

# THE ROLE OF COMPETITIVE STRATEGIES ON DEVELOPING A STRONG COMPETITIVE ADVANTAGE

Ajtene Avdullahi<sup>1</sup>, Vjosa Fejza<sup>II</sup>

<sup>1</sup> Raiffeisen Bank, Mitrovica, Kosova

<sup>2</sup> University of Prishtina, Prishtine, Kosova

## ABSTRACT

We are living in a period of intense domestic and foreign competition. Companies are facing very strong competition. Therefore, they are having no choice but to be "competitive". This paper aims to investigate the competitive strategies that a local construction company implement in a developing country such as Kosova scenario. For the purpose of this paper we have reviewed existing literature, related publications and other secondary data aiming to fundamentally understand and present the role and importance of developing competitive strategies that strongly position the company against competitors and provide to the company the strongest possible competitive advantage. The main objective of this paper is to explore competitive strategies of a local construction company and identify how this company creates a strong competition advantage in the market. In this paper, we have analyzed a particular case study of a local Constructing Company "LINPROJEKT" and presented the competitive strategies that this Construction Company has developed, and it's competitive advantage. Finally, the conclusions are extracted that derive from the review of the literature, publications and other secondary data obtained from the archive of "LINPROJEKT" company are included.

## JEL CLASSIFICATION & KEYWORDS

■ L1 ■ M31 ■ STRATEGY ■ COMPETITION ■ ADVANTAGE  
■ DIFFERENTIATION ■ COST ORIENTED

## INTRODUCTION

Nowadays companies are aware of an increasingly complex technological, organizational, and competitive environment, therefore strategic management acknowledge that it is concerned with the survival and long-term success of organizations, through the setting of objectives, an analysis of the industry environment, an assessment of the organization's capabilities, the formulation of sustainable business strategies, and the successful implementation of them.

Companies are conscious of intense and strong domestic and foreign competition. Understanding customer's needs is not enough, thus paying as much attention to track their competitors as understanding target customers is a must. While we can find the variety of identical or similar products and services in the market, the way that companies choose to penetrate successfully into the market presents a challenge itself.

Therefore, today's companies are trying to find weaknesses of competitors to turn them into their strong points, in order to convince customers that their products and/or services they offer to them are better than competitors' offerings. According to this, companies are always more trying to create an advantage over their competitors to make even

<sup>I</sup> ajtenshipoli@gmail.com

<sup>II</sup> vjosa.fejza@gmail.com

<http://www.journals.cz>

their company, brand, products and services being differenced.

To submit a clear and in a general way those statements, in the first part of the paper we have reviewed existing literature. We have reviewed related publications and other secondary data aiming to fundamentally understand, present the role and importance of developing competitive strategies that strongly position the company against competitors and provide to the company the strongest possible competitive advantage.

In the second part of this paper, we have analyzed a particular case study of a local constructing company "LINPROJEKT" and presented the competitive strategies that this construction company has developed.

In the end, we have extracted the conclusion that derive from the review of the literature, publications and other secondary data obtained from the archive of "LINPROJEKT" company.

## Aim and objectives

This paper aims to investigate the competitive strategies that a local construction company implements in a developing and transition country. To study guidelines that could help the company's management to understand and present the role and importance of developing competitive strategies that strongly position the company against competitors and provide to the company the strongest possible competitive advantage.

The main objective of this paper is to explore competitive strategies of a local construction company and identify how this company creates a strong competition advantage in the market.

The following are the sub-objectives for this study:

- To establish the importance of competitive strategies use as a crucial company advantage.
- To assess potential areas for future development of the Kosovar companies competitive strategies.

These two sub-objectives, enable the realization of the prefixed main objective of this paper because they provide the path to reach the conclusion that how significant and crucial is the way of establishing the strong competitive strategies for Kosovar companies to survive and to face successfully nowadays turbulent environment.

## Literature review

Term Strategy arises from the Greek word strategy that means generalship. Strategy refers to the general's plan for grouping and maneuvering his forces with the aim to defeat the enemy army. The military analogy has been linked and utilized for the change of strategy by business people. Hence, the concept of strategy has been adapted from the military by business people and utilized in business. With time strategy became a plan for monitoring and employing

companies' resources, such as human, physical, as well as financial.

Strategy is defined as: "the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals, and defines the range of businesses the company is to pursue, the economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities" (Andrews, 1980).

Porter 1990, defined competitive strategy as "a broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals"(Paneta et al., 2008).

According to Nickols Strategy refers to a general plan of action for achieving one's goals and objectives and strategic means "of great significance or import" and so strategic plans, at all levels, intended to address matters of great importance (Nickols, 2011). Also, Nickols explains that strategy refers to the direction and destination of the firm, where it headed and what is it to become?

The business environment presents an important and crucial factor on SMEs growth. As Charles Darwin quote: "It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change". Therefore, competing in today's business environment is challenging, and knowledge is thought to be the primary resource (Iftikhar et al., 2010).

The term business cluster, also known as an industry cluster, competitive cluster, or Porters cluster, was introduced by Michael Porter in The Competitive Advantage of Nations in 1990. Two years after Porter defines clusters as "geographic concentrations of interconnected companies, specialized suppliers, firms in related industries, service providers, and associated institutions (e.g., universities, standards agencies, trade associations) in a particular field that compete but also cooperate" (Porter, 2000). As Porter explains, the competitive advantage resides in the general area (county or counties) in which the cluster is located, and not within the individual firms themselves. Furthermore, the geographic scope of a cluster relates to the distance over which informational, transactional, incentive, and other efficiencies occur (Porter, 2000).

Organization's success relies on its ability to create, utilize, and develop its knowledge-based assets (Hill et al. 2002, Sveiby 1997, Teece 2000, Salojärvi et al., 2005).

After having identified and evaluated the main competitors, the firm must design its best competitive marketing strategy that would create the best position of its offers against competitors' offerings. According to Kotler, Armstrong, Saunders and Wong (1999), no one strategy is best for all companies. Each company must determine what makes the most sense, given its position in the industry and its objectives, opportunities and resources. Even within a company, different businesses or products need different strategies.

Porter (1980), have proposed three generic strategies that provide a good starting point for strategic thinking:

1. Overall cost leadership. Businesses work to achieve the lowest production and distribution costs so they can underprice competitors and win market share.
2. Differentiation: The firm concentrates on achieving superior performance in an important customer benefits

area valued by a large part of the market. As Kotler and Keller (2012) explain, the firm seeking quality leadership, for example, must make products with the best components, put them together expertly, inspect them carefully, and efficiently communicate their quality.

3. Focus: According to Blythe (2005), this strategy is applied by the firms that are concentrated in a particular segment of the market and pursues either differentiation or cost leadership within the target segment.

These three generic strategies are also known as winning strategies of Porter. As Kotler, Armstrong, Saunders and Wong (1999) explain, companies that pursue a clear strategy - one of the above winning strategy - are likely to perform well. The company that carries out that strategy best will make the most profits.

Otherwise, according to Kotler, Armstrong, Saunders and Wong (1999), firms that do not pursue a clear strategy - middle-of-the-roads - do the worst. These kinds of companies, try to be good on all strategic counts, but end up being not very good at anything. According to Porter (1996), firms directing the same strategy to the same target market constitute a strategic group. The firm that carries out that strategy best will make the most profits.

Kotler and Keller (2012), explain that even giant companies often cannot achieve leadership, either nationally or globally, without forming strategic alliances with domestic or multinational companies that complement or leverage their capabilities and resources. Also, Kotler and Keller (2012), explain that many strategic alliances take the form of marketing alliances. These fall into four major categories:

1. Product or service alliances - one firm licenses another company to produce its product, or two firms jointly market their complementary products or a new product.
2. Promotional alliances - one business agrees to carry a promotion for another business's product or service.
3. Logistics alliances - one firm offers logistical services for another firm's product.
4. Pricing collaborations - one or more companies join in a special pricing collaboration.
5. According to Kotler and Keller (2012), companies need to give a creative thought to finding partners that might complement their strengths and offset their weaknesses. Well-managed alliances allow firms to obtain a great sales impact at a lower cost.

### Research methodology

In the first part of the paper, data were obtained from secondary sources, such as literature from various authors and publication in various scientific journals. This collected data and information through methods of analysis and description, served to make a review and come to conclusions about the role and importance of developing and implementing competitive strategies that strongly position the company against competitors and give the company the strongest possible competitive advantage. Also, was used the method of comparing with obtained data from literature by various authors regarding notions, definitions and concepts that each of them has provided. We have done this with intention that by using comparison we come to a concept, idea and better process of drafting and implementation of effective competitive strategies, in order that companies will be successfully surviving or leading in their turbulent markets.

The methodological position of the present paper rests on the use of the qualitative paradigm. The qualitative approach to research is typically used to answer questions about the nature of phenomena with the purpose of describing and understanding them from the participants' point of view. Leedy (1997) refers to the case study as a type of qualitative research in which a researcher explores a single entity or phenomenon bounded by time and activity and collects detailed information using a variety of data collection instruments. The case study can be exploratory as Leedy (1997) cites as evaluative.

For purpose of this paper a single case study approach was employed with the intention to explore and gain preliminary understanding of competitive strategies of a local construction company and identify how this company creates a substantial competition advantage in the market.

The method of synthesis, induction and generalization is also used in this paper and that mainly in the last part whereas from all of the materials and practical research analyzed and reviewed, we managed to come to certain specific conclusions.

#### **Linprojekt profile and competitive strategy**

This section presents a short construction industry analysis; companies profile and competitive strategies that a construction company implement in a transition, emerging and a developing economy.

#### **Construction industry analysis**

In the Republic of Kosova, there are numerous construction companies that expanded their activity in all domestic area, or some of them even more in the Regional States. While those numerous companies operate, it seemed necessary to do research for types of competitive strategies that these companies applies to differentiate from their competitor.

From the latest data that were published by Statistical Agency of Kosovo for the first quarter of this year 2015, is being noticed that a considerable number of new construction companies were registered in the construction industry in Kosovo. Only in this first quarter of this year were registered 237 new construction companies, from which 39 in the region of Pristina, 17 in the region of Gjilan, 15 in the region of Peja and Mitrovica, 11 in Gjakova region and the remaining in the other regions of Kosovo.

Comparing to the last year, in the first quarter of 2014, according to Statistic Agency of Kosova, were registered 284 new companies in the construction industry. As it seemed, the number of new entries in this sector has decreased compared to the last year. According to the calculated chained index of number of companies from the first quarter of the 2014 compared to the first quarter of the 2015, it seems a decrease of number of construction companies for 16.54%  $\{[(237-284)/284]*100\}$ . This decreasing number might be caused for some reasons, as reduced demand for construction services, lower profits, a lot of rough competitors, low prices, etc.

From all these numerous construction companies that are part of the construction industry in Kosovo, only one company was selected to be analyzed, reviewed and presented in the following part of the paper.

For more than two-decade LINPROJEKT staff faced with any technical and managerial challenge and persisted until the job was done. Equally important as the "what" and "who" in the business in LINPROJEKT is the "how", as expressed in their values:

- Vision: We provide a better environment.
- Mission: The people and the best technology provide the best solution.
- Values: Health, Safety and Environment Safety: Every accident is avoidable and unacceptable.
- Integrity: Honesty, carrying within (time) and interaction directly with the customer, subcontractors, and employees.
- Innovation: cost-effective, creative choices for our customers needs.
- Respect: An environment of dignity and consideration.
- Diversity: A workforce and management team that reflects our intention.
- Competencies: Meeting customer requirements through technical and management strength.

#### **Linprojekt competitive strategy**

In the early 90s, when it was founded by Jusuf Haxhimehmeti, the first "Design Bureau" have designed and built mainly small houses and residential facilities. During the war in 1999 most of houses and building were burned and destroyed, so there was a lot of work to rebuild and reconstruct all the houses and business premises. Despite damage from burning and destruction of houses immediately after the war Mitrovica was divided into two parts Mitrovica North (Serbian part) and South (Albanian part), so most of the Albanians that lived previously on the North side were displaced into the South. The number of population on the south side has been increased, and the demand for housing increased dramatically. LINPROJEKT has used this opportunity, so they have hired more people, purchased construction machines and equipment to meet the market demand.

Reconstructions and building of the houses didn't meet the market demand. Based on the interview with the Director of the LINPROJEKT Company, Mr. Ferki Haxhimehmeti, this company was the first one in Mitrovica region that in 2004 started to construct building from seven to eleven floors to find a solution to the huge demand for housing. Led by young experts, enthusiasts, energy, skills and, in particular, the commitment to professional work they built the first building that met all urban technical standards. This company also had always respected the laws and the rules when they implemented any construction activity. In particular, it is very necessary to underline the fact that every building that this company has constructed has been always implemented according to the law of construction in the Republic of Kosovo and according to the urbanism plan. The buildings that they have built were met not only their consumer's needs, but also the social and public needs too.

LINPROJEKT is also known as the first company in Mitrovica Region, which has started to build underground parking lots.

As it seemed above, LINPROJEKT used to develop the added value and differentiation strategy as a competitive strategy to compete with its competitors. The strongest advantage of this company was always the first company to bring to their customer the newest and the latest offerings and services in their competitive market. As Ries and Torut (2005) said, "is better to be the first to the market than to be the best", LINPROJEKT has used successfully this famous quote in a perfect manner and it has also shown the great results that this company has achieved through these years.

LINPROJEKT extended their activity in Prishtina, the capital of Kosovo. Till now LINPROJEKT has built more than 20 buildings in Kosovo mainly in Mitrovica and in Prishtina.

Based on the interview with the manager of the company, Jusuf Haxhimehmeti, LINPROJEKT has improved the environment by developing new methods for designing and construction. As he has mentioned, today's' bravery and commitment of Lin Project entrepreneurs is helping in the development and growth of the city by creating employment opportunities for workers and businesses (subcontractors and suppliers). A tough work enabled this company to operate successfully all these years and also through its competitive strategy that the management of this company has chosen which has made this company leader in Mitrovica region.

Being a market leader in a Region has provided to the company to create goodwill which has served to be well-known in other Regions in Kosovo as well. LINPROJEKT has successfully used its goodwill to penetrate in the biggest Region of Kosovo, in the Pristina, capital of Kosovo.

Operating in Pristina Region was a challenge as they faced with new and tough competitors, which were bigger in numbers and in the areas that they operate. While in Mitrovica, the added value and differentiation strategy were compatible and successful for that type of market and competitors operating there, in Pristina this kind of strategy did not brought the results that they have expected. LINPROJEKT management was in a big trouble: if they chose to operate with the differentiation strategy, their prices for their construction will be higher than of their competitors. LINPROJEKT management analyzed all the types of possible competitive strategies and came with the conclusion that the hybrid strategy will be the best competitive strategy for Pristina Region. This kind of strategy, according to the interview with the director of LINPROJEKT, Mr. Ferki Haxhimehmeti, has provided to the company to offer construction services to their customers with great quality and also at affordable prices. Hybrid strategy has shown its results after LINPROJEKT has constructed a complex of building in a neighborhood in Pristina, named MATI 1. All the flats and stores were sold immediately because the customers were satisfied with the offers and also with the prices that the company offered.

They continue to work on creating incentives for distribution programs, supply, and manufacture and build quality infrastructure to satisfy the demands of citizens and businesses, to increase social welfare and the quality of life.

Advanced global economy and technology have changed priorities and requirements of their customer's needs. As a response, they have redefined their business to meet and win the challenges of the future. Also, to focus on the development, integration, and management of resources to meet these new demands and to solve urgent problems of their customers. Defining their business in that sense, that provided the impetus for them to expand their technical capabilities and managerial (new energy commitment) and the application of these techniques to achieve a higher peaks in different markets and expansion of business achievements.

The essential skills or ability to offer quality solutions for evolving customer requirements has always been vital to their employees – as they are very talented and dedicated persons. Today, about 100 employees and associates are engaged in the execution of many projects.

<http://www.journals.cz>

## CONCLUSION

LINPROJEKT started their business through Added value and Differentiation. They brought unique products and services with a premium price on the market at the time when demand was very high. LINPROJEKT advantage over competitors is that their staff 20 engineers and architects design their construction projects for their company and for their customers (companies or individuals) so they do not have to pay to any other design company, but they use their sources (human resources, knowledge, experience) that can result in cost saving.

Another advantage is that during the executing of the construction work project engineers do monitor the field work, and if needed, the projects and design can be easy modified and changed if found any gap or mistake during the projecting phase. It is also easier for the executing construction workers to work with the same designing style and with the same engineers and vice versa.

Jusuf Haxhimehmeti, the founder of the company, has worked previously in the Directorate for Urbanism and Spatial Planning in Municipality of Mitrovica. He gained a lot of practical experience and knew a lot of people and has business links. He has helped a lot of people, and he is a person of trust, so inhabitants of Mitrovica have respect for him. His company benefited from his previous experience, network, and connection to ensure the durability of competitive advantage. Their marketing investment is in moderate level since they do not put that much effort in the commercialization of their products and services. They stress that the best marketing is indirect marketing – satisfied customers are the best promoters to new customers.

LINPROJEKT is building competitive advantage through functional level strategy; that is directed at improving the effectiveness of operations within a company, such as manufacturing, marketing, materials management, product development, and customer service.

Regarding building competitive advantage through business-level strategy, which encompasses the business's overall competitive theme, the way it positions itself in the marketplace to gain a competitive advantage, and the different positioning strategies that can be used in various industry settings LINPROJEKT has successfully managed to focus at the beginning of differentiation, and later on by facing higher competition in particular in Prishtina market their strategy is combination of differentiation and hybrid strategy.

The ability of LINPROJEKT to fit each particular market with different competitive advantage, has created the preconditions to make this company a strong competitor in Pristina's market as well as in Mitrovica's market whereas it has proved to be a leading competitive company for many years.

Hard work, goodwill, and high commitment have enabled this company to operate successfully all these years, to become a leader in Mitrovica region and to penetrate into the market of other regions in Kosova.

As Charles Darwin quote: "It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change". Therefore, changing strategies and adapting to business environment presents the strengths of this company that gives the conviction of a long-term operation of this company in the future.

## REFERENCES

Andrews, K. R. (1980). "The Concept of Corporate Strategy", Richard D. Irwin, Homewood, IL.

- Porter, M. E. (1990). *The Competitive Advantage of Nations*. Macmillan, London.
- Pantea, V.V., Csorba, L.M. & Maxim, O. (2008). Porter's strategy, value chains and competitive advantage, *Research and Education in Innovation Era, Theoretical Developments in Contemporary Economics*, Editura Mirton, Timișoara, 91- 97.
- Nickols, F. (2011). Strategic management, strategic planning and strategic thinking, Distance Consulting [http://www.nickols.us/strategy\\_etc.pdf](http://www.nickols.us/strategy_etc.pdf)
- Iftikhar, H. Steven, S. & Ahmed, A. (2010). "Knowledge Management for SMEs in Developing Countries" *Journal of Knowledge Management Practice*, 11(2) available at <http://www.tlinc.com/artic228.htm>
- Porter, M. (2000). "Location, Competition, and Economic Development: Local Clusters in a Global Economy", *Econ. Develop. Quart.* 14, 15-34.
- Hill, J. Nancarrow, C. & Wright, L.T. (2002). "Lifecycles and crisis point in SMEs: a case approach", *Marketing Intelligence & Planning*, 20(6), 361-369.
- Sveiby, K. E. (1997). Two Approaches to Knowledge Management: Object versus Process, Presentation at the seminar on Knowledge Management and Learning in the European Union, May 1997, Utrecht.
- Teece, D. J. (2000). *Managing Intellectual Capital: Organizational, Strategic and Policy Dimensions*, Oxford University Press, Oxford and New York, NY.
- Salojärvi, S. Furu, P. & Sveiby, K. (2005). "Knowledge management and growth in Finnish SMEs", *Journal of Knowledge Management*, 9(2), 103-122.
- Kotler, P. Armstrong, G. Saunders, J. & Wong, V. (1999). *Principles of Marketing*. Second European Edition. Europe: Prentice Hall Europe.
- Porter, E. M. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: Free Press.
- Kotler, P. & Keller, L. K. (2012). *Marketing Management*. 14th Edition. New Jersey: Prentice Hall.
- Blythe, J. (2005). *Essentials of Marketing*, Third Edition. London: Pearson Education Limited.
- Porter, E. M. (November - December, 1996). What is Strategy? *Harvard Business Review*, 61-78.
- Leedy, P. D. (1997). *Practical research-planning and design*, Merrill, Prentice Hall.
- Ries, A. & Trout, J. (2005). *22 Immutable Laws of Marketing*. Prentice Hall.