THE ESSENCE AND TYPES OF COMPETITIVE STRATEGIES

Abstract. The article defines the essence of the competitive strategies of firms on the basis of a retrospective analysis of the theory of competitive strategies development. As a starting point of the study, the author uses the work by M. Porter, the founder of the theory of competitive strategies. Without diminishing the high importance of his theory of competitive strategies, the author notes the absence in his works of a clear and comprehensive definition of the concept of competitive strategy and carries out a further search in the works of other scientists who have made a definite contribution to the development of the theoretical basis of this direction. Analysis of existing theoretical developments on this topic allowed the author to formulate an author's interpretation of the concept of "competitive strategies" and highlight the main features of competitive strategies. In addition, the concepts of "competitive actions" and "competition strategies" are distinguished in the work. The study of various scientific points of view and the evolution of diverse approaches to the classification of types of competitive strategies made it possible to develop the author's classification according to a new classification criterion - according to the level of competitive activity of a business entity with the identification of their types. According to the author, the classification of types of competitive strategies that he forms systematizes the existing competitive strategies in the scientific literature by combining them into three large blocks, and is also the most suitable for use in the practical activities of industrial enterprises.

Key words: competitive strategies, business entity, competition, strategic management, markets.

Introduction. The meaning of strategic behavior allowing a company to survive in the competitive struggle in the long term increased sharply in recent decades. All companies under the stiff competition and quickly changing situation should be focused not only on the internal state of the company business, but elaborate a strategy of long-term survival allowing them to follow the surrounding changes. At the moment, along with a task of rational application of potential in the current activity, especially important is such management that ensures competitive advantages in quickly changing environment.

Under the market economy development, for successful functioning of an enterprise the especially important are issues of competitive potential forming, determination, development and creation of prerequisites for reliable competitive advantages, selection of a correct form of competitive behavior.

For successful activity an enterprise should elaborate a correct strategy of competition based on its competitive advantages that makes topical the investigation of competitive strategies types under stiff competition conditions.

Results and discussion. The terms “strategy of competitive behavior” and “competitive strategies” are the key subjects of the strategic management investigation [1, P.45-51].

The basis in these definitions is “strategy” that in the management system accumulates the economic meaning of long-term planning based on a statement that all that is happening is a consequence of managerial decisions made for mobilization of internal resources under the uncertainty of external environment the change of which is predictable. Owing to flexible strategy of management even under the uncertainty of external environment all processes occurring inside the organization can be considered within the control and management, so it means that it takes a central position in ensuring economic capacity of entrepreneurship activity subject.

The strategy of business entity implies its positioning in the market and the tendency of its future development regarding the format of the entrepreneurship activity, set of relations inside the company,
responses to outside challenges. The general concept of the strategy is in forming of the development trends, planned response to the problems appearing from the outside, predicted plan of actions regarding available limited resources of the organization that it can give for its implementation determined as resource management [2, p.18].

Depending on the cycle of business entity development its top management has an opportunity to select one of the corporate base strategies suitable for the company:
- strategy of growth reflecting the aspiration to increase the products volumes, profits, capital;
- strategy of stabilization the essence of which is the company response to outside pressure of the environment under the conditions of stable volumes of selling and income of the company;
- strategy of survival that is applied when the company is on the verge of bankruptcy and is considered as defensive [3, p.102].

Numerous theorists explain the competitive strategy in the form of a plan of action of the company in the market according to the response actions of competing companies [4, p.54]. L.Ansoff explained the existence of two interconnected strategies [5]. The first is portfolio, second – competitive. The essence of the first one is to determine and describe definite actions namely in strategic business domains (SBD) i.e. those within which a company is going to function, at the same time the SBD interaction way is explained. The essence of the second one is to determine and mark different approaches using which the organization is planning to conduct its activity in each strategic sphere (SBD). The corporative strategies, in practice, can be used in its pure form or in “singular number”, but it is a rare case [6]. Other than reference strategies of growth, the competitive strategies are numerous.

M. Porter in 1980-s was the first who introduced a term “competitive strategy” into the strategic management. But, in spite of this, in his work “Competitive Strategy: Techniques for Analyzing Industries and Competitors” [7, p.54] M. Porter does not suggest a clear and comprehensive definition of the competitive strategy; however he was the first who initiated the active development and built a theoretical base of this trend in strategic management. The further investigations allowed concretizing the essence of the competitive strategy, develop new fields of its content, and broaden the application spheres considering the industrial features and market state requiring flexible behavior of the business entity in varying degree of the medium competition intensity on the selected niche of the market segment [8, p.72].

Especially interesting are the works by B. Kraloff who determines the competitive strategy as a set of rules followed by the business entity management if its goal is achievement and support of competitiveness in the related field or at a given segment of niche of the market [9].

In addition to this opinion of B. Kraloff, the Professor of Harvard Business School, M. Porter, rightly remarks that the competitive strategy forces to position its entrepreneurship activity in the way that maximizes its potential and allows increasing the gap from companies-competitors. Thus, making a common conclusion on the positions available regarding the competitive strategy, this strategy can be understood as an integrated system of actions oriented on implementation of strategic goals of business entity development that takes into account the influence of the outside and inside medium of a company for its achievement and to support the competitive ability in a long-term period [10, p.68].

The competitive strategy is a definite part of the corporate strategy of enterprise and includes a set of specific approaches to the competitive struggle in the market. The competitive strategy is based on the competitive advantages achieved by a company during the implementation of its activity. These competitive advantages are the properties of goods (products) allowing a company to acquire superior properties and distinctive features comparing to competitors [11, p.12].

The theory of competitive management relates the competitive strategies to a definite (independent to some extent) level in the hierarchy of competitive behavior of the entrepreneurship structures. For the company’s behavior to be predictable, having a definite ground basing on operative procedures, first it is necessary to create it on the strategic level when this behavior will be reflected as a strategy [12, p.22].

Yu.B. Ryubin in his investigations pays attention to the fact that “Competitive strategies” (or “strategies of competition”) are the notions the main meaning of which reflects everything that occurs on the strategic level within the undertaken competitive actions in the part of their management [13, p.34]. In the process of competitive actions management of business entity the following structural levels are noted: strategic, tactical, and situational. This division is the foundational in the investigation of competition.
Everything that is written and said regarding the competitive strategies implies the relation to strategies responsible for the competitive actions. When a company carries out its activity according to the competitive strategy, its whole business is filled with a deep sense and allows it to be a sustainable company able to counter all challenges of external environment. The term “strategy of competitive actions” means the most realistic degree of justification and motivation of all actions of a company oriented on other players in the market. Taking this into account, it is possible to explain why the strategy of competitive actions is the base of entrepreneurship activity of any economic entity [14, p.58].

The signs of the competitive strategy are: continuous competitive actions, sense of competitive results, and long-term prediction of successful entrepreneurship activity.

Therefore, the competitive strategies determine the essence of business entity actions in the competitive medium of the market and are laid to the base of competitive actions appearing in competitive operations. That is why the strategies of competitive actions are in the list of strategies taken as basic by all market participants for carrying out the activities. This list also contains other strategies – productive, selling, financial etc. All they are applied according to the features of the market environment in which (excluding monopolists) the competition exists [15, p.32]. Thus, any business entity in the market economy, independently on the stage of its economic activity development and strategic orientation, stipulates the strategic behavior or a range of competitive actions. For instance, decrease of expense portion on manufacture of homogeneous goods, redeployment of staff, application of credit leverage, introduction of E-commerce technologies, all this should be as a whole and should not exist separately from other problems related to competition [16, p.7].

At the same time “competitive actions” and “competitive strategies” are different in its strategic task and economic nature. The difference is that “competitive strategy” is a strategy for preparation and carrying out the entrepreneurship activity of the entity in long-term perspective, and its selection depends on the goals set by a company and what exactly its director wants to achieve [17, p.45].

Thus, the competitive strategy is a set of initiatives and actual actions of business entity selected to influence on external environment to acquire the competitive advantage. In other words, the competitive strategy determines a range of actions to achieve the competitive advantage at individual segment or niche of the market. Namely the competitive advantage or leadership by criteria important for the business entity became an object of first theoretical investigations in the sphere of competitive strategies highlighted as an individual field in the management strategy by M. Porter theory.

M. Porter determined the following as competitive strategies: absolute costs leadership, differentiated proposal of goods, focusing on individual sectors of the market.

Later J. Lamben added the classification proposed by M. Porter and considered already five types of competitive strategies and characterized them as:

- strategy of cost leadership that decreases commercial costs of procurement and selling of products and services that should attract large number of customers;
- strategy of wide differentiation that implies featuring of a company products that makes them different from the companies-competitors and attracts more customers;
- strategy of economic costs that provides customers an opportunity to purchase larger value for expensed funds, and allows a company to acquire competitive advantages by combination of small costs and wide assortment product line;
- strategy of market niche that is based on low costs and focused on small range of customers owing to which a company can be ahead of its competitors;
- focused strategy of product line differentiation the application of which allows a business entity to supply the target group with goods or services that satisfy the tastes and preferences of customers to maximum amount [18, p.36].

Ph. Kotler in his investigations focused the development of competitive strategy theory on the competitive advantage and noted that “The strategy is aimed at withdrawal of the margin of different fields of the organization activity. With this in mind, it is possible to note that all taken efforts work for strengthening potential competitive advantages of the organization in the process of its activity” [19, p.21].

In his opinion, the “competitive advantage” of the business entity can be named strategic only in the case if it appears in the main fields of its activity and is sustainable in time, and the competitors do not have reliable means to beat it off, but can keep a close eye on it.
Ryubin Yu.B. in his works develops the view of Ph. Kotler and characterizes the signs of “competitive advantage” as follows: “it appears in the fields that become leading in the company’s activity and are identified by external environment the same way” [19, p.78].

Thus, the competitive strategy is not a necessary set of distinctive priorities regarding business entities considered as competitive advantage, but the system of strategic management allowing forming special positions at the selected niche of the individual segment of the market. M. Porter notes that “the strategy is creation of position on refusing to carry out definite types of activity, but agree on the most competitive fields of activity. Therefore, the strategy is a result of agreement on the selected types of company’s activity” [7, p.76].

The key object in the theory of strategic management is selection of strategy not only for the business entity to survive economically under the conditions of varying competitive intensiveness of market medium, but implement the main goal of entrepreneurship initiative of business start aimed at making profit and its further maximization aimed not at its total sum, but the part that remains at the owner and named as “net profit”. Thus the strategic management is the instrument that allows ensuring the achievement of business goal, and selection of competitive strategy is selection of behavior model allowing maximizing the size of net profit [20, p.44].

Table 1 shows the strategies types by M. Porter.

<table>
<thead>
<tr>
<th>Types of competitive strategies</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy of costs minimization leadership</td>
<td>Reduce of costs for manufacture of goods and services, and its selling. The aim of work under this strategy is search of ways to reduce these indicators maintaining the products quality.</td>
</tr>
<tr>
<td>Strategy of differentiation</td>
<td>The strategy implies the availability of positive qualitative features of the proposed product from the products of competitors. Under this strategy the minimization of production costs is not of first priority.</td>
</tr>
<tr>
<td>Strategy of focusing</td>
<td>The strategy implies the focusing on a definite segment of the market using the strategy of costs minimization and differentiation of product simultaneously, and separately. The main distinction from the previous competitive strategies is that a company will compete at narrow segment of the market.</td>
</tr>
</tbody>
</table>

Note: source [7, p.89]

These types reveal the specifics of management mechanism the application of which allows maximizing the profit and creating definite positions of business entity at the niche of a selected segment of the market at applying each of them.

Table 1 shows that the strategies by M. Porter have two main constituents used to achieve a goal of special competitive positions due to applied strategies:

- strategy of leadership is based on acquiring competitive positions of business entity due to decrease of internal factors, or enhancement of effectiveness due to upgrade of manufacture, improvement of personnel management, optimization of management system or organizational structure etc., that finally will reflect on opportunity of possible price proposal suitable for a customer;

- strategy of differentiation is focused on quality or feature of entrepreneurship activity object that will be better for a customer than the same goods;

- strategy of focusing is assimilation of the strategy of differentiation and costs minimization to create a product of business entity activity and creation on a selected niche of the market segment a product that represents a special distinctive value, and sometimes determines its social status [21, p.227].

The strategies of competitiveness by M. Porter indicate clearly that distinction of the strategic management is that its aim is not elaboration of competitive properties of goods regarding the existing ones, but is an instrument to achieve the competitive positions of business entity on a selected segment of the market due to advantages important for a consumer in the activity product created by it. [22, p.13].

The base of the strategic idea was developed in different theories of the “competitive strategy” forming on the base of numerous competitive alternatives and this is proved by the classification of competitive strategies shown in Table 2.
### Table 2 – Classification of competitive strategies

<table>
<thead>
<tr>
<th>Authors of approach</th>
<th>Principle of classification</th>
<th>Considered strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ph. Kotler, P. Doyle</td>
<td>Competitive position of the company in the market</td>
<td>Market leader, leadership candidate, follower, niche inhabitant</td>
</tr>
<tr>
<td>Treacy M., Wiersema F.</td>
<td>Form of consumer preferences satisfaction</td>
<td>Functional advantage, close connection with consumer, leading position on goods</td>
</tr>
<tr>
<td>Porter M.</td>
<td>Creation of competitive advantage</td>
<td>Leadership in costs minimization, differentiation of products, focusing</td>
</tr>
<tr>
<td>Miles R., Snow Ch.</td>
<td>Position of a company regarding development of goods/markets</td>
<td>“Prospector”, “defender”, “analyzer”, “reactor”</td>
</tr>
<tr>
<td>Ramenskiy L.G., Frezinkel Kh.</td>
<td>Specifics of production</td>
<td>Force, niche, accommodative, pioneering</td>
</tr>
<tr>
<td>A. Thompson, A. Strickland</td>
<td>Competitive position of a company in the market</td>
<td>Costs leadership, wide differentiation, focused (niche) strategy on a base of low costs and products differentiation</td>
</tr>
</tbody>
</table>

Note: compiled by authors basing on source [23, p.145]

The analysis of approaches by F. Kotler shown in Table 2 shows that he classifies the competitive strategies on the sign of market share taken by an enterprise:

- the strategy of market leader is used by enterprises having domineering position in the market/sector;
- the strategy of leadership candidate is inherent for enterprises striving to become market leaders using at the same time all possible strategies and attacks;
- the strategy of follower is used by enterprises to keep the market share and supposes imitation of a definite (another) strategy;
- the strategy of niche inhabitant (nicher) is inherent to enterprises having insignificant market share and specialized on definite types of products/services.

The American economists M. Treacy and F. Wiersema classify the competitive strategies depending on the type of consumer preferences:

- the strategy of functional advantage is used by enterprises servicing the consumers who need reliable, enough qualitative products for lower price;
- the strategy of close connection with consumer is for enterprises oriented on clients able to pay higher price to purchase namely the goods they prefer;
- the strategy of products leadership is typical for enterprises that require contemporary (innovation) products regardless the costs for its purchase [24, p.564].

A. Thompson, A. Strickland highlight the following types of competitive strategies:

- the strategy of costs leadership – assumes attraction of customers due to minimization of costs for goods and services production;
- the strategy of economic costs – assumes the strengthening of consumer value by higher quality at price much lower than competitor’s;
- the strategy of wide differentiation – supposes attraction of consumers by distinction of company’s goods from the similar products of competing companies;
- focused (niche) strategy on the base of low costs – orients a company on a quite small consumer segment and predation using the advantage of the smallest production costs;
- focused (niche) strategy on the base of product differentiation – orients a company on a quite small consumer segment and predation using the advantage of the best goods and services satisfying the consumers’ needs [25].

The competitive strategies of business entity shown in Table 2 are implemented using functional marketing strategies. Table 3 shows a role competition for the market economy development.
### Table 3 – Theories of competition

<table>
<thead>
<tr>
<th>The role of competition for the market economy development</th>
<th>Scientific approaches to competitiveness management</th>
<th>Evolution of competitive advantages concepts</th>
<th>Stages of competitive advantage forming</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition: notion and types</td>
<td>Scientific approaches:</td>
<td>Theory of absolute advantage:</td>
<td>Resource stage</td>
</tr>
<tr>
<td>Atomistic</td>
<td>System</td>
<td>- theory of relative advantage</td>
<td>Investmen</td>
</tr>
<tr>
<td>Informational</td>
<td>Innovation</td>
<td>- theory of production factors</td>
<td>t stage</td>
</tr>
<tr>
<td>Conflicting</td>
<td>Integrated</td>
<td>- theory of scale effect</td>
<td>Innovation</td>
</tr>
<tr>
<td>By degree of intensity:</td>
<td>Marketing</td>
<td>- theory of human capital</td>
<td>stage</td>
</tr>
<tr>
<td>Attractive</td>
<td>Exclusive</td>
<td>- theory of competitive advantages</td>
<td></td>
</tr>
<tr>
<td>Moderate</td>
<td>Process</td>
<td>- theory of competitive advantages</td>
<td></td>
</tr>
<tr>
<td>Violent</td>
<td>Structural</td>
<td>- theory of entrepreneurship ecosystems</td>
<td></td>
</tr>
<tr>
<td>By forms of needs satisfaction:</td>
<td>Situational</td>
<td>- theory of intellectual leadership</td>
<td></td>
</tr>
<tr>
<td>Functional</td>
<td>Behavioral</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specific</td>
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<tr>
<td>Subject</td>
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<tr>
<td>Methods of competition:</td>
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<td></td>
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</tr>
<tr>
<td>Price</td>
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<td></td>
</tr>
<tr>
<td>Non-price</td>
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</tbody>
</table>

Note – compiled by the author basing on source [26, p.25]

Different scientific points of view and evolution of approaches led to a variety of options and types of the competitive strategies classification. The generalization of theoretical investigations assumes application of division or classification of competitive strategies by a new classifying sign – by the level of competitive activity of business entity highlighting the following types:
- competitive strategies with high level of competitive activity (forward);
- competitive strategies with average level of competitive activity (defense);
- competitive strategies with low level of competitive activity (imitational) [27, p.81].

The proposed classification of the competitive strategies, first, systemizes the competitive strategies available in scientific literature by combining them into three large blocks, second, is the most suitable for application in practical activity of the industrial enterprises.

**Conclusion.** The competitiveness of an enterprise is not a simple and syllable notion, in its essence it is very wide and multilateral as its notion includes the whole complex on interaction of all constituents of enterprise potential. These can be: production, personnel, marketing, management, and finances.

Thus, the most important constituent of successful functioning and enhancement of enterprise competitiveness under the market conditions is development of the competitive strategy. The competitive strategy, being the means to enhance the enterprise competitiveness, allows the following: determining the current state of the enterprise, reveal problems experienced by the enterprise in the process of its functioning, select the ways for its solving, and determine the tendency of its further development. Moreover, the development and implementation of the strategy allows determining the main needs of the market and extend the period of the enterprise effective functioning.
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БОСЕКЕЛІК СТРАТЕГИЯЛАРДЫҢ МЕНІҢ МЕН ТУРЛƏРЕ

Аннотация. Макулла боласыңыз стратегиялар теориясының дамуына ретоспективтик таңдау жұрғізу əркелық фірмалардың босекелік стратегияларының өзінің өзгертілгені. Зерттеудің негізі ретінде босекелік стратегиялар теориясының негізінің қалыптауын М.Портердің еңбектерін колданып алған. Автор өзінің босекелік стратегиялар теориясының мәніндей және өзінің өз басқармасын көрсетеді. Оның өз басқармасын көрсетеді. Босекелік стратегиялар түрлерінің ықындауын өз басқармасын өз басқармасына қалыптастыруға және босекелік стратегиялардың негізін сипаттамаларын анықтайды. Мұндың еңбектерінің қалыптастыруға қалыптастыруға және босекелік стратегиялардың негізін сипаттамаларын анықтауға мүмкіндік береді. Одан басқа, өзіндік «босекелік ерекеттер» және «босекелік стратегиялар» түсініктерінің айырмашылығы көрсетіледі. Босекелік стратегиялар түрлерінің ықындауын өз басқармасын, ең басқа өз басқармасын, босекелік стратегиялардың негізін сипаттамағы жасау. Оган көзі, автор босекелік стратегиялардың негізін сипаттамағы жасау. Автордың қызғылтырын қалыптастыруға және босекелік стратегиялардың негізін сипаттамағы жасау. Бындағы дәлелде және ортактылар үш блоққа бөлінеді, сондай-ақ оның жұмысын жүргізді.

Түрлі сөздер: босекелік стратегиялар, бизнес субъектісі, босекелік ерекет, стратегиялық менеджмент, нарықтар.

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СУҚСТЫҚ И ВИДЫ КОНКУРЕНТНЫХ СТРАТЕГИЙ

Аннотация. В статье определена сущность конкурентных стратегий и на основе проведения ретроспективного анализа развития теории конкурентных стратегий. В качестве отправной точки исследования автор использует работу М. Портера – основоположника теории конкурентных стратегий. Признавая высокую значимость его теории конкурентных стратегий, автор констатирует отсутствие в его работах четкого и исчерпывающего определения понятия конкурентной стратегии и осуществляет дальнейший поиск в работах других ученых, которые внесли определенный вклад в развитие теоретического базиса данного направления. Анализ существующих теоретических разработок по данной тематике позволил автору сформулировать авторскую трактовку понятия «конкурентные стратегии» и выделить основные признаки конкурентных стратегий. Кроме того, в работе расширены понятия «конкурентные действия» и «стратегии конкуренции». Исследование различных научных точек зрения и эволюции многообразных подходов к классификации видов конкурентных стратегий позволило выработать их авторскую классификацию по новому классификационному признаку – по уровню конкурентной активности субъекта бизнеса с выделением их типов. По мнению автора, сформированная им классификация видов конкурентных стратегий систематизирует существующие в научной литературе конкурентные стратегии, объединяя их в три крупных блока, а также является наиболее приемлемой для использования в практической деятельности промышленных предприятий.

Ключевые слова: конкурентные стратегии, субъект бизнеса, конкуренция, стратегический менеджмент, рынки.

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