Definitions and concepts for the firm competitiveness

Key characteristics of the firm competitiveness

Factors affecting the firm competitiveness

Typology of methods for assessing the firm competitiveness
Competitiveness of products

- Competitiveness of the output should not be identified with the firm competitiveness
- Reason: it may be attributed to other indicators of the economic success of the firm.
higher profitability (Mueller, Jacobsen)

higher resource productivity (Allen, Porter, etc.)

the company is competitive if its production costs per unit are equal to or lower than those of competitors (Markusen)

firm competitiveness is determined by the results of a set of indicators.

firm competitiveness is the ability to increase the market share and the profit, to ensure growth of value added, so the firm to preserve the level of competitiveness for a long period of time (Ramasamy) Most of these concepts are based on the idea that competitiveness is static notion.
Competitiveness characterizes the potential to improve the economic performance and efficiency.

Competitiveness precedes the results of the firm; it is a condition to be achieved.

Porter makes a distinction between the firm competitiveness and economic efficiency of the activity of the firm

- Economic efficiency is necessary but not sufficient the firm to be competitive
CONCEPTS FOR FIRM COMPETITIVENESS /4

Galbraith, Rumelt, Brunning E. and others. describe the company's competitiveness as a degree of flexibility of the firm, i.e. the extent to which the company is able to adapt to changing conditions in the environment.

Miles and Snow; Lawler, and others. elaborate the before mentioned idea: the ability of the firms to bring in a long –term accordance their elements from the internal environment (strategy, structure, processes and management style) to the external environment.

OR

Competitiveness of firms is the ability to innovate and improve on continuous basis, as well as to create and maintain sustainable competitive advantages leading to higher economic performance in a long term.
MAIN CHARACTERISTICS OF THE FIRM COMPETITIVENESS

- Sustainability of firm’s performance
- Controllability (characteristics of the internal environment);
- Relativity (always in comparison with other competitors);
- Dynamic (variable).
FIRM COMPETITIVENESS

- The internal capacity of the firm, i.e. the ability to improve to create and to maintain a sustainable competitive advantage.
- Means the development and maintenance of the competitive advantages.
- Competitiveness of the firm is a relative value.
- Depends on the degree of adaptability of the firm to the environment and the market.
- Is influenced by the firm ability to continually to learn, update and improve.
- Suggests durability (sustainability) of the outcomes.
- Is dynamic.
- Means high economic performance and economic efficiency.
FACTORS AFFECTING THE FIRM COMPETITIVENESS

- Production factors
- Factors related to the distribution
- Maintenance and warranty service
- Market factors
PRODUCTION FACTORS

- The role of management of the firm in the process of organization of the activity
- The way the potential of employees is used
- Planning the quality
- Management of the technological and production processes
- Optimal use of resources
FACTORS RELATED TO THE DISTRIBUTION

bind the new products to the current product range

creating a working distribution network

ways of payment to suppliers

transporting the products

reliability of the supplies
MARKET FACTORS

intensity of competition on the market

capacity of the market

degree of novelty of the product

stability and perspectives on the market

degree of readiness of the market

the presence of a patent
FACTORS AFFECTING THE FIRM COMPETITIVENESS

EXTERNAL

UNCTAD (Conference on Trade and Development):

- Structural features of the environment
- Degree of the development of the market
- Institutional framework
- Infrastructure
- Human resources
- Quality of the governmental policies
- Quality of the relationship between government and private business;
- Adequacy of macroeconomic policies, sectoral policies;
- Social conditions;
- Suppliers
- Level of investments.
Classification of Henrique de Azevedo Avila:

- environment
- industry
- firm level
## ENVIRONMENT

<table>
<thead>
<tr>
<th>Level</th>
<th>Macroeconomic conditions: economic growth; level of national income; standard of living; inflation; interest rate; exchange rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax</td>
<td>Political conditions, economic freedom, bureaucracy; tax system; incentives and subsidies; trade agreements; quotas for imports and exports</td>
</tr>
<tr>
<td>Transport</td>
<td>Infrastructure: telecommunications, energy; transport; system for environmental protection</td>
</tr>
</tbody>
</table>
INDUSTRY

- Price elasticity of the demand; seasonal fluctuations; cyclical fluctuations

- Competition: internationally; coalitions between organizations; competition; strategic alliances; conspiracy agreements

- Suppliers: availability and quality of inputs; location; concentration of supply; financial status

- Customers: location; concentration of sales; standard of living.
Costs: for raw materials; labor force; capital; distribution costs; administrative costs; storage costs.

Technology: technological processes; products; investment for research and development; patents

Quality of processes: production processes; level of automation and use of inputs; share of mistakes; level and quality of supervising; environmental problems

Flexibility - time to switch the production to a new product; the duration of the production cycle

Product quality - product mix; price; design; operation; reliability; availability; additional services for buyers; buyers satisfaction
Distribution – the extent to which the distribution network is unfolded; new markets for existing products; time for the delivery of products; errors in supply

Innovations - successfully introduced new products on the market; time to develop new products; corporate culture and attitude towards innovation

Marketing: reputation; trademarks; stimulation of the demand and sales

Human resources: salaries; additional benefits, incentives, compensation systems; career; training; freedom of employees to express their talent and opinion

Working environment: unions, employee turnover, motivation and job satisfaction.
to move the conversation about growth and customer-value beyond the traditional focus on people, systems and processes.

Accelerate growth
Create long-term customer value
Establish a competitive advantage

The drivers can help business leaders assess where they are today and to plan a path for the future.
From the outset, leading companies make customers their focal point.

- They understand that by putting customers’ needs and desires first, they can achieve a competitive advantage.

They know all about their customers

- who they are - what they want and when they want it
- building customer loyalty goes hand in hand with long-term sustainable growth.

Even after becoming market leaders, these companies are constantly thinking about how to keep engaging and delighting their customers in all of their markets.
organizations pay close attention to capability, performance management, innovation, leadership and rewards

War for talents

Leading business builds an environment attracting and retaining the right people
- Right people – the ones who share the company’s vision, mission, culture

Leading business:
- Provide strong leadership
- Create the internal environment where people can innovate
- Invest in their employees (nurturing their talent, helping them develop skills to match the demands of the business during each growth phase)
DIGITAL TECHNOLOGY AND ANALYTICS

Information is power
- (can help them make business leaders; can help them take better, quicker, smarter decisions that improve business performance and manage risk)

Digital technologies (incl. social media, cloud technology, data analytics and mobile) have profound impact on business across all industries
- (from retailers and banks through to carmakers and energy companies.

They are fundamentally changing the ways consumers interact with these companies, while also opening up new business models.
- The digital enterprise presents the opportunity for CIOs to have a bigger and more influential role in the business.

If organizations harness the power of information technology, they can create a strategic and competitive advantage.
- Yet, while many C-suite executives and IT leaders recognize this potential value, many still find it hard to successfully leverage information technology to deliver business change.
Your operating model is the link between your strategic intent and the ability of your organization to deliver on that intent.

- Having a clear approach that aligns your operations with your strategy will increase your ability to achieve success.

Market leaders consider all aspects of operations at a macro and micro level.

- Focused on the details, they understand that every aspect of their business must hold up to scrutiny and be constantly improved to stay ahead of the pack.

Leading companies leave nothing to chance.

- Instead, they take control by analyzing their operations and ensuring that all parts remain at their most effective at all times, making changes when needed.

Global companies leverage supply chains effectively to optimize costs and enable growth.

- Their leaders are focused on achieving greater agility and responsiveness to deliver superior results.
All businesses need funds to grow.

- How a business manages its money – and its new investors – will determine its course for the future.

Leading companies determine the best financial solution

- or mix of solutions – for their business and derive maximum benefits from their management of available funds.

To achieve this, CFOs and the finance function have to act more strategically and more commercially, improving performance by delivering insights to decision-makers.

- This role has typically been described as business partnering, with the CFO acting as a catalyst or value integrator.

Leading companies use their CFO as an economic advisor.

- This leads to improved financial performance.
TRANSACTIONS AND ALLIANCES

Market-leading companies rarely evolve by organic growth alone.
- To rise to the top, they seek successful partnerships and strategic acquisitions capable of enhancing their growth, competitiveness and profitability.

Leading businesses, while quick to grasp the value of transactions and alliances in today’s dynamic markets, also appreciate that landing the right deal is not about luck.
- They make a concerted effort to remain alert, to build profile in their markets and to ensure that they’re well positioned to seize an opportunity as soon as it arises.

While this is simple in concept, the journey can be difficult. There are many pressures that affect the ability of a business to achieve its goals.
- Having a plan – aligned with your strategy – to address known issues proactively and react to future pressures will increase your ability to achieve success.
RISK

This driver has a broad importance

- covering all the fundamental business challenges a growing company faces, across recruiting the best people, policies, procedures and compliance as well as stakeholder management.

To succeed in today’s fast-moving climate, senior executives must have a strategic approach to risk management.

- Regardless of a company’s stage of growth, the ability to identify and manage risk stands out as a vital element of success.

Companies that wish to become market leaders should not fear risk.

- They should approach it intelligently to reap its rewards and accelerate their growth.

Leading businesses encounter risks, but they educate themselves about the implications of risk and the steps they need to take to control and manage them.

- And this approach sets them apart from the crowd.
MEASURING FIRM COMPETITIVENESS

Pratten, C. - perfection of the product; quality of service; production efficiency; marketing experience and level of administrative costs.

American customer satisfaction index - measures the quality and the degree of the customers’ satisfaction of the products and services, and connects them with the financial performance of the company.

Competitive strength index - reports comparative competitiveness of products or services.

Business Retention Index - measures customers’ satisfaction and loyalty.

Account Development Index - evaluate the effectiveness of marketing, sales and sales per individual customers.
ASSESSMENT OF THE FIRM COMPETITIVENESS - STAGES

Collecting information →

Determination of the values of indicators →

Defining the weight of each of the indicators →

Defining the weight depending the results of each indicator →

Calculating the value of individual groups of indicators →

Calculating the weighted value of the competitiveness (at the current moment)
INDICATORS

A) The competitiveness of the products offered;
   • Relative (perceived) quality of any of the products on the market
   • Price of products

B) Labour productivity

B) Financial performance:
   • ROE (Return on Equity = Net Income/Shareholder's Equity);
   • Liquidity ratios
   • 'financial autonomy ratio

D) Growth of the company:
   • Growth of sales volume / revenue
   • Growth relative market share against main competitor
   • Growth in the value of fixed assets
   • Increase the number of staff;

E) Innovativeness (during the last two years).
   • Number introduced in producing and selling new products
   • Number of projects implemented to improve the technical basis
   • Number of implemented projects for organizational and management improvements

E) Production and marketing flexibility
   • Product flexibility
   • Volume flexibility
   • Marketing flexibility

G) Adaptability to the market
   • Average time to develop, manufacture and market introduction of new product
   • Average time to develop, manufacture and market introduction of a modified product

\[ CP = \frac{RPQ}{P}, \]
CP - competitiveness of product
**BLUE OCEANS / RED OCEANS**

Red oceans are all currently existing industries.
- boundaries are defined and accepted, and competition rules are known.
- Market saturation results in a decrease of the profit

Blue oceans are unknown market space
- competition is irrelevant, as the rules of the game have not yet been determined.
- the company is not focused on the existing competitors, and on the idea to create additional value for customers
INNOVATION THAT CREATES VALUE

Source: Ким В. Чан, Р. Моборньо, Стратегията син океан. Как да създаваме неоспоримо пазарно пространство и да обезсилим конкуренцията, изд. Локус Пъблишиング ООД, С. 2006, с.27
## COMPARISON BETWEEN STRATEGIES

<table>
<thead>
<tr>
<th>Red ocean</th>
<th>Blue ocean</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ competition in the existing market space</td>
<td>➢ new market space is created</td>
</tr>
<tr>
<td>➢ Intense competition</td>
<td>➢ competition is irrelevant</td>
</tr>
<tr>
<td>➢ Exploiting the existing demand</td>
<td>➢ control on the created new type of demand</td>
</tr>
<tr>
<td>➢ Compliance with the cost-value ratio</td>
<td>➢ eliminating the need to care and follow the cost-value ratio</td>
</tr>
<tr>
<td>➢ linking the whole system of activities of the company with its strategic choice for differentiation <strong>OR</strong> low cost</td>
<td>➢ linking the whole system of activities of the company with its strategic choice for differentiation <strong>AND</strong> low cost</td>
</tr>
</tbody>
</table>

Източник: Ким В. Чан, Р. Моборьо, Стратегията син океан. Как да създаваме неоспоримо пазарно пространство и да обезсилим конкуренцията, изд. Локус Пъблишинг ООД. С. 2006 , с.28
REFERENCES:

Велев Мл. (2004) Оценка и анализ на фирмената конкурентоспособност, изд. Софттрейд

Ким В. Чан, Р. Моборньо, Стратегията син океан. Как да създаваме неоспоримо пазарно пространство и да обезсилим конкуренцията, изд. Локус Пъблишинг ООД, С. 2006 , 276 с.

Портър М. (2004) Конкурентното предимство на нациите, изд. Класика и Стил

Ненов, Т. ,(2008), Управление на конкурентоспособността и растежа, изд. “Наука и икономика”, Варна

Стоянов Д., (1995) Конкуренция и стратегии, УИ Стопанство

Mateev M., New Determinants of Growth in Small and Medium Sized Enterprises in Central and Eastern Europe: A Panel Data Analysis