Vertical Integration and Corporate Diversification Strategies – Study Based on Brazilian Industries

Autoria: Adilson Caldeira, Gerson Luís Russo Moysés, Paulo Dutra Costantin, Sérgio Lex, Silvio Luis Tadeu Bertoncello

Abstract

Diversification strategy to create sustainable competitive advantage depends on the rarity and on the cost of imitability of a particular strategy chosen by a firm. Backward and forward vertical integration may be pursued by industry firms competing to achieve competitive advantage property and to increase the chance to be able to appropriate economic rents or to guarantee rare, difficult to imitate and costly resources. This work investigates how these particular strategies create economy of scale and scope, when applied by some of the leading Brazilian industries. This paper has the objective to investigate the creation of economy of scale and scope by Brazilian industries (tobacco, cement and aluminum) as a major pattern to achieve competitive advantage, and to investigate whether vertical integration and corporate diversification strategies achieved by Brazilian industries contribute to increase corporate competitiveness.

Introduction

Corporate strategy studies have been related to business environment changes along the last decades, and created new challenges to companies, which have to adapt their strategies and increase their abilities to compete in a global market. Competitiveness has been the major focus of corporate strategy studies. Positioning strategy is intensively discussed as a corporate competitive advantage (Porter, 1990) and as a nation competitive advantage (Porter, 1993). Wright et al (2000), Hitt et al (2002), Aaker (2001), Cavalcanti et al (2003), Hill and Jones (1998), Hinings and Greenwood (1989) Pettigrew and Whipp (1993) and Certo and Peters (1993) dedicate a great part of their work to describe different procedures and concepts about environmental dynamics and the challenges created for corporate and for business competitiveness, based on Porter’s five force model.

This approach considers mainly the influence of external factors as determinants of organization performance and its ability to respond to challenges of competition and costumer demand. Opposing to this approach, Wenerfelt (1984), Montgomery (1995), Hunt (1997) and Barney (2002) proposed the resource based view of the firm. According to these authors, the forms of competitiveness and their sustainability come from their ability to develop strategies that can generate value which is difficult to be imitated or that is costly. Chandler (1999) stated that competitiveness comes from the ability to create economy of scale and economy of scope. His studies enhanced the relation between the structure, the position and the technology of multiple business companies, generating economy of scale and scope, impacting transaction costs and competitiveness of firms. Chandler (1999) also analyzed industries that grew and became strong in the domestic and in the international market using backward vertical integration, achieving economy of scale and using diversification strategies to distribute on mass scale, achieving economy of scope.

This paper has the objective to investigate the creation of economy of scale and scope by Brazilian industries as a major pattern to achieve competitive advantage, and to investigate
whether vertical integration and corporate diversification strategies achieved by Brazilian industries contribute to increase corporate competitiveness.

To answer this question, basics concepts proposed by classic authors were revised and a few industries were studied, trying to understand their performance as a result of those strategies. In this study, the focus is on the vertical integration applied by selected industries in the Brazilian Economy as the main business strategy. The focus is also on the corporate diversification strategy as the main corporate strategy to gain and sustain competitive advantage across the markets in the same group of industries.

The structure-conduct-performance paradigm in industrial organizational economics is based on Porter’s five force model, which is considered the major tool for analyzing threats and opportunities associated with generic industry structure for analyzing opportunities, according to Barney (2002). The VRIO framework (issues on business activities related to value, rarity, imitability and organization) is a major tool for analyzing origination strengths and weaknesses, built on the resource-based view of the firm. To understand the threats and the opportunities a firm faces, and the strengths and weaknesses a firm has, it is essential to choose strategies and actions to be performed by the firm. These strategies and actions, which aim to neutralize threats to avoid weaknesses and to exploit opportunities and strengths, are called business strategies, when they are specific actions taken within a particular market or industry to gain competitive advantage. However, they are called corporate strategies, when the purpose is to gain competitive advantage by leveraging their resources and capabilities across several markets or industries at the same time.

There are four different kinds of business strategies: vertical integration, Porter’s generic business strategies, flexibility and cooperative strategies. Cooperative strategies, which depend on the existence of economy of scope throughout the businesses, can be classified in four different kinds: strategic alliances, corporate diversification strategies, mergers and acquisitions and multiple geographic markets (international strategies). Most of the strategy approaches have the economic rent as the supreme goal for every firm and rational planning is the only way to achieve it, as stated by Whittington (2001).

**Environmental Threats and Opportunities**

Mason (1939), Bian (1956) and Scherer (1980) are cited by Barney (2002) as having contributed to develop a theoretical framework as an approach to understand the relationship between a firm’s behavior, its behavior and its performance known as the structure-conduct-performance model – SCP. Structure in the model refers to factors such as number of competitors in the industry, heterogeneity of products, and the cost of entry and exit. Conduct refers to price taking, product differentiation, tacit collusion and exploiting market power. Performance refers to economic performance of an individual firm or to the performance of the industry as a whole. This framework suggests that a firm’s conduct and performance are determined by the industry structure. Strategy researchers, such as Porter (1980) have turned the original objectives of the SCP model upside down in an attempt to describe industry conditions under which firms may be able to obtain competitive advantages and above normal economic returns. His model, known as the “five forces model” is based on the threats a firm usually faces in an industry: threat of entry, threat of rivals, threat of substitutes, threat of suppliers and threat of buyers. The level of threat of new entrants depends on the barriers to entry, including economies of scale, product differentiation, cost advantages contrived deterrence and government regulation of entry.
Porter (1980) suggested that a way to identify opportunities in an industry is to isolate a set of industry structures and, then, to identify the opportunities that exist in these types of industries. He described some generic industries such as: fragmented industries, emerging industries, hypercompetitive industries, declining industries, international industries, network industries and empty-core industries.

**Vertical Integration**

Porter (1980) defined **value chain** as a set of discrete activities that must be accomplished to design, to build and to distribute a product or service. Each of these activities included in the value chain, must be accomplished in order to sell a product or service to customers. A firm may take different decisions over which activities to include in the value chain; the level of vertical integration defines the number of stages in a product’s or service’s value chain which a particular firm decides to engage in. The greater the number of stages in the value chain, the more vertically integrated a firm is. Whenever the firm increases the number of value chain stages it is engaged in, and these new stages bring it closer to direct interaction with the product’s or service’s ultimate customer, it is said to be in a **forward vertical integration**. On the other hand, if the number of stages engaged in move farther away from the product’s or service’s ultimate customer, it is said to be a **backward vertical integration**.

According to the **“resource dependence theory”**, as defined by Barney (2002, p.229) “firms are assumed to pursue vertical integration strategies whenever the acquisition of a critical resource is uncertain and threatened”. This theory can be understood as “a particular example of governance choice a firm makes in managing its economic exchanges” (BARNEY, 2002: p.195). **Governance decisions** are questions facing the most efficient way of managing (“governing”) a potentially valuable economic exchange. Usually a firm has a broad range of possible governance choices available, which goes from an extreme, called **market governance** to another extreme called **hierarchical governance**; midway there is the **intermediate governance**. In the market governance, parties may interact across a faceless and nameless market, relying entirely on market determined prices to manage the exchanges. The intermediate governance considers a variety of approaches to managing exchanges and the hierarchical governance. This is also called **vertical integration** and considers that the exchanges may be managed within a single firm, involving different stages in a product or service value chain.

There are three different frameworks for making choices about how to govern economic exchanges: transactions cost economics, resource based theory and real option theory.

- **Transaction cost economics**, as stated by Williamson (1985), is based on the assertion that, if a particular exchange is seen as being potentially valuable, the purpose of the governance mechanism (market, intermediate or hierarchical) are to minimize the threat that exchange partners will be unfairly exploited in an exchange and to do so at the lowest cost possible.

- **Capability differences among firms**, as suggested by Barney (2002), are also important considerations about vertical integration for making governance decisions. Two major propositions can be derived from the resource-based perspective: “some times, nonhierarchical governance should be chosen in spite of significant threats of opportunism” and “that firms should vertically integrate into that business function where they enjoy a sustained competitive advantage” (hierarchical governance). The first proposition contradicts the transactions cost logic and the second is consistent with it.

- **The real option logic**, as asserted by Kogut (1991), focuses on the ability of a firm to adjust its strategy in the future, depending on how that uncertain future evolves. In general, less
hierarchical governance is more flexible than more hierarchical governance, because it is more costly to undo the investments necessary to create hierarchical governance than to undo the investment necessary to create nonhierarchical governance.

According to Barney (2002), there are, at least, three reasons why a firm should vertically integrate into business functions where it currently enjoys a competitive advantage. First, hierarchical governance can increase the possibilities to be able to keep the sources of its competitive advantage proprietary. Second, vertically integration increases the firm’s chance to be able to appropriate the economic rents that a source of competitive advantage may generate. Third, a source of competitive advantage can be considered sustained if it is valuable, rare and costly to imitate; the resources and capabilities involved in this particular function have been built up over long periods of time and are socially complex. To acquire competitive advantages from governance choices, it is necessary to introduce more heterogeneity to the application of these logics than have traditionally been introduced. In addition, provided that the governance skills are valuable, rare and costly to imitate, the vertical integration decisions they imply can be the source of sustained competitive advantages and the firm will be organized to exploit the full competitive potential of its special governance skills. Mintzberg (1998) recommends that every particular function must be part of the process, involving its inputs and outputs, and being supported by a set of secondary strategies.

Corporate Diversification Strategies

Although vertical integration is mostly a business level strategy, sometimes vertically integrating into more stages of an industry’s value chain can have the effect of having a firm operating in what might be characterized as a second business. In the same way that primary business, strategies can have some implications for corporate strategy, so can primary corporate strategies have some implications for business strategies. In the end, the economic viability of all corporate strategies depends on the existence of economies of scope across two or more business. Economy of scope exists when the combined value of the businesses is greater than the value of those businesses acting independently of each other. Economy of scope is also known as synergy. Chandler (1990) referred to scope as the product-market diversity. Different assortment of resources may be equally efficient or effective in producing the same value for some market segments, leading to firms of varying size and scope. Without the existence of economy of scope, there can be no economic reason to operate in several businesses simultaneously.

In general, according to Barney (2002), economies of scope exist because of the cost savings or revenue enhancements that a firm experiences because of mix of business in which it operates. The study of corporate strategy is the study of sources of economies of scope, the ways that these economies can be generated and the way they can be organized. The primary way to realize corporate strategies are the strategic alliances, that exist whenever two or more independent organizations cooperate in the development, manufacture or sale of products or services. Another way to achieve corporate strategies to bring multiple businesses within the boundaries of the firm can be used to create economic value. The creation of multiple businesses within the firm’s boundary is called a corporate diversification strategy, which can be expected to generate competitive advantages for the firm.

Barney (2002) presents three variations of the extension to which the firms may diversify the mix of businesses they pursue: a strategy of limited corporate diversification, a strategy of related diversification and a strategy of unrelated corporate diversification.

- A firm has implemented a limited corporate diversification strategy when all or most of its business activities fall within a single-business firm (more than 95% of its total sales in a single
industry) or fall within a dominant-business firm (between 70% and 95% of its total sales in a single industry). Firms pursuing a strategy of limited corporate diversification are not leveraging their resources and capabilities beyond a single market or industry and, therefore the analysis is equivalent to the analysis of business-level strategies (RUMELT, 1974).

- When less than 70% of a firm’s sales comes from a single line of business and these multiple lines of business are linked, the firm has implemented a corporate strategy of related diversification. If all the businesses in which a firm operates share a significant number of inputs, production technologies, distribution channels, similar customers, and so forth, the corporate diversification strategy is called corporate strategy of related constrained. If the different businesses that a single firm pursues are linked on only a couple of dimensions, or different sets of businesses are linked along very different dimensions, the corporate diversification strategy is called related linked.

- When less than 70% of a firm’s sale is generated by a single business, and when a firm’s business share, if any, few common attributes, then that firm is pursuing an unrelated corporate diversification strategy.

The existence of economies of scope is a necessary even though not sufficient condition for corporate diversification to be economically valuable. Thus, the existence of economies of scope does not mean that a firm must bring multiple businesses within its boundaries to realize these economies. In order for corporate diversification to be economically valuable, economies of scope must not only exist, but they must be less costly to realize than through alternate forms of governance. These alternate forms of governance include both strategies alliances and intermediate and market forms of governance (WILLIANSON, 1985). Therefore, the logical considerations originally developed for making vertical integration decisions are also important for making corporate diversification decisions. The choice of how to organize an exchange, in the vertical integration or in the corporate diversification, depends on transaction costs, capabilities and real options considerations. If a firm already possess valuable, rare and costly to imitate resources and capabilities and seeks to use these capabilities to create economies of scope, then this effort should take place within the boundaries of the firm. By managing the economy of scope within the firm’s boundaries, the firm will be able to appropriate more of the economic profits those strategies generate.

Many motivations for implementing diversification strategies exist, including exploiting operational economies of scope (shared activities, and core competencies), exploiting financial economies of scope (internal capital allocation, risk reduction and obtaining tax advantages), exploiting anticompetitive economies of scope (multi-point competition, market power advantages) and employee incentives to diversity (diversifying employees human capital investments, maximizing management compensation). The different motivations for diversification vary in their value and are associated with different types of diversifications: motivations that lead to related diversification are most likely to add value to the firm, but motivations that lead to unrelated diversification are less likely to add value to the firm. The ability of a diversification strategy to create sustained competitive advantages depends on value of that strategy and also on its rarity and imitability (WILLIAN et al, 1988). The rarity depends on the numbers of competing firms that are pursuing the same economy of scope though diversification. Imitation can exist when competitors duplicate or substitute; costly to duplicate economies of scope include core competencies, internal capital allocation, multi point competition and exploiting market power.
Brazilian Cement Industry

The cement industry in Brazil consists of organizations that produces and distributes cement. Figure 1 shows the productive chain of cement industry in Brazil.

![Figure 1. Brazilian cement industry](image)


Some of the major participants of the industry are: Votorantin (41% market share), Joao Santos (11% market share), Holdercim (9% market share), Lafarge (9% market share) and Camargo Corey (8% market share).

The threat of entry into the cement industry is quite high: there is significant economy of scale in the industry, although there are important economies of scale in research and development process, as defined by Ghemawat (1999). The initial investment to produce cement is great and the mines from where resources are taken are controlled by the established firms; there is no other known mine available to be explored. There are no significant product differentiation advantages for incumbent firm in the cement industry. Only the brands are used to differentiate what otherwise could be considered commodity products. Incumbent firms also enjoy cost advantages over potential entrants. Participants are constantly accused to dampen prices to avoid new entrants’ moves. The cost advantages are consequence of large scale production that brings huge economies of scale. The threat of rivalry in the cement industry is very low. As a typical oligopoly, characterized by a small number of competing firms offering a very homogeneous product, it is costly to entry (and to exit). Firms face a variety of conduct options, including tacit collusion. The firms earn above normal economic profits. The threats of substitutes are very low in the cement industry, as there are no products that can be used by the construction industry to replace cement. The only possible threat could be imported products from neighbor countries with cost advantages, but transport cost would eliminate this advantage. Threat of suppliers does not exist because every participant of cement industry is backward vertical integrated and owns its own mine to extract essential resources to produce cement, consequently these companies do not depend on suppliers at all. The companies use the resource dependence theory, as stated by Barney (2002), as a strategy of backward vertical integration. Threat of buyers has been very low, because there are so many intermediate buyers and end users...
that the market has no structure to cause any kind of threat to the big cement producers. Therefore, according to the five forces analysis, the cement industry has a very low level of threat and the participants have above normal economic profits.

Votorantin, the biggest manufacturer of the industry, as all other major participants of the cement industry, chose the vertical integration as their business strategy. Some of the firms are pushing the integration forward, like Camargo Correia, which decided to invest in the business of concrete, through the acquisition of Concretex, one of its former customers. The participants of the cement industry are able to manage their exchanges using **hierarchical governance** (according to Barney, 2002), involving different stages of the product value chain. They have valuable, rare and costly to imitate resources and capabilities, facilitating their vertical integration into business functions where they currently enjoy competitive advantages. Votorantin also derives competitive advantage from governance choices: vertical integration creates valuable, rare, costly to imitate and an organization ready to exploit the full potential of its governance skills. There is only one type of strategic alliances involving firms of this industry, the tacit collusion, in spite of legal restrictions. Some actions were conducted in late 80’s to investigate accusations of trust and compensatory selling policies.

Corporate diversification strategies generate great competitive advantages to major participants, especially to Votorantin, the leader of the industry. Joao Santos, Holdercin and Lafarge, among the biggest, use **limited diversification**, as the cement business is the business that generates more than 70% of their revenues, as the classification of types of economies of scope, proposed by Barney (2002). Camargo Correia applies the related diversification, as it produces cement, concrete (cement is the basic resource) and supplies civil construction to the Government (airports, roads, official buildings, ports, etc.). Votorantin does not sell cement to end users, except to big construction companies. It would allow more flexibility, but competitiveness in this end of the industry is big enough to reduce the profits. Votorantin adopted an unrelated diversification strategy: a great portion of its revenue comes from business that have no significant links or common attributes among them, such as aluminum (production and distribution). Using this strategy, Votorantin pursues operational economy of scope. The motivation for this diversification shifts attention towards financial advantages. Another financial economy of scope pursue by the diversification is to lower the riskiness of cash flow.

**Brazilian Tobacco Industry**

The Brazilian tobacco industry is formed by companies that produces tobacco, manufacture and distributes cigarettes and cigars. The major participants of the industry are: Souza Cruz, Philip Morris, Sudan, Cibania and Cabofriense. Souza Cruz, which has 80% of the cigarette market share, has been owned by British American Tobacco (BAT) since 1914; Philip Morris has been established in the country since early 50’s. These companies altogether control 99% of local cigarette market. Figure 2 shows the productive chain of tobacco industry in Brazil.

There is significant economy of scale in the tobacco industry that generates a great threat of entry into the potential entrant industry. The initial investment to produce tobacco (machinery to dry and blend tobacco leaves) is high. The strategic alliances between tobacco planters and tobacco manufacturers are very well controlled by the manufacturers: Souza Cruz, the biggest cigarette producer, first introduced it in 1914, during the first stages of the industry development in the country. Through these alliances, the small tobacco planters receive technical and financial support from the big manufacturer and they have the guarantee of the price for the whole crop. These strategic alliances guarantee the essential resources for the industry, as stated in the resource dependence theory (Barney, 2002) and the backward vertical integration strategy. The
majority of the planters are located in the southern states of the country, as are the plants of the tobacco manufacturers.

![Diagram of Brazilian tobacco industry](image)

**Figure 2. Brazilian tobacco industry**

As this is a typical oligopoly, characterized by a small number of competing firms offering a homogeneous product, it is very costly to enter (and to exit) and firms face a variety of conduct options, including tacit collusion. Therefore, the treat of rivalry in the tobacco industry is very low. The firms earn above normal economic profits, although it is one the highest taxations industry in the domestic economy. The increasing pressure from Non Governmental Organization dealing with health, from other consumer organization and from recent smoking restriction legislation is generating a decrease in the number of smokers in the country. But the industry is directing the output to countries such as China, where cigarette demand is growing. Therefore, the threats of substitutes are very high in the domestic market, but as there many opportunities in the export market, has crated a compensation factor. Threat of suppliers does not exist because the alliance with local tobacco planters has been very efficient along many decades and there is no reason to modify this situation in the short run. Threat of buyers has been very low, as the industry is forward integrated, and it can directly control the retailers that sell cigarettes directly to consumers. According to the five forces analysis, the tobacco industry has a very low level of threats and the participants have an above normal economic profit.

The industry shows a limited economy of scope: there are only two kinds of final products, cigarettes and cigars, although, there are many cigarette brands offered by the producers (Souza Cruz offers 29 different brands, including variations such as light, ultra light and full flavor cigarettes and Philip Morris offers other 19 different brands). The cigarette brands compete for different market segments; using brand positioning and price difference policies. The industry adopted a limited corporate diversification strategy (according to Barney’s concept) as more than 95% of revenues come from one singles industry.
Brazilian Aluminum Industry

The aluminum production chain includes mining, refining, reduction, lamination and extrusion. Figure 3 shows the production flow. The primary industrialization process begins with the mining of bauxite, which is transformed through the refining process into alumina and later, in the final reduction process, it is transformed into “metallic aluminum” (99.99% pure aluminum). The transformation process comprehends lamination and extrusion, which final products are offered to the container industry and construction industry. The reduction process uses two different technological approaches: Sodeberg process and “pre-baked” processes. In the Sodeberg process, the anodes are melted in the same pot; it is considered outraged, although it is still applied by some big aluminum plants. In the “pre-baked” processes, the anodes are pre heated before melted in the pot; it is been applied by most of the aluminum plants because it helps to reduce electrical energy consumption. This recent process has made it possible to save of more than 3 MWh/ton per year. Aluminum industry is responsible for 1% of Brazilian Gross Domestic Product - GDP, but its energy consumption goes up to 2,5% of total industrial energy consumption.

![Figure 3. Brazilian aluminum industry](From: Analise Setorial Gazeta Mercantil, 1998.)

The market has a strong concentration: only six big corporations produce aluminum in the country: Albras (28% market share), Alcoa (24% market share), Billinton (17% market share), CBA (19% market share), Alcan (8% market share) and Aluvale (4% market share). Total annual output of the industry was around 1,7 million ton of metallic aluminum in the early 2000’s. Involved in the transformation process (lamination and extrusion there are around 300 firms that supply more than 35,000 companies that are considered final users, in the construction business.

As a typical intensive capital business, the aluminum industry requires high investment in machinery and equipments, which gives a large production scale characteristic to the industry and allows achieving great economies of scale. Cost advantage has been a competitive advantage, which is considered the reason for substitution of iron in many industrial applications. The geographic positioning of the factories is a major factor to the industry: the primary processing plants have to be located very close to the bauxite mine. The backwards vertical integration is the main characteristic of the industry, justifying the existing strong barrier to entry. Resource
dependence theory, as defined by Barney (2002) is evident in the aluminum industry, as a backward vertical integration strategy. The transformation process companies (lamination and extrusion processes) absorbs around 50% of the metallic aluminum production; the other 50% is exported to USA and several markets in Asia and Europe. Local manufacturers can produce plates (27% of total output), extruded profiles (22% of total output), forged pieces (17% of total output), wires and cables (17% of total output), foils sheets (8% of total output) and other pieces (9% of total output). The aluminum industry has achieved a great economy of scope; towards the direction of final users of aluminum pieces, the number of firms competing in the markets increases and the economic rent decreases, although the production of the transformation firms (lamination and extrusion processes) has grown 77% from 1990 to 1997 and continued growing at the same rhythm during the years after. The strategy adopted by aluminum industry can be considered as a related diversification corporate strategy, according to Barney’s (2002) classification.

Conclusion

The ability of a diversification strategy to create sustained competitive advantages depends not only on the value of that particular strategy, but also on its rarity and imitability. The rarity of a diversification strategy depends on the number of competing firms, exploiting the same economies of scope through diversification. Imitation can occur either through direct duplication or through substitutes. It is the example of aluminum industry and the cement industry, where there is a great number of competing firms exploiting the diversity of uses of aluminum and also for multiple uses of cement in the construction business. In the tobacco industry, this diversification is achieved through brand positioning strategy, which transmits the perception of a diversity of products to the customer. Costly to duplicate economy of scope includes core competencies, internal capital allocation, multipoint competition and exploiting market power. Other economies of scope are usually less costly to duplicate. Aluminum and cement industries have achieved costly to duplicate economies of scope, based on technological innovation and heavy capital investment, but tobacco industry based the costly to duplicate economy of scope on the its distribution competence. None of the examined Brazilian industries showed evidences of independent action of business within a firm direct to obtain important substitutes for diversification, neither through possible strategic alliances. The tobacco industry has a strong threat (restraining smoking legislation), but the firms don’t show evidences that they are investing on the substitute diversification.

Firms can be motivated by several ways for implementing corporate diversification strategies, such as exploiting operational economies of scope (shared activities or core competencies, as the operation effectiveness of distribution and the strategic alliances with tobacco planters in the tobacco industry), exploiting financial economies of scope (internal capital allocation or risk reduction such as in cement and in the aluminum industries), exploiting anticompetitive economies of scope (multipoint competition or market power advantage, such as in distribution and multiple selling points of cigarettes in tobacco industry) and employee incentive to diversify (diversifying employees’ human capital investments or maximizing management compensation, that were not evident in the industries examined in this study). Firms implement corporate diversification strategies ranging from single business or dominant business (limited diversification) to related constrained or related lined (related diversification). If economies of scope are not exploited by the diversification strategies, then the diversification does not contribute to increase value of the company; neither the cement industry nor the aluminum industry achieve valuable corporate diversification strategies. The tobacco industry
valuable diversification strategy is based on customer’s perception of cigarette brand differences and, therefore it is more difficult to be considered sustainable.

The discussion of corporate diversification strategies focused on direct effect to competitive advantages achievement, may have neglected another important issue related to the risk reduction and may be a strong motivation for stakeholder to be willing to make specific investments in a firm as well as a source for its economic profits.

References

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