The Global Environment as a challenge to Corporate Competitiveness

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Abstract

Competitive positioning is continuous activity by which the companies control their own competitive advantages in comparison with those in the target market, with aim of positioning is identification of the level of its differentiation, the need for maintaining of competitive advantage or opportunity for its increasing. The aim of competitive positioning strategies is to increase the previously acquired competitive advantages and creating new advantages which are difficult to imitate, and radically different from the previously existing ones. Competitiveness is not the aim but it is the means or a combination of economic circumstances in which economic entities can realize their developmental benefits. The aim of this paper is to show that the competitive advantage company in the context of globalization and economic integration, which greatly depend on its ability to respond to external challenges. Sources of competitiveness of companies in the global market can be internal and external, but no less significant strategy to maintain existing competitive positions as a strategy of action and reaction strategies to minimize the negative effects of those existing competitive action when the company could not predict or expect them.

Key words
Macroeconomics, Economic integration, Competitive advantage, Global market, Competitiveness strategy

1. Introduction

Companies and economy of a country should continually seek for new sources of competitive advantage in order to promptly and effectively oppose new forms of competition. It includes active participation in monitoring and understanding the nature of competition. National economy creates and maintains the competitiveness which results from the conditions of that economy and strategy of the companies.

Competitiveness of the economy is actually the ability of a country to engage its own resources in the most rational way, in accordance with international specialization and trade, so that the final result will be an increase of the standard of living and gross domestic product (GDP). At international level, competitiveness means higher participation of the national economy in world production and international trade.

The first concept of competitiveness development was related to comparative advantages of the economy of a country, based on different levels of labor productivity and output, realized through a combination of available parameters such as labor, land, capital, technology and natural resources. However, competitiveness based solely on this principle could be counterproductive for national economy because it is reduced to relative costs and available natural resources.

This concept of competitiveness has been denied in practice and the best example are poor countries that can have the most successful production of some product for known manufacturers and still to have the lowest paid workers. Such production ensures competitiveness for the manufacturer, but not for the country at a macroeconomic level.

In the late Twentieth century, the dominant concept of competitiveness puts the strongest emphasis on national productivity. According to the founder of this concept Michael Porter, the most important condition for competitiveness is productivity in the use of national resources. There are four determinants of competitiveness that, according to him, create an environment in which companies create and compete. The country has competitive advantage in those industries in which these four determinants are the most favorable and related to:

-Factors of production - which include human resources, capital, infrastructure and technology

-Factors of demand - which can be drivers of competitive advantage through the domestic demand

- Strategies and rivalry among companies that encourage innovation and enhance competitiveness.

Contrary to the original concepts of competitiveness, modern concepts emphasize the role of competitiveness and knowledge, experience in production and capacity to meet market requirements. The competitiveness is actually based on productivity growth, constant innovation, improvement of products quality and keeping pace with new technologies.

Creating and sustaining competitive advantages is the strategic task of all companies, especially of those operating on the world market, faced with global competition. Quantitative indicators of company competitiveness are market share of the largest competitor of given branch, profitability and sales volume. No advantage lasts forever. It must be maintained because it is exposed to continuous attacks of the competition. Even companies that have a monopoly on the market cannot afford relaxation when it comes to competitive advantage. Once achieved competitive advantage position cannot be a guarantee of future advantage over other companies. The companies should continuously question their ability to understand the needs of consumers and to assess the competition, in order to develop a more efficient and successful process of creating, maintaining or increasing the competitive advantage.

2. Competitiveness of companies in the global market

The process of global operations significantly affects the nature of competition in the contemporary world economy. Main condition for success of a company on the global market is to identify the opportunities of the target market which match the company's potential. Competitive advantages of the national economy based on products, processes or marketing can be used by a company on the global market only by constant improvements and innovations and adaptation to changes.

As much as it is difficult to create a competitive advantage in the global economy, it is even harder to keep it. Erosion of the types of competitive advantage is an important aspect of the global market. Strategic positions based on price, quality and technological innovations diffuse quite rapidly, so it is very difficult to defend from aggressive competitors. The companies must find target markets but they also have to create them, if they want to maintain their position.

Global market requires from manufacturers to be authentic. The market offers high quality products at the lowest cost, so the consumers are given the highest value. It is of strategic significance to adapt resources and skills in order to achieve and maintain the competitiveness. Resources of funds in the global market become highly important primarily because of the separation of the ownership from management. In such conditions, control of managers by the owners requires dynamic monitoring of value creation, competitive positions and sustainable development. .

Strengthening the company's competitiveness does not have to be achieved only with internal mechanisms. In this context, management plays highly important role in the selection of methods to increase competitiveness, thus adopting the strategy that has the greatest economic and synergic effects. Beside selection of strategy, it is necessary to analyze the nature of potential sources for strengthening the competition, the resources that are lacking, the level of market uncertainty and the level of competitiveness. It must be emphasized that making a choice between internal growth, merging and strategic alliances is not an easy thing to do. Especially difficult it is to make a choice for external growth through merging or membership in strategic alliances. Enhanced competitiveness through external method can be achieved by joint ventures and contractual partnerships. The difference between them is that joint ventures imply mutual investment in establishment of a new company, while contractual partnership does not create new company, which reduces the risk of market ventures and splits expenses in larger investments. In most business situations, joint ventures and contractual partnerships can contribute to higher profitability than merging.

Not all companies in global market are able to take chance or to respond to challenging situations. On the other hand, globally oriented companies-leaders are strategically focused on global business, giving priority to global market over the national and able not only to anticipate future trends but also to dictate the terms of operation of the companies participating in the global market.

Leaders of the global market fulfill their position by offering a complete line of products designed for all or certain segments of the global market. In search for rationalization, they develop vertically integrated systems which help them use all available potentials at a global level. They create global manufacturing, global customer loyalty and global image of the brands – things by which they increase their share on the global market.

Besides leaders, there are companies with lower share in the global market, lower profitability, lesser-known brand name and, therefore, lower competitiveness in the global market. They are not able to preserve and adapt the global trends and are very vulnerable in competition with global competitors. Nationally oriented companies are the most vulnerable to the challenges of the global environment.

3. Resources of Competitiveness

Internal advantage of the companies is perceived in the ability to efficiently and effectively use their expertise and available resources. They are created in conditions of globalization of work as a result of investigations, supply, production, financial, technological and management capabilities. Internal advantage is verified in the market as an effective response to changing market conditions in various parts of the world. External advantage of the companies is achieved in the market, if the offer meets the needs of consumers, by selling products and with significant market share and profitability. Lower costs are achieved by the internationalization of production activities, by conquering less developed markets. In the global market, however, consumers do not always look for low priced product, but for products of a good quality. Therefore, companies that operate in this market do not build their competitiveness only on lower production costs, but also on investments in research, manufacture of new products, development of new sources of supply, new technological processes and procedures, methods and techniques of managing, finding new markets and customers for whom they create their own brands that are intended for the global market.

Competitive advantage of the company is affected by its strength (internal and external) and the nature of competition depends on the basic advantages of the company. If leadership is achieved by lower costs, then the effect of economy of scale and the experiencee effect are used in the global market. Competitiveness of the offer is achieved with products in which marketing costs are predominant in the structure of total costs. This competitiveness is achieved by particular vulnerable consumers for whom the differentiation in quality and innovation represent a special value.

In fact, the real growth of companies depends on innovations. Company which has no innovation and which is less innovative than its competitors has no potential for growth. Investments in innovation (new processes, new products, services and business models) lead to higher competitiveness. Innovations include opportunities and knowledge which can be successfully implemented in practice.

4. Strategy for competitive positioning of the companies

Depending on their capabilities, basic advantages and characteristics of competitive advantage in the global market, the strategy for a competitive advantage is action-reaction strategy. Using the strategy of action, companies secure their future competitive position, maintaining or defending the existing one. This strategy is anticipatory, preventive or defensive, depending on its capabilities and existing advantages. The aim of the reaction strategy is to reduce the effects of sudden and unexpected effect of the competition on position of the company.

The anticipative strategy implies positioning of the company in the present, based on possible actions of the competition or global trends, in order to secure its positioning in future, but also to maintain the existing position. This strategy promotes changes in the global environment to which the company reaction appears before the reaction of its competitors. This type of strategy is often applied by global competitors against other competitors within the same or in different branch.

Competition within the same branch identifies market leaders and market challengers. When competitive position is poorly differentiated, companies join together in alliances, finding new sources of competitive advantage and strategies for its realization. Alliances occur as a reaction to consumer demands for innovations in offer, product and price. In joint investment of the alliance in technical-technological innovations, the costs are allocated to its members, which is not threatening the competition of any individual member in competition within different branches, the leader of one branch diversifies its activity and appears as a competitive company in another branch. Thus, competitiveness of the company is multiplied outside its core business, which results in diversification of activities of the global companies.

The anticipative marketing of new products presumes to anticipate the market needs, challenges in the environment and possible actions of the competitors. Competitive position assumes that the company is able to offer the same or higher amount of high quality products on the market, implementing the strategy of high and unique prices that would cover the costs for innovation and by the economy of scale to lower the total cost, in order to achieve price and quality competitiveness.

In modern conditions, there are companies - imitators which offer products very similar to the original under much lower prices. They are expanding their market among consumers who are not capable to purchase products from the innovative companies. In this context, the question is often asked whether imitators jeopardize the innovators through lower price. It is possible in the local market, but global competitors operate in the world market, in which imitators are powerless. Global companies add value to products through research and development, new technologies, marketing, manufacturing, sales and distribution. Such strategies result in long-term increase in market share with higher price. Adding to the value of the existing product brings significant improvements for consumers, accomplished through:

- making different modalities of the basic product,
- changing some basic parameters which are important for some markets and adding other products from the same category.

Global competitors create anticipative strategy when they want to weaken the position of local leaders and achieve a dominant position in their national market. However, this strategy is not restricted to global competitors only. Capable regional competitors use this strategy to strengthen their competitive position, offering different variants of the product adapted to the new markets.

Companies defend their competitive position through preventive strategies. To preserve their market position, companies predict activities to improve the existing products, to introduce new variants of the existing models or to conquer new markets. Challenger companies will succeed on the market only if they offer better quality or brand, or if they apply superior technology, but not if they offer forgery or bad imitation. Followers can apply the strategy of merger or takeover smaller companies in order to enrich their offer. Defending strategies are applied when the company is unable to react to competitors actions. This strategy is usually applied by regional rivals when they want to avoid clash with global competitors. In this case, competitors that are in inferior position offer products which are not interesting for global competitors.

5. Global Competitiveness Index (GCI)

In 2004, WEF (World Economic Forum) launched the Global Competitiveness Report GCR which ranks countries based on the global competitiveness. While the Growth Competitiveness Index GCI addresses the macroeconomic determinants of productivity, Business Competitiveness Index BCI refers to the microeconomic components. In addition, GCI includes dynamic determinants of productivity, while BCI concerns the static determinants. In reality, however, micro- and macroeconomic determinants of competitiveness cannot be separated.

The ability of organizations to succeed primarily depends on the effectiveness of public institutions, the quality of the educational system and the overall macroeconomic stability of the country in which they operate. Therefore, productivity has both static and dynamic implications on living standards of the country. Only when micro- and macroeconomic characteristics reinforce each other, it will be possible to determine the level of productivity and competitiveness. For this reason, the Report of WEF developed the Global Competitiveness Index GloCI which integrates GCI and BCI. This relatively new index is based on three principles:

1. The determinants of competitiveness are complex and rely on 12 pillars (institutions, physical infrastructure, macro-stability, security, human capital, goods market; labor market efficiency; financial market development; technological readiness; openness and market size, business sophistication and innovation);
2. Economic development is a dynamic process of improvement that can be successfully followed by three stages (factor driven stage; efficiency driven stage and innovation driven stage);
3. As the economy grows, countries gradually move from one stage to another.

In terms of competitiveness, the Republic of Macedonia is now ranked 60th, which means it has moved up 3 positions compared to the ranking in the previous Report 2014-2015. In three consecutive years, the Republic of Macedonia has improved its ranking by 20 positions (7 positions in 2013, 10 positions in 2014, 3 positions in 2015) or, cumulatively, by 34 positions compared to 2007, when it was ranked 94th.

Data on the global competitiveness of R. Macedonia in 2012-2013 are presented in Table 1.

Table 1 *Competitiveness and ranking of R. Macedonia in 2012-2013 according to the Global Competitiveness Report by WEF*

Indexes/Sub-indexes	*Rank*	*Grade*
Total index	***80***	***4.04***
1. Basic conditions	***71***	***4.52***
a) Institutions	*78*	*3.80*
b) Infrastructure	*81*	*3.65*
c) Macroeconomic environment	*47*	*5.04*
d) Health and basic education	*77*	*5.59*
2. Factors of efficiency improvement	***84***	***3.85***
a)Higher education and training	*81*	*4.04*
b) Goods market efficiency	*68*	*4.28*

c) Labor market efficiency	*94*	*4.13*
d) Financial market development	*79*	*3.97*
e) Technological readiness	*71*	*3.81*
f) Market size	*104*	*2.85*
3. Innovation and sophisticated factors	***110***	***3.13***
a) Business sophistication	*111*	*3.44*
b) Innovation	*110*	*2.83*

Source: http://www.weforum.org/reports/global-competitiveness-report-2012-2013 p.240

6. Conclusion

The process of globalization of operations, creation of global products and services and globalization of companies that create global strategies significantly affects the nature of competition in the contemporary world economy. Key-assumption for company's success in the global market is prompt identification of opportunities and orientation toward target markets which are compatible to its potential. Most of the leading companies in the global market developed competitive advantage in their own country with goods, processes and marketing which were later used to enter the international market. Each company choose an optimum strategy, including internal and external factors of competitive advantage. The optimal internal and external factors result in selection of action and reaction strategy, but it must be emphasised that any strategy is better than none at all. Innovation in production, processes and promotion, implementation and adoption of new knowledge and technologies, the use of Internet technology in combination with traditional approach which was the basis for the existing competitive advantage are determinants that create and maintain the competitive advantage at a global level.

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