

# Competitiveness Aspects of Modern Business Environment

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**Abstract** How to create sustainable competitive advantage is the question of lots of TOP managers especially because markets seem to be oversaturated in most of the industries. Plus, modern business brings new way of not only communication (B2B, C2B) but also competing. Internet and globalization makes information as a key factor. Moreover it is not satisfactory to have and recognize the key information, but to use the key information in right way. How to define competitiveness in today's business is the aim of this article.

**Keywords** Competitiveness, Chaos Management, Costs Supervision, Benchmarking, Strategic Alliances, Value Analysis.

## I. Introduction

What does it mean exactly to be competitive is not defined in general. It is necessary to take in consideration the industry where the business is happening. Besides the industry other aspects – mainly external ones – are up to. Business environment, law conditions, level of country development, culture habits, closest and strongest competitors, geographical position together with sources needed etc. It is many fields which manager has to be able absorb, plan with and predict its future together with variety of the plan. In this paper, after defying the modern business environment – meaning the environment of 21<sup>st</sup> century will be discussed more simple solution for competitive approach and being competitive. It is only the question of logic to make a statement as – more things you have to be able manage, more mistakes could occur. That is why the author emphasizes on the simplest solution as possible. Apart from author's "logic" the empirical studies are fortifying author's statement.

The company's competitiveness is directly depending on competitive strategy. Definition of the competitive strategy should be "activities and approaches sequence to provide higher probability of success in terms of achieving its goals in its field and moment" (Bartes, 1999, p. 93). Further to find such a position on the market or in the industry, where the company is able to weather the competitive forces or it is possible to turn these forces against its competitor.

However before competing, battles and further strategies "against" the other(s) or possible competitor(s) the competitive strategy is essential. To create the competitive strategy, to find the right competitive aspects, should be tailor-made to the concrete business, is needed. In this paper is written one of the solutions, trying to be as simple as possible, not only because author believes that the simplest things could be the best ones. Anyway, first is description of modern business environment features. Later are mentioned most used

strategies by nowadays managers. Finally it is derived the competitive aspect, respecting all the conditions mentioned above – especially the today's business world and its developing trends (globalization, the importance of information, ecology, etc.).

## II. Modern Business Environment

After industrialization and post industrialization accompanied with scientific-technical revolution the world step into 21<sup>st</sup> century. The Ford's production lines work assigns the possible perfectionism today and new trends came; the whole specific of modern business is leaden with specific technical progress. By specific technical progress the author means progress in the fields of digitalization, biotechnology, intelligent materials and so on, which all together brings new opportunities.

Besides these "technological" factors the information became a very huge importance. While talking about information importance the author think from all possible point of views – the number of possible gained information, the option how to get them, the criteria of sorting them, the speed of information transfer, the ease of information manipulation, disinformation together with industrial espionage.

The importance of customer as the individual is increasing too. From this point of view we could talk about individuality, innovations and quality.

Anyway the whole business environment is influenced by latest trends as informatization, globalization, super-turbulence, super-competition, intellectualization, diversification, militarization, ecology versus devastation. [10]

The first five terms brings the existence of information in it, the importance of information and the speed of its transfer. Diversification underlines the importance of nowadays being different. As an example of the importance of diversification it is possible to mention Mr. Ford when he did not diversify his "for everyone reachable" car and his market shares became to decrease in the moment of relatively saturated market. The militarization together with globalization brings the treatments of terrorists' attacks – the new version of war in 21<sup>st</sup> century which can hit in any place and any time and this is why it is so dangerous. [9]

The weathering the competition belongs to the most important elements in business environment. How to compete to be successful in our business is the question of most of the managers. There are "classics" of competing dilemma as M.E.Porter (strategies - Cost Leadership, Differentiation Strategy, and Segmentation Strategy), P. Kolter and F.P.Drucker. Anyway if taking in consideration about mentioned conditions of modern business environment then

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the author has to admit “the classic strategies” could be good as the theme, starting point, but it is well applicable to today’s business world? To understand this statement, by empirical study, the author find the most used and the new approach methods of competing.

We can try to succeed through different strategies such as Benchmarking, Strategic Alliances or worldwide known Blue ocean strategies. The interesting moment can emerge in case of Blue Ocean which leads to any benefits to any other branch or industry. In this point of view we are talking about Non-collusive strategic alliance.

These approaches are described consequently, in short paragraph. It is necessary to see the latest and the most methods used to define and understand well the competitive aspects defined later.

### III. Strategies

Every firm enforcing itself on the market defines its policy. Aims are derived from this firm's policy, it means conditions that the firm wants to achieve in the particular market in a specific time span. The firm's strategy is then built on its strong goals. They are processes, sources and methods how to fulfill them. At the same time question arises - necessity of the strategy "correction" or a creation of a new strategy in view of changing impact of dominant internal and external factors of the firm. External company’s factors are the basic cause its bloom, bankruptcy or the others significant changes in the majority of cases. [1]

#### Benchmarking

Most of the firms prefer to use the benchmarking strategy in terms of understanding and keeping the same level with its competitors. The benchmarking strategy popularity can be real cancer for business. The main idea is through copying any company one can not make things better. In each case we can get close to the dominant (understand successful) company but the chance that we would be able to light more than dominant firm star is very low. The point is in conditions. Every company is in the same business world but together with its own inner conditions the environment as a whole surrounding of the company is different. As Stefan Engeseth says in his “One – A Consumer Revolution for Business” the benchmarking is not the way! [3]

#### Strategic Alliances

Instead of the effort full of copying the more valuable approach can be the strategic alliances. The negotiated agreements between two or more companies saying what one will do. Each side of that kind of agreement knows the benefits from cooperation. As we know strategic alliances are mostly used in Research and Development field. [14] It is very clear example of such a use because we know:

- Conditions of all participated companies
- Conditions of its competitors
- The market and its predictions
- The state of thing

Like that it is supposed to be easy for most of the companies to see clearly the synergy of such cooperation as strategic alliance is.

### Blue Ocean Strategies

The blue ocean means something new. Unique product (or service) leads to unique market leads to customers interested in our unique product. Interested customer leads to big volume of sales and finally in short term view this all leads to no competition. [2] As we know, sooner or later other companies start to copy the unique product. Not necessarily to copy. They can use its innovations or just being inspired from other companies which follows the strategy of benchmarking. Finally this leads in long term view to birth of competition and finally the blue ocean is turning to Red Ocean. Red ocean is nowadays markets full of competitors and business battles. Here we can again easily see that benchmarking is definitely not the way of successful business.

#### Non collusive strategic alliances

When the company is able to produce something unique to create the blue ocean this will leads to some action. As Isaac Newton says – every action has its own reaction. We know that some markets are influencing other markets. The business world is not in easy and clearly defined conditions. The allocation of sources together with externalities and nature monopoly is bringing the not equal conditions and surroundings. It is very difficult to talk about competing on the market because some blue oceans can help other branches, industries and fields, especially in terms of producing. Let’s see an example.

The used example will focus on the influence of the real estate environment and change of interest rates together with mortgage business boom in recent years in Czech Republic. It is very macroeconomic point of view but unfortunately the idea of non collusive strategic alliances is difficult to explain in microeconomic way because it is needed to know the specific companies, branches, fields and competitors.

To see the non collusive strategy on example is enough to think a bit about the mutual influence of these industries - the real estate and mortgages. [8]

### IV. Aspects

Today’s business as it has been mentioned above brings, thank to high speed of information and never ending changes coming in relatively unexpected time and order, moment of Chaos. Deeply if we take the whole changes seriously in consideration, then we talk about Chaos management. This is nothing new, but it is necessary for managers to understand their industry features and copy their behaviors and reaction to coming action by rules of Chaos management.

There are many authors, already describing the dilemma of Chaos management<sup>1</sup>. As “Guru” of Chaos management could be considered Mr. T.J. Peters and his book “Thriving on Chaos – Handbook for a Management Revolution” (1988). Even in early 90s the theme of Chaos management was not too hot, it would be naive to not involve this aspect to today’s business; to understand it as conditions of external surrounding which is highly touching the internal environment of the company (and industry also). It is not the purpose of

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<sup>1</sup> N.M. Tichy, M.A. Devann, N.A. Austin, R.M.Kanter and even P.F.Drucker.

this paper to describe precisely the theme of Chaos Management. For the survey and aim of this paper it would be enough to mention one of the most important rule for its encompassment. The real key is hidden in Peters "learning to love to change". It is possible to see a little analogy between the innovative management and this kind of approach. The biggest problem after finding new solution in the innovative management point of view is to implement the new solution to the system. People has problem to embrace changes - more lower management we take in consideration, worse the change adaptation is supposed to be. This small analogy should underline the importance of "loving the change". [10]

Besides the "learning to love changes" other chaos management recommendation are:

- to emphasize the human factor,
- consider as the strategic sources: information, knowledge and creative thinking and acting
- the Leader personality
- simplification (organizational structure, information transfer etc.).

If the Chaos management dilemma is not acceptable for company's thinking, then just the existence of wildly turbulent environment is necessary to accept. Because if everything is changing and one subject is not, then this subject is sentenced to death – understand to bankrupt.

For every statement has to be said its conditions. This could be seemed as audacious but for describing the conditions under which is derived the Competitive aspects the Chaos environment is precise and just right.

As it has been said earlier to choose the right competitive strategy it is necessary to know and understand the key competitive aspects; especially for their "magic" feature to be competitive strategy building stone and the magnetic needle of future evolution.

Many authors bring several aspects regarding as core competitive aspects. From those ones considering as external as: competitive struggle (in general), the bargaining power of suppliers and/or following, corruption, support of public and state administration, the market development etc; to those reviewing as internal aspects: innovation activity, flexibility, quality of products, workforce costs, qualification of employees, customer care, availability of financial sources, brad etc.

After interviewing TOP managers of not only Czech companies the author found two core competitive aspects. Regarding the list of competitive aspects mentioned above, the managers mostly say the same. The mass of consumers is **not** taking care of:

- how environmentally friendly the product has been processed, how environmentally friendly is the whole company facing,
- qualification of management, employees, innovation activities, company's financial position, bargaining power etc.

or from the marketing point of view catchers as:

- if the brand is connected to any campaign, from Olympic Games to any type of Charity,
- which star (VIP) is using the product,

- if the consumer will became a member of any group, get any other product for free, will be able after 6<sup>th</sup> shop get the discount etc.

Customer<sup>2</sup> is interested firstly in the price. But not only price. The consumer is really interested in the **mutual relation between price and quality** (together with service). Then, if the price is low and the quality is low, or the price is high and the quality is high is possible to consider other factors. But before that, what if the consumer would be able to pick up such a product with low price and high quality?

## Costs Supervision and Quality

The importance of costs control brings M.E.Porter in his Cost Leadership strategy. What is author trying to say is that it is not needed to be the 1<sup>st</sup> – meaning Cost Leadership. Costs leads to price, and low price lead to mass. Sold product/service to mass leads to (huge) profit. Profit is not the biggest goal of nowadays companies but it is profit which allows gaining other "more important" company's goals, such as high living standards to its employees, better environment or charity. To care about costs it to care about everything mentioned above.

### Method - Value Analysis

For costs supervision the author highly recommend the functional costs approach and method well known in US called Value Analysis (Miles, 1961). This approach allows step by step follow the relation of functioning and costs (of each function) not only products but also any action in the company - because the costs could be hidden not only in the product (or service). When managers would be able to acquire this method then it is possible to expect higher effectively in their business.

## V. Conclusion

The orientation in modern business environment is not easy. Business is not question of few days – to find the position on the market take years and anyway is still developing. External (environment) factors are highly non affect able so the only factors the company is able to influence are the internal ones. The marketing or the human living environment focus of today's companies is not the key of success if companies forget about costs and the mutual relationship between costs and quality. This is exactly what most of the customers are interested in. Value analysis is the step by step solution how to provide the costs supervision in the company.

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