**Headnote**

A firm's competitive behavior is an important topic for practitioners, theorists, and policy makers. Among the explanations of firms' behavior is Michael Porter's model. We have presented this model along with some alternative approaches: Structure-Conduct-Performance, the New Industrial Organization and Game Theory, the Resource-Based Perspective, and Market Process Economics. These approaches are discussed in terms of their relations, similarities, and differences relative to Porter's model. In our comparative discussion, we support the use of Porter's model to evaluate firms' competitive behavior. Our reasons for this support are this model's popularity, well-defined structure, feasibility, clarity, simplicity, generality, and its complementarity to two other main approaches. We find the Porter model to be a convenient approach to the firm's competitive advantage and strategy.

How firms compete and what strategies they choose are important questions for the economy. Sound answers to such questions help explain individual firms' successful and unsuccessful competitive moves and positions and further the understanding of the causes of better and worse performance. Improved understanding of firms' competitiveness would also serve as input to improve policies concerning competition and related issues; and improved policies will, in turn, provide valuable support to efforts to continuously develop markets and businesses. Finally, at a more aggregate level, this understanding can also serve for informed comparisons in domestic as well as international contexts by better assessing firms' competitive behavior across different industries or countries.

Given the importance of competition, an important strand of the literature has focused on the identification of the most successful competitive strategies that firms pursue. A well-known framework within this literature, especially among business strategists and industrial economists, is Porter's model (1980, 1998, and 2004). This approach, presented in section 1, is the focus of our discussion in this article. Porter proposes that if firms pursue any of his three recommended generic competitive strategies they will be able to outperform competitors who do not pursue such strategies.

The recommended strategies are "lower cost" or "cost leadership," "differentiation," and "focus;" and "focus" can be found in three variants-"cost focus," "differentiation focus," or "cost and differentiation focus." In section 1, four other approaches-Structure-Conduct-Performance, New Industrial Organization and Game Theory, Resource-Based Perspective, and Market Process Economics-are also briefly presented. We have chosen to concentrate on Porter's model because we view it as an insightful and convenient approach to the analysis of firm's competitive behavior. Our reasons for this are the model's popularity, well defined structure, feasibility, clarity, simplicity and presumed generality, and its complementarity to two other main approaches in terms of the aggregate level of analysis.

1. Porter's Model and Other Approaches

Structure-Conduct-Performance

Before presenting Porter's model, we start with a brief description of the Structure-Conduct-Performance (SCP) paradigm since it can be considered as a classical approach and has also served as a benchmark or starting point for many economists who developed other approaches presented here.1 SCP was the main approach from the 1950s to the 1970s. As the name suggests, it consists of three main elements:

\* structure of industries, mainly defined by the degree of concentration, market share distribution, etc.;

\* conduct of firms, which involves firms' actions in terms of their price setting, advertisement spending, technology, etc.;

\* performance of firms/industries, mainly defined by measures of profitability but which were especially related to the extent of market power.

The three main causal relationships among these elements in the SCP approach include:

\* the impact of structure on conduct;

\* the impact of structure on performance; and

\* the impact of conduct on performance.

However, among these, the most important relationship is that between the structure of industries and firms' performance. As far as performance is concerned, market power is assumed to be positively related to profitability, i.e. the higher (lower) the market power the higher (lower) the profitability. For example, utilizing data from the U.S. manufacturing industry over 1936-1940, Bain (1951) found support for the hypothesis that profitability of firms in highly concentrated industries is larger than in less concentrated ones. In a more recent study, Mueller and Raunig (1999) tested whether the results obtained from the standard SCP model differ depending on the degree of heterogeneity of the firms in industries. An important refinement to the classical SCP model that can be derived by the findings of this study is that the causal relationship between concentration and performance postulated by SCP propositions would hold in homogeneous rather than heterogeneous industries.

While structure was considered as exogenous in the SCP paradigm, the most important factors related to structure were barriers to entry. In the 1993 reprint of the first edition of Bain (1956, pp. 53-166), three main factors are considered as entry barriers: economies of scale, product differentiation advantages, and absolute cost advantages. Mueller and Raunig (1999, p. 317), also note that: "... our results do not imply that market structure is irrelevant when evaluating performance and policies for heterogeneous industries. What we have shown is that industry concentration is not systematically associated with profitability in these industries. ... Indeed, the one variable that is significantly correlated with profitability in the heterogeneous industries is advertising intensity, which is often interpreted as a component of entry barriers."

However, the assumed exogenous nature of structure has often been an object of the critique of SCP since it is believed that, in practice, firms' actions (conduct) and profitability (performance) are considered to influence market structure. More recent extensions to account for endogeneity include efforts to divide entry barriers into exogenous and endogenous. For example, Shepherd (1990, p. 274) lists 14 factors as the common cause of entry barriers. Exogenous (economic or intrinsic) causes of barriers include capital requirements, economies of scale, product differentiation, absolute cost advantages, diversification, research and development intensity, high durability of firm-specific capital, and vertical integration. Endogenous (voluntary and strategic) causes of barriers include retailation and pre-emptive actions, excess capacity, selling expenses (including advertising), patents, control over other strategic resources, and "packing the product space."

Delorme et al. (2002) provide an empirical example that accounts for endogeneity, utilizing data from the U.S. manufacturing industry for 1982, 1987, and 1992. Applying a simultaneous equations framework to study the relationships between structure, conduct, and performance, their main findings are:

\* structure does not depend on performance, which supports the assumed exogenous nature of structure found in classical SCP;

\* structure affects performance but not conduct; and

\* performance does not depend on conduct.

Although exogeneity of structure would be supported in this study, these findings confirm only one out of three fundamental causal relationships in the SCP approach, the impact of structure on performance. In particular, they show a limited ability of the firm to influence its performance. A criticism of SCP is that it lacks a more explicit analysis of the firm's actions and its ability to influence its performance. It was this missing aspect in SCP that is the main object of Michael Porter's work on the firm's competitive advantage and strategy.

Porter's Model

Porter's model of generic competitive strategies is an important synthesis of Porter's research and teaching experience within strategy and industrial economics. Since the publication of this model in 1980, Porter (1998 and 2004) has confirmed his belief that firms should pursue one of his recommended strategies in order to succeed. From the firm's point of view, the most relevant and important aspect of the competitive environment is the industry in which the firm competes. In Porter's wording, the industry is the "arena" where competition takes place.

In light of Porter's analysis, industries are comprised of firms that produce close substitutes; but the firms' competitive environment has a common structure, consisting of five competitive forces. These forces, which are viewed as the determinants of the industry's overall competitiveness and profitability, are:

\* threat of new entry,

\* intensity of rivalry among existing firms,

\* pressure from substitute products,

\* bargaining power of buyers, and

\* bargaining power of suppliers.

According to Porter, it is the joint influence of these forces that determines the intensity of competition of each industry, where the strength of each competitive force is industry-specific. Profitability, considered as the "rate of return on invested capital," is negatively related to these forces' overall strength. Hence, the greater the strength of the five forces that affect firms, the lower the expected profitability in the industry.

In Porter's work, analyzing an industry in terms of the five competitive forces would help the firm identify its strengths and weaknesses relative to the actual state of competition. Porter's main argument to support this is that if the firm knows the effect of each competitive force, it can take defensive or offensive actions in order to place itself in a suitable position against the pressure exerted by these five forces. Although the first consideration for a firm is to place itself against the competitive forces in a "defendable" position, Porter thinks that firms can affect the competitive forces by their own actions. This view of competition holds that not only the existing firms in the industry are actual or potential competitors. Additional competitors may arise from what Porter calls "extended rivalry"-customers, suppliers, substitutes, and potential new entrants.

Given this context, Porter goes on to suggest strategies that firms should pursue in order to position themselves against the pressure of the main competitive forces and achieve higher profitability than the industry's average. These strategies are presented in the so-called model of generic competitive strategies (Porter, 1980). The term "generic" would refer to the broadest level of the strategic approach that the firm chooses to pursue, regardless of its business, be it manufacturing, service, etc. This model is presented in the well-known Figure 1.

The two dimensions in this framework are strategic advantage and strategic target. Strategic or competitive advantage is of two kinds, differentiation or lower cost. Strategic target or competitive scope is not specified in Figure 1; but, as Porter points out, it can be in terms of geographic targets, customer segments served, and the range of products. The combination of these two dimensions, competitive advantage and strategic target, creates the three main strategic alternatives: "differentiation"2 , "cost leadership" (or "lower cost"), and "focus", where focus can be of three kinds, "cost focus," "differentiation focus," or "cost and differentiation focus."3

Porter's recommendation to firms is to follow one of the five recommended strategies presented in Figure 1 because these are the options that would give firms the ability to secure a favorable position in industry, given the intensity of the five competitive forces. Hence, according to Porter, firms should pursue the model's recommended strategies in order to achieve higher profitability than their competitors. The strategic alternative that Porter specifically does not recommend is dubbed by him "stuck in the middle," which is the position we have illustrated by the circle S in the figure. Porter's prescription is that the choices among the generic strategies are mutually exclusive if a firm is to achieve above-average performance.

While explaining his three main strategic alternatives, Porter asserts that: "Effectively implementing any of these generic strategies usually requires total commitment and supporting organizational arrangements that are diluted if there is more than one primary target" (Porter, 1980, p. 35). In the new introduction to the 1998 edition of his 1980 book, he reinforced this by stating that: "Another misunderstanding revolves around the need to choose between low cost and differentiation. My position is that being the lowest cost producer and being truly differentiated and commanding a price premium are rarely compatible. Successful strategies require choice or they can be easily imitated. Becoming 'stuck in the middle'-the phrase I introduced-is a recipe for disaster" (Porter, 1998, p. xiv). The same ideas are maintained in his 2004 edition as well.

The main implication of Porter's arguments is that, except in rare and nevertheless temporary cases, a firm cannot successfully pursue a combination of recommended strategies. Hence, the position denoted by S in Figure 1 is not the only non-recommended option. Positions along the inner lines, although not directly discussed by Porter, which we have denoted by AS, BS and CS, should also be considered as non-recommended options.

Compared to the SCP model presented above, Porter's work has some similarities but, more importantly, differs with SCP in terms of the main object of the analysis. Similar to SCP, Porter recognizes the importance of industry structure on both firm's behavior and performance; but differently from SCP, Porter views industry structure and firms' actions as mutually dependent. As far as industry structure is concerned, despite similarities, Porter has also extended its scope with the "extended rivalry" concept. However, more importantly, the main object in Porter's analysis is the firm or the firm's competitive behavior, whereas the main object of SCP is the context in which competition occurs. While in the SCP the role of the firm is understated, in Porter's work it is spelled out and analyzed as the most important source of superior performance.

Alternative Approaches

In this section we discuss some alternative approaches to strategy and competitive advantage of firms, drawing on the study by Foss and Mahnke (1998). They categorize these approaches into two main areas, the equilibrium-based and the market process. The equilibrium-based category includes three groups, which are: the industry analysis approach associated with Michael Porter (1980), approaches based on the new industrial organization and game-theoretic reasoning in general (Tirole, 1988; Shapiro, 1989), and the resourcebased perspective (Demsetz, 1973; Wernerfelt, 1984; Barney, 1986, 1991).5

The market process category, according to Foss and Mahnke (1998, p. 13), is considered to be a non-equilibrium based approach, under "... the banner of 'market process economies' (Boettke and Prychitko, 1998). This line of thought includes the Austrian school of economics (e.g., Mises, 1949; Hayek, 1948; Kirzner, 1973; Lachmann, 1986), and evolutionary (Nelson and Winter, 1982), Schumpeterian (Schumpeter, 1934), and post-Marshallian economics (Loasby, 1991), as well as some contributions utilizing a more formal, neoclassical character (e.g., Fisher, 1983)."

New Industrial Organization and Game Theory

As the heading suggests, the new industrial organization approach is closely linked to the concepts of game theory in analyzing firm's strategic behavior. The term "strategic" in the terminology of game theory implies interdependence-firms' behavior affecting each other's performance, e.g., profits. From a game-theoretic perspective, competitors solve a specified game that has an equilibrium condition in the form of Nash equilibrium or its refinements (sub-game perfection). In the context of firm strategy, the need for this refinement is that while the Nash equilibrium specifies equilibrium conditions based on ex ante evaluations, some of these conditions do not imply rationality (or sub-game Nash equilibrium) in ex post situations.

As an example of this, which relates to Porter's analysis of industry, we present the following simple game in Figure 2, where a potential entrant, "E", and an incumbent, "I", decide on their strategic moves. In this game "E" decides whether to enter the industry or not and "I" decides whether to retaliate by engaging in a price war. The fietional outcomes, say profits, are given on the right of the arrows that end the game, where the first (left) outcome is for "E" and the second (right) one for "I."

Given the setting in Figure 2, there are two Nash equilibria, Eq1: ("Not Enter"; "Retaliation"), and Eq2: ("Enter"; "No Retaliation"). Once "E" has entered the industry, both "E" and "I" would prefer to be in Eq2, which specifies "Enter" for "E" and "No Retaliation" for "I", as opposed to a position where "E" chooses "Enter" and "I" chooses "Retaliation." Hence, in ex post situations, Eq2 involves rational choices for both players.

On the other hand, it might not always be straightforward to see what Eq1 implies for firms' behavior. Eq1 specifies ex ante evaluations, where "E" stays out of the industry with the belief that "I" will retaliate by engaging in a price war. In the case of the belief that "I" will choose "Retaliation" the rational choice for "E" is to choose "Not Enter" as opposed to "Enter." However, if "E" would indeed enter the industry, the choice of "Retaliation" by "I" would be based on an irrational behavior because in such case "I" would be better off by choosing "No Retaliation." For "I", while "Retaliation" would be rational in ex ante evaluations (or in one-shot game settings), it is not so once "Enter" by "E" is in place since it is "No Retaliation" that is the rational choice in such ex post situations (or in dynamic game settings). This also means that only Eq2 is a sub-game perfect Nash equilibrium.6

In relation to Porter's analysis, the first type of equilibrium (Eq1) could be the case when existing firms are credible in their threats to retaliate against the potential entrants, which relates to his discussion of one of the five competitive forces noted earlier, i.e. the "threat of new entry." More generally, Eq1 type of equilibrium would hold if the structure of entry barriers is such that in the event of entry firms believe that everybody, or at least the potential entrant, is worse off. However, when it comes to ex post situations and entry has been made, the second type of equilibrium (Eq2) is likely to be the case.

If Porter's model holds, as long as firms pursue his recommended strategies, for example, "E" and "I" could pursue "lower cost," but without necessarily engaging in a fierce price war. This would imply Eq2 as the sub-game Nash equilibrium.7 As long as "E" is able to earn profits when entering the industry, the game illustrated can be easily extended to allow for firms to choose among the other Porter-recommended strategies. In case Porter's model holds, the pursuit of these strategies would reward firms with higher than average profitability (which directly relates to profits assuming equal capital/investment requirements), though not necessarily with equal profit levels.

With entry, Eq2 would be stable for as long as both firms earn more than in a retaliatory situation, which, in another example of Porter's analysis, could happen if one firm has chosen "differentiation" and the other one "lower cost." In the case of more than two firms, referring to Porter's analysis, the situation would translate into choices among the recommended and non-recommended strategies. If Porter is right, those firms that choose recommended options are better off, as long as all firms do not simultaneously choose "Retaliation" type of choices. With firm heterogeneity, firms with superior performance based on Porter's prescription choose their unit costs, degrees of differentiation, or relevant strategic targets, but not necessarily the same for each firm.

While Foss and Mahnke acknowledge the advancement that game theory has brought into the analysis of firms' competitive behavior through its tools based on logical reasoning, they do criticize this approach on the grounds of the specification of equilibrium. According to their study, since equilibrium is given from the outset (given that games consist of sophisticated players who anticipate each other's actions) it leaves no room for disequilibrium situations, such as entrepreneurial discoveries or managerial change to create new opportunities. Explicitly, they state that: "Most notably, there is no notion of an entrepreneurial discovery procedure (Kirzner 1973), in the sense that firm managers are not supposed to discover and act on new opportunities in the market. Everything is essentially given from the beginning and specified by the analyst" (Foss and Mahnke, 1998, p. 6).

Based on this description of the role of game theory as the core of the new industrial organization,8 we view Porter's model of generic strategies as an attempt to explain firm competitive behavior at a less aggregate explanatory level. In other words, while game theory explains why some firms are in and some others out of the industry, Porter's model (1980) tries to provide a more detailed analysis of why some of the firms already in the industry are more successful than others.

Resource-Based Perspective

In the resource-based view, firms are considered to differ in terms of efficiency because of the differences in their competitive advantage due to endowed or acquired resources. Since imitation would diminish part of the competitive advantage that firms have, "the very concept of sustained competitive advantage is often defined in equilibrium terms: it is that advantage which lasts after all attempts at imitation have ceased. So, (zero imitation) equilibrium is utilized as a yardstick to define and understand sustained competitive advantage" (Foss and Mahnke, 1998, p. 9). More generally, referring to Demsetz (1973), Barney (1986, 1991), Rumelt (1987), Dierickx and Cool (1989) and Peteraf (1993), a firm's competitive advantage would be sustained if these criteria are met:

\* resources are heterogeneous enough to account for efficiency differences and rent;

\* resources are ex ante economical (the present discounted value of their future prices is not higher than their current price);

\* resources are ex post non-imitable; and

\* resources are not perfectly mobile across firms.9

In relation to Porter's model, the first two criteria would appear to be met in the efforts that firms make to achieve lower cost or differentiation positioning in the industry. This, when combined with a broad or lower target, is supposed to yield a higher than average performance. Requirements of the "lower cost" or "differentiation" as well as "focus" strategies illustrate such affinity, as, for example, is the case of sufficient spending on advertising and R&D or efforts to secure favorable inputs (low price or high quality) that lower-cost producers and differentiators would have to make in order to successfully pursue their recommended strategies.

The third and fourth criteria are not so straightforwardly related to Porter's analysis, but they also could be considered as being indirectly present there. If the firm's resources-or in Porter's wording, its requirements and efforts-are being imitated or are perfectly mobile across firms, there would be no differences across firms in terms of their competitive advantage on cost or differentiation. Hence, there would be no benefit in presenting their competitive advantage in two distinct dimensions, which, when combined with the strategic target, would result in forming the strategies in Figure 1.

Given these features of the resource-based perspective and the discussion above, we would view Porter's model as an attempt to explain firm competitive behavior at a more aggregate explanatory level, compared to this perspective. The concept of the firm's competitive advantage in this model would represent the aggregation of differences in firms' resources.

Foss and Mahnke criticize the resource-based approach on similar grounds to their critique of game theory. They view it as lacking disequilibrium explanations. For example, they state that: "... sustained competitive advantage exists only in (zero imitation) equilibrium (cf. Lippman and Rumelt, 1982); it simply makes no sense to speak of sustained competitive advantage outside of equilibrium, because equilibrium is defined as the absence of imitation. ... much of the important structure of the resource-based perspective is solidly founded on equilibrium methodology" (Foss and Mahnke, 1998, p. 10). Another critical point in Foss and Mahnke is that Porter, as well as the other two subsequent alternative approaches discussed so far, explains firm differences by relying on a given context (industry) or endowment of resources (factors). They do not account for other forms of firms' differences, such as learning and entrepreneurship (managerial change, innovation, etc.), which are explained endogenously.

A related extension of the resource-based approach, called the knowledge-based view, has been put forward by Hoskisson et al. (1999).10 Based on this view, firms are considered to differ in terms of their current knowledge or their potential in absorbing it. Referring to Kogut and Zander (1992), firms are viewed as: ".. .a repository of capabilities in which individual and social expertise is transformed into economically valuable products. .... This means that by its tacitness and social complexity, a firm's stock of knowledge is an important determinant of its competitive advantage, (Hoskisson et al. 1999, pp. 441-442)." Furthermore, referring to Cohen and Levinthal (1990), learning and innovation are explained by the firm's potential to acquire knowledge and use it for economically profitable ends. This potential is dubbed "absorptive capacity," which is "...the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends. Absorptive capacity is dependent on a firm's level of prior related knowledge. As such, the ease of learning is affected by the degree to which an innovation is related to this preexisting knowledge" (Hoskisson, 1999, p. 442).

Putting this in the context of our earlier point regarding the endogenous nature of innovation and entrepreneurship, a firm's absorptive capacity could be the explanation for the degree of learning and entrepreneurship if three conditions are met. First, innovation occurs as a result of cumulative knowledge and learning. second-as long as learning helps to build knowledge-based capacity-learning and knowledge-based capacity are important elements that lead to innovation. Third, there is a strong correlation between innovation and entrepreneur-ship, and such interpretations of innovation could similarly extend to entrepreneurship. Since entrepreneurship is a more abstract concept than innovation, the last condition might come in handy in empirical analysis by giving one the ability to make use of measures of innovation in deriving conclusions about entrepreneurship as well.

Market Process Economics

The final approach to be discussed is the market process view or market process economics, where the concepts of perfect competition and competitive behavior are viewed as incompatible. Foss and Mahnke (1998. pp. 13, 14) cite Hayek (1948, p. 96): "The peculiar nature of the assumptions from which the theory of competitive equilibrium starts stands out very clearly if we ask which of the activities that are commonly designated by the verb 'to compete' would still be possible if those conditions were all satisfied ... I believe that the answer is exactly none. Advertising, undercutting, and improving (differentiating) the goods and services are all excluded by definition'perfect' competition means indeed the absence of all competitive activities." Being in favor of such an explanation of firms' competitive behavior, Foss and Mahnke (1998, p. 17) themselves state that: "Competitive advantage fundamentally results from the subjective perception of profit opportunities, the creation and exploitation of uncertainty, and the coordination of learning and knowledge."

However, we view such concepts as subjective percep-. tions, exploitations of uncertainty, or coordination of learning and knowledge as difficult to make operational in empirical analysis. Furthermore, although these elements of conceptualizing competitive advantage are interesting, it is not clear to what extent they are related to the explanations of learning and entrepreneurship, which, according to Foss and Mahnke (1998), are viewed as the weaknesses of the previous approaches. Meanwhile, the knowledge-based version of the resource-based perspective provides at least an explanation of this.

In addition, we would argue that Porter's model, game theoretic models, and the resource- based perspective all provide their own prescriptions as the appropriate responses to the pursuit of profitability. Also, there is a need to deal with uncertainty and coordination of learning and knowledge in these approaches. Finally, competitive advantage of firms would be best viewed as a means to their superior performance rather than an end, since in competition it is often the profit that becomes the ultimate benchmark against which one gauges this performance.

Given this, a good start in evaluating a firm's competitive advantage, or generally a firm's competitive behavior, is to make full use of those approaches that rely on more empirically verifiable approaches, such as Porter's model. With a sound knowledge in place on the applicability of these approaches, research could then move on more confidently to a more abstract analysis. Since, at least for Porter's model, the body of research so far has not yet done enough to confidently establish its validity in explaining performance differences across firms in terms of their competitive advantages and strategies, it is important to critically assess its applications as well as to rigorously test the model's prescriptions empirically. In this article, we suggest starting from Porter's model to analyze firms' behavior.

2. Why Porter's Model?

There are a number of reasons for using Porter's model to evaluate firms' competitive behavior. The first is itspopulanty. Porter, and especially his 1980 model, has had a major impact on the area of business strategy and on the field of industrial economics as well. For example, Miller and Dess (1993) found that over 1986-1990, Porter's 1980 work was referred in almost hah0 of the papers in the Strategic Management Journal. We also undertook a quick search to find out the approximate number of citations of this work in a number of journals. We did this in July 2005, using the "Business Source Premier" database.11 We found that there were a total of 896 references to Porter, of which 807 had cited his 1980 model.12

The second reason for using Porter's model is its welldefined structure. By looking at the framework of three generic strategies, we see that the concept of competitive advantage and strategy has been explained within a well-structured setting. The model presents a "general rule" for a firm's strategy. It is contended that firms that follow the rule or the recommended strategy will attain competitive advantage and perform better than firms that do not. The benefit of using a well-structured model for analyzing the competitive advantage of firms is that it provides some criteria or benchmarks against which firms can be easily analyzed and compared in ex post situations.

Closely linked to this, another reason is the feasibility of the model's framework for empirical analyses. The application of such a model to real life situations becomes feasible since identifying and selecting those firms that have achieved competitive advantage and chosen the relevant strategic targets becomes a fairly straightforward process. One can simply place these firms within the framework and assess whether they fall within the recommended alternatives or not. The more feasible a model is, the easier the comparison of firms can be made; and consequently, the easier conclusions about competitive advantage and performance are reached. This may be especially helpful in empirical settings where problems with data quality are prevalent. A feasible model gives the researcher a useful tool to quickly see whether the information from the observations fits the model's dimensions or not, discarding those observations with ambiguous information.

The fourth reason is the clarity of the model's main concepts. The model of generic strategies presents a clear and easily comprehensible way of analyzing how a firm can attain competitive advantage and perform better and also when it fails to do so. The concept of competitive advantage can be understood without difficulty by theorists, practitioners and the lay audience because the meanings of lower cost and differentiation (in terms of quality at least) are relatively straightforward. In a world of many different cultures, languages and firms' practices, the terminologies used, especially those in theory and business, can sometimes be far from consistent. This is particularly true when a theory is translated into other languages for research and/or teaching purposes. Furthermore, differences in terminology can also pose serious problems to fully absorb what a theory suggests for real-life business practices, especially where they are applied in contexts that differ substantially from those in which the theory first originated. Where researchers and professionals need to engage in interpreting and adapting theoretical concepts into comprehensible and practicable terms, a model that possesses clarity in its original format is a valuable asset.

The fifth reason is the model's combination of simplicity and generality (as it claims, at least). As seen earlier, Porter has presented his 1980 model in such general terms that it can encompass any type of industry and firm. In addition, the model has a notable simplicity in terms of the main elements that make up the competitive strategies. Since efforts to reach simplicity are sometimes associated with the reduction of the number of details or elements of a model, the accuracy of representation may inevitably be put into question. The trade-off between simplicity and representation is a subject of debate in every science, but the relatively low confidence in finding universal and permanent laws governing the nature of social phenomena can make this issue more debatable in economics, and even more so in business studies. Although it is through empirical analyses that models are assessed in terms of their ability to capture the essence of a more complex reality, a simple and general model remains desirable in every field.

The final reason is what we would call the model's complementary role to two other approaches of competitive advantage of firms. As argued in the previous section, in our view Porter's model represents a rather high degree of detail in the specification and explanation of firms' competitive behavior. While game theoretic models are concerned with even broader consideration of strategy, they do not generally engage in a detailed explanation of the specific actions of firms while choosing one action in the tree of the game. There are, of course, studies within game theory that do consider detailed actions of firms' competitive behavior, but as an overall approach to strategy, it is more concerned with the context of competition rather than competitive actions, per se.

Porter's model describes the competitive behavior of firms more specifically than game theory, though such behavior is still viewed as generic at the broadest level of a firm's strategy planning and implementation process. In order to be successful in the pursuit of one of the recommended generic strategies, firms should meet a number of requirements. However, the model itself is reasonably general since it incorporates a myriad of factors and conditions for firms into a three-generic-strategy approach with five recommended strategic options. On the other hand, as noted in the discussion of the previous section, the resource-based perspective specifies firms' competitive behavior in more detail by looking at how the resources should be used in order for firms to be able to reach and maintain competitive advantage.

Given this interpretation, Porter's model has a complementary feature to game theoretic models and the resourcebased perspective. The advantage of starting with Porter's model is that the knowledge gained from its applicability can provide a useful basis for further investigations along the lines of a broad contextual approach based on game theory or a more detailed intra-firm approach based on the resource-based perspective or the knowledge-based variant.

3. Concluding Remarks

In this final section we provide some concluding remarks and suggestions for future research. We have presented Porter's model along with some other alternatives, the Structure-Conduct-Performance as a classical and starting paradigm, the New Industrial Organization and Game Theory, the Resource-Based Perspective, and the Market Process. These approaches to the firm's competitive behavior were reviewed based on their relations, similarities and differences, with the focus on Porter's model.

The context of firms' competitive strategies in Porter's analysis consists of five competitive forces: threat of new entry, rivalry intensity, pressure from substitute products, bargaining power of buyers, and bargaining power of suppliers. According to Porter, the joint influence of these forces determines the industry's intensity of competition and average profitability. Porter's model of generic strategies encompasses the main strategic options that firms pursue regardless of the type of industry and the firm's business. There are two main dimensions in this model: competitive advantage, which can be in the form of lower cost or differentiation; and strategic target(s), which can be found in terms of geographic areas, market segments served, or range of products offered.

Porter's three recommended strategies are "lower cost," "differentiation," and "focus." Focus can be of three kinds: "cost focus," "differentiation focus," or "cost and differentiation focus." The non-recommended option that is viewed as the worst strategic position is what Porter calls "stuck in the middle." According to Porter, the recommended strategies reward firms with higher than average profitability, and the "stuck in the middle" strategy inevitably yields poor performance. In relation to the other approaches reviewed, Porter's model is considered as an insightful and convenient approach to analyzing the firm's competitive behavior for a number of reasons. These reasons are its popularity, well-defined structure, feasibility, clarity, simplicity and generality, and complementary role to two other main approaches to analysis at the aggregate level.

Although insightful and convenient, whether Porter's model is also a useful approach to predict superior performance is another issue and an important research topic. The knowledge of the usefulness of Porter's model would be enhanced if a number of studies that relate to this model are critically reviewed. In conducting such a review, it would be best not only to point out the findings of the studies reviewed, but also-more importantly-to assess their conceptualization of Porter's model as well as the methodologies deployed. After this literature review, it would also be of interest to compare new empirical evidence with that found in the studies reviewed.