

Aspects of Competitiveness - Achieving Competitive Advantage of Organizations in Macedonia

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Abstract

The notion of competitiveness in modern business is gaining increasing importance. It is the basic reason for which more attention is given to the analysis of competitiveness, i.e. finding the most effective solutions for the management to achieve and sustain competitive advantage. What really is more of a challenge for both organizations and multinationals, as well as for nations as a whole, is improving the relative position of the organization in terms of competition, i.e. achieving and maintaining competitive advantage. Contemporary theory and empirical research show that the present level of economic development and globalization of trade and financial flows, as well as the opening of the national economy to companies from abroad, creates conditions for increasing the competitiveness of Macedonian organizations. The research done in this paper will contribute to deepening the understanding of the current global process and encourage organizations in future to approach the adaptation and implementation of overall reforms and functioning of the market economy with more knowledge. In order to increase the competitiveness, it is crucial for the organizations to perform activities that aim to put in practice modern management. Namely, it should be emphasized that the stage of creating competitive performance of organizations should be composed of a primary phase of redesign, and a secondary- inductive phase. The research results should help organizations in the Republic Macedonia to better understand the current situation that shapes the needs of reengineering and accepting new system of business operations, business strategies aimed at international markets, human resources as a dominant factor in increasing productivity, application of modern management, marketing, electronic operations, strengthening mutual trust, entrepreneur spirit and professionalism etc. The new organization is affected by global competition and must clearly focus on global action. Modern organizations must be innovative because innovation is the basis for further operative development and a prerequisite for gaining competitive advantage.

Keywords: organizations, competitiveness, competitive advantage, competitive performance

1. Introduction

Despite the speed and the introduction of technological changes, globalization and the dynamics of business and internationalization of the market, learning and managing competitiveness is gaining importance. Competitiveness is the ability of organizations, the economic branches and the state to operate, maintain, advance, and work according to the principles of efficiency and effectiveness to surpass the competition. Thus, competition is superiority over rivals and other competitors in the market.

Labour will demonstrate the theoretical and empirical observations of the competitiveness and achieving competitive advantage of organizations in the Republic of Macedonia, so we will define the term "competitiveness of the organizations" and then the types of competitiveness and factors of competitiveness will be explained more thoroughly. The following document gives detailed elaboration on competitive advantage and at the end it gives a final presentation of the results of the survey.

The research in this paper is implemented in accordance with contemporary methodology of scientific research. It is based on descriptive analytical methodology that aims to provide relevant knowledge for competitiveness and gaining competitive advantage of organizations in the country, where they will answer the essential questions posed in the survey. Overall, the survey is focused on operation, it is temporally valid and directed to overseeing the situation in real time and current operating environment. The method of sample selection is made on the principle of a simple random sample where there is equal probability for all organizations in Pilep to be selected, without taking into account their size, years of existence, ownership structure, field of activity and basic job orientation. The survey was conducted on a sample of 38 organizations through structured questionnaires.

2. Competitiveness of organizations

Competition is already global, so today's organizations must step out on the market with global strategies, and it does not apply only on the foreign but also on domestic markets. Permanent changes are an integral part of the success and competitiveness, because those who do not apply innovation become not only less competitive, but usually disappear from the market (Porter, 2008, p.21). Timely response to changes is the basis for successful management and training organizations for the successful functioning of the market.

Managers have been learning for almost two decades how to behave in accordance with the new rules. Organizations must be flexible and respond rapidly to competitive and market changes. Therefore organizations should redefine the postulates of its operation and management (Tisen, Andrisen, Depe, 2006, p.158). To achieve the best practice, they must continually determine benchmarks, and in order to achieve efficiency, they must aggressively "purchase" from other sources. In addition, in order to maintain the advantage over competitors, organizations must take account of several core proficiencies. According to Adizes, the management has proactively modify and synchronize subsystems of the organization. That makes the organization strong (Adizes, 2009, p.32).

In order for an organization to penetrate new markets, i.e. to be competitive, it must constantly promote their work, constantly introduce and enable new models for success, and continually introduce innovations.

Positioning once stood as the core of the strategy. Today, it represents something too static for today's dynamic markets and technologies that are constantly changing. Also, it is currently considered that competitors can quickly copy any market position, hence competitive advantage is at best temporary. However, by applying the appropriate strategies of competitive advantage, organizations get involved in the fight for a better position and increased market share. To

establish and maintain competitiveness, organizations are forced to continuously improve the knowledge of employees and adopt modern methods and concepts of management and marketing. Some organizations are capable of employing their production factors better than others on the account of eliminating unnecessary work, usage of modern technology and better motivation of employees (Porter, 2008, p.45).

2.1. Types of competitiveness

In the past, the notion of competitiveness dealt exclusively with the organizations and their products and services. However, the expressive growth of internationalization of organizations and businesses in general, has led to the prevalence of the concept of competitiveness of specific organizations, or their products and services. Therefore, the current topics of discussion are often the macro, micro and integral competitiveness (Unkovic, 2010, p.208).

Macro-competitiveness is the competitiveness of the whole country and is defined as an array of institutions, policies and factors that determine the level of productivity and prosperity that can create some economic activity in the medium or long term. Macro-competitiveness is based on the global efficiency of the national economy, the flexibility of production, the application of the technology and investment, productivity, profitability of production.

Micro-competitiveness is competitiveness on the level of various organizations. It is the ability of an organization to participate and win in the field of global offers of particular products or services. Competitiveness on an organization level is defined as an organization's permanent capability to persistently deliver quality products and services, to surpass the competition, to acquire customers, increase its presence on the market and to conclude contracts for profitable operations that enable strategic growth of the organization and increase the standard of employees.

The internal competition unites the two aforementioned types of competitiveness on the road to success. In the foreign trade, this term is increasingly used, where the race for the world market is led by successful organizations, aided by their effectively organized countries by a series of legal regulations. The position that the organizations assume lies in the knowledge, management and technology, while the state has the role to create a favorable macroeconomic environment. It is necessary to allow the creation of organizations that produce the best products based on cutting edge technology and satisfying even the most demanding customers.

2.2. Factors of competitiveness

The factors that are important determinants for the acquisition, maintenance and improvement of competitiveness are dynamic, changeable, and have a different meaning and influence on the functional, territorial and temporal context (Unkovic, 2010, p.208).

Five factors of competitiveness are present in each market segment. These have been commonly known as Porter's five forces (Porter, 2007, p.24):

- Competitors in the business segments - rivalry among the existing organizations;
- Potential new entrants and their competitive pressures on the market;
- Manufacturers of substitutes and their competing pressures for overtaking customers;
- Negotiating power of suppliers and
- Negotiating power of customers and cooperation between sellers and buyers.

The strongest competitive element has always been rivalry among existing participants. Competitors use all tools and "weapons" in order to improve their market position. The management's task is to develop a competitive strategy that will allow the organization to survive in the struggle against competitors, and at best to improve its competitive position and to

gain competitive advantage. When managers define competition do not consider all factors of competition (Porter, 2008 p.79). However, competitors respond with offensive and defensive countermeasures, adjust its production, quality, marketing and strategy. Knowledge, ability and innovation are distinguishing elements. The rivalry is enhanced when the number of competitors is growing and where competitors are equal in size and capability of action (Coulter, 2010, 89-90). All these facts make competitive advancement more complex, challenging and combative. This creates space for permanent and intensive competition.

The rivalry intensifies when products are standardized, the offers are similar and poorly differentiated, or when the prices decrease due to the size of the economy. A similar effect of strengthening the competitiveness takes place when bigger organizations overtake smaller ones in order to position themselves more aggressively.

The threat of new competitors entering the market is higher when barriers for entry are low, when there are many candidates wishing to enter the market, when industrial growth is a great, the potential for making profit is high, and when existing organizations can not and do not want to vigorously oppose (Artur, et.al. 2008, p.58). Here we should mention the regulatory policy of each country. Government agencies can restrict or prohibit the entry of licenses and permits. Countries typically use instruments of customs policy to restrict trade or as a form of protection to restrict domestic producers. It is possible to also increase the legitimate costs of entry in relation to environmental protection. Each government creates a certain competitive environment.

Production substitutes can strengthen competitive pressure if the quality is comparable or better, or if they are available and if they have an enticing price, and the buyer is interested in accepting such a product. That is the reason participants in a competitive match are forced to incorporate new features into the products and to convince customers that their products are better than substitutes. When transitioning to product substitutes, buyers may be faced with wasting time, possible inconvenience, costs for additional equipment, testing the reliability and quality, psychological termination of the relationship with previous suppliers and so on. But as far as the price is lower, and the quality and success are larger, the costs of transition to product substitutes are smaller (Artur, et.al. 2008, p.59). Positive parameters of competitive strength of the product substitutes are the rate of growth of sales and profits, market penetration and plans for production capacity enlargement.

Cooperation with suppliers and bargaining power of suppliers themselves is also very important. Here arise the questions whether the same product is offered by other suppliers and whether the transition from one to another supplier is more costly. Products provided by suppliers can be deficient, but they can also be widely available. Here, economy of scale plays an important role, as well as the fact whether the product reaches the supplier on time, and at a price lower than the one it would have if the organization itself would have produced it. Suppliers have more negotiating power if there is necessity of products that are not present in sufficient quantities, the number of suppliers of a particular product is small or if a supplier has a differentiated input. Strategic partnership between suppliers and organizations is common because it reduces certain costs, improves quality, makes savings and strengthens relationships and mutual trust.

Customers who are well informed about product quality, costs and expenses, can create competitive pressure. Today the products / services can be compared online. The pressure of the buyers is higher if the product is more convenient and better, and by buying a certain product, the customer is not involved with inconveniences such as wasting time or paying additional costs. In such situations, organizations must adapt and look for new ways to improve products and lower prices.

The five competitive forces provide an excellent diagnosis of competition in a particular market. It is necessary to examine each force separately, and then to consider them jointly in order to

determine what is the meaning of their collective power and how it affects the competitiveness and profitability.

The strategy of an organization is more productive if it is located away from competitive pressures, if the organization has continuously and successfully protected itself against rival pressures, if it employs constant change and if it creates new models of competitive advantage. Internal analysis is used for examination of the operative results and capabilities of the organization. An assessment of the situation regarding human resources, operations, innovation and use of technology is made by analyzing the key processes.

2.3. Competitive advantage

Organisations which use their offers to exceed the needs and desires of the target consumer groups, have access to innovation, include new technologies and new methods of operation achieve competitive advantage. It's necessary to be different to become better. (Porter, M., 1996, p.62) Innovations can include new product designs or new market access. Some innovations create competitive advantage in such way that they discover an entirely new market opportunity by taking into consideration the needs of any market segment which had been neglected by other organizations. When competitors react slowly, these innovations provide competitive advantage. When using some innovations to achieve competitive advantage, the organization can sustain itself only through constant improvements, that is, to produce improved and more functional products (Porter, 2008, p.169).

In modern operating any organization which wants to achieve a competitive advantage and maintain consumer loyalty to a high level is obligated to use a systematic approach to management. That means it is necessary to coordinate the functioning of the organization with the needs and desires of consumers of their intended products / services, all aimed at achieving the set goals. According to this, there are three ways that lead to market leadership (Todorovic, 2003, p.491). Long-term planning and application of innovation in new product development in the organization must be correlated with operative and other functional strategies on one hand, and consumer demand on the other. In order to achieve and maintain a competitive advantage, it is essential to predict in which direction the desires of consumers to will advance, so that the organization will be a step ahead of them. Managers need to concentrate on innovation in all areas of operation in order to meet customers' needs and win their preference (Ilic, 2009, p.233).

An organization achieves competitive advantage if it is able to produce a superior product / service that it will bring forth on market at a lower price than most or all competitors. Therefore, every company should have its own competitive strategy to respond to the very environment, and will strive to mold to its own favor (Kotler, 2007, p.14-15). Organizations compete in terms of coverage of the market which may be local or global. Organizations that are able to offer superior products at the lowest price on the global market have the greatest advantage. The competitive advantage is accomplished in such manner that the organizations somehow practice differentiated approach to factors of production, unlike competing organizations which are not good at this practice. Such organizations have a particularly favorable terms from suppliers, carriers or have access to cheap labor. In the same manner, these can be represented by factors of a completely different nature, such as greater experience and knowledge or a more loyal workforce. Competitive advantage can be achieved by possessing patent rights that are important for a particular activity or provide better access to financial resources.

If even one participant on the market has is in possession of more resources, such as knowledge, experience, information, capital, etc., compared to the other participants, then

asymmetry arises. The asymmetry allows a competitive edge over others, which leads to faster placement of better products at lower prices on the market.

It is particularly important to emphasize one particular source of competitive advantage - an advantage of the first move, which is achieved when an organization is the first which placed a certain product / service on the market . If after the first move, loyal followers appear on the market or the new product is difficult to replicate, the first organization can maintain a competitive advantage longer. If the organization that made the first move does not possess so-called complementary resources (marketing, management, finance, etc.) which are necessary for maintaining a competitive advantage, as a rule, organizations that are direct competitors can achieve greater success with it.

Every organization, for the sake of being increasingly competitive on the market, needs to employ continuous analysis of effects, regardless whether they are positive or negative. The analysis determines the current effectiveness and efficiency, while the organization can determine the direction of achieving its targets more accurately and provide higher quality that enables higher competitive edge on the market.

To the question: "How do you monitor the orientation of the market?", 31,58% of organizations do it through research and analysis of the requirements of customers and market, and 26.31% do it via activities at the product level in terms of quality. 23.68% of organizations continuously monitor the market situation, and 15.79% do so through continuous benchmarking of the organization (Chart 1). Only 2.63% of organizations monitor market orientation through some other methods. According to the results, it can be concluded that quality becomes the primary factor of orientation towards the market. Therefore organizations should implement full quality management to achieve a higher quality that meets the needs and expectations of customers. Through ongoing research and analysis of the requirements of customers and continuous market monitoring, organizations perceive the importance of quality as a primary factor in gaining competitive advantage.

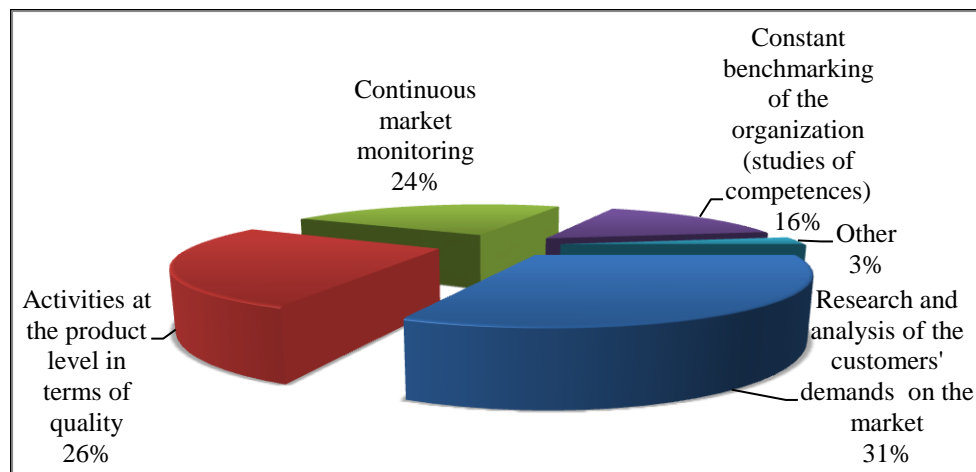


Chart 1: You monitor the orientation of the market via:
(Source: Personal research)

To the question: "What problems do you face during product placement on the domestic or foreign market?", 23.68% of organizations claim that the biggest problem they face is unfair competition; 23.68% said that their main problem is the strong competition, 21.05 % claim inadequate quality as a problem (chart 2). 18.42% organizations believe the main problem to be high prices, and for 10.53% the problem is the lack of propaganda. Only 2.63% say they have faced another problem in their performance on the market. These facts make it evident that organizations are faced with unfair and strong competition, and therefore need a lot more

dedication and commitment to overcome these problems. TQM as a modern concept of operation enables organizations to improve quality through increased effectiveness and efficiency as opposed to the strong and unfair competition. Thus, they manage to meet the needs and desires of customers and achieve competitive advantage.

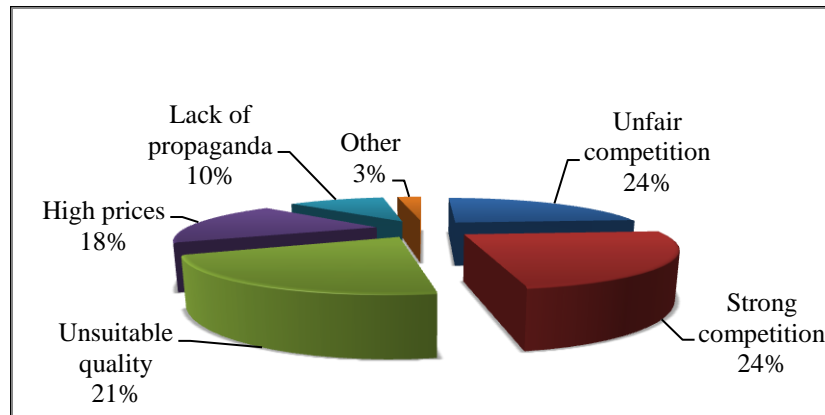


Chart 2: What problems do you face during product placement on the domestic or foreign market?
(Source: Personal research)

To the question: "How would you evaluate the level of competitive ability of your organization?", 34% of organizations replied that their level of competitive advantage is high, 29% think their level is satisfactory, 26% say they have an average level of competitive advantage, and 11% said they have low competitive ability (chart 3). It can be noted that a number of organizations still need to work on their improvement, and thus to achieve a high level of competitive ability. That means the current trends need to be followed, modern management concepts and methods should be implemented, so that they will lead to improvement of quality, and hence in the degree of competitive advantage.

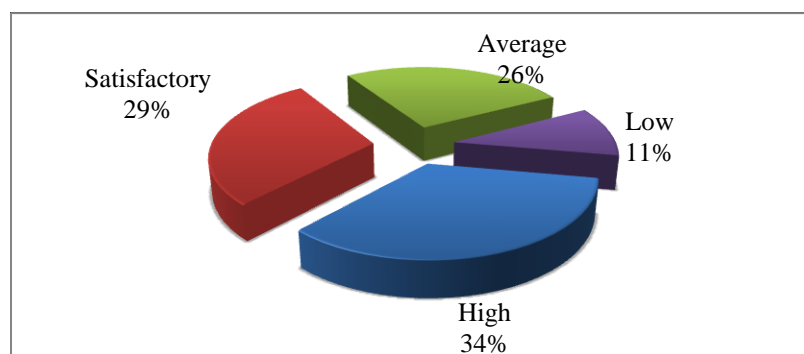


Chart 3: "How would you evaluate the level of competitive ability of your organization?"
(Source: Personal research)

To the question: "Do you feel threatened by the competition?", 82% of organizations replied affirmatively, and 18% gave a negative answer (Chart 4). More specifically, figures show that organizations are aware of their surrounding environment and what type of competition they face. [That makes them aware of the measures and strategies (lowest total cost, differentiation and focus) to be taken to surpass other organizations and become more competitive.

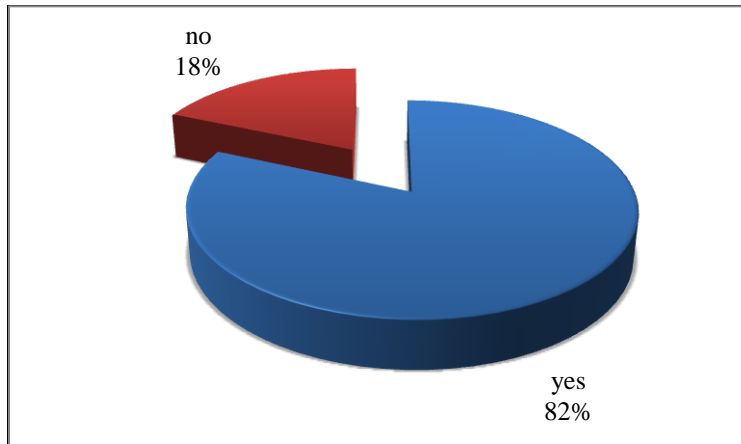


Chart 4: Do you feel threatened by the competition?
(Source: Personal research)

To the question: "What type of competition does your organization face?", 47% of the organizations claim that they are facing strong competition, 37% think they have moderate competition and 16% feel they have weak competition (Chart 5). Accordingly, it is the responsibility of the organizations themselves to take such measures that will employ operative strategies and concepts would apply to face competition.

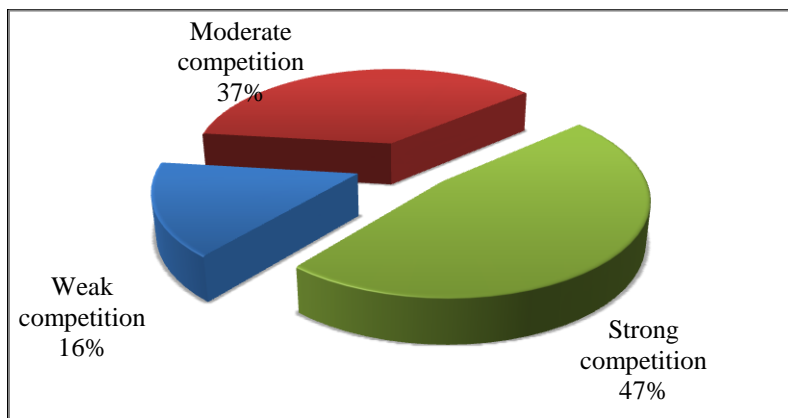


Chart 5: "What type of competition does your organization face?"
(Source: Personal research)

The question: "List the necessary elements for the competitiveness of your organization", 28.95% of organizations state the application of modern methods and techniques as a necessary element, 26.31% listed the investments in the development of branded products, and 21.05% listed standardization of operation (chart 6). 18.42% believe that the essential element of competitiveness is investing in modern technology and equipment, 5.26% as a necessary element for competitiveness list the permanent training of all employees. None of the organizations listed another element of competitiveness. So, still a large number of organizations need to implement modern methods and techniques that will provide them with a competitive advantage. With the implementation of new concepts of operation, such as TQM concept, organizations will increase their competitiveness. However, organizations that aim at achieving competitive advantage should be oriented towards achieving all these elements.

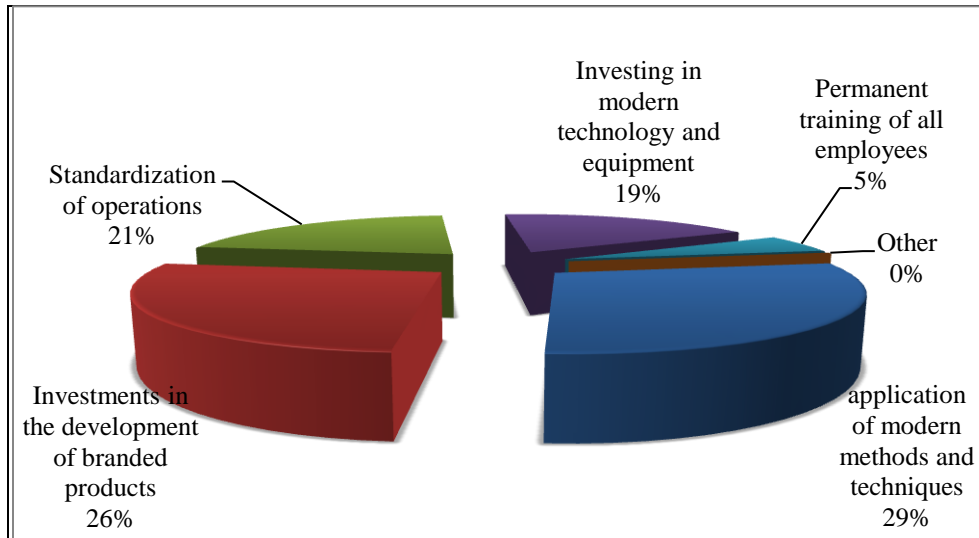


Chart 6: "List the necessary elements for the competitiveness of your organization"
(Source: Personal research)

The question: "List the main obstacles to gaining competitive advantage", 23.68% organizations consider outdated equipment and technologies as the main obstacle to gaining a competitive advantage; for 18.42% it is the lack of knowledge, 13.16% believe that it is lack of resources, while 13.16% think it is the lack of financial capital (chart No. 7). 10.53% state the inadequate use of modern concepts, methods and techniques of management as the main obstacle; 7.89% claim it is insufficient standardization of operation, and another 7.89% think that the main obstacle is the lack of a competitive environment. 5.26% stated that there are other obstacles besides those listed. These are the elements that relate to acquiring competitive advantage. Therefore, if some organizations appear to lack them, they constitute barriers to gaining competitive advantage for the organizations. With quick and efficient removal of obstacles, organizations will become more competitive.

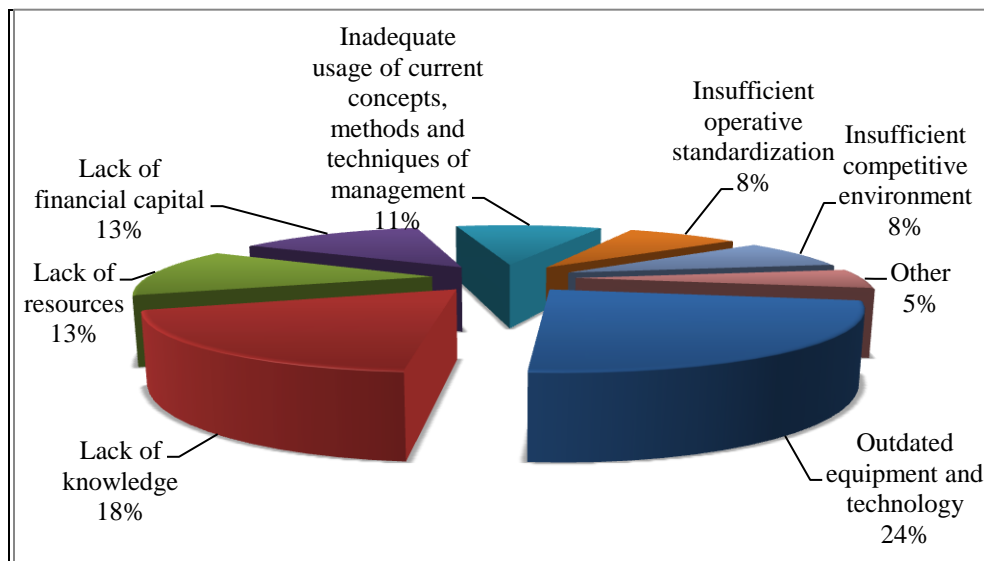


Chart 7: "List the main obstacles to gaining competitive advantage"
(Source: Personal research)

To the question: "What do you build competitive advantage through?", 26.32% organizations responded that they do it through quality, 23.68% - through low prices, and 15.79% through responsibility towards customers. 13.16% build competitive advantage by efficiency, 7.89% through trust and other 7.89% through innovation (Chart 8). 5.26% build competitive advantage through another manner, and none of the organizations build competitive advantage through tradition. The responses suggest that many organizations need to focus on improving quality, and at the same time, at reducing overall costs and achieving lower prices. Thus organizations become more efficient and effective in relation to competitors. Likewise, innovation and high quality are the factors for gaining a competitive advantage. With the implementation of the TQM concept, quality is improved and therefore organizations will become more competitive.

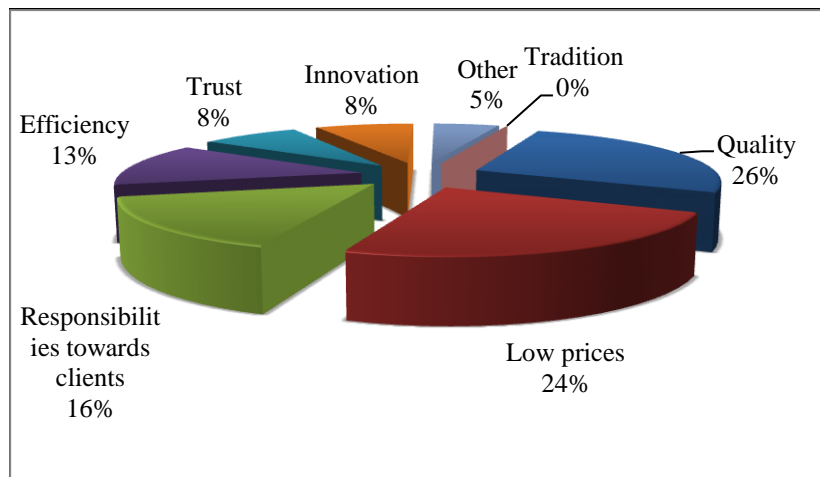


Chart 8:What do you build competitive advantage through?
(Source: Personal research)

To the question: "Do you think there are organizations in the Republic of Macedonia that can be considered competitive in the international market?", 92% of organizations believe that such organizations exist, and only 8% do not believe that such organizations exist (Chart 9). This shows that many organizations have implemented modern concepts of work and can meet the challenges of modern business, which would make them become competitive in the international market.

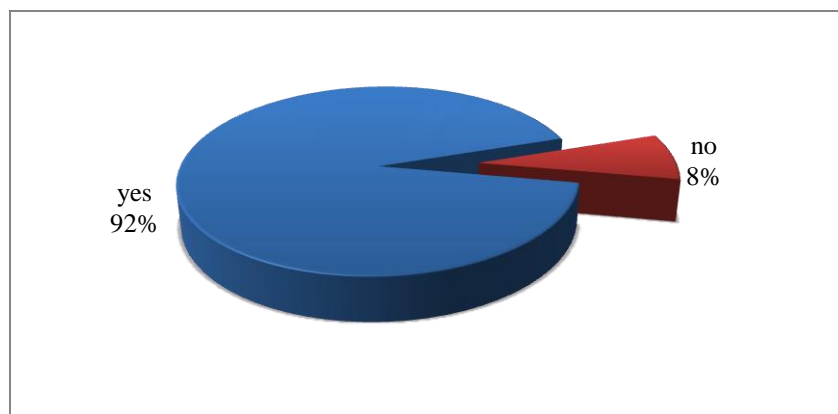


Chart 9:"Do you think there are organizations in the Republic of Macedonia that can be considered competitive in the international market?"
(Source: Personal research)

3. Conclusion

Competitiveness is a basic prerequisite for the development of organizations in the Republic of Macedonia. In order to increase competitiveness, organisations in the country must constantly encourage activities that are oriented towards the processes of modernization and implementation of certain technologies and high technological standards. This is necessary because organizations in the Republic of Macedonia still have inadequate quality that represents a limiting factor for foreign markets and achieve competitive advantage. Competitiveness should be aimed at creating the necessary conditions for its operation. In this direction, despite macroeconomic conditions, organizations must have industrial restructuring in quality, standard and prices, according to the requirements of domestic and especially foreign pazar. When facing strong competition, organizations in Macedonia must be oriented towards acquiring the necessary elements for gaining competitive advantage. Overcoming the main obstacles faced by organizations, as well as achieving high quality in line with international standards, is an imperative for gaining competitive advantage.

It should be noted that gaining competitiveness of organizations depends on the stability and consistency of the macro-economic policy, in conjunction with the necessary changes to their business operations and management at the micro level of organisations. In addition, the establishment of long-term active national policy is of particular importance for supporting small businesses. Only through long-term national policy of support for entrepreneurship and competitiveness it can be expected that organizations in the Republic of Macedonia can manage to become competitive, and thus occupying the international markets.

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