

COMPETITIVE ADVANTAGE AND STRATEGIC MANAGEMENT

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Abstract: This article analyzes the patterns of strategic management in the socio-economic sphere from a socio-philosophical point of view. The issues of strategy in the socio-economic sphere, the methodology of creating a strategy, types of strategies for taking a leadership position in a competitive environment, factors and sources of competitive advantage are studied.

Key words: strategy, strategic management, methodology, competitive advantage

INTRODUCTION

In recent years, several Presidential decrees have come into force in Uzbekistan, including the "Development Strategy of New Uzbekistan for 2022–2026" and the decree "On the Strategy 'Uzbekistan-2030'." This indicates that the principles of strategic management are being applied at the highest level in our country. Studying the essence of the concept of "strategic management," its history, and methodology is highly relevant today, as it enables organizations and entrepreneurs operating in the economic sector of society to secure a competitive position aimed at long-term success.

Methodology. The research process involved general philosophical scientific methods such as analysis and synthesis, deduction, induction, the unity of historicity and logic.

Literature Review. The concept, essence, history, and methodological problems of "strategic management" have been explored in the scientific articles, monographs, and dissertations of several researchers. For example, V.S. Katkalo's doctoral dissertation "The Evolution of Strategic Management Theory," I. Ansoff's monograph *Strategic Management*, and the scientific article *Strategic Management: Analysis of Concepts* by E. Glotova and V. Glotov discuss these issues. Competitive advantage, as a component of strategic management, is explored in Y.E. Bisikalov's article *Organizational Factors of Firm Competitiveness*, while B.A. Perekatov and

Y.P. Tyutikov analyze the relationship between corporate strategy development and competitiveness in their article *Approaches to Developing Corporate Strategy*.

Discussion. In a highly competitive environment, the key to an organization's development is the quality of its management. One of the effective management methods is strategic management. A management strategy encompasses areas such as production, finance, marketing, human resources, research, and development. Strategic choice involves integrating competitive behaviors and business decisions accumulated throughout the organization into a unified whole. The current strategy of the organization reflects the coherence of these behaviors and approaches. Well-formulated strategic vision prepares an organization for the future by identifying its development path and establishing its intended market position [1].

The word "strategy" originates from the military field, derived from the Greek "strategos," meaning "the art of the general." Strategy is a plan, program, or general direction that a managing entity follows to achieve specific goals in any field of activity.

There are many definitions of "strategy." According to von Neumann and Morgenstern, "a strategy is a complete plan that includes what choice a player will make in every possible situation" [3]. According to Steiner and Miner, "strategy is the articulation of an organization's mission, objectives, policies, and the programs and methods to achieve them" [4]. Researchers such as K. Hatten and M. Hatten define strategy as "a way to achieve organizational goals" [5]. G. Mintzberg argues that "strategy consists of five components: plan, method, pattern, position, and perspective" [6].

The concept of "strategic management" entered usage in the 1960s–70s to differentiate it from operational management at the production level and to refer to higher-level management.

Several factors contributed to the emergence of "strategic management" as a distinct term. These include the lack of visibility in organizational performance results, the growing number and complexity of management tasks due to external and internal environmental influences, the expansion of organizational operations across

geographies, environmental instability and dynamism, and the shift to a post-industrial society.

Practical experience shows that those who implement comprehensive strategic planning and management achieve higher-than-average industry returns. "The methodology of strategic management is a set of principles, specific methods of making strategic decisions, and ways of implementing them in practice that enable an organization to optimally utilize its potential and respond sensitively to external environmental demands" [7].

The development of strategic management methodology involves several stages. The widely accepted logical chain that describes the strategic management process includes: comprehensive analysis, identifying the organization's mission and goals, developing alternative strategies, selecting a strategy, and implementing it.

The main goal of strategic management is to maintain and enhance competitive advantages. Studying competitive advantage is a component of strategic management. Despite its widespread use, the definition of competitive advantage remains a topic of debate. According to J.D. Barney, "given the many definitions of competitive advantage in the strategic management literature, is it time to abandon the concept entirely?" [8, p. 81]. Competitive advantage is the quality and price of goods and services that attract customers, leading them to prefer the company's products over competitors'. Competitive advantage results from various factors and is relative and temporary. According to N.A. Savelyeva, "competitive advantage is an internal characteristic (including dynamic capabilities) or an external factor that grants superiority over competitors in a specific market, subject to temporary dynamics over a defined period" [9, p. 28].

In strategic management, the study of corporate success is equivalent to the study of competitive advantage, and the central question becomes: "What are the sources of competitive advantage?"

Using causal analysis and a systems approach, one can state that the sources of competitive advantage are external and internal environmental factors influencing a firm's performance. The list of factors may include numerous causes. Therefore, they

should be classified according to their significance. Clearly, those factors that are stable and difficult for competitors to replicate are of greater importance.

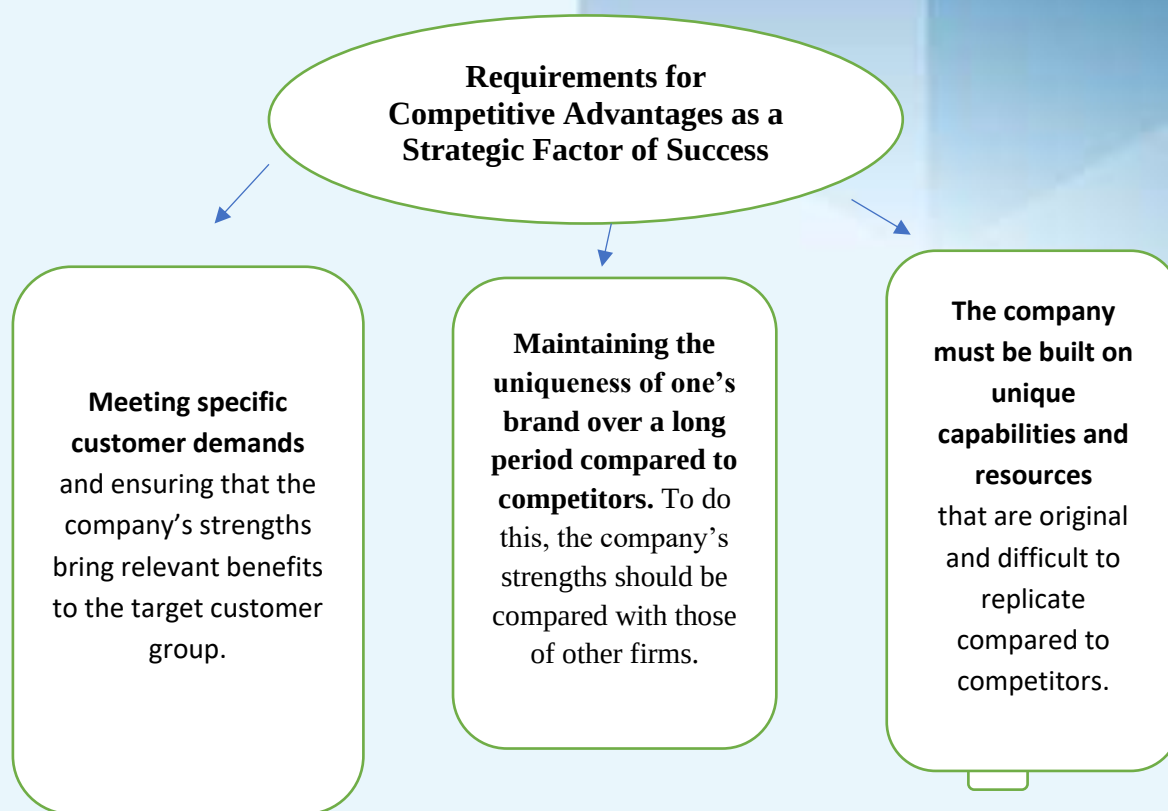


Figure 1. Requirements for Competitive Advantages as a Strategic Factor of Success [10, p.60]

The role of organizational factors in creating sustainable competitive advantage is distinctive. These organizational factors can be classified as internal. Unlike the “invisible hand” of the market, organization can be described as a “visible hand” or conscious coordination. According to organizational theory, organization encompasses strategy, structure, business processes, human resource management, and incentives—forming the “five stars” of organizational design.

The first approach to studying competitive advantage is M. Porter’s theory, in which he applied the theory of “industrial organization” to strategy. His five forces model outlines the conditions under which a firm can position itself to counter threats posed by competitive forces. According to Porter’s theory, barriers to entry—resulting from economies of scale and learning effects—and monopoly positions protected by unique cost advantages can serve as sources of competitive advantage.

Competitive advantage is one of the most critical factors determining an organization's competitiveness in a market environment. According to G.L. Azoyev, "Competitiveness is the market position that enables an organization to overcome competitive forces and attract customers." M. Porter argues that competitive advantage refers to the organization's superior competence in a particular type of activity or in the production of a specific product compared to its competitors.

It is important to distinguish between the **factors** and **sources** of competitive advantage. This process reflects the principle of philosophical determinism. A factor—i.e., the cause—of an existing object or process can refer to a component of the production-economic system (information, personnel, technology, management methods, financial tools, etc.) or an element of the business system (competitors and their capabilities, entry barriers, sectoral markets, etc.). A **factor** serves as the subject of managerial decision-making, whereas a **source** is the outcome of implementing those decisions. Factors are revealed during a comparative analysis of a firm's strengths and weaknesses against others to determine competitive advantages. The **source** of competitive advantage provides the basis for determining its quantitative indicator. For example, the best available production technology is a factor.

The resulting reduction in production costs, shortened production cycles, and increased productivity are **sources** of advantage derived from the use of technology. It should be noted that the outcomes achieved by a firm result from the joint effect of multiple factors.

Russian economist A.Yu. Yudanov states that firms use a number of strategies to gain leadership in a competitive environment, which he refers to as the philosophy of entrepreneurship [11, p.75]. These include the *violent*, *patient*, *commutant*, and *exclerent* strategies.

In the **violent** strategy, the business structure mainly produces average-quality goods for a wide consumer base. Producing a large volume of homogeneous products is more cost-effective than producing a variety of differentiated ones. Production costs can be minimized. Such producers are often referred to as "proud lions," "mighty elephants," or "rough hippos."

In contrast, the **patient** strategy targets a narrow but high-demand consumer group, producing small quantities of high-quality goods. Though fewer in number, these products command high prices.

In the **commutant** strategy, entrepreneurs produce goods for a very small, demanding consumer segment, acting as connectors in the economy. They adapt production rapidly to any demand and are often called “gray mice.”

Finally, the **exclerent** (pioneer) strategy involves introducing entirely new products to the market. In about 85 out of 100 cases, this strategy results in bankruptcy. However, the remaining 15 cases can yield unprecedented success and profit. Examples include the introduction of quartz watches or personal computers.

Result. It has been established that in the socio-economic sphere, a strategy is a long-term plan developed by an entrepreneurial structure to achieve a leading position in a competitive environment. To implement this plan, it is necessary to identify the competitive advantage of the entrepreneurial structure and its sources. Through the effective management of competitive advantage factors, the sources of competitive advantage can be formed. Several model strategies have been developed for achieving competitive advantage and leadership.

Conclusion. It is advisable for business entities to study the best practices of strategic management in their interactions with competitors and, based on that, develop a strategy unique to their own operations. This is because every entrepreneurial structure has its own unique composition, resources, and capabilities.

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