

A Heterogeneous Competitive Strategy: Implementation and Implications

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This article bridges the literature on generic competitive strategy and strategy implementation by (1) introducing a flexible multidimensional approach to a winning strategy and (2) developing a framework for implementing the strategy. This article explains why the competitive strategy centering on three dimensions, low cost, differentiation, *and speed*, is more appropriate than choosing one or more single-focus strategies in the intensely competitive global business environment today. For most firms in many industries, a flexible multidimensional strategy is necessary to gain and sustain competitive advantages over time. This article specifically proposes six basic methods of executing this strategy to achieve efficiency, effectiveness, and rapid response time simultaneously.

I. INTRODUCTION

Today, the intense pressures of global competition, technological advances and rapid changes in consumer markets challenge companies as never before. Coping with competition, developing competitive advantages, and implementing strategy are at the heart of strategic management literature (e.g., [1, 13, 14]). These concepts are as old as the history of human beings. Going back as far as 400 B. C., Sun Tzu, a Chinese military strategist, articulated optimal strategies and tactics as well as effective strategy execution plans for particular military contexts [17]. Clearly, the concern of formulating competitive strategies and achieving winning results whether in a military sense or in a business sense has always been the top priority of strategists. However, the literature on generic competitive strategy and its implementation contains many sharply different schools of thought.

The central issue of the debate is the quest for a winning strategy and for the methods to execute it. Some argue that although there are several generic competitive strategies, a firm can select only one of them at any given time. As a result, implementation issues largely depend on the choice of a strategy. Others suggest that a firm may have to use several competitive strategies at the same time in order to sustain its competitive advantages. The complexity of simultaneously implementing several separate strategies, however, makes it a challenging and difficult task. Is there a more flexible competitive strategy that can be used by most

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firms in many industries at various stages of their product or industry life cycles? How can this strategy be implemented? These questions remain unanswered in the literature.

The purpose of the article is to bridge the apparent gap in literature on generic competitive strategy and strategy implementation by (1) introducing a flexible multidimensional winning strategy and (2) developing a framework for implementing the strategy. This article explains why a flexible competitive strategy centering on low cost, differentiation, and speed is more appropriate for most firms in many industries at various stages of development to gain and sustain multilevel competitive advantages. This article further proposes combining six techniques related to executing the three dimensions of this strategy to achieve efficiency, effectiveness, and quick response simultaneously.

II. A MULTIDIMENSIONAL STRATEGY

Porter's framework of "generic strategies" has become very popular. According to Porter, there are two basic types of competitive advantage a firm can possess: the low-cost leadership or the differentiation strategy [13]. The cost leader seeks to be the overall low-cost provider, using a more efficient cost structure to produce and deliver a product or service than its rivals do, and thus to achieve above-average returns. A company which utilizes a differentiation strategy seeks to provide a product or service that differs from its rival products in some aspect that is valued by customers. The higher selling price resulting from this uniqueness earns an above-average return.

Porter asserts that firms wishing to gain competitive advantage must "make a choice" among these strategies: "Being 'all things to all people' is a recipe for strategic mediocrity and below-average performance" [14:12]. Porter further argues that "a firm that engages in each generic strategy but fails to achieve any of them is 'stuck in the middle'" [14:16].

Gilbert and Strebel, argue that "high perceived value and low delivered cost constitute the only possible generic competitive moves" [5:87]. Unlike Porter, Gilbert and Strebel believe that a one-dimensional strategy relying on either low cost or differentiation can only be applied in very limited situations: for example, "only in industries with very short life cycles, like fashion, is it possible to pursue indefinitely a high perceived-value strategy. Only in industries with very long life cycles, like commodities, is it possible to stick continuously to a low delivered-cost strategy" [5:90]. Thus, they recommend the simultaneous use of low cost and differentiation strategies termed "outpacing strategies" for most firms in many situations. As a preemptive measure, they state that outpacing strategies can be used by firms focusing only on differentiation and operating in an emerging stage of the industry life cycle to (a) pursue a low-cost strategy for accelerating industry

growth through standardization and (b) prevent followers' imitation. Firms in a maturing industry should emphasize a differentiation strategy in addition to a low-cost strategy to rejuvenate the industry [5].

Our position with respect to generic competitive strategy is significantly different from Porter's. We suggest that firms often do not have the luxury of choosing only one strategy or the other. In addition, we would expand Gilbert and Strelbel's outpacing strategy by (1) adding another dimension of competitive strategy, speed, and (2) extending the usage to most firms in most industries and to various stages of industry life cycle.

Our flexible and multidimensional competitive strategy, which comprises low cost, differentiation, and speed, is called The Winning Strategy. If the purpose of generic competitive strategy is to gain and sustain competitive advantage, then we believe that over time, The Winning Strategy is the most powerful approach a firm can use. Firms can adjust the combinations of, or degree of emphasis on, the three dimensions and the various implementation techniques to gain advantages in rapidly changing competitive environments. Thus, our strategy can provide a continual proactive approach to sustaining a competitive edge.

Before articulating the benefits of the multidimensional winning strategy and reasons for developing it, we shall consider several companies that have used a similar approach. During the 1970s, when Canon directly challenged Xerox in the copier market, it used both differentiation and low-cost strategies to achieve amazing results in a very short time. Unlike Xerox, Canon paid special attention to quality, reliability, and serviceability from the very beginning. While Xerox had a wide range of copiers, Canon focused on a limited number of standardized machines and components to reduce costs. While Xerox used a very expensive direct sales force, Canon used office product dealers. Canon's copiers were sold rather than leased, thus freeing Canon from the burden of financing the lease base. Canon's experience suggests that it is the combination of low cost and differentiation strategies that has allowed Canon to successfully challenge industry leader Xerox.

Intel introduced its pentium chip in the early 1990s. It is the first of its kind in the market. Although it has enjoyed a monopoly, Intel has voluntarily cut pentium prices several times to significantly increase pentium's market share and to reduce the cost per unit by exploiting the concept of economy of scale through standardization. Furthermore, it has introduced many new products of the pentium family and through continual innovation will soon launch the next generation of pentium chip. The aggressive price cuts and continuous differentiation of Intel, in the absence of product imitations by such rivals as AMD, are both preemptive and proactive and indeed offer the best defensible strategy. The competitive advantages

that Intel has created on both the low cost and differentiation fronts will protect it well, so long as it maintains such initiatives.

Canon and Intel's competitive approaches strongly support our position and can help us to generalize the following reasons behind our call for the adoption of The Winning Strategy. First, firms should always be concerned about efficiency issues regardless of the type of strategies they use. A low-cost strategy can improve a firm's market share and financial performance, as Lexus did in the luxury car segment. Although it is recognized that a low-cost strategy should be used in the commodity production sectors and at the mature and decline stages, we argue that it should also be a viable strategy for a non-commodity product or service business at its emerging and growth stages to significantly popularize the new product, to appeal to a much larger group of customers, and to accelerate product growth--as Intel did with its pentium chip.

Second, few competitive advantages are long lasting. Thus, firms should constantly search for new ways to create tomorrow's competitive advantage; and that can be done only through continual differentiation and innovation. Playing catch-up through imitation will never result in an above-average performance.

Third, in today's dynamic global environment, the true test of a firm's competitive ability lies in the area of speed. How quickly can it spot changes in the economy, industry, competitors' behavior, customers' needs and preferences, technology, etc., and how quickly can it respond and adapt to that changing environment? Within these categories the firms need to utilize technological changes, speed the processes, become more adaptable and more process-oriented, develop core competencies, and provide visionary leadership. Time is money indeed.

Fourth, firms relying on a one-dimensional strategy can enjoy only temporary benefits and are vulnerable to competitors' attacks--as K-Mart was when Wal-Mart came to the discount retail industry over 30 years ago or as 7-Eleven was when many firms from the oil, supermarket, and even discount retail industries, rushed to enter the convenience store industry it had created. The results are obvious. Neither K-Mart nor 7-Eleven now has competitive advantages over their respective competitors because they relied too heavily on their vulnerable one-dimensional strategy, stopped making progress, and above all failed to spot changes in their competitive map and to respond quickly.

Finally, the biggest challenge with respect to competitive advantage is how to protect and sustain it over time. We believe that the best defensible strategy is to focus simultaneously on low cost, differentiation, and speed, through the interrelated techniques that add flexibility: The Winning Strategy.

III. IMPLEMENTATION METHODS

Lowering the costs, differentiating the product, and speeding up the processes are the three major dimensions of The Winning Strategy. These approaches can be implemented in large or small companies. Six specific, interrelated techniques for doing so have already proven effective. These techniques may provide a proactive response to change and competition. They can be synthesized into a flexible multi-dimensional strategy to produce the efficiency, effectiveness, and quick response to change that is needed to maintain a competitive advantage.

This strategy is more complex than is discussed in this short paper, in that there is no attempt here to discuss analyzing the competitive environment or evaluating and adjusting the strategy according to competitive conditions. For example, although we do not discuss any specific combinations or relative degrees of emphasis, the focus as in the relative amounts of time and resources devoted and the number of techniques applied toward one or more of the three basic strategic dimensions might vary as the competitive environment changes. We contend that each strategic factor needs to be considered by organizations in formulating and adjusting The Winning Strategy.

In Table 1, the six interrelated techniques for implementing the strategy are (a) a flat, horizontally structured organization, (b) a "spider's web" electronic communication network, (c) a unifying organizational culture, (d) vigorous organizational capabilities, (e) a staff of winners, and (f) visionary strategic leadership. Each of these specific techniques relates to more than one of the three dimensions of the flexible multidimensional strategy. The Winning Strategy will include as many of the techniques as apply to the competitive situation of the organization.

Flat Horizontal Structure

Many organizations in which the existing static vertical hierarchy has created a chain of command that cannot react quickly to the challenges of a dynamic market have looked for savings in a more flexible, horizontal organizational structure. For example, in 1995 GE's Welsh observed that his firm's refrigerator prices were the same as they were 15 years ago [11]. In such a market, many organizations that find themselves unable to effectively raise prices turn to a cost-cutting alternative. By restructuring or downsizing to lower payroll costs and increase the organization's effectiveness, some firms have generated improved income margins. The downsizing trend is expected to continue through 1996, matching 1995 corporate layoffs of 450,000 [19].

Table 1. Six Techniques For Implementing The Winning Strategy

MAINTAINING COMPETITIVE ADVANTAGE		
Techniques	Dimensions	= The Winning Strategy
A Flat Horizontal Structure	<i>LOW COST</i>	
A Spider's Web Communication Network		FLEXIBLE MULTIDIMENSIONAL
A Unifying Organizational Culture	<i>SPEED</i>	WINNING
Vigorous Organizational STRATEGY Capabilities		
A Staff of Winners	<i>DIFFERENTIATION</i>	
Visionary Strategic Leadership		

In addition, the global competition for new markets has demanded greater flexibility to meet rapidly changing and diverse consumer demands. These flatter structures can help managers reduce the communication and decision making time to quicken the firm's response to its customers. Further, streamlining to speed processes and decrease costs may result in other innovations. For example, while personnel in such functional support activities as financial accounting might retain their more traditional roles, most personnel could work together in multidisciplinary teams centered around processes that fulfill customer needs [7].

Finally, restructuring can eliminate layers of vertical hierarchy, a flow chart dinosaur that created cumbersome communication routes and bred loyalty to function-based organizational units. These inefficiencies often introduced errors, added costs, and caused delays. When information is passed through various people or organizational layers, subordinates may tend to filter out "bad news" and bosses may eliminate "unimportant" details; the critical information may thus be lost or modified [9].

A Spider's Web Communications Network

In this period of global competition and rapid change, knowing where to obtain information is a source of power. The new trend is toward broad-based, inclusive networks linked electronically throughout the organization and reaching outward to customers and suppliers, much like the strands of a spider's web. Communication through E-mail, teleconferencing, groupware, and other globe-shrinking routes will enable personnel to work together despite distance, time, or their organizational assignment. Managers may not be surprised when none of their "subordinates" is physically "there" [16].

What are the major benefits of communicating via the rapidly developing electronic networks? First, these networks save time and money. As needed information becomes instantly available, personnel interact and complete assignments in minutes rather than days. Second, the networks easily bridge organizational boundaries, thereby avoiding one of the slowest cycles in the vertical communication processes. Businesses can address complex issues by utilizing multi-disciplinary teams, members of which communicate directly to solve problems. Finally the networks may provide a clearer view of market demands by avoiding the dangerous practice of filtering the news--intentionally or unintentionally. Instead, with raw data available, it is possible to simultaneously evaluate the advantages and disadvantages of the situation [6].

Unifying Organizational Culture

The revolutionary changes in markets and technology affect not only the physical aspects of the organization but also the organizational culture that underlies and supports it. Such changes in the business environment require adjustments in the organizational culture, the unifying force. For example, when a spider's web communication network is established, the organization becomes more agile and powerful. By opening a direct access route to broad-based sources of information, the network may speed processes, reduce costs, and facilitate differentiation.

Managers in such an open atmosphere ensure that employees and contractors have direct access to information that helps them understand the organization's problems, weaknesses, and challenges realistically [2]. For example, repair records should be available to marketing and design personnel. Such openness empowers employees to obtain the job information they need directly. However, their power can be released only if the corporate culture supports and encourages that openness. Thus, inclusiveness may be adopted as one of the basic values of the organizational culture.

The mission-oriented culture succeeds by focusing its resources and by infusing all personnel with a sense of direction and a personal responsibility to achieve the vigorous organizational capabilities needed to implement a winning strategy. For example, process-oriented workers could focus their efforts and collective abilities on doing whatever needs to be done to complete a project. Instead of filling a specific job description, a worker would contribute a 'package of capabilities' drawn upon variously in different project-based situations [9].

The success of any strategy may depend upon the support of a unified base of values, the organizational culture. Whatever elements of corporate culture are adopted must be clearly understood and practiced from the top down.

Vigorous Organizational Capabilities

The concepts that define vigorous organizational capabilities may be centered around three major ideas: (a) developing employees who are capable of adapting to change, (b) utilizing new technology, and (c) identifying the firm's core competencies.

Many companies have been taking steps to develop adaptable workers by cross-training them to produce a versatile, adaptable work force. Companies like Intel, Microsoft, Ideo, and EDS have already begun to develop versatility by empowering workers with (a) responsibility for operating decisions, (b) information necessary to making those decisions that previously has been available only to managers, (c) training in understanding business and financial issues--concerns formerly reserved for owners or executives, and (d) profit-sharing. That adaptability would allow for successful downsizing and for decompartmentalizing jobs to achieve more rapid and creative responses to the market.

Electronic communication webs enable managers and team workers who might be halfway around the world to quickly access information, which can speed up production and delivery processes. These technological advances can be used in the multidimensional strategy to gain a winning competitive advantage. Businesses that are not aware of changes like these or are not able to take advantage of them may miss sales or operating opportunities.

By adopting the new operating processes, a firm can deliver its product or service more quickly, more cheaply, and more efficiently. More efficient access to sources and more useful forms of operational data provide a basis for improved decision-making on pricing, product inventories, promotion, and location. For example, through electronic technology, Wal-Mart manages its inventory, brokerage houses process trades, and Boeing designs and develops a new aircraft. A 1993 report shows that Hewlett-Packard's 97,000 employees executed more than

a quarter of a million electronic transactions per month with customers and suppliers (not counting phone calls and voice mail) [15].

Prahalad urges organizations to focus on what they do best, emphasizing "core competencies" [3: 52]. Differentiation may rely on such expansive attitudes. The organization can set a new trend by becoming the best at something it does well. While it is unlikely that an organization can maintain a sustainable edge in product superiority, perhaps the firm can provide its customers with the best service available. Others will then have to try to meet that level of performance [3].

Many organizations have improved performance in another way. Through the linking system of an electronic communication network, companies may "outsource" many aspects of their activities that are not core competencies. Outsourcing, like many other innovative techniques has tradeoffs: The firm must give up some degree of control, but at the same time it is relieved of tasks or details that it does not do well or prefers not to spend time doing [7].

A Staff of Winners

The manner in which the firm's goods and services are provided is critical, especially in face-to-face interactions. Thus, retaining good employees may be essential to winning and keeping good customers. Careful selection, thorough training in technical and interpersonal skills, and supplying the necessary working tools become very important staffing activities [8]. A manager should hire those people who are both able and willing. Since these employees typically produce above-average results, it could be beneficial to provide above-average incentives to keep them on staff.

The way people are organized and managed helps them complete their assignments without tying them to outmoded expectations and job-based assumptions. For many companies, the flexibility of contracting with part-time and temporary workers provides the capability for quick response to changes in technology and customer demands. Highly trained, independent workers may benefit many different organizations. Because they are hired to perform whatever work needs to be done, they will have great incentives to master new skills and knowledge that will make them versatile. They will be accountable for the quality of their work and will manage themselves in terms of flex-time, job sharing, telecommuting, time off, providing health and retirement plans, and negotiating pay--as self-employed workers already do [3]. These factors could lower the firm's costs.

The teamwork required to solve the typical complex problems of today's organizations makes people skills supremely important. Successfully using empowered workers requires ensuring the following conditions: (a) the work is

being done by the right people; (b) the core tasks--requiring and protecting the special competencies of the organization--are done in-house, but other tasks are given to vendors, subcontractors, temporary or term hires, or to the customers themselves; (c) workers in each of those categories are chosen by matching their desires, abilities, temperaments, and assets with the task requirements; (d) workers are compensated in the most appropriate way; and (e) everyone involved has the business information they need to understand their part in the larger task [10].

Those people who can operate comfortably in a variety of environments will outperform others. By nurturing responsible individuals and effective team members, the organization increases its flexibility [18].

Visionary Strategic Leadership

Today's managers will need to adapt quickly to the changing business environment. Restructuring and improved communication technology have irrevocably altered the nature of managers' authority and activities. They will need to manage people, not work. They will supervise the content of the work less and emphasize the associates' overall performance and facilitate skills development more. Their time may be better spent on activities like setting forth a vision, coordinating projects, and influencing the climate of the organization [16].

In the network and team approaches, cooperation becomes more important than obedience to bosses because the associates take more responsibility for decision making and problem solving. In *Megatrends*, John Naisbitt suggests that the "high-tech, high-touch" trend requires managers to encourage and take part in nurturing working relationships through personal visits, mentoring activities, and aligning the staff around a vision. When people are working in temporary teams, the quality of associates' relationships will be all-important [12].

Peter Drucker suggests that managers need to identify trends that have begun, but have not yet reached saturation by asking, "What has already happened that will create the future?" [4]. He believes that the answers will be found by examining demographics (like shifts in age of the population); industry and market structure as influenced by basic values (like the shift toward environmental concerns); and trends in the economy and the society that affect business (like the evolution in the U.S. from manufacturing to service-oriented industries). Awareness of such important trends is available to anyone who asks the pertinent questions: Where is the disposable income being spent? What are consumer needs and are the needs growing [4]? The dynamic nature of the external environment makes planning, especially for the long-term, seem very risky. Yet, between the time a new technology or a major social, economic, or industry-wide trend appears and the time of its major thrust on business, there is a lag. The visionary leader will seize that lag-time opportunity to exploit the trend [4].

Prahalad warns managers to cultivate a "stretch" rather than a "fit" strategy, an expansive attitude that encourages greater creativity and willingness to change the rules [3]. Those companies that are flexible enough to make rapid adjustments based on their core competencies or a SWOT (strength, weaknesses, opportunities and threats) analysis of the business can gain the competitive advantage [4].

IV. SUMMARY AND CONCLUSION

This article introduces a flexible multidimensional approach to gaining and maintaining a competitive advantage over time and suggests six techniques to implement The Winning Strategy. The strategy is three dimensional: Low cost, differentiation, and speed are assumed to be the basic requirements for a competitive advantage. By applying more than one technique or method at the same time, most firms should be able to gain and sustain multidimensional competitive advantages by improving efficiency, effectiveness, and quick response simultaneously.

We believe that The Winning Strategy is needed for these reasons:

1. Firms should be always concerned with the efficiency of their business; therefore, it is important to apply a low-cost strategy to commodity and non-commodity production sectors at all stages of their development.
2. Competitive advantages are usually short-lived, thus firms should constantly seek future advantage by continual differentiation and innovation.
3. A speedy recognition of, response to, and adaptation to the constantly changing business environment are the true tests of the firm's ability to compete.
4. A one-dimensional strategy leaves firms vulnerable to attack in the complex, dynamic global economy.

The six techniques for implementing The Winning Strategy are a flat horizontal structure, a spider's web communication network, a unifying corporate culture, vigorous organizational capabilities, a staff of winners, and visionary strategic leadership. These techniques are interrelated in that two or more may be used in various combinations and degrees to implement the three-dimensional strategy. They add flexibility to the strategy because the emphasis on one or more techniques can be changed to focus on one or more dimensions as competitive conditions warrant.

A flat organizational structuring can be used to help to maintain profitability without raising prices and to improve the firm's responsiveness to customers. A spider's web of electronic communication networks can provide a clear view of market demands, bridge organizational boundaries by use of multidisciplinary teams to address complex issues, and save time and money by speeding production processes and allowing immediate personnel interaction.

One way a unifying corporate culture could be developed is by opening communication lines through restructuring and applied technology to facilitate an inclusive culture. A mission-oriented culture would focus its resources and would infuse its personnel with a sense of direction and a personal responsibility to help implement a winning strategy. Whatever unifying values are adopted must have top-down support.

The concepts that define vigorous organizational capabilities include (a) adapting to change, (b) utilizing technology, and (c) identifying the core competencies of the organization. Cross-training workers produces a versatile work force which allows quick responses to market demands. By utilizing the new technology for operating processes, a company can deliver its product or service more quickly, more cheaply, and more efficiently. Developing core competencies can help define the firm's direction and provide avenues for differentiation.

Managers can acquire a staff of winners by selecting above-average performers, empowering them with direct access to information, and training them to be adaptable through technical and interpersonal skill development. The organization increases its flexibility by nurturing responsible individuals and effective team members.

To provide visionary strategic leadership requires developing staff skills, creating a trusting environment, seizing opportunities in future trends, and clarifying the company vision and values for all staff levels. Those companies that are flexible enough to make rapid adjustments based on their core competencies or a SWOT analysis have the competitive advantage.

To achieve long-term competitive advantages in the current business environment, we recommend that the firm combine the appropriate techniques into a flexible multidimensional competitive strategy that can help to achieve low cost, differentiation, and speed: The Winning Strategy.

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