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From Competitive Strategy to Strategic Innovation: Win a Sustainable Competitive Advantage

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Abstract **Review Article**

The environmental dynamics are characterized by unpredictable changes, new technologies, customer preferences and needs that make existing products and services obsolete. In order to minimize outdated threats, companies need to search for information on a larger scale and work harder to monitor the costs, competitors, company capabilities and deployment channels. Strategic innovation through a well-designed competitive framework enables companies to keep pace with customer needs and changes in the economic environment to meet existing markets and prepare for emerging markets, and to win long-term competitive advantage for the company.
Keywords: Competitive Strategy; Strategic Innovation; Duality; Competitive Advantage.

INTRODUCTION

To successfully adapt to the rapid change and uncertain external environment, nowadays companies urgently need to reinvent themselves, because each company needs to find ways to cope with the dynamic impact at all levels to win tomorrow's market position [1]. Reinvention means abandoning existing strategies, identifying competitive strategies and the urgent need for strategic innovation [2]. Companies need to be clear about their uniqueness and how to distinguish themselves from their competitors, otherwise they will be surpassed. If a company wants to maximize value in the long run, it is crucial to take the initiative to make such strategic innovations [3]. Managers must develop and implement a competitive strategy that applies to the company's product and market environment in order to clarify how their strategic innovation affects each competitive element. Based on strategic goals and new emerging consumer behavior, constantly adjusting the strategy to stimulate new business models and innovative ways to create value for the company, which is the ultimate sustainable competitive advantage.

Competitive Strategy

Competitive strategy represents the choices a company made in order to configure itself, deploy its resources and capabilities, and compete with competitors or new entrants [4]. Strategic innovation means using a strategic vision to imagine the future, creating a new market or undermining an existing market. This can fundamentally change mental models, competition rules and business models with new product or service categories [5]. Managers need to carefully design and implement competitive strategies so that their companies can participate in strategic innovation while ensuring today's success and laying the foundation for future competition.

Re-examine the competitive strategy framework:

The following framework highlights five key and interrelated components of a competitive strategy:

- Customer
- Competitors
- Channel
- Cost structure
- Company capability

Successful companies carefully manage the interrelationships between these components to deploy a competitive framework that leverage their strengths better to meet customer needs than their competitors.

Customer

Clients vary in all dimensions, including geography, demographics, psychology, and behavior, all of which determine their different needs and preferences, and the customer's potential profitability varies from company to company [6]. In order to be successful, companies must segment the market in a way that suits their business and then choose the key parts that are most effective and profitable. Once these segments are identified, companies should position their products to meet the needs of these customers, thereby increasing their competitive position. This is not a fixed goal, and managers must pay close attention and continue to monitor and act accordingly [7]. The demand for customer segmentation continues to grow, and their profitability relative to emerging market segments is also growing.

Competitors

Companies must be sharply aware of their competitors and their products better to serve the customers base of their choice [8]. In fact, competition is a key factor in the company's operations and it must be taken into account when developing and exploring its own differentiated products. Considering the dynamic nature of competition, companies should constantly evaluate their relationship with competitors according to the key success factors of specific product markets [9]. A well-known challenge faced by many companies is the need to quickly adapt to rapid, sustained changes that threaten their competitive position. However, there will always be some smart companies that bypass traditional direct competition and offer some completely different new strategic innovations into the mass market [10].

Channels

As part of the strategic process, analyzing channel selection and options is critical. But most companies tend to ignore like whether to designate an exclusive dealer network or promote strong distribution. This decision should not be determined solely by the nature of the product or service. Instead, these are highly strategic choices that must be made after much discussion and deliberation. Distribution advantages often play a significant role in enhancing product performance and maintaining a strong market position in the end-user market [11]. Companies in all industries are facing increasing sales costs and there is no evidence of increased productivity to offset these costs. Customers continue to demand high demand for manufacturers that allow direct sales, forcing companies to reconsider the use and design of traditional channels.

Cost Structure

It is important to understand the cost structure of the company [12]. Cost is almost directly related to scale and profitability. Many companies reduce costs simply by increasing output. They hold the one-sided view that as long as the output can be increased, the unit product cost will be reduced. The larger the scale is, the better. Based on adhering to these ideas led to a wide range of vertical integration, and constantly strive to achieve large-scale company on a large scale and marketing, with a strong number, but all of which led to the high cost burden [13].

Company Capabilities

Managers must carefully examine company capabilities and assess their consistency with competitive market needs. The importance of providing appropriate capabilities for market concerns for selected products cannot be ignored. The company's capabilities are the product of many interrelated factors, including skills, culture, processes, and behavior [15]. Companies should carefully study specific market dynamics to determine which capabilities need to compete and to what extent they are available. Some capabilities are implicit and can be fully realized through education and training, but the question is whether they can be acquired within a reasonable time frame to keep pace with rapid change.

Strategic Innovation

In addition to leveraging incremental innovation as part of a competitive strategy for today's product market environment, managers need to keep a close eye on the future and act accordingly [16]. Cost control and cash management is very important for short-term, but they do not make the company become a leader in the future. In addition to the operating environment and the resources and capabilities available, to some extent the need to push the company into an ideal future state involves strategic innovation to determine which customer needs have shifted and which industry boundaries have become blurred. To take advantage of the fleeting opportunities that arise [17].

Five Effective Strategic Innovation Prototypes:

- Refine existing product and market expansion
- Expand existing product capabilities and serve new customer markets
- Explore new products for existing customers,
- Create new products to broaden new customers
- Design new value configurations to seize the market

Because the characteristics of products and markets are dynamic and require continuous learning to develop incremental existing commodity markets [18]. Continuous product improvement is also required to increase customer satisfaction and to develop existing products and markets that contain the same cognitive models and routines in different functional areas. These similarities reduce cross-departmental conflicts, which will facilitate internal communication and resource integration, and ultimately establish complementary influences on corporate performance. Resource dependency theory also supports product and market development, since full development of existing customers involves incremental product adaptation, which leads us to expect the interaction of product development and market development to have a positive impact [19].

Expand existing product capabilities to serve new customer markets to increase revenue. New market can be a previously untapped or through new channels to get new customers, such as online transactions, or in new areas, social population. Market exploration identifies emerging market opportunities that will be improved directly and through incremental products, while the company's incremental products and market exploration complement each other.For example, CIBA VISION has extended its contact lens products to introduce colorful look lenses such as Fresh Look Color Blends, which have the characteristics of changing eye color and beautifying the eyes, making the target market completely locked in fashion. This strategy's main goal is through product development, market to identify and develop new customers, so as to improve competitive advantage [20].

Increase revenue by seeking to explore new products and services for existing customers [21]. This strategy takes into account the goal of increasing revenue from existing customers, which means that the company aims to meet the needs of existing customers through increased product exploration efforts. The combination of product exploration and market development is characterized by trial and error on a stable customer base and provides a clear feedback on product selection and retention. For example, CIBA VISION has developed wearable and contact lenses to bring two benefits packages to target customers. Simplifying market choices helps companies learn about causal attribution of products and from the product discovery process. In this way, the product exploration and marketing combination strategy innovation brings high performance of income.

Product exploration can lead to structural innovation, change product core subsystem and subsystem of discontinuous innovation. Market exploration focuses on new customers beyond current services [22]. New customers represent emerging markets or existing but undefined markets, such as a new geographic market or expansion of existing markets. The ability to explore new products and new customer markets is as much a part of the business routine as a development strategy that involves similar cognitive models across functional units. Product exploration and market exploration are complementary because creating new products attracts new customers and new markets. This makes it more effective for companies applying product discovery strategies to find customers in the market and helps innovative companies identify and sell their products to the most acceptable buyers [23].

Most companies simply try to adapt to established norms, but some small or newly established companies may try to undermine established business models that are dominated by stronger, larger, older competitors [24]. Because they are integrated and adapted to the status quo, they find it difficult to accept the risks of change; But change is not only easier, but also necessary for survival, for smaller, more dynamic and adaptable new entrants, who change game planning by introducing new performance standards that affect consumer behavior.

Strategic Innovation and Sustainable Competitive Advantage

Strategically innovative companies can win sustainable competitive advantage because they explore new opportunities while developing existing capabilities, and by dividing the company into specialized divisions, and simultaneously integrating the companies when needed, Thus showing the company's "duality". In some cases, the first innovator move could come from the newly established company, they are just exploring. In this case, innovators are not necessarily dualistic at the beginning, but as their brand and market share grows, they need to develop the ability to exploit the underlying outcomes. As the market matures, mature companies also need two flexible capabilities to respond and survive, due to the shrinking market share of many competitors or the changing needs of customers. Duality is exploration and development, radical and incremental innovation, or flexibility and efficiency, and the new approach will combine the benefits of both possibilities. Tushman and O'Reilly, in their pioneering work for the "two-smart" organization, suggest that managers and companies must be able to implement incremental and revolutionary changes at the same time to avoid the syndrome or pitfalls of failure in order to remain successful over a longer period of time [25]. The key to success is that they have implemented both approaches, balancing the incremental innovation goals of efficiency in today's mature environment with the radical innovation goals of flexibility and speed to adapt to change.

The Necessary Conditions for the Implementation of Strategic Innovation

Whether the Company Can Create Different Subunits

To balance the present with the future, early efforts were to divide the company into sub-units with different functions. The division of dualistic work means that different departments or individuals within the same company may have complementary skills and tasks. For example, when R&D experts focus on exploring, production engineers may focus on development at the same time. For the rotation of time, different strategies and structures can be developed in different planning periods. Today, many companies are pursuing a broader range of duality within the company, combining organic and mechanical companies in their functional subunits, in other words, simultaneously implementing both operations at the same time. Large companies can achieve this through structural differences, and as the scale of the system grows, the confrontation between development and exploration will decrease. However, small companies lack the complex information sharing resources and capabilities to carry out different activities and related activities in the same functional area. As a result, small companies may not have the scale to efficiently place and manage multiple different subunits. Therefore, large companies, whether innovating new products to expand new customers, expanding existing product capabilities to serve new customer markets, exploring new products to serve existing customers, will be more successful than small companies that lack the necessary resources.

Whether the Company Has the Situational Factors to Carry Out Strategic Innovation

To achieve strategic innovation, companies need to match some situational factors to encourage mutual assistance among company members and avoid confrontation and resource internal friction within the company. These situational factors require performance-oriented performance management, such as team performance, project team performance, and social support factors that provide employee assistance, such as support and trust among employees. Setting performance-oriented goals in group norms will encourage employees to continue learning and automatically surpass expectations. High support and trust help employees to support and trust, so as to foster mutual help and form a working atmosphere. Imagine that if each sub-unit's employees focus only on their own goals, their needs for their work partners are only passive responded, and there is a lack of trust between employees, then company performance will be mediocre in both development and exploration. In theory, these capabilities can also occur in small companies, but it takes time and experience to develop complex management systems. “Qualified” companies have experience, knowledge, and time to implement a situational system, while “young companies” can’t.

Whether Managers Have the Ability to Build Strategic Innovation

The key to strategic innovation is not only environmental, but also dependent behavior, which must be pursued over time. Therefore, the manager is the executor of the time-limited and path-dependent process, which requires managers to allocate and integrate resources from multiple domains from a higher perspective. It also means that the execution of strategic innovations may involve more high-level strategic decisions, such as the decision to establish a research and development center, or even a new joint venture. At the same time, the environment has a significant impact on the company's strategy. The choice of strategic innovation to do and not to do is the result of environmental pressure. Executives' perceptions of the different levels of stress in the mission environment play an important role in decision-making, because not all companies perceive the same level of environmental pressure, even if they are in the same industry, when executives feel that they must simultaneously develop and explore innovation, they must have the ability to integrate. Specifically, executives need to be able to differentiate and integrate development and exploration activities. To achieve this, executives need to know the different requirements of each different subunit, develop a clear and exciting corporate vision, and tirelessly communicate their strategy. Prove their commitment to strategic innovation. Through a common incentive system, leadership coaching, etc., the company members share a common destiny to reduce conflicts that may lead to senior management teams.

Whether a Company Can Launch a New Business Model in A Creative Way

Strategy is about focus, but its side effects are the emergence of inertia and blind spots. If the company is able to successfully discover new strategic locations, rather than adapting to the rules that are set, it is to change the rules of the game to become its own advantage. And from the niche market to the mass market, this provides opportunities for new entrants in the market, such as small, newly established companies. Strategic innovations that begin in niche markets, and the declining share of established companies that continue to innovate in the mass market, enhance the new value proposition of competitors and customers, changing the basis of competition because the characteristics of these new business models had no or no value before. The response to this new business model may range from industry to industry, from market to market. This provides opportunities for small and newly established companies. Therefore, innovation strategies are important for any type of company, but appropriate innovation strategies may vary.

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