Competitive Strategies and Organizational Performance: Determining the Influential Factor Conquer Over the Rivals in the Food Industry of Bangladesh

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ABSTRACT
An organization always faces the multifarious challenges like technological evolution, volatile and rigorous demand transformation, economic shifting, and strategic dilemma from its counterpart. Competitive advantages over its counterpart require a massive and propitious strategic direction that surely accomplishing the ultimate desire objectives of an individual organization. This study is mainly incorporated with the different competitive strategies and recognizes how these strategies influence over the organizational performances especial concentration on the food industry in Bangladesh. For identifying the substantial and commensurate circumstance in the food industry a simple random sampling method was used with a sample size of 1025 from the 15 different food manufacturing company. With the concentration of this rigorous work it was observed that competitive strategy has strengthened the organizational performance in the food industry and also noted that cost leadership strategy comparatively propound strategy that helps the firm to consolidate its market share and accelerate its market superiority.

Keywords: Competitive Advantages, Cost Leadership, Differentiation Strategy, Focus Strategy, Corporate Growth Strategy, Simple Random Sampling
JEL Classifications: L16, L 22, M 30

1. INTRODUCTION
Due to the intensifying global competition the profitability and the market share of the large firms is under precarious situation. Firms need to assess the environment in a contemplative way and also it is an inevitable fact to consolidate the proactive action and formulation of strategy helps the firm to proliferate its market competitiveness. Competitive strategy helps the firms to accelerate its performance and market share. Competitive strategy comprises of all those moves that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson and Strickland, 2007).

Within the manufacturing industry, there is no doubt that the importance of organizational performance has increased. In Bangladesh the manufacturing industry especially the food industry is increasing very rapidly. All the firms have the propensity to enhance its market competitiveness. Due to the fierce competition the firms are adopting the different competitive strategies to enhance its performance. In this competitive world the business organization should endeavor to develop strategies to compete successfully in the market place for it to enhance its chances of growth and therefore perform far above industry average (Bisungo et al., 2014). Competitive strategy helps the firms to gain the competitive advantages over the rivals; it can be cost leadership strategy, differentiation strategy, focus strategy or the corporate growth strategy.

The paper is mainly comprised with the understanding of the influence of different competitive strategy over the organizational...
performance in the food industry in Bangladesh. Various researchers (Wanjere, 2014, Kombo, 2007; Muturi, 2000; Thiga, 2000) have studied the effects of competitive strategies on organization performance. (985). Owiye (2009) argued that competitive strategies will be vital to a firm while developing its fundamental approach to attaining competitive advantage (low price, differentiation, niche), the size or market position it plans to achieve, and its focus and method for growth (sales or profit margins, internally or by acquisition) and the organization performance that can be assessed by an organization’s efficiency and effectiveness of goal achievement (Robbins and Coulter, 2002).

2. LITERATURE REVIEW

In the dynamic environment of the business world, it’s a must for a firm to constantly focus on improving its competitive strategy. Competitive strategy points out to the way a firm can gain advantage over rivals in a similar market. Rivalry brings improvement and innovation. The core idea behind the theory of competitive advantage is that the firms that manipulate the various resources over which it has direct control over and those resources have the ability to generate competitive advantages to achieve superior performance. Competitive strategies in general and, competitive tactics in particular, exercise a great influence on firm performance (Spanos et al., 2004). Competitive tactics” refers to the actions that are developed by a firm to establish its strategy (Barney, 2002, p. 13). These tactics therefore reflect its strategic orientation and form the basis of competition (Covin et al., 2000).

Renowned economic researcher, Michael Porter studied the strategies companies use to maintain long-term competitive advantages which are able to create a defensible position in an industry to outmaneuver the competitors. Porter, 1980 wrote that competitive strategy target either cost leadership, differentiation or focus by which organizations can build competitive advantages and outwit competitors by ensuring high performance in the industry. Porter claimed that a company must only choose one of the three or risk that the business would waste precious resources.

An empirical study by Dess and Davis, 1984 inspirit the Porters theory that organizations should focus on one of the generic strategies and consecrated to utilize the specific one. Conversely, many authors like Wright et al., 1990, have disputed Porter by recommending intermixing of the strategies in order to fabricate competitive advantage which in turn results in effective performance.

However, other researchers feel a combination of these strategies may offer a company the best chance to achieve a competitive advantage (Hill, 2001). Whichever strategy a firm chooses to adopt must be aligned with its goals and objectives in order to gain a competitive advantage (Parker and Helms, 1992).

According to another empirical study by Shahid Yamin those organizations that utilize both cost leadership and differentiation strategies such as value chain, unique technologies, product image etc. effectively are more likely to enhance their financial performance and financial management compared with any other organization.

2.1. Cost Leadership

In cost leadership strategy, a firm targets to become the low cost producer in the industry in order to gain competitive advantage (Davidson, 2008). A firm is considered to be a low-cost producer if it sells its products at average industry prices but earns a profit higher than its competitors, or may sell at a price below average to gain significant market share (Porter, 2008). The sources of cost advantage rest on the structure of the industry. These can be achieved economies of scale, advanced technology, preferential access to raw materials among others. In order to achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low cost manufacturing, and the core competencies (Malburg, 2007). Firms that succeed in cost leadership often have internal strength which include; Access to the capital required to make significant investment in production assets which represent a barrier to entry. Skills in designing product for efficient manufacturing, high level of expertise in manufacturing process engineering and efficient distribution channels. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at near the industry average (Hyatt, 2008) thus ensure the performance.

2.2. Differentiation Strategy

Differentiation strategy requires the development of goods or unique services from unmatched by relying on customer loyalty to the brand. A company can be offered higher quality, performance or unique features that each of them can justify the higher prices. The value added by the uniqueness of the product may allow the firm to charge a premium price for it (Kiechel, 2010). Firms that succeed in differentiation strategy often have internal strength that include; Access to leading scientific research, highly skilled and creative product development team, strong sales team and corporate reputation for quality and innovation (Kiechel, 2010). Miller (1987) argued that product differentiation firms tend to invest heavily in research and development activities in order to increase their innovative capability and enhance their ability to keep up with their competitors’ innovations (Jermias, 2008). Innovation which can be a differential tool like adoption of any new product, process and administrative innovation helps the company to deal with the turbulence of external environment and, therefore, is one of the key drivers of long term success in business, particularly in dynamic markets (Baker and Sinkula, 2002). A study by Philips found positive relationship between differentiation and market share as differentiation boost up the performance. Increased market share enables organization grab economies of scale, so this study also suggests that differentiation may be a way of establishing an overall low-cost position. Additionally, White (1986) concluded that successful combination of both low cost and differentiations bring the highest return on investment ensuring the performance.

2.3. Focus Strategy

The focuser’s basis for competitive advantage is either lower costs than competitors serving that market segment or an ability to offer niche members something different from competitors.
Focusing is based on selecting a market niche where buyers have distinctive preferences. The niche is defined by geographical uniqueness, specialized requirements in using the product or by special attributes that appeal to members, (Stone, 1995). A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focus strategy may be able to pass higher costs on to customers since close substitute products do not exist. Firms that succeed in a focus strategy are able to tailor broad range of product development strength to relatively narrow market segment that they know very well (Grant, 2012). The study finding of Odunayo, 2018 corroborates with the views that a firm is able to serve its narrow strategic target more effectively or efficiently than competitors who are competing more broadly. As a result the firm achieves either differentiation from better meeting the needs of the particular target market or lower costs in serving this market or even both (Porter, 1998).

2.4. Corporate Growth Strategy

Ansoff Matrix developed by Ansoff (2012) is a strategic planning tool that guides the organization in forming strategies for future growth by emphasizing on firm’s present and potential products and markets. He described four growth alternatives in his paper.

Market penetration- here the organization tries to grow using its existing offerings in existing markets via increasing its market share. This can achieved by price decrease, Increase in promotion and distribution support, acquisition of a rival in the same market, modest product refinements. Market development- a firm tries to expand into new markets using its existing offerings and also, with minimal product/services development. This can be accomplished by different customer segments, new areas or regions of the country, foreign markets. Product development- a company tries to create new products and services targeted at its existing markets to achieve growth. Diversification- an organization tries to grow its market share by introducing new offerings in new markets (Porter, 1980). It is the most risky strategy because both product and market development is required.

2.5. Competitive Advantage and Organizational Performance

The resource based view (RBV) - a basis for the competitive advantage theorizes the importance of resources and capabilities to gain competitive advantages as an end to a greater performance (Barney, 1991; Peteraf, 1993). The RBV holds that competitive advantage comes from the firm’s own resources and capabilities. RBV focuses on identifying and determining the value of firm resources and capabilities (Teng and Cummings, 2002) and how firms can acquire, maintain, deploy, and develop resources and capabilities in a manner that establishes and sustains their competitive advantage resulting in higher performance(Berman et al., 2002; Knott, 2003; Zott, 2003; Ahuja and Katila, 2004). Thus, Barney (1991. p. 102) asserts, “a firm is said to have a competitive advantage when it is implementing a value-creating strategy not simultaneously being implemented by any current or potential competitors.” This competitive advantage is sustainable if “the advantage resists erosion by competitor behavior”(Bharadwaj et al., 1993. p. 84). Many researchers who have established that business that select differentiation as competitive advantage produce better performance than rivals (Allen and Helms, 2006; Teeratansirikool, 2013). The literature on management emphasizes the key role that innovation (Baker and Sinkula, 2002) plays in enhancing a firm’s competitive advantage thus effecting it’s performance.

3. RESEARCH METHODOLOGY

A descriptive research design has adopted for conducting the work, it is a scientific method that involves observing and describing the behavior of a subject without influencing it in any way. The target population of this study was the 15 different food manufacturing company in Bangladesh. From the target population of 1025 employees who worked in the management position more than 12 years has used as a sample. Random sampling method was used in the sample selection method. The study was based on primary data that was collected by using a questionnaire. The questionnaire used both open and closed ended questions. For the closed ended questions, the study adopted a five point Liker scale where the target respondents indicated the extent of their agreement/disagreement with each statement. In analyzing the quantitative data, the study used descriptive statistics. The multiple regression analysis has used to determine the significance of each independent variable in affecting the performance of the food industry. The multiple regression analysis model specification was as follows:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \]

Here, \( Y \) = Organizational performance
\( X_1 \) = Cost leadership strategy
\( X_2 \) = Differentiation strategy
\( X_3 \) = Focus strategy
\( X_4 \) = Corporate growth strategy
\( \epsilon \) = Error terms.

In this study the dependent variable was the organizational performance and on the other hand the independent variables were the cost leadership strategy, differentiation strategy, focus strategy and corporate growth strategy.

4. ANALYSES AND FINDINGS

The Cronbach’s Alpha (\( \alpha \)) value for cost leadership strategy (0.915), followed by corporate growth strategy (0.908), organizational performance (0.902), differentiation strategy (0.892) and focus strategy (0.886). Overall all the items in each factor in the research instrument have a good reliability (Table 1).

The respondents were asked the extent to which they agreed on the statements below on cost strategy adopted by their organizations. From the table it has shown that in the competitive market organization always looking for economic scale that helps the
firm to remain competitive in terms of cost as indicates by the means 5.9537 is the highest mean score with a standard deviation 0.882, it means that economic scale helps the firm offering low cost from its competitors in the manufacturing industry (Table 2). After that when the question of enhancing the market share the company may absorbed the low cost strategy where the mean value of 5.9463 with a standard deviation of 0.815. That followed by low cost strategy helps the organization gain a competitive advantage by reducing its operating costs below its competitors where the mean value 5.9241 with a standard deviation of 0.882.

Low scores were recorded on accumulation of knowledge assists the firm to reduce its cost at a mean of 5.2171 and standard deviation of 0.890, it shows that accumulation of knowledge assists the firm to reduce its cost had influenced the cost leadership strategy to a moderate extent.

From the table it has shown that when the firms are focusing on the value added service, differentiation strategy is being profitable one; here the mean value is 4.6725 with the standard deviation of 0.7511 (Table 3). On the other hand differentiation strategy is also consistent when the firms are setting the price they should focus on the segmentation, here the mean value is 4.6011 with the standard deviation of 0.7793. In the competitive market when the question of introducing the unique product the firms adopting the differentiation strategy with the mean value is 4.5614 with the standard deviation of 0.8516.

Low scores were recorded on focusing of specific market segments enable the company to deliver high quality products at a mean of 3.9691 and standard deviation of 0.6917, it shows that focusing of specific market segments enable the company to deliver high quality products had influenced the focus strategy to a moderate extent.

In the case of corporate growth strategy, high score of mean was on the transforming customer needs, which is 4.1591 with the standard deviation of 0.7533 that indicates that the transforming customer needs to a large extent influence on corporate growth strategy. That followed by the rigorous industry regulation with the mean value of 4.1533 and with the standard deviation of 0.7731 indicates that rigorous industry regulation to a large extent influence on corporate growth strategy (Table 4).

<table>
<thead>
<tr>
<th>Construct/variable</th>
<th>Cronbach’s Alpha (α)</th>
<th>Number of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost leadership strategy</td>
<td>0.915</td>
<td>8</td>
</tr>
<tr>
<td>Differentiation strategy</td>
<td>0.892</td>
<td>8</td>
</tr>
<tr>
<td>Focus strategy</td>
<td>0.886</td>
<td>5</td>
</tr>
<tr>
<td>Corporate growth strategy</td>
<td>0.908</td>
<td>4</td>
</tr>
<tr>
<td>Organizational performance</td>
<td>0.902</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost strategy</th>
<th>Mean value ± Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization frequently uses low prices for its products to be remaining competitive in the market</td>
<td>5.4890±0.862</td>
</tr>
<tr>
<td>Company enhances its market share by charging lower price</td>
<td>5.9463±0.815</td>
</tr>
<tr>
<td>Accumulation of knowledge assists the firm to reduce its production cost</td>
<td>5.2171±0.890</td>
</tr>
<tr>
<td>Cost leadership strategy protects the organization from its competitors</td>
<td>5.8292±0.783</td>
</tr>
<tr>
<td>Lower cost strategy helps our organization gain a competitive advantage by reducing its operating costs below its competitors</td>
<td>5.9241±0.882</td>
</tr>
<tr>
<td>Cost leadership strategy at our organization offers services in a broad market at the lowest prices</td>
<td>5.9103±0.836</td>
</tr>
<tr>
<td>In the competitive market organization always looking for economic scale that helps the firm to remain competitive in terms of cost</td>
<td>5.9537±0.882</td>
</tr>
<tr>
<td>Organization always looking for reducing operating costs that helps the firms to adopt cost leadership strategy</td>
<td>5.9152±0.824</td>
</tr>
</tbody>
</table>
Low scores were recorded on essential financial requirements at a mean of 4.0192 and standard deviation of 0.6918, it shows that essential financial requirements had influenced the corporate growth strategy to a moderate extent.

High score of mean was on improve customer satisfaction, the mean was 3.9261 with a standard deviation of 0.8913 indicates that customer satisfaction to a large extent had an influence on organization performance (Table 6). This followed by improve customer loyalty with a mean value 3.8810 with a standard deviation of 0.8102 explain that customer loyalty to a large extent had an influence on organization performance. In terms of the organizational performance that also accelerated through the market share, increased market share with a mean of 3.8102 with a standard deviation of 0.7913 showing that market share to a very large extent influence the organization performance.

Low scores were recorded on customer retention at a mean of 3.810 and standard deviation of 0.7913, it shows that customer loyalty had influenced the organization performance to a moderate extent.

From Table 7 it was observed that there is a positive correlation between performance and competitive strategies (cost leadership strategy, differentiation strategy, focus strategy and corporate growth strategy) of magnitude 0.259** with cost leadership strategy, 0.366* with differentiation strategy, 0.381** with focus strategy and a magnitude of 0.341** with corporate growth strategy respectively.

4.1. Regression Analysis
A regression analysis was conducted to determine how the cost leadership strategy, differentiation strategy, focus strategy and corporate growth strategy are related to organization performance.

Table 8 shows a model summary of regression analysis between four independent variables cost leadership strategy, differentiation strategy and focuses strategy, corporate growth strategy and dependent variable organization performance. The value of R was 0.815; the value of R square was 0.703 and the value of adjusted R square was 0.691. The positivity and significance of all values of R shows that model summary is significant and therefore gives a logical support to the study model.

From the Table 9 observed that the significance value is 0.038 which is <0.05 thus the model is statistically significant in predicting how cost leadership strategies, market focus strategies, differentiation strategies and corporate growth strategies influence the performance of the manufacturing companies in Bangladesh. The F critical at 5% level of significance was 3.23.

From the findings of the regression analysis if all factors (cost leadership strategy, differentiation strategy and focus strategy) were held constant, organization performance of the firms would be at 2.156 (Table 10). An increase in cost leadership strategy would lead to an increase in the organization performance by 0.317. An increase in the differentiation strategy would lead to an increase in the organization performance by 0.283. An increase in the focus strategy would lead to an increase in the brand performance by 0.211. An increase in the corporate growth strategy would lead to an increase in the brand performance by 0.185. All the variables were significant as the P-values were <0.05 which is an indication that all the factors were statistically significant.

5. CONCLUSION
From the analysis it has been observed that competitive strategies have influence on the organizational performance in the food industry of Bangladesh. From this research work it was also seen that cost leadership strategy is the lucrative option for enhancing the market share. Due to the accelerating the competition firms are not really one single strategy. Through this work it was also observed that combination of differentiation strategy and cost leadership strategy is the most suited strategy in the long run. Differentiation strategy and cost leadership strategy have used in the large extent compare to the focus strategy.
Table 8: Model summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Standard error of the estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.815</td>
<td>0.703</td>
<td>0.691</td>
<td>0.153</td>
</tr>
</tbody>
</table>

Table 9: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of squares</th>
<th>Df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>0.354</td>
<td>4</td>
<td>0.256</td>
<td>2.138</td>
<td>0.038</td>
</tr>
<tr>
<td>Residual</td>
<td>0.239</td>
<td>3</td>
<td>0.089</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 10: Multiple regression analysis

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized coefficients</th>
<th>Standardized coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.156</td>
<td>0.241</td>
<td>2.023</td>
<td>0.000</td>
</tr>
<tr>
<td>Low cost strategy</td>
<td>0.317</td>
<td>0.152</td>
<td>0.314</td>
<td>0.001</td>
</tr>
<tr>
<td>Differentiation</td>
<td>0.283</td>
<td>0.135</td>
<td>0.262</td>
<td>0.001</td>
</tr>
<tr>
<td>Focus strategy</td>
<td>0.211</td>
<td>0.114</td>
<td>0.195</td>
<td>0.000</td>
</tr>
<tr>
<td>Corporate growth</td>
<td>0.185</td>
<td>0.107</td>
<td>0.150</td>
<td>0.002</td>
</tr>
</tbody>
</table>

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