, so companies need to change strategy and consider their capabilities as success factors for the future.

The main internal sources for obtaining the competitive advantage are:

- the creativity of the company's members;
- the innovation capacity;
- economy of scale;
- advanced technology owned by the firm;
- learning ability of company members;
- experience gained in a particular sector;
- the firm ability to imitate;
- the full range of competencies of the company's members;
- the full range of capabilities of the company.

The internal sources of competitive advantage generally refer to new ways of approaching the business that exist or can be created within the organization, to technical aspects regarding new ideas, and generally to all aspects within the organization that can create an advantage compared to competition.

Michael Schumpeter (in Mc Craw, 2007), the reputed theoretician of micro-economics, defines innovation as one of the following:

– the appearance of a new product (service);
– introducing a new production method;
– the emergence of a new outlet market;
– conquering a new source of supply;
– creating a new form of organization for the industry.

Innovation is about reconfiguring the company, rearranging the "value chain", changing the rules of the game, so the company needs to capitalize on distinct skills and create barriers to protect the created advantage (Marc de Jong & Menno van Dijk, 2015).

The competitive advantage created must be sustained in order not to erode in competition. The speed with which competitive advantage is undetermined as time span depends on the ability of competitors to challenge through innovation or imitation. In essence, the imitation of the strategy used by competitors brings advantages, that is why companies that have already created a competitive advantage have to put barriers against imitation.

For a company to successfully imitate another competing firm, it must meet four conditions (Doval, 2009, p.47):

- - to be able to identify the fact that rivals have a competitive advantage;
- - to be sure that investing in imitation can get a higher profit;
- - to be able to make a diagnostic analysis of his rivals' strategy;
- - to be able to purchase by transfer or by replicating the resources and capabilities necessary to imitate the strategy of the advantageous firm.

According to the famous specialist Michael Porter (1985), the competitive advantage of a company is essentially reduced to a low cost or a product or service that is differentiated by its qualities from the similar products offered by others or by most competitors. The vast majority of specialists reluctantly reject the possibility of introducing in the sources of competitive advantage, the competitive advantage through the lowest price without having the advantage of low cost.

The conventional sources of competitive advantage are concretized by *the low cost advantage*, ie the leading position in terms of cost in an industry, activity sector, and *the differentiation*, that is, what the firm offers as "unique", except for the lower price than competition.

The analysis of the competitive advantage type can be achieved with Porter's generic strategy model (1985). Usually a strategy based on cost reduction involves a standardized product offer, and the differentiation involves high costs.

Strategic management concerns are focused on bringing low-cost differentiation back into the top, despite the growing gap that low price practice tends to take without respecting a certain quality. For this reason, the principles of Total Quality Management (TQM) have been implemented, which implies high quality at low cost.

Sources of competitive advantage based on reduced costs are (Grant, 1998, p.200-209): economy of scale; the economy through learning; process technology; product design; process design; capacity utilization; entry costs; efficiency of residues.

Achieving a competitive advantage by practicing lower prices, but without a low cost base, but only by the desire to promote unfair methods of competition, is a method of nonconventional competitive advantage, as such is not accepted in the literature as a form of competitive advantage.

In a competitive market and an IT development environment, companies are looking to cut costs by balancing strategies between vertical integration and outsourcing (Doval, 2016).

The second conventional source of competitive advantage is *the differentiation*. Differentiation in the competitive environment refers to the promotion of what is "unique" (Grant, 1998, p.217-232), except for practicing a lower price.

The differentiation as a strategy does not mean to promote "uniqueness" for the sake of being "unique" but to create value by:

– understanding of products and services;
– understanding customers and consumers;
– identifying unique opportunities and their creative exploitation.

The differentiation is created in two ways:

(1) the market supply path (to customers and consumers) by examining resources and capabilities through which uniqueness can be created;
(2) the market demand path, by examining consumer needs and preferences.

The success consists in correlating the demand for differentiation with the firm's capacity to provide differentiation (Doval, 2009, p.51).

The domestic demand plays an essential role in understanding competitive advantages despite the increasing internationalization of national economies. An in-depth analysis of this determinant will include three things: the composition of demand, the size and pace of demand growth, and the mechanism by which domestic consumption preferences are transmitted to foreign markets.

After analyzing the factors that can support the creation of uniqueness, Porter (1995, pp. 124-125) identifies the following factors:

- the intensity of marketing activities;
- the characteristics and performance of products and services;
- the complementary services (repairs and assistance, delivery methods, credit, etc.);
- the technological level embedded in design and production;
- the quality of inputs – supplies;
- the procedures that influence the leading of each activity;

- employees skills and experience;
- the location of the organization's workplace or headquarters in relation to its market;
- the degree of vertical integration, etc.

The Swedish School of Management specifically promotes the identification of "niche opportunities" (Ridderstrale & Nordstrom, 2007) as a source of competitive advantage. In theory, there is no limit for a company to offer its customers and consumers a wide range of opportunities, which, moreover, are associated with the characteristics of products and services.

The competitive advantage has its existential source in the very functions of competition. In their attempt to differentiate from the competing firms, the organizations seek a niche, seek to constantly speculate and, to a large extent, justify their own skills and innovation in the field. Practically, the offer of competitive advantage based on differentiation is infinite in size, and as tight as the competitive environment in which the organization operates will be, as great the diversity of supply that generates a competitive advantage will be.

According to Michael Porter (1985), the competitive advantage of a firm is essentially reduced to a low cost or a product or service that is distinguished by its qualities from similar products offered by others or by most competitors.

An organization that is capable of outperforming its competitors over a long period of time has sustainable competitive advantage (Jurevicius, 2013).

In order to create a competitive advantage, the organization must take into account the following three determinants (Kimberly, 2019):

(1) The benefit. Do clients / beneficiaries need the products / services offered? Do they bring value?
(2) The target market. Who are the clients? What needs do they have? How is the demand created?
(3) The competition. Who are the competitors of the organization?

The author concludes: “To be successful, you need to be able to articulate the benefit you provide to your target market that's better than the competition. That's your competitive advantage!”.

3. The organization strategy in correlation with the competitive advantage analysis

The eternal competitive struggle in any activity sector or industrial branch is a confrontation (or competition) for advantages. The goal of the company's strategy is that by creating and maintaining the strategic advantage achieved, the objectives of the business management can be reached. For this, the company's strategy must be directed towards creating new advantages, which will lead to increased customer satisfaction and asymmetry towards competitors. By doing so, the advantage may be extended, while reducing or eliminating the competitors advantage.

The literature offers a series of models dedicated to analyzing the competitive advantage, of which: the Ansoff model (Organization strategy in conjunction with competitive advantage analysis; în Segal-Horn, 1998); the Grant model of success factors (1998) and the Resource-based analysis model (Habbershon & Williams, 1999).

Analyzing these competitive advantage analysis models, they highlight their main characteristics and the correlation with the organization's strategy (Table 1).

Table 1
Competitive advantage and organization strategy

The model	Purpose	Dimensions / Criteria	Organization strategy
The Ansoff model (matrix)	proposes a useful framework for detecting new opportunities for intensive growth	- perfecting current products; - identifying new offer opportunities. Oriented towards: - existing markets; - identifying and developing new markets.	- The strategy of market penetration; - The strategy of developing new markets; - The strategy of developing new products; - The strategy of diversification.
The SPACE analysis (Strategic Position and ACtion Evaluation)	highlights different types of strategies	- industry force; - the competitive advantage of the business; - the financial strength of the firm;	- Defensive strategies - Conservative strategies - Aggressive strategies - Competitive strategies

The model	Purpose	Dimensions / Criteria	Organization strategy
(matrix)		- environmental stability.	
The Generic Strategies Model (Porter) (matrix)	generates strategic alternatives that underpin the way to approach the competitive environment and the effective positioning of the organization on the market	- the competitive advantage - the competitive purpose	- Leading through cost strategy - Focusing on costs strategy - Differentiation strategy - Focusing on differentiation strategy
Prahalad and Hamel Model	the company's awareness of the environment in which it operates and its own portfolio of capabilities and resources that can be used to gain competitive advantage	- resources - capabilities	- Allocation of resources replaced by leveraging resources with the organization capabilities; - The competence portfolio.
Peteraf Model	analyzing the contribution of resources and capabilities of the company in the process of obtaining the competitive advantage	- resources - capabilities	- Identifying the resources available to the company, the resources needed, and their typology, in order to give them a high degree of use; - Optimally combining resource-capability mix to maximize results.
Grant Model of Success Factors	knowledge of the competitive environment	- the company's ability to permanently provide products / services that customers want to purchase; - the company's ability to adapt to environmental conditions, being able to survive and thrive in competition	- Identifying the company's success factors; - Comparative analysis of the company's capabilities in the competitive environment.

The model	Purpose	Dimensions / Criteria	Organization strategy
Resource-Based Analysis (Habbershon & Williams)	Assessing the Strategic Advantages of Family Firms	- Strategic resources and capabilities controlled over the long term - The company performance	Investment in completing, updating and increasing the company's resources and capabilities

The Ansoff model (1965) proposes a useful framework for detecting new opportunities for intensive business growth. After analyzing the existing competitive advantage and context of the competitive environment, the business management prepares the matrix consisting of the strategic options based on market-product variables. In this context, an opportunity for a larger market share on existing markets is being analyzed, a variant in which market penetration strategies should be adopted. If new markets can be discovered or developed for the existing products, the firm must adopt market development strategies. If new products of potential interest in emerging markets can be developed, product development strategies should be adopted. And when management's focus is on developing new products for new markets, the company should adopt development strategies.

The SPACE analysis model (Rowe et al., 1982) introduces additional elements in the the competitive advantage analysis, namely the strength of the industry, the financial strength of the firm and the stability of the environment. Depending on the extent to which the four elements of the analysis model are found in the company system, the four main strategies mentioned in Table 1 can be approached.

Porter's generic strategy model (1995) analyzes the competitive advantage of the organization in conjunction with its competitive purpose. Very useful in managerial practice, the model combines the two dimensions, generating strategic alternatives that underpin the approach of the competitive environment and the effective positioning of the organization on the market.

The Prahalad and Hamel model (1990) proposes as an essential element the organization's awareness of the environment in which it operates and its own portfolio of capabilities and resources that can be used to achieve competitive advantage. In this context, the authors argue that the basis of the competitive advantage is the ability of the company to leverage resources and capabilities.

The Peteraf model (1993) makes a clear distinction between the resources of the organization and its capabilities, and develops criteria for their assessment. From the point of view of the Peteraf model of analysis, a firm determinant for a competitive advantage, is the ability of business management to identify the resources at its disposal, resources needs and typology, to give them a high degree of utilization, as wll as knowing the skills of the firm so that, through a judicious allocation of resources available, it will optimally combine the resources-capabilities mix to obtain the maximum results that can be achieved by the business.

The Grant model of success factors (1997) directs the analysis to the demand for existing products or services on the market segment served and to the necessary conditions for the organization survival in the competitive environment. The model proposes to identify the success factors for the company to thrive in the industry in which it operates. The essence of the model lies in the ability of business management to know the competitive environment in which it operates, as well as the demand for products or services that are or may be required by customers.

The resource-based model is a framework for analyzing the strategic advantage of the family businesses (2009). The model analyzes the complex, dynamic and intangible resources of family businesses that create competitive advantage and performance. The model is a synthesis of other applied models but that fit to small family businesses.

The analysis of the models presented shows that the main coordinates of obtaining and maintaining the competitive advantage are the resources and the capabilities of the organization. Depending on their value, uniqueness and inimitableness, the organization can select the right strategy for its strategic goal.

In essence, the results of the analysis led to the identification of a conceptual model of the competitive advantage of the organization (Figure 1).

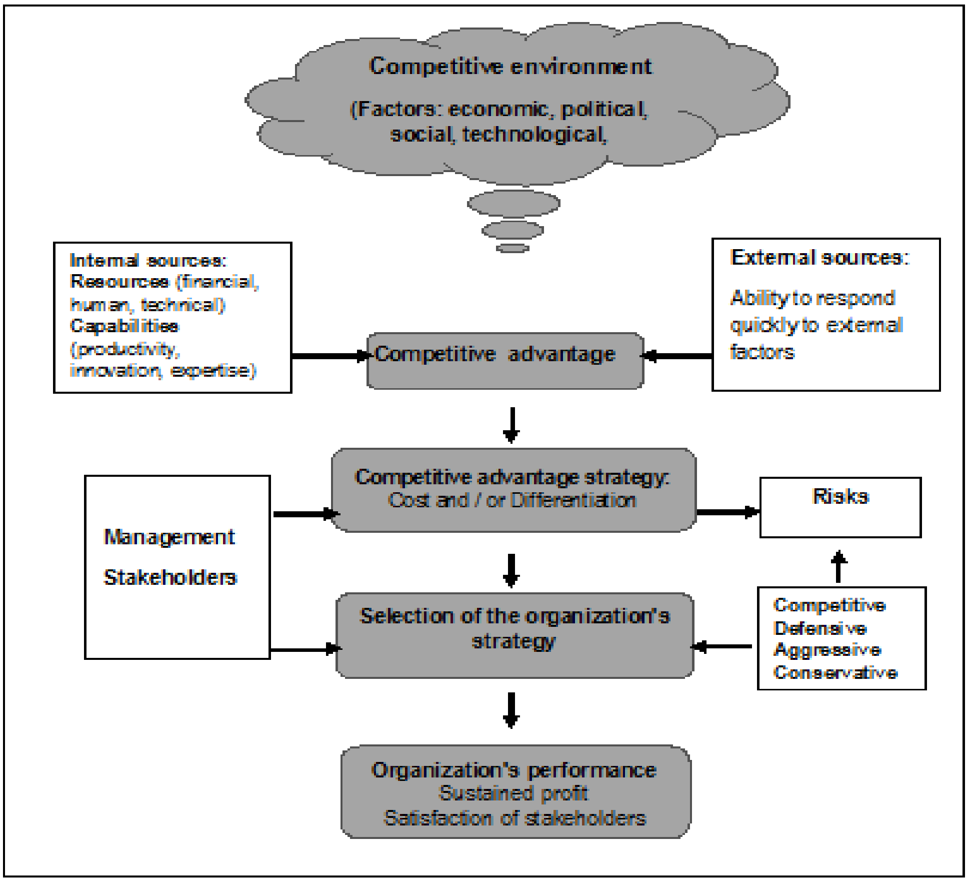

Figure 1. Conceptual model of the competitive advantage

The proposed model is a simple one, but its implementation involves a multitude of complex activities. Thus, the four stages of the process are:

- The competitive advantage analysis: which are the sources? What do they consist of? What actions should be taken to increase resources and capabilities? What are the opportunities to develop the competitive advantage?
- The strategy selection to get the competitive advantage: cost or differentiation or the combination of cost and differentiation?
- Choosing the organization's strategy according to the competitive advantage: competitive, defensive, aggressive or conservative?

- Obtaining and monitoring performance: is the profit sustained? Are the stakeholders satisfied?

The complexity of activities results from:

- the permanent scanning of the competitive environment and the development of management skills to respond quickly to changes;
- the competitors assessment;
- identifying the stakeholders needs and expectations;
- identifying the risks of the strategy selection;
- securing the strategic resources (by investing in technology and human resources) and
- developing capabilities (through innovation, expertise, productivity).

Conclusions

The goal of the business strategy is to create and maintain the strategic advantage gained. For this, the company's strategy must be directed towards creating new advantages, which will lead to increased customer satisfaction and asymmetry towards competitors. By doing so, it is possible to extend the advantage, while reducing or eliminating the advantages of competitors.

Looking for the competitive advantage itself does not necessarily lead to success in the competition. The explanation is given by the lack of a stimulating internal environment for firms. They can have a good activity depending on how they appear, they are organized and run, and the intensity of rivalry in the market as well.

The organization competitive advantage analysis is defining in developing the company's strategy. Companies have a range of competitive advantage analysis models, but they can also create other models if the ones used in the literature do not reflect the competitive environment conditions in which they correlate the business characteristics and the firm strategy.

Depending on the competitive advantage owned or targeted by the firm, its strategy will be oriented in such a way that it can effectively use the competitive advantage to meet the interests of the stakeholders and the needs of the company's clients, to obtain additional sustained profit to competitors and ultimately of to achieve the organization's performance.

The proposed model contributes to the evolution of strategic management in any field and can be developed by adding the particularities of different organizations.

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