

# Competitiveness - The Basic Driver of The Market Economy

**Assistant Prof. Dr. Katerina Kareska**

University St. Kliment Ohridski – Bitola, Scientific tobacco Institute – Prilep, Republic of North  
Macedonia

**Abstract:** In addition to the speed and introduction of technological changes, the dynamics and globalization of operations and internationalization of the market, the study and management of competitiveness is gaining more and more importance. Competitiveness represents the ability of organizations, economic branches and the state to operate, maintain, advance, and work according to the principles of efficiency and effectiveness to beat the competition. So, competitiveness represents superiority over rivals and other competitors in the market.

The research in this paper was carried out in accordance with the modern methodology of scientific research work. It is based on an analytical descriptive methodology that aims to provide relevant insights into the competitiveness of organizations, where they will answer the essential questions posed in the research.

In the era of globalization, competitive advantage is achieved by those organizations that are ready for radical changes and that apply methods and concepts of continuous improvement. Sustainable competitive advantage is achieved by organizations that are significantly differentiated in relation to the competition, i.e. organizations that are able to raise performance in relation to the competition, apply innovations, develop new superior products and services, build a strong brand and a positive image by applying explicit advertising .

**Keywords:** organization, competition, competitiveness, competitive advantage, competitive ability

## MATERIAL AND METHOD

The classic descriptive research and the used quantitative methodology result in qualitative insights in the concluding observations in this paper. A structured survey questionnaire was used for data collection. The quantitative results obtained from the survey questionnaire were processed in the computer-statistics program Excell, while the qualitative data were descriptively presented.

In general, the research has an operational character, quite current in time and aimed at understanding the situations in a real and current period of operation.

The research includes organizations that belong to different activities at the level of the Municipality of Prilep, in order to identify organizations with different approaches and aspects of competitiveness. 52 organizations from different activities participated in the research. The response was 73% which is pretty good. The total number of completed questionnaires received is 38.

Data collection was performed by administering the survey questionnaires via e-mail or in person. After all the necessary data have been collected, the statistical processing of the same for analysis and interpretation, which follows in the following text, has been started.

## COMPETITIVENESS OF ORGANIZATIONS

Competition is already global, so today's organizations must perform in the market through global strategies, not only in the foreign market, but also in the domestic market. Permanent changes are an integral part of success and competitiveness, because those who do not apply innovations are not only not competitive, but are often lost from the market. Timely response to changes is the basis for successful management and training of organizations for successful functioning of the market.

Managers have been learning how to behave in accordance with the new rules for almost two decades. Organizations must be flexible to respond quickly to competitive and market changes. To achieve best

practice, they must constantly set benchmarks, and to achieve efficiency they must aggressively "buy" from other sources. In addition, to maintain an edge over competitors, organizations must maintain several core competencies. So that the organization can create new markets i.e. to be competitive, it must constantly improve its operations, constantly introduce and activate new models for success, as well as constantly introduce innovations. Positioning used to be at the center of strategy. Today it represents something too static for today's dynamic markets and ever-changing technologies. Also, today it is considered that competitors can quickly copy any market position, hence competitive advantage is temporary at best. However, by applying appropriate competitive advantage strategies, organizations engage in the fight for a better position and increased market share. In order to establish and maintain competitiveness, organizations are forced to continuously improve the knowledge of employees and apply the most modern methods and concepts of management and marketing. Some organizations are able to use their factors of production better than others, thanks to the fact that they eliminate unnecessary work, use modern technologies and motivate employees better.

## **TYPES OF COMPETITION**

Earlier, the notion of competitiveness referred exclusively to organizations and their products and services. However, with the pronounced growth of the internationalization of organizations and the economy as a whole, the concept of competitiveness of specific organizations, that is, of their products and services, is increasingly present. Therefore, today we talk about macro, micro and integral competitiveness. Macro competitiveness is competitiveness at the level of the entire country and is defined as a series of institutions, policies and factors that determine the level of productivity and prosperity that can be created by a certain economic activity in the medium or long term. Macro competitiveness is based on the global efficiency of the national economy, on the flexibility of production, on the way of applying technologies and investments, on productivity, economy and profitability of production. Also, it represents the ability of organizations to win with their offer in a certain international market, overcoming the competition. Micro competitiveness is competitiveness at the level of organizations. It represents the ability of an organization to participate and win in the world supply of a specific product or service. Competitiveness at the level of organizations is defined as its permanent ability with all its strength to provide quality products and services, defeat the competition, win over consumers, increase its market share and conclude contracts for profitable operation that enable strategic growth of organizations and the rise of the standard of employees.

This means that in modern operating conditions, organizations can survive only if they ensure a high level of placement of their products in the deficient markets, i.e. their segments.

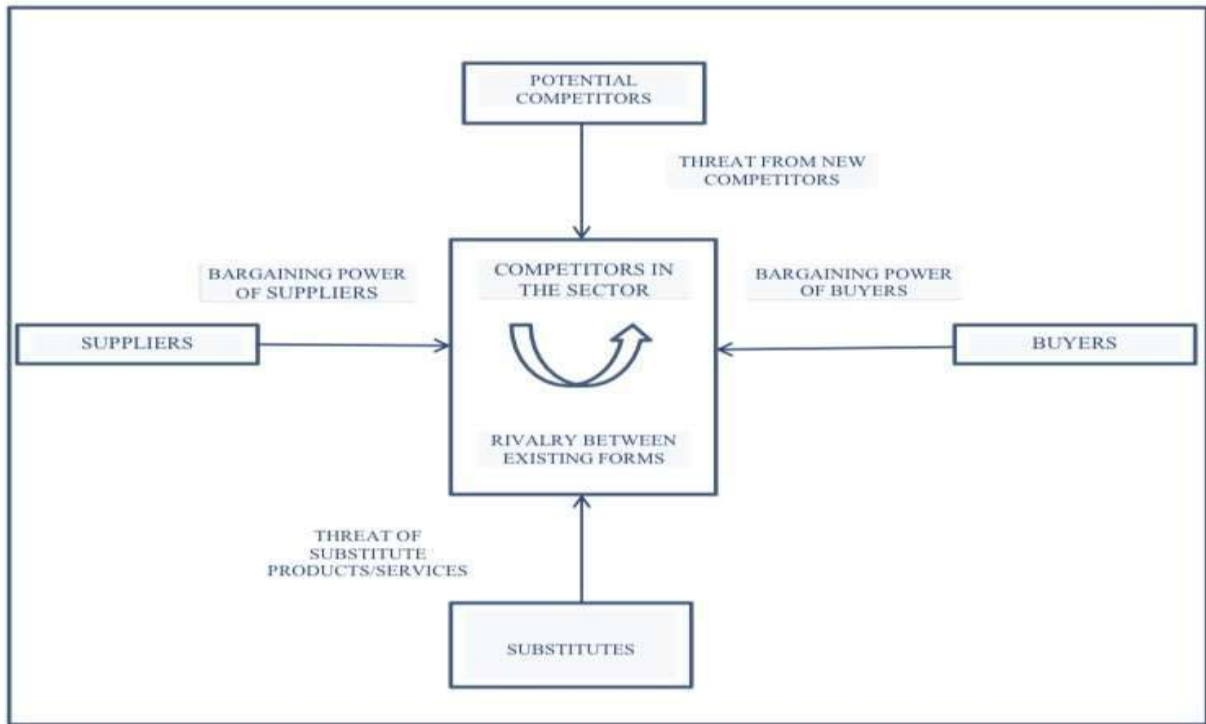
Integral competitiveness unites the two mentioned competitiveness on the way to success. In foreign trade, this term is used more and more, where the fight in the world market is led by successful organizations, supported by their efficiently organized countries with a series of legal regulations. The role of organizations is in knowledge, management and technologies, and the role of the state is to create a favorable macroeconomic environment. So, the production sector, with a consistent and transparent macroeconomic policy, should create an environment for competitiveness as an economic competition, producing quality products with high technology that the world market accepts. It is necessary to enable the creation of organizations that produce the best products, based on the most modern technologies, and sell them to the most demanding buyers.

## **FACTORS OF COMPETITIVENESS**

The factors that are important determinants for acquiring, maintaining and improving competitiveness are dynamic, changing, and have different meaning and influence in functional, territorial and temporal context.

Five factors of competitiveness or five so-called Porterive Forces act in each market segment:

- Competitors in economic segments - rivalry of existing organizations;
- Potential, new market participants and their competitive pressures;
- Producers of substitutes and their competitive pressures to take over buyers;
- Negotiating ability of suppliers and
- Negotiation ability of buyers and cooperation between sellers and buyers.



Picture no. 1 Porter's Five Forces Model

Source: Porter, Michael, E., "Strategy for Competitiveness", Data Pons, 2009, p.4

Always the strongest competitive force is the rivalry between existing participants. Competitors use all means and "weapons" in order to improve their position in the market. The management's task is to develop a competitive strategy that will enable the organization to survive in the fight against competitors, and in the best case to improve its competitive position and gain a competitive advantage. However, competitors react with offensive and defensive countermeasures, adjusting their production, quality, marketing and strategy. Knowledge, ability and innovation come to the fore. Rivalry intensifies when the number of competitors grows and when competitors are equal in size and ability to act. All this makes competitive advancement more complex, challenging and combative. Thus, space is created for constant and intense competition.

Rivalry intensifies if products are standardized, offerings are similar and poorly differentiated, or when due to economies of scale, price falls. A similar effect of strengthening competitiveness also occurs when small organizations are taken over by stronger ones that want to position themselves aggressively.

The threat of new competitors entering the market is greater when barriers to entry are low, when there are many entrants, when industry growth is high, the potential for profit acquisition is high, when existing organizations are unable and unwilling to compete vigorously.

The regulatory policy of each country should be taken into account here. Government agencies may limit or prohibit the entry of licenses and permits. States typically use tariff policy instruments to restrict trade or as a form of protection to restrict domestic producers. Justifiable entry costs related to environmental protection may also increase. The government creates an environment for competitive competition.

Product substitutes can increase competitive pressure if the quality is comparable or better, if they are available and if they have attractive prices, and the buyer has an interest in switching to such a product. That is why competitors are forced to incorporate new features into products and convince buyers that their products are better than substitutes. By switching to substitute products, buyers may face time-consuming and possible inconveniences, costs for additional equipment, reliability and quality testing, psychological break with old suppliers, and so on. But the lower the price and the higher the quality and performance, the lower the costs of switching to substitute products. Good parameters for the competitive strength of substitute products are: the rate of increase in sales and profit, market penetration and plans to increase production capacity.

The cooperation with the suppliers and the negotiating power of the suppliers themselves is also very important. Questions arise as to whether the same product is offered by other suppliers and whether it is expensive to switch from one supplier to another. Products provided by suppliers may not be available, but they may be in great supply. Economy of scale plays a very important role here. Does the product from the supplier arrive on time, at a lower cost than if the organization would produce it on its own? Suppliers have more bargaining power if products are needed that are not available in sufficient quantities, the number of suppliers of a certain product is small or the supplier has a differentiated input. Startup partnerships between suppliers and organizations are common because they reduce certain costs, improve quality, make savings and strengthen relationships and mutual trust.

Buyers who are well informed about product quality, prices and costs can create competitive pressure. Today, products/services can be compared online. Buyer pressure is greater if the product is more favorable and of better quality, and by purchasing it the user is not led to other problems such as time or additional costs. In such situations, organizations must adapt and look for new ways of improving products and reducing prices.

The five competitive forces provide an excellent diagnosis of the competitiveness of a particular market. It is necessary to examine each strength individually and then look at them together and determine what the collective strength of all of them is and how it affects competitiveness and profitability.

An organization's strategy is more productive if it is more distant from competitive pressures, if the organization continuously and successfully protects itself from rival pressures, if it is in constant change and if it creates new models of competitive advantage.

Internal analysis examines the work results and capabilities of the organization. By analyzing the key processes, an assessment is made of the situation with human resources, of operations, of innovation and the use of technologies. An analytical tool used is value chain analysis, also introduced by Michael Porter.

## **COMPETITIVE ADVANTAGE**

The notion of competitiveness in modern operations is gaining more and more importance. It is also the main reason why more and more attention is being paid to the analysis of competitiveness, that is, finding the most effective management solutions for achieving and maintaining a competitive advantage. What really represents an increasing challenge, both for organizations and multinational companies, as well as for entire nations, is the improvement of the relative position of the organization in relation to the competition, that is, achieving and maintaining a competitive advantage.

Organizations that, with their offers, exceed the needs and desires of the target groups of consumers, approach innovations, including new technologies and new ways of working, achieve a competitive advantage. Innovations can include a new product design or a new market approach. Some innovations create a competitive advantage by discovering an entirely new market opportunity, given that they meet the needs of a segment of the market that other organizations have neglected. When competitors are slow to react, such innovations bring competitive advantage. When a competitive advantage is achieved with the help of an innovation, the organization can maintain it only through constant improvements, i.e. by producing improved and more functional products.

In modern operations, any organization that wants to achieve a competitive advantage and maintain customer loyalty at a high level must use a systemic management approach. This means that it is necessary to harmonize the functioning of the entire organization with the needs and wishes of the consumers to whom the products/services are intended, all in the direction of achieving the set goals.

Long-term planning and the application of innovations in the development of a new product in the organization must be correlated between work and other functional strategies on the one hand, and consumer demands on the other. In order to achieve and maintain a competitive advantage, the most important thing is to predict in which direction consumers' desires are moving, so that the organization can be ahead of them. Managers should concentrate on innovation in all areas of operations to satisfy consumers and win their favor.

Organizations that are able to offer superior products at the lowest cost in the global market are at the greatest advantage. The competitive advantage is realized so that the organizations in some way realize a differentiated approach to the factors of production, in contrast to the competitive organizations that do not do it out of hand. Such organizations have particularly favorable conditions from suppliers, carriers or have access to cheap labor. To the same extent, it can be factors of a completely different nature, such as greater experience and knowledge or a more loyal workforce. A competitive advantage can be achieved by possessing patent rights that are important for a specific activity or by having more favorable access to financial sources of funds.

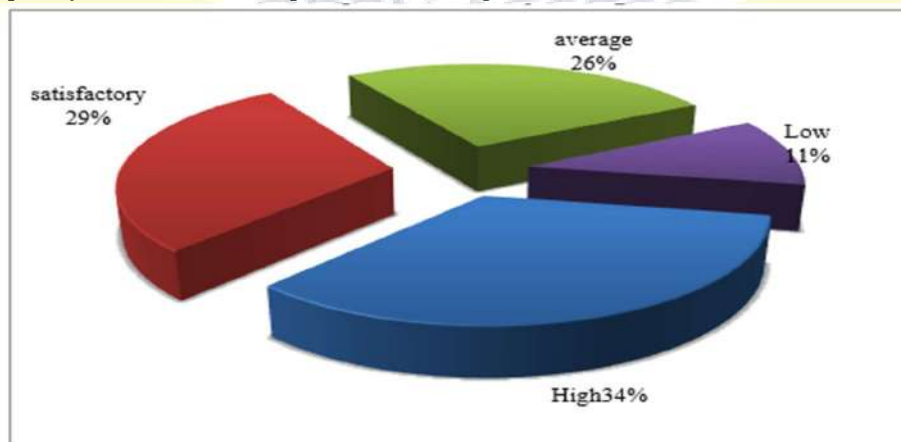
If only one market participant has more resources, such as knowledge, experience, information, capital, etc., relative to other participants, then there is an asymmetry. Asymmetry provides a competitive advantage over others that leads to faster marketing of better products at lower prices in the market.

**RESULTS AND DISCUSSION**

An organization achieves a competitive advantage if it succeeds in producing a superior product/service, bringing it to market at a lower price than most or all competitors. Organizations also compete in terms of market coverage which can be local or global.

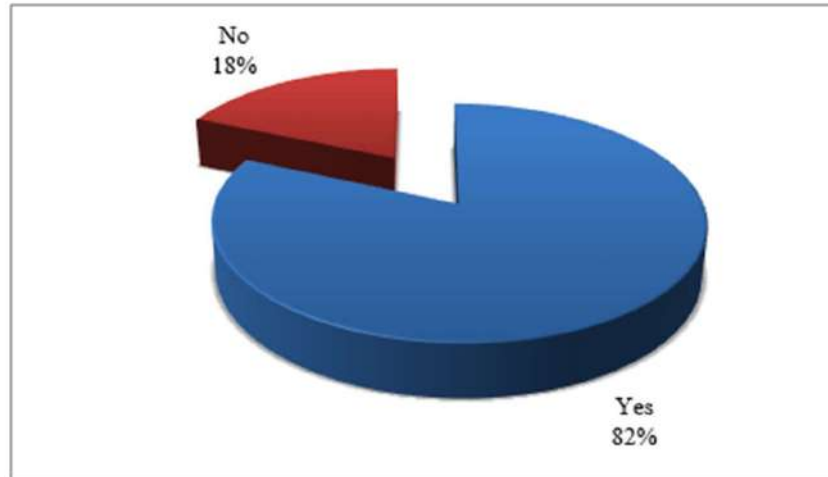
It is of particular importance to highlight one particular source of competitive advantage - first-mover advantage, which is achieved when an organization is the first to market a certain product/service. If after the first move, loyal followers appear on the market or the new product is difficult to copy, the organization with the first move can maintain the competitive advantage for a long time. If the first-mover organization does not have so-called complementary resources (marketing, management, finance, etc.) unsuitable for maintaining a competitive advantage, as a rule, organizations that are direct competitors can achieve greater success than it.

To the question: Rate the level of competitive ability of your organization, 34% of organizations answered that their level of competitive advantage is high, 29% think that their level is satisfactory, 26% say that they have an average level of competitive advantage, and 11% answered that they have a low level of competitive ability (graph no. 1). It is noted that there is a large number of organizations that still need to work on their improvement, and thus achieve a high level of competitive ability. This means that they should follow modern trends, implement modern concepts and methods of work, so that they would improve the quality and thus the competitive advantage.



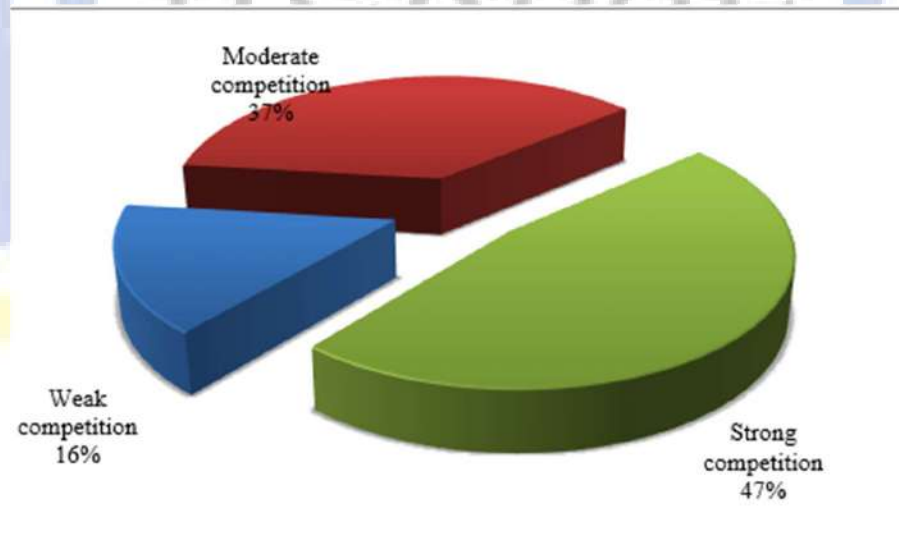
Graph No. 1 Evaluate the level of competitiveness of your organization

To the question: Is competition a threat to you?, 82% of organizations answered that competition is a threat, and 18% believe that it is not a threat to them (graph no. 2). More specifically, the figures show that organizations are aware of the environment they are in and the competition they face. With this, they are also aware of the measures and strategies (lowest total costs, differentiation and focus) that they need to take in order to surpass other organizations and become more competitive.



Graph No. 2 Is the competition a threat to you?

When asked: What kind of competition does your organization face?, 47% of organizations face strong competition, 37% think they have moderate competition, and 16% think they have weak competition (graph no. 3). Therefore, it is up to the organizations themselves what measures they will take, what strategies they will use and what work concepts they will apply to face the competition.



Graph no. 3 What kind of competition does your organization face?

To 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% state the investment in the development of a branded product, and 21.05% state standardization in operation (graph no. 4). 18.42% believe that investing in modern technologies and equipment is a necessary element for competitiveness, 5.26% state the permanent improvement of all employees as a necessary element for competitiveness. No organization mentioned another element of competitiveness. So, there is still a large number of organizations that need to implement modern methods and techniques

that will enable them to gain a competitive advantage. By implementing new work concepts, such as the TQM concept, organizations will increase their competitiveness. However, organizations that strive to achieve a competitive advantage should aim to achieve all the listed elements.

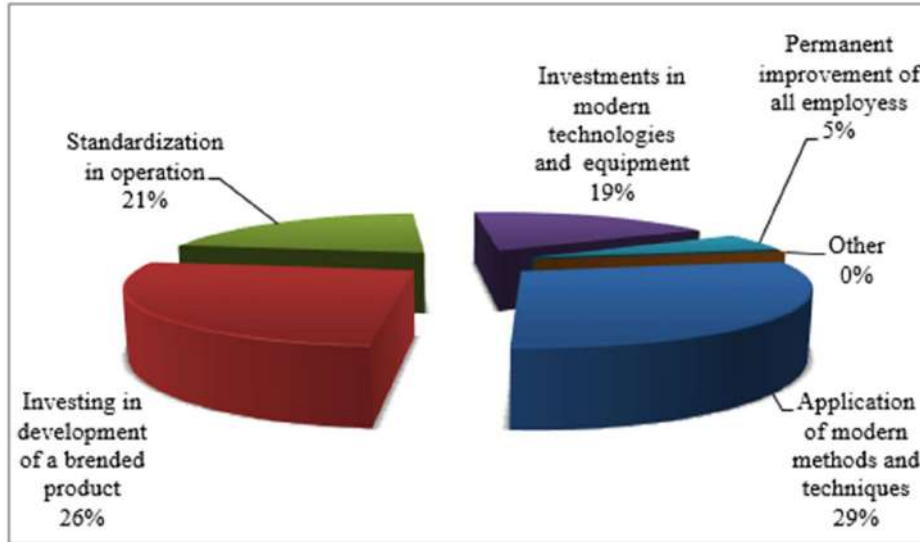
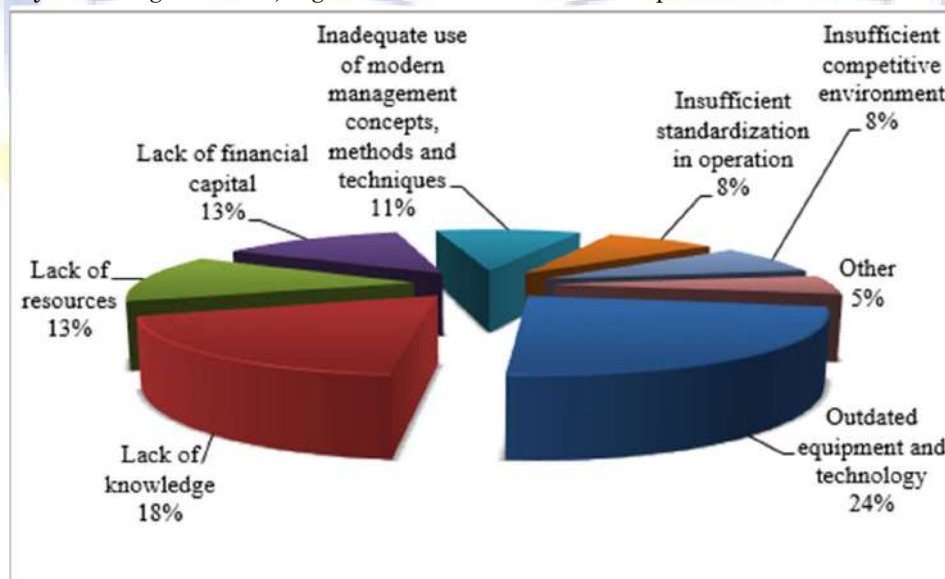


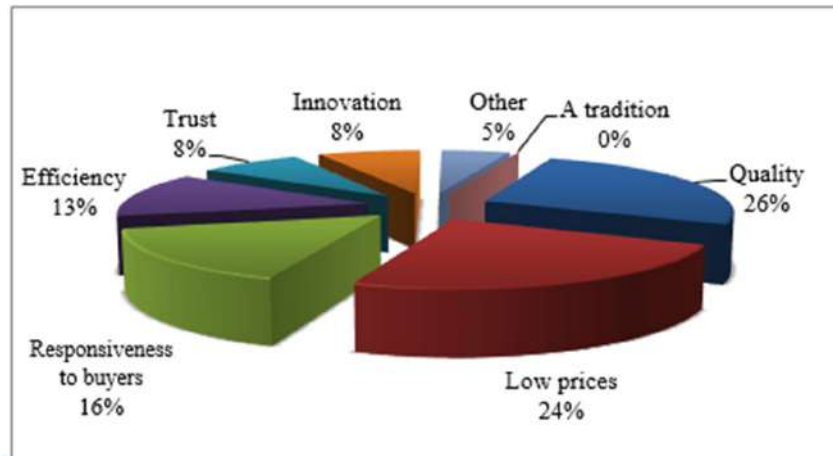
Chart No. 4 List the necessary elements for the competitiveness of your organization

To the question: List the main obstacles to gaining a competitive advantage, 23.68% of organizations consider obsolete equipment and technologies as the main obstacle to gaining a competitive advantage, for 18.42% it is the lack of knowledge, 13.16% consider it to be the lack of resources, and 13.16% believe that it is the lack of financial capital (graph no. 5). 10.53% state the inadequate use of modern management concepts, methods and techniques as the main obstacle, 7.89% point to insufficient standardization in operations, and another 7.89% think that the main obstacle is the insufficient competitive environment. 5.26% stated that there are other obstacles besides the ones listed. These are all elements related to gaining a competitive advantage. Therefore, if in the organizations some of them appear as a disadvantage, then they represent obstacles for gaining a competitive advantage. By quickly and efficiently removing obstacles, organizations become more competitive.



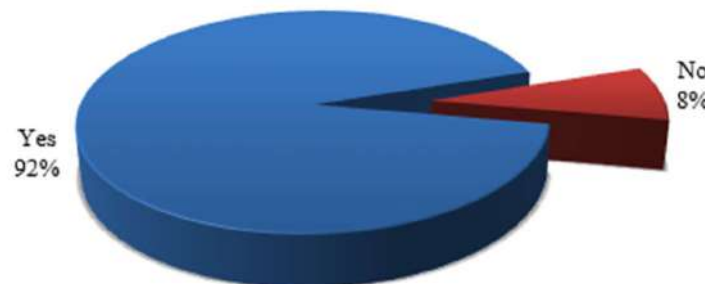
Graph No. 5 List the main obstacles to gaining a competitive advantage

To the question: You build competitive advantage through: 26.32% of organizations build it through quality, 23.68% build it through low prices, and 15.79% through responsibility towards buyers. 13.16% build their competitive advantage through efficiency, 7.89% through trust, and another 7.89% through innovation (graph no. 6). 5.26% build competitive advantage through some other form, and no organization builds competitive advantage through tradition. The responses indicate that a large number of organizations need to focus on improving quality, while at the same time reducing total costs and achieving lower prices. With that, organizations become more efficient and effective in relation to competitors. Also, both innovation and high quality are factors for gaining a competitive advantage. With the implementation of the TQM concept, quality improves, and thus organizations become more competitive.



Graph No. 6 You build your competitive advantage through

To the question: Do you think there are organizations in the Republic of North Macedonia that can be characterized as competitive on the international market?, 92% of organizations believe that such organizations exist, and only 8% do not believe that such organizations exist (graph no. 7) . This shows that a large number of organizations have implemented modern work concepts and can face the challenges of modern work, which would make them competitive in the international market.

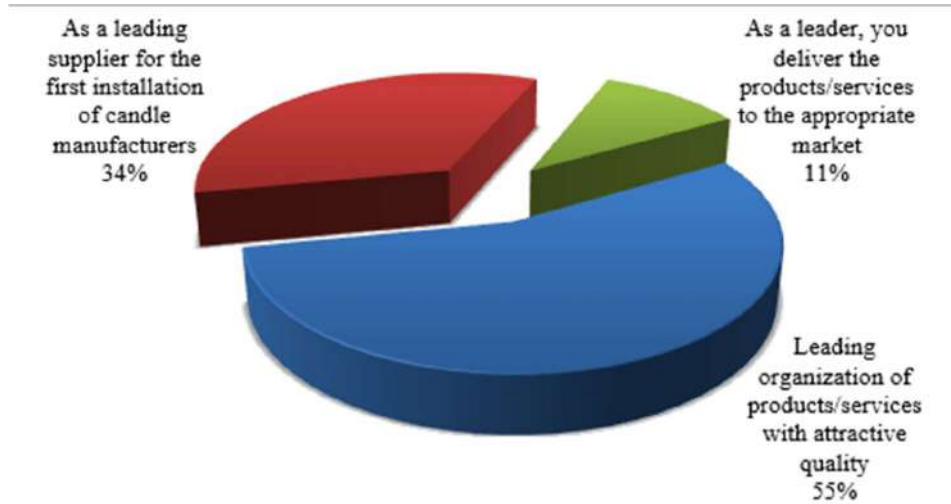


Graph No. 7 Do you think there are organizations in the Republic of North Macedonia that can be characterized as competitive on the international market?

When asked: How do you see your organization in the future?, 55% of organizations see themselves as a leading organization of products/services with attractive quality, 34% as a leading supplier of first-time installation of global manufacturers, and 11% see themselves as a leading sub-supplier of the products/services on the appropriate market (graph no. 8). It is noticeable that depending on the area in



which they work, organizations set their own development goals, and accordingly direct their actions in the future. However, the primacy takes the realization of high quality, which is reached through the implementation of the integration approach of TQM.



Graph No. 8 How do you see your organization in the future?

**CONCLUSION**

Today in the world of globalization, new values and fundamental rules are being established. The new concept of quality, which has the ambition to maintain the leading role in the market and to respond to the new world changes, is reflected through the creative opinion. In times of dynamic changes, management must fully perceive the current situation in the organization in order to be able to take action in the direction of improving it.

In anticipation of new challenges and developments and based on the research done, it can be concluded that organizations should constantly be active, follow changes, be innovative and committed to improving quality in all aspects of work, in order to achieve a competitive advantage.

From the presented data, insights and conclusions that are the result of the analysis and research in the paper, specific recommendations and future directions of operation can be drawn to gain a competitive advantage for organizations in the Republic of North Macedonia, but also for organizations in general:

- The continuous, proactive and innovative engagement of the top management and all employees in the organizations should be at the maximum level for the overall realization of the vision, mission and strategy.
- Quality, as a vision of the future, should be the basis for satisfying the expectations, wishes and needs of buyers.
- Process and system approach in introducing changes, that is, development of communication, cooperation and organization of the entire system.
- Fundamental improvement of the work functions and processes in the organization results in superior products that will satisfy the needs of the buyers.
- Knowledge is the most important factor for success in the people-oriented information society. That is why it is necessary for the management to create an atmosphere for intensive trainings for upgrading or acquiring new knowledge for all employees.
- A new work philosophy must be developed - work and development partnership. It foresees the joint operation of buyers and suppliers when it comes to the development of a new product and it should be different from the product offered by the competition.
- Observing, comparing and learning from the best in order to achieve successful operation and a better position in the market.

- Finding a recipe for success through a combination of already existing different products.
- Establishing innovative changes result in success. Management must find answers to the questions: how to anticipate changes?, how to manage them?, how to adapt the organization to changes?, and how to make changes benefit people?
- Employees must know that changes are a normal state. However, they should be given the opportunity to adapt to them and become their creators. It implies the need to involve employees in the development of the strategy and in the creation of new products and processes.
- Quality in the state hierarchy, in the institutions of education and public administration should provide a philosophy of work excellence and creativity that will be a leading dimension when it comes to creating a new national policy.

The research in the paper showed that the approach to achieve a competitive advantage through modern concepts of work in organizations represents an opportunity and a challenge for them, because in essence the change is not "overnight", but a gradual, systematic and continuous process with the aim of achieving long-term development and progress in operations and successful performance on the market that will lead to the acquisition of a competitive advantage. In the operation of the organizations, a clear and understandable strategic framework should be created that will enable the acquisition of a competitive advantage. If the organizations in the Republic of North Macedonia accept and integrate the new concepts in their operations and realize the benefits in a timely manner, they will be able to perform successfully in foreign markets, gaining a competitive advantage.

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