BUSINESS AND CORPORATE STRATEGIES FOR SUSTAINABLE COMPETITIVE ADVANTAGE

Zueva Oksana
Senior Executive Officer on Professional Administration and Support
Westminster International University of Uzbekistan

Abstract

Strategic management plays a crucial role in helping organizations achieve long-term competitiveness and sustainable growth in increasingly dynamic and competitive environments. Among the most influential strategic frameworks are Porter's Generic Strategies, which explain how organizations create competitive advantage, and the Ansoff Matrix, which guides strategic growth decisions. This paper reviews these two approaches and examines their contribution to organizational performance. The study discusses differentiation, cost leadership, focus, and hybrid strategies as alternative approaches to business-level competition, highlighting their advantages, limitations, and practical implications. It also analyzes the four strategic growth options proposed by the Ansoff Matrix – market penetration, product development, market development, and diversification – and explains how each supports organizational expansion under different market conditions. The review demonstrates that while business strategy determines how an organization competes within an industry, corporate strategy provides direction for long-term growth and market expansion. The paper concludes that integrating business-level and corporate-level strategies enables organizations to strengthen competitive positioning, respond more effectively to environmental changes, and achieve sustainable organizational performance.

Keywords: Strategic management; Business strategy; Corporate strategy; Competitive advantage; Porter's Generic Strategies; Ansoff Matrix; Organizational performance; Strategic growth.

Introduction

Organizations operate in business environments characterized by rapid technological change, globalization, and increasing competitive pressure. To survive and achieve sustainable success, they must develop strategies that not only create competitive advantage but also support long-term growth and adaptation to changing market conditions. Strategic management provides organizations with a structured approach to defining objectives, allocating resources, and selecting appropriate competitive and growth strategies.

Business-level strategy focuses on how an organization competes within a specific industry or market. One of the most widely recognized frameworks is Porter’s Generic Strategies, which identifies differentiation, cost leadership, and focus as the primary approaches for achieving competitive advantage. These strategies assist organizations in creating customer value, improving market position, and enhancing organizational performance. Although Porter originally argued that organizations should pursue a single strategic approach, subsequent research has suggested that combining strategic orientations may also contribute to superior performance under certain conditions.

Corporate strategy, in contrast, addresses decisions related to organizational growth, market expansion, and diversification. The Ansoff Matrix remains one of the most influential strategic planning models, offering organizations four alternative growth paths: market penetration, product development, market development, and diversification. The selection of an appropriate growth strategy depends on organizational capabilities, market opportunities, and the level of associated risk.

Although business strategy and corporate strategy are often examined separately, they are closely interconnected. Business strategy determines how organizations compete within existing markets, whereas corporate strategy establishes the direction for future growth and expansion. A clear understanding of both frameworks enables managers to make informed strategic decisions that strengthen competitiveness and improve organizational performance.

This paper reviews the theoretical foundations of Porter's Generic Strategies and the Ansoff Matrix, discussing their key characteristics, advantages, and limitations. It further explores how these strategic approaches complement one another in supporting sustainable competitive advantage and organizational growth.

Business strategy

In order to be successful and continue to exist in the market every organisation competes with rivals and try to develop unique business strategy. Porter's Generic strategies framework examines effective performance of any organization. The aim of the organization, as well as future plans and actions to achieve success, are defined by Porter's Generic Strategies. This framework includes differentiation, market focus, and cost leadership strategies, which lead to high organizational performance. In a highly competitive world, businesses must find ways to gain a competitive advantage in order to thrive. According to Porter (1985), businesses operating in a given industry must perform a variety of activities that contribute to cost and produce importance for customers.

Porter (1985) provided three fundamental strategies they are: differentiation, cost leadership, and focus (cost focus and differentiation focus). Porter pointed out that company successful performance depends on choosing and focusing on one of the provided strategies. However, Hill et al. (2014) in their research concluded that a combination of strategies that align with company goals and objectives shows better outcomes and helps to gain a market competitive advantage.

Differentiation strategy concentrates on providing a unique product or service that is different what competitors offer (Manyeki, Ongeti and Odiyo, 2018). According to Berthoff (2002) the first step in developing a differentiation strategy is to figure out what sets a business apart from its competitors. McCracken (2002) and Davidson (2001) provided the components that influence product differentiation: quality, the size of the organization, the delivery system, and the marketing approach. Uniqueness of the product increases customer loyalty and provide opportunity to the organisation to set up the prices. According to Porter (1980) uniqueness of the product could be reached by developing customer relationships and service, design, brand image, product innovation and technology, marketing and reputation. Differentiation strategy usually associated with high prices, however it can be explained by higher investments for launching of unique product. According to Allen and Helms (2006) innovation and creativity are the most important factors for success in the differentiation strategy.

Focus strategy oriented to specific group of buyers, segment of product line or geographic market (Roxy, 2010). Focus strategy includes market penetration or market development. There two types of focus strategy: (1) Cost focus, and (2) Differentiation focus. A company with a cost focus orients on a cost benefit in its target market, while a company with a differentiation focus aims to set itself apart from its rivals in its target market.

Cost leadership strategy helps a company to achieve higher returns and gain competitive advantages by delivering the lowest-priced goods or services in the market. This strategy is mainly employed to achieve a competitive advantage over rivals by lowering operating costs below those of competitors in the same industry. In order to be effective in cost leadership strategy the company should gain large market share (Hyatt, 2001). Cost on the production can be decreased by reducing input cost (labour cost or raw materials), developing operational efficiencies, mass production, product design, production learning or economies of scale, exclusive raw material access, mass distribution (Davidson, 2001). However, cost leadership strategy does not mean just cheap output, product should still have features that are crucial for customers. Organisation that chooses cost leadership strategy will not lose the revenue due to the fact that it will gain large market share (Porter, 1996). Providing lower cost will increase entry barriers for new comers. According to Cross, 1999 negative side of the cost leadership is that it decreases customer loyalty and too low price may lead to loss of revenue.

Hybrid strategy is a combination of strategies. However, Porter is his research concluded that differentiation and cost-leadership are mutually exclusive (Campbell-Hunt, 2000), while many other papers pointed out that these two strategies can be combined together (Hlavacka et al., 2001; Fuerer and Chaharbaghi, 1997).

Overall, business strategy plays a critical role in determining how an organization competes and creates value within its industry. The choice between differentiation, cost leadership, focus, or a combination of these approaches depends on the organization's resources, capabilities, and market conditions. An effective business strategy enables organizations to strengthen their competitive position, improve organizational performance, and achieve sustainable competitive advantage in an increasingly dynamic business environment.

Corporate strategy

In order to be successful and gain market share each organisation should develop appropriate strategies for future growths. The Ansoff matrix is one of the methods that can be helpful for determining the most suitable strategy for the organisation. Ansoff matrix is a planning methodology used for strategic decision about firm growth across product and market development. According to Watt G.et al (1998) Ansoff matrix is key method in identification of strategy growth and achieving success in marketing and strategic management. The matrix consists of four growth strategies: (1) market penetration, (2) product development, (3) market development and (4) diversification. The product development and innovation has stronger effect on firm growth, while market expand has influence on company performance (Flores, 1976).

Market penetration. By using this strategy the company tries to expand the market share by producing current goods or services in its current market. Ramphul, (no date) in his research suggests that advertising is one of the main tools of gaining market shares in market penetration strategy. However, the constrain of this strategy is that the organisation depends on only one market and changes in the market (crisis) will have negative affect on the company. The next concern of the strategy is that it will increase rivalry and price war among competitors. In order to reach competitive advantage in the market the company should have value resources and capabilities.

Product development strategy means that the company introduces new products and services for the current market. One of the reasons to adopt product development strategy can be switching of customers preferences. This type of strategy assists in the prevention of new organizations entering the current industry. However, product development strategy entails a lot of spending on developing, research and design of a new product.

The organisation consecrates on *Market development strategy* when it expand existing products to the new market. The key benefit of this strategy is that it reduces the organization's reliance on a single market only, and failure of one business can be offset by success in other markets. The company can reach economy of scale by implementing market development strategy and gaining new markets which in turn will positive effect on profitability of the firm. The restrictions of this strategy are that the company should get significant knowledge and information about the new markets as well as invest on advertisement in order to become well known in the new market. Local competition can also be limitation for market development strategy.

Diversification strategy enables an organization to gain a new market and introduce a new product at the same time.

Overall, the Ansoff Matrix provides organizations with a structured framework for selecting appropriate growth strategies based on their products and markets. Each strategic option offers distinct opportunities and challenges, requiring organizations to carefully evaluate their internal capabilities, available resources, and external market conditions before implementation. Selecting and executing the most suitable corporate strategy enables organizations to strengthen their competitive position, support sustainable growth, and respond effectively to changing business environments.

Conclusion

Business strategy and corporate strategy represent two complementary dimensions of strategic management that significantly influence organizational success. Porter's Generic Strategies provide organizations with alternative approaches for achieving competitive advantage through differentiation, cost leadership, and market focus, while the Ansoff Matrix offers practical guidance for selecting suitable growth strategies based on products and markets.

The review demonstrates that no single strategy is universally appropriate for every organization. Strategic choices should be aligned with organizational resources, capabilities, competitive environment, and long-term objectives. While differentiation enables organizations to create unique value, cost leadership emphasizes operational efficiency, and focus strategies allow firms to satisfy the specific needs of targeted market segments. Similarly, growth strategies such as market penetration, product development, market development, and diversification present different opportunities and levels of risk depending on organizational circumstances.

Overall, organizations are more likely to achieve sustainable competitive advantage when business-level competitive strategies are effectively integrated with corporate growth strategies. Such alignment enables firms to respond to changing market conditions, strengthen their competitive position, and support long-term organizational performance. Future research may further explore how these strategic frameworks are adapted in different industries and how emerging technologies and digital transformation continue to influence strategic decision-making.

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