**Summary:** The scope and the scale of changes in business environment in the times of global economic crisis makes enterprises react innovatively, irrespective of the field of activity and the objectives set. In most classic strategy creation models the problem of innovation is treated quite superficially. One points only to the areas and the scale of the originality of the innovations necessary to implement the corporate strategy. For the adequate pattern of innovation processes, it is justifiable to perform analyses of innovative needs through a wide spectrum of problems, such as: the activation mechanism, originality of changes, sources of supply, subject of innovation, positioning, materiality, usage, implementation time, planning, rank and compliance with the field of activity.

**Key words:** competition strategies, innovations, business models, change

1. Introduction

The scale and a high rate of changes as well as the unpredictability of business environment are characteristic for our times. Effective operation of firms, especially at the times of the world economic crisis calls for the enterprises willing to succeed on the market to be alert to the changes and ready to approach them also as a chance and not only a threat, considering the fact that they can both maintain the existing state and create new conditions; from favourable to adverse to the enterprise. Assuming the definition of innovation as: *innovation stands for every purposefully introduced change in the state of objects and/or relationships between them* [Bielski 2007, p. 41], one can say that the only rational response to changes is innovation; a change generated by the enterprise. The reference for today’s enterprises is offered by the needs of the customers the satisfying of which requires the application of a specific technology of producing the physical shape of the offer as well as ‘social technology’ – management. Each lack of balance; the difference between the eye of technology and the level of satisfying the needs also creates the force countering the causes of that lack of balance – modern and unused technologies, on the one side, call for searching for the potential of satisfying them and generating new needs, while unsatisfied needs, on the other hand, activate the entrepreneurs in terms of acquiring technologies allowing for placing their offer on the market. The feature of ‘innovative entrepreneur’ is therefore a permanent search for changes and aspiring at creating imbalance and using it as an occasion. A high variation and unpredictability of today’s business environment is therefore becoming a threat for the organization which can be considered as a conservative system and the chance for the entities creating developmental systems, usually far from the point of balance and developing in cyclic process of moving to successive states. The aim of the paper is to point to innovation as a basic instrument of developing corporate market strategy, irrespective of the method of its articulating in various strategic models.
2. Place of innovation in creating various competition strategies

What is characteristic of the lack of balance on respective markets is the fact that privileged entrepreneurs gain profits many fold exceeding the domestic income standards, inevitably leading to economic imbalance. The necessity of adapting to new conditions is itself the cause of numerous crisis incidences in various domains of the enterprise, frequently leading to chaos in the crisis-affected domains. The level of confidence to traditional management models and methods has been decreasing. Most entrepreneurs, however, still executes the strategies following the sector standards; hence an increase in the market chances of those who apply the strategies which are well prepared but untypical and difficult to identify by competition. The value and the applicability of respective approaches and tools varies and will be only verified by time itself. One can, therefore, observe already radical modifications of the commonly known models, e.g. the value chain and relatively new approaches to formulating corporate strategies, based on the concept of entrepreneurship [Bielski 2010].

The strategy in the traditional approach is defined as defining long-term objectives and the allocation of resources indispensable to execute those objectives [Chandler 1962]. According to P.F. Drucker ‘the objectives are needed in each field of business... They include: market position of the enterprise, innovation, productivity, physical and financial resources, profitability, efficiency of managers and their development, efficiency of the employee and his attitude to work, public accountability’. P. F [Drucker 1992b, p. 79]. ’In the latest literature there starts to prevail the approach to strategy as a tool ... ensuring the company with the capacity for flexible response to external signals’ [Nogalski, Rybicki 1997, p.14]. Each enterprise executes some strategy; partially designed, partially including emergent components resulting from unpredicted events and circumstances [Mintzberg, Waters 1985, p.258]. Rational strategies should, possibly to the greatest extent, be designed. They should also consider possibly many points of view [Morgan 1997, p.399] and to forecast the sensibility and reactivity of the environment. Depending on the position held by the enterprise on a specific competitive market and the sources of competitive potential, four strategy types are differentiated between [Kotler 1994, p.354-374]:

1. Market leader strategies can be executed by enterprises with the greatest share in sales and the greatest effect on determining prices. The leader usually also leads in the innovations of product, distribution and the intensity of promotion. Strategic actions taken up by the leader cover mostly:
   - the intensification of the demand and increasing the market size; typical for the penetration strategy [Ansoff 1957, p. 114], the strategy of the new market or the new product. Each of those strategies is based on innovations in the M-mix or efficiency domains;
   - defence of the existing market; innovations in the domain of manufacturing; creating the entrance obstacles;
   - increasing the share in the market through product innovations.

2. The strategies of market pretenders who, in most cases, consider their key strategic objective to increase the share in the market, counting on the possibility of using the effect of scale of the production. They can achieve this only by attacking the market leader; a risky but potentially highly cost-effective strategy, which requires innovation and effective use of the resources owned [Kotler 1994, p.363], which occurs in the fields of business where fixed costs and storage costs are high [Dolan 1981, p.224];
3. Imitator’s strategies – strategies of imitation can be [Levitt 1966, p. 62-63; Wetlaufer 2003] equally profitable as the product innovation strategies. The degree of imitating can different [Kotler 1994, p.372-373]; from ‘clone’, which does not bring in anything new, through imitator, modifying some M-mix elements to ‘facilitator’, frequently improving, through innovations, the leader’s products. The competition allows for the survival of only those enterprises which by enhancing the use of the resources or innovations, involving the use of a new combination of resources, including those unused so far or creating new resources, increase their profits [Wziątek-Kubiak 2001, p.478] or maintain the existing ones at the level sufficient for continuing and developing.

4. Market specialist strategy; holding the leader’s position on a small market is an alternative for the position of the imitator on a large market and, in general, allows for avoiding competition of large enterprises. One can encounter three variations of that strategy:

- the strategy resulting from the fact of the company enjoying an original output e.g. the patent blocking the field of business or know-how, creating the segment (applied by new enterprises for which that original output has become an incentive for entry),
- the strategy based on specialist knowledge, connected with own innovations, it allows for coming first before the competition and lifting the obstacles of entry higher up,
- market specialisation strategy, which requires innovation in the field of segmentation and M-mix.

The possibility of applying specific strategy types is connected with field-development-enforced strategy of technological development [Little, cited after STRATEGOR 1995,p.152]. The greatest demand for innovation occurs in those fields of activity with a high development potential in which the enterprise holds both a strong market and technological position. In general, the key strategic choices are made:

a) based on the concept of growth by H.I. Ansoff [1957],
b) based on the modular approach [Baldwin, Clark 2002; Cyson 2002],
c) based on the competitive space model [STRATEGOR 1995],

The choice of adequate marketing strategy is facilitated by the use of the matrix proposed by H.I.Ansoff [1957, p.114]. All the strategies which are found in that matrix call for implementing innovation, however the demand for innovation varies for varied strategies. The market penetration assumes an increase in sales by a widely understood activating sales and innovation in the fields different than the product. The product development strategy calls for the product innovations and support by innovations in the domain of the other M-mix instruments, changing the perception of the offer. The market development strategy usually requires situational innovations in the field of the other, except for the product, M-mix components. The domain and the kind of innovations necessary to execute a selected strategy depends on the settlement of the aspects of the development directions: the development through specialization or diversification? The specialisation based on the use of unique resources, created thanks to the innovations increases the market barriers, whereas the diversification calls for innovation creating a new
quality of resources, required for the barriers existing in the new market environment to be overcome. However, according to P.F. Drucker in the strategy of diversification there is no space for innovation. “Innovation should not be a diversification... What is new is always difficult enough that it is not worthy undertaking attempts with it in the field one does not understand” [Drucker 1992a, p.189]. One of the most common, but also commonly criticised, competition models and strategies is the model by M.E. Porter. It differentiates between three basic strategies; two in the sector scale and the concentration strategy concerning segments. The model triggers a number of doubts; in general, one can see here only two strategy types; one based on distinguishing the offer and the second one – cost strategy, connected with the cost depression, allowing for aggressive dealing with the price [Barney 2001, p.233]. Similar reservations can be triggered by the concentration understood by M. Porter, being, in fact, neither the method of competing nor the alternative for the price or quality strategies [Wrzosek 1999, p.5]. The common ground of all the strategy variations is the stress on the quality and innovations as the driving forces of competitive advantages. When selecting the strategy, one shall consider the risk of not achieving the objectives of the strategy or giving it up as well as the risk that the strategic advantage received thanks to innovation will disappear together with the sector evolution. M.E. Porter stresses the role of aggregate value chain in creating the competition strategy [Porter 1985, p.48]. Non-vertically-integrated and independent subsystems (in M.E. Porter – value chain links) are also referred to as modules [Schilling, Vasco 2000, cited after Cyrson 2002, p.48]. The modular approach allows distinguishing strategies [Cyrson 2002, p.48-54]: growing up to the module; capturing the e modulus – concentration only on a single module, using the economies of scale, extraordinary competences as well as innovations to dominate that segment; creating the module - innovation, involving market development between the existing layers of the value chain. Deconstruction of the vertically integrated value chain should lead to [Cyrson 2002, p.43] increasing the effectiveness of the entire chain. Some innovative actions in that field, however, trigger much doubt about the real grounds for the reconstruction of the value supply systems. And so, having divided the entities manufacturing steel and selling their production independently, into two modules - entities (one of which dealt with the production and the other one with trading), the profitability of the two-modular steel sector in Poland was being comparable with a single-modular entity in the west-European sector (with a considerably lower liquidity), however, the commercial module has reached a considerably higher profitability than the production module [Bacior, Robakiewicz 2004, p.300].

The model developed by STRATEGOR assumes the following variables: the value attributed to the offer by the market and the price. Considering the perception rule [Ries, Trout 1997,p.31] introducing the following modifications is suggested: to make the discourse reader-friendly, the axes should provide the perception of usefulness and the perception of the price and the sector standard should be replaced by the fuzzy zone of the sector standard. In that diagram one can present all the variations in the competition strategy (Fig.1), at the same time pointing to the needs and the kinds of innovations.
In general, however, one differentiates between two major strategy types; cost strategies and differentiation strategy defined as "producing each such market offer which..., differs from the standard offer in that field with more than just a price, and the market sees that difference clearly (or its considerable part" [STRATEGOR 1995, p. 98] – and accepts. One can discuss whether, in fact, the existence of the difference between the company’s offer and the standard offer, or whether it is a clear perception of that difference by the market which is more important. Such discussion, however, is becoming pointless if one assumes consistently that the offer is a combination of all the instruments of affecting the market, including also the promotion instruments, responsible for "the perception of the difference". Each change in the offer, as compared with the standard offer, is innovative; it concerns not only the strategy of differentiation but also the cost strategies (Fig.1.), which can be executed only when efficiency innovations are implemented. The area of strategic breakthrough, connected with the radical innovation in the field of technology [STRATEGOR 1995, p.100], is made up by the situation where the offer of definitely higher value is accompanied by keeping the price low, which, with time, results in considering that offer to be a new standard.

The applicable literature provides various strategy typologies being a result of assuming various criteria and dimensions of defining. J.G.Myers [1986, p.75-85] proposes a set of strategies similar to the strategy by M.E. Porter. Those are the strategies (Fig.2) of segmentation and specialization (in reference to the segment) and the strategy of commodity (here the low price strategy) and differentiation (here referred to as the strategy of differentiation).

Fig.1. Space of competition strategies: 1 – cost strategies (efficiency innovations), 2 – strategies of differentiation below the standard (innovations in the domain of the offer), 3 – strategies of differentiation above the standard (innovations in the domain of the offer), s- standard offer zone.

K. Ohmae [Ohmae 1982, p.80] defines the corporate strategy based on two dimensions: products and competing methods. Each of those dimensions is two-component (similarly as in H.I. Ansoff, those are new and the existing products), while the methods of competing include either the frontal attack or avoiding competition. The strategy of functional distinctiveness is built based on defining the key success factors. The innovations I the key area allow for taking the leader’s position in the field of business. The strategy of aggressive initiative is based on intelligent negation of the features of the existing products. The strategy of relative advantage is based on the profound analysis of the weakness of competition and consumer expectations. Defining further the real customer expectations is the basis of the strategy of maximising the customer’s satisfaction executed through innovations in the product domain. The innovativeness the result of which is the originality of the offers presented on the market is pointed to as the basic determinant of the market success and organization development [Kotowicz-Jawor 2001, p. 3; Penc 1995, p.63; Gorynia 2002, p.59].

K. Oblój places four base market strategies of the enterprise in the matrix with the coordinates: the number of the sources of competitive advantage and the direction of operation. That concept is based on two assumptions [Oblój 1994, p.76-80] :

1. Competitive advantage can be concentrated in nature (based on a single clear factor) or dispersed (based on many factors and their harmony).
2. The strategy should be reader-friendly and its blade clearly targeted; either against the competition or at the buyers.

The connection of those two assumptions has given rise to the table which includes four marketing strategies: two linear strategies (involving a better implementation of what has been already present on the market; those are the strategies of frontal attack and the strategy of acquiring the market) and two lateral (innovations, creating something new or differently than the others; those are the strategies of omitting the competition and creating a new market). A possibility of creating a new market based on a dispersed competitive advantage seems controversial [Nogalski, Rybicki 1997, p.78] as new markets emerge based on radical innovations which, on the other hand, are the consequence of the concentration on the domain of research and development. P.F. Drucker defines the strategy (Fig. 3) through the competition, market and the product [Drucker 1992a, p.224]. Such approach is similar
to the one in the matrix by H.I. Ansoff requires product innovations for strategy ‘To hit wherever they are absent’ and ‘Be the first and the strongest one’ as well as the innovation in the domain of the other marketing instruments, in the case of the strategies for the already existing products.

<table>
<thead>
<tr>
<th></th>
<th>Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>New product</td>
</tr>
<tr>
<td>Market</td>
<td>To hit wherever they are absent</td>
</tr>
<tr>
<td></td>
<td>(product innovation)</td>
</tr>
<tr>
<td>Existing</td>
<td>To be the first and the powerful one</td>
</tr>
<tr>
<td></td>
<td>(product innovation)</td>
</tr>
<tr>
<td></td>
<td>Existing product</td>
</tr>
<tr>
<td></td>
<td>To change the values and the features of the product (M-mix innovation)</td>
</tr>
<tr>
<td></td>
<td>To take up the market niche (M-mix innovation)</td>
</tr>
</tbody>
</table>

Fig. 3. Corporate strategies by P.F. Drucker
Source: developed based on [Nogalski, Rybicki 1997, p.80]

In relation strategies [STRATEGOR 1995, pp 254-269] there appears, next to the value of the domain and enterprise competences, the dimension of safety, understood as limiting competition by the enterprise establishing relations with preferred partners, including the state which plays an essential role as an employer, it can be helpful in creating new jobs, supporting innovation and regional development. Similarly the processes of modernization of respective branches of export can be coordinated by sector plans and the instruments of direct intervention such as: credits and preferential taxation tariffs as well as the orders placed by the government. The second privileged partner are the competitors one can enter into various agreements, always considering the cooperation infrastructure; the economic potential found in the network of relations of social nature using the 4W model: common knowledge, reciprocity, credibility, common values [Wojna, cited after Noga 2009, p.90].

The relation approach can be successfully applied even in the sectors commonly considered to be run only by the laws of the market and in the countries considered very liberal, e.g. automotive industry in the USA in 1982-1984 [STRATEGOR 1995, p.268].

Selecting the directions of the optimal corporate strategy, the planners use portfolio methods; with the most common being the matrix BCG and General Electric, also referred to as matrix Mc Kinsey [Day, p. 202 and 204]. In the BCG matrix, made from crossing the dimensions: the growth rate for the segment and a relative share in the market, segments, strategic business units or products are analysed in terms of capital needs, capital profitability and liquidity [STRATEGOR 1995, p.126]. Choosing the directions of innovation and investments in the enterprise, one considers the priorities resulting from the matrix with the components: profitability and the rate of growth of the capital invested. The developed form of matrix by McKinsey, developed by Ch.W. Hofer, makes it possible to analyse the strategic potential in the following dimensions: the state of development of the industry (field) and competitive position [Hill, Jones 1992, cited after Penc 1994,T.1, p.185 and Thompson, Strickland 1986, p.194]. Similar dimensions (field maturity, competitive
position) are found in the ADL matrix [STRATEGOR 1995, p.129]. As late as in mid 1980s there emerged diagnostic matrix based on the concept of strategic advantage (Fig. 4). Both dimensions of that matrix are connected with competitive advantages: the force of the current advantage over competition and the number of possible methods of building strategic advantage specific for a given field.

<table>
<thead>
<tr>
<th>Competitive advantage</th>
<th>Number of methods of building strategic advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>high</td>
<td>low</td>
</tr>
<tr>
<td>high</td>
<td>Specialization – <strong>efficiency innovations</strong></td>
</tr>
<tr>
<td>low</td>
<td>Dispersion</td>
</tr>
<tr>
<td></td>
<td>Strategic stalemate</td>
</tr>
</tbody>
</table>

*Fig. 4. Alternative matrix BCG*  
Source: own study based on [Obłój 1994, p. 79].

A similar nature is also found for the matrix by European Consulting Group (Fig. 5) the dimensions of which are: the originality of competitive advantages and the force of the effect of those advantages, depending on the sensitivity of the sector or segment and the field on which the advantage has been built. The matrix presented includes two variations of selective strategies (their final shape is made by introducing additional dimensions [Bielski 1997, p.27] the location and the kind of competitive advantage) as well as force strategies and strategies of withdrawal or poker gambit. Force strategies based on the unique, relatively solid competitive advantage with a high competitive advantage with a high impact can assume various forms and serve the execution of different objectives.

<table>
<thead>
<tr>
<th>Market sensitivity</th>
<th>Originality of advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>reproduced</td>
</tr>
<tr>
<td>high</td>
<td>Selective strategies</td>
</tr>
<tr>
<td></td>
<td>type A</td>
</tr>
<tr>
<td>low</td>
<td>Withdrawal strategy or</td>
</tr>
<tr>
<td></td>
<td>poker gambit (2)</td>
</tr>
<tr>
<td></td>
<td>type A</td>
</tr>
</tbody>
</table>

(1) – breakthrough innovations in the field of the offer and/or technology  
(2)– situational innovations

*Fig. 5. Matrix of the strategy by European Consulting Group*  
Source: own study [Bielski 1997, p.27]

That group covers the volume strategies, market acquisition as well as the entrenching (building the barriers for the entrance e.g. by specialization and stress on the change in the business field standard). The uniqueness, resulting from innovation and high market sensitivity encourage to taking up new challenges, investments and new initiatives. At the
second end of the spectrum you can find the strategy of withdrawal from the market as the advantages are based on innovations of little originality (reproduced) and their impact is inconsiderable.

Attempts have been still made to create easily applicable analytic instruments derived from the school of matrix positioning. However, in each strategy, irrespective of the dimensions assumed, the factor determining its success are innovations which should be executed in the areas of the highest target market sensitivity, thus allowing for receiving the maximum effectiveness of the inputs borne on defining competitive advantages. The analytical instruments and assumed coordinates or reference points should facilitate the decision-making process, connected with the corporate innovation policy.

As it is seen from the review of the competition strategies on the market for their defining and presentation there is used a varied set, most frequently of two criteria. According to B. Nogalski and J. Rybicki, the corporate strategy is a multidimensional object and describing it as a two-dimensional or three-dimensional concept is too much of a simplification. This reservation mostly refers to the single-component dimensions, e.g. a relative market share, however, it is also justified when the dimensions assumed are aggregated in nature, e.g. the market attractiveness described by components, such as the market size, capacity, dynamics, innovative capacity, etc. [Nogalski, Rybicki 1997, p.85]. However, at the same time, ‘the analysis of strategic space (in a clear way) can take place in three-dimensional space at the most’ [Rybicki, p.107] or in many partial spaces in a two-dimensional way.

3. Recapitulation

P.F. Drucker stresses, ‘each enterprise has two and only two basic functions: marketing and innovations’ [Drucker 1992b, p.52]. However, considering marketing not only in the category of global business function, however, also as a general philosophy of the company operation in market economy must be considered to be the superior position of marketing to innovation. The reference points for each form of business activity are, indeed, the customers. Considering that fact is of great significance, especially at the times of the global economic crisis. Many authors differently stress, at the same time, that it is the change which is the only reason for which management exists. Changes in the environment require innovative reaction. To make the innovation processes a well-managed area, it is necessary to know the characteristics of innovation which should and are to be implemented. To do so, one shall consider the variation in innovation in the following ranges [Bielski 2007, p.50]: activation mechanism, originality of changes, sources of supply, subject of innovation, positioning, materiality, usage, implementation time, planning, rank and compliance with the field of activity.

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