

# STRATEGIC APPROACH FOR THE SUPPORT OF COMPETITIVENES OF ORGANIZATIONS

*Emília Papulová - Branislav Sedlák<sup>4</sup>*

## **Abstract**

*The core of this article is focused on discussion about influences and impacts of current changing environment on organization success. Changes become an integral part of life of any organization and can bring on one hand opportunities, on the other hand risks. Foresight and early identification of change factors bring possibility make adequate preparing to provide changes. On the basis of reflections the purpose is to give reasons for the need to find and develop proper approaches to support competitiveness and provide survival and growth of organization operating in changing environment. The presented article bring reflections in this area and presents methods and approaches to developing competitiveness of organization and creating sustainable competitive advantages. In the article are evaluated some theoretical concepts of sustainability competitive advantages for success of companies. On the basis of examination authors bring view about developing concept of sustainable competitive advantages. At the same time article offers recommendations about implementation of presented concept into the practice with purpose to support competitiveness of companies operating in Slovakia.*

## **Introduction**

Current environment is characteristic by a lot of changes forcing management of organization to prepare adequate response to this situation. Already founders of classical theory of management refer to the need of making forecast, or planning in management of organization. And so organizations reevaluate the ways and approaches to provide survival and grows in changing environment.

---

<sup>4</sup> doc. Ing. Emília Papulová, PhD.; interný pracovník Katedry manažmentu FPM v Bratislave, e-mail: papulova@euba.sk  
Ing. Branislav Sedlák, PhD. BKS Úspech, s.r.o., Čierny chodník 29/1, Bratislava, -mail: sedlak@bksuspech.sk

## **Significance of strategy for building competitive advantages**

Business idea as imagination associated with starting business is not viewed as imagination in the short term period. If this idea is aimed at the future and is based on overcoming conservative thinking than an afford is to understand future trends and discovering qualitative changes in environment and idea can become a driving force for all the time of existence of organization. In this case we understand an idea as a vision of organization. Vision is translated into a mission of organization and strategic goals for filling the vision. In this connection strategy means the way selected by organization to fill defined goals and objectives.

Strategy presents preparation for the future. From this view strategy is based on forecasting the future development, possible opportunities and risks from external environment and is focused on providing effective internal changes. Strategy means responsible preparation for the future with reason to provide long term success. Just the afford is to provide long term success is the reason way the theory and practice started orientation on strategies. [7]

The purpose to develop strategy is not only its importance in an organization. The reason is to penetrate the whole organization and effect thinking and activities of individuals towards filling and achieving strategic goals.

Based on strategy is developed the whole system of planning with purpose to transform strategic purpose and goals to specific tasks for working places, teams and individuals. System of planning is based on dialog following vertical and horizontal line of management and finding alternative ways for achieving long term goals. In this logical process is planning as a part of implementation of strategy.

Fayol as representant of classical theory of management presents planning as a basic management function focused on providing an effort to create plans leading to success. It means within planning to make examination and analysis of all key aspects, elements and relationships in environment and on the basis of examination to develop alternatives that can lead to successful decision. Current theory of management has not an ambition to formulate strategy with long term validity, but prepare strategies that we can gradually develop and bring into implementation in this modified form. This procedure response to current changing environment that is difficult and very hard anticipated. [7]

Statement „Panta rei“ declares that everything is in unceasing movement. A change is as aspect of flowing time. Be prepared on the future it means to be prepared on a change. [9]

It indicates that survival and growth of organization depends on its ability to analyze changes of environment and implement internal changes of organization as response to changes.

Examination of environment creates the basis for developing strategy and competitive advantages of organization. An essential model of environment is

presented by K. Ohmae. [6] Model presented as 3 C is created by three key elements of environment as corporation, customer and competitors. Model presents, that the core of competitive strategy is going out from requirements of customers. The effort of company is to satisfy requirements of customers through strength of companies and at the same time through differences from competition. This is the way for creating competitive advantage by integration of all elements into strategic triangles.

Changes of external environment can be evocated by macro environment. Macro environment is component part of environment, in which occur business subjects as independent subjects from a given branch, or area of business. Macro environment is viewed by a lot of trends as political, legal, economic, social, technical trends and trends of innovations. All these trends can affect activities of business subjects. Changes in external environment can be also effected by interactive environment composed by subjects with activities that are not fixed on specific branch. Subjects of interactive environment can affect a lot of subjects regardless of specific branch. [9] Interactive environment involves financial institutions, share holders, universities, communities, unions, media and associations. All subjects of interactive environment are viewed as potential partners and from aspects of own strategy is very important to choose adequate behavior of our organization focused on developing partnership to support our purpose and goals.

External environment can be affected by environment of branch and changes in branches in which operate business subjects. Examination of this part of environment is focused on understanding forces influencing this area. Analysis of branch is important not only for subjects operating in this branch, but also for subjects considering the entrance into the branch.

Results of examination of external environment present opportunities and risks existed and expected from the environment. They are impulse for analysis of internal environment. Examination of internal environment is focused on analysis of internal potential of organization and developing adequate response to generation and sustainment of competitiveness of an organization.

Strategy implies proper preparation on a future. It is based on forecast of future trends and evolution, prediction of opportunities and threats expected from external environment and is focused on providing adequate internal changes. Strategy means well-considered preparing for the future with effort to generate competitive advantage and achieving long-term success. [7]

### **Theoretical aspects about generating competitive advantages**

One of pioneers dealing with issues of competitive advantages and success of organization is H. Chung presenting concept with three key factors of success, as strategy taking into account external and internal aspects, human resources and

operational systems in organization. [1] K. Nagel furthermore deals with issues of long-term success and defines next three factors: strategic oriented organization, style of leaderships and orientation on customer. [5] These views are starting points or the base for examination of approaches and developing concepts about generation of long-term competitive advantages. In this article we are focused on examination and evaluation of following concepts: in the area of operational systems we are dealing with concept of lean production and lean management, in the area of human resources with concept of knowledge management and in the area of strategy with concept of strategic performance management.

## **Lean production and lean management**

The purpose of lean production system is to develop an afford about elimination of waste and unproductive activities.

Toyota's principles of lean production:

- to produce things only when they are necessary (JIT system)
- every worker has to control the quality of his work and to repair the failure instantly (TQM)
- lean management: a complex system, based on “lean thinking”.

Womack and Jones present lean approach as system based on five key principles: maximal orientation on customer, identification of value flow, creating continuous flow, supporting generation of highest value, an afford to improve previous presented four principles. [14]

From aspect to support elimination of waste T. Ohn presents eight types of waste: waste from surplus production, waste from waiting, providing unprofitable movements, waste from unprofitable transfer, incorrect providing processes and operation and uselessly complicated product, waste from keeping supply, waste from no quality, waste from non using potential of workers. [2]

Lean production concept means:

- Production is oriented on maximization of value for customer
  - process organization and production come out from requirements of customer
  - suppliers and distributors are integrated into value chain
  - teams and team work substitute division of labour and hierarchy

- Concentration on those activity in which we are the best, continuous improvement leads to the highest quality and lowest costs and prices
- Prevention of waste of all type, economy of resources
- Supporting generation of highest value through motivation
- Company culture based on participation.

## **Concept of knowledge management**

A lot of studies show at growing importance of intangible assets what relates particularly with structural changes in the economy with movements from products to services.

From view or company's sources intangible assets presents its intellectual capital, that is very important by building its sustainable competitive advantages. Intellectual capital consists of following six elements: [8]

1. Human capital is concentrated in managers, specialists and workers of an organization. Human capital is a key force for innovations.
2. Structural capital involves organizational chart, organizational norms, processes, manuals, organization documents, procedures, information, technologies, software, brand.
3. Customer capital is complex of all, what characterize relationship of company to its customer as market share, segmentation of the market, satisfaction of customers.
4. Organization capital describes ability of a company to create added value through company processes and improve current approaches of developing added value.
5. Innovation capital describes ability of company to innovate, create and improve current methods of building added value, products, services, procedures.
6. Process capital is presented by good prepared processes, their stability and effectiveness, quality of communication.

Management of intellectual capital is focused on identification a evaluation of elements of intellectual capital, on monitoring its development and change, benchmarking of key factors influencing business subject, planning its development with purpose to provide all necessary sources and abilities for developing sustainable competitive advantage.

## **Concept of strategic approach to the performance of the company**

Concept of strategic approach to the performance of the company take into account several studies confirming matter of fact that success of organization depends on its ability to prepare and implement strategy.

Based on analysis of companies Peters and Waterman present results of research in which emphasizes that success of company is affected by its ability to implement selected strategy. This ability depends above all on seven key factors: strategy and its communication, organization structure presenting conditions to achieve goals and objectives, systems supporting strategy and creating the sources of competitiveness, style of leaderships, staffing focused on having educated and motivated people, experiences and skills, shared value to integrate people in an organization. This concept is presented as 7S framework. [10]

According to Kaplan and Norton predominant competitive advantage creates system of interconnection strategy with operative activities. System presented by Kaplan and Norton consists of following six phases: managers elaborate strategy, organization transforms strategy into planning system through strategy maps Balanced Scorecard, managers consequently make recondition of an organization and prepare planning of operations, than observe and evaluate tasks based on they adapt organization.[3]

This approach is focused on transforming strategy into operative level on the basis of causal relations among goals in corresponding perspectives. Basic model involves four perspectives: financial, customer, process, and learning and grows. Effective implementation supposes cascading goals from the level of strategic business units to teams, perhaps individuals, or to budget of department and rewords of employees.

## **Research**

Carried research was focused on exposal resources and abilities to build competitive advantages. Examination was based on research pattern organizations operating in branches as engineering, trade, network services, information technologies, transport and financial services.

Research questions were focused on one hand on examination and recognition of factors important for generation of competitive advantages, on the other hand on understanding risks and threats organizations have to face. Methodology of research involves research questionnaires, interview and observation. The purpose of research was to make analysis and evaluation of results of research and on the basis of conclusions recognize and evaluate how organizations integrate in strategies factors of sustainable competitive advantages. Based on results the aim was identification of

resources to generate sustainable competitive advantages supporting success of organization.

## **Results and discussion**

From results of research follows that among long term competitive advantages supporting success of organization are included:

### **1. Commodity – mining, processing, storage**

Results of research present, that good position in the long-term period hold producers of commodities and energy. It has connection with situation that demand about commodities is growing with increase in population. Because the place and the time of production and consumption of products are different very important aspect in this situation plays storage and transport of commodities. From this view as sustainable competitive advantages are associated with storage and transport capacities of commodities.

### **2. Network infrastructure – energy, water, canalization, data, and transportation**

Infrastructure composes the next long-term competitive advantage. Building infrastructure creates conditions for monopoly position of infrastructure owners. This situation is observed also in Slovak environment.

### **3. Strategic position – availability of infrastructure, logistic, sources**

Strategic position with elements of unique creates for company competitive advantage. It shows especially in better availability of suppliers and customers, in cheaper logistics and in other specifics of locations.

### **4. Traditional brand-name – prestige, image, habit**

Knowing brand-name in a market builds significant competitive advantage. Based on results of research we can say that the most stable position in the market present articles of food, mainly articles with additive action as tee, coffee, cigarettes, also medicaments and preparations for patients.

### **5. Specialty of company culture**

Sustainability of advantages from company culture argue examples of all companies in which we can see their ability to meet quality and schedule, or dates, sell, provide growth, raise profit and profitability, make innovation, cutting costs, adopt capacity to changeable market, transform knowledge and experiences into norms, procedures and calculations.

## **Risks threatening success of organization**

Research and its results show that companies can be also threaded by risks associated with situation in which customers stop buying products of a company, or companies lose there ability to pay for their debt. The reason for those risks can be especially:

### **1. Shortage of liquidity**

From view of short-term horizon the most frequent risks for company is usually the lack of liquidity. As occasion of problems with liquidity can by large supplies, defaulter customers, and increase in prices of resources, decline in sale prices.

### **2. Off-quality of products and management system**

From view of medium-term horizon organizations can be significantly threaded by quality of production and bad, or untrue management system. In Slovak conditions sales depends especially from ability of company to produce products with adequate quality and ability of price.

In open economy as Slovakia in which companies export mass of production determine quality of products foreign customers. Competition and involvement in competition is mainly subject to certificate of quality.

### **3. Understatement of technical progress**

From long term point of view the most significant risks for loss of position in the market and competitiveness is understatement of technical progress, new technologies and innovations of products and processes. In today's organizations we can not underrate the trends leading to higher effectiveness, lower tangibility and higher speed, personally services, digital solutions.

## **Conclusion**

Results of examination confirm that increasing dynamics of environment forces organizations operating in this environment to larger flexibility to provide customer requirements. This situation needs flexibility of production systems, adaptation to changes in context with competitive strategy of organization. Research shows that narrow specialization and outsourcing don't lead to long term success, but building product portfolios bringing synergy effect. At the same time findings of research make for a view that for today environment remarked by globalization and

deepening competition substantial for any organization is operating at attractive market, providing stable cash flow, having efficient management system and risks management. [11]

For today's organization is very important building strategic partnerships. This form of cooperation is especially significant for organization with small domestic market as Slovak market.

Research and its contributions point out a matter of fact, that the most significant factor of threatening long term success of organizations is understatement of technical progress and to be backward in innovations.

## References

- [1] CHUNG, K. H. 1987. Management Critical Success Factors. Boston: Allyn and Bacon 1987
- [2] FEKETE, M. 2009. Štíhly produkčný systém, Bratislava: Kartprint 2009. ISBN 978-80-88870-76-0, s. 19-23
- [3] KAPLAN, R. S.- NORTON, D. P. 1996. The Balanced Scorecard. Translating Strategy into Action. Boston: Harvard Business School Press 1996. ISBN 0875846513
- [4] KOPČAJ, A. 1999. Řízení proudů změn aneb všedním způsobem nevšední rozvoj firmy. Praha: Grada a Silma 1999
- [5] NAGEL, K. 1991. The 6 Keys to Company Success. Munchen: Verlag Moderne Industrie, 1991. ISBN 18-790-5552, str. 16
- [6] OHMAE, K. 1976. The Mind of the Strategist: The Art of Japanese Business. McGraw-Hill 1982, s. 92-94
- [7] PAPULA, J. – PAPULOVÁ, Z.: Stratégia a strategický manažment ako nástroje, ktoré umožňujú súperenie I spolužitie Dávida s Goliášom. IURA Edition, Bratislava, 2012. 276 p. ISBN 978-80-8078-533-8
- [8] PAPULA, J. 2005. Manažment intelektuálneho kapitálu. In: Zborník príspevkov vedeckej konferencie na tému: Manažment ľudského potenciálu v podniku. Žilina: EDIS 2005, s. 137-141
- [9] PAPULOVÁ, Z. Strategické analýzy s podporou strategického myslenia: aktuálny trend v strategickom manažmente. Bratislava: Kartprint 2012. ISBN 978-80-89553-10-5
- [10] PETERS, T. – WATERMAN, R. 1992. In Search of Excellence: Lessons from Americans Best Run Companies. London: Harper and Row 1992. ISBN 978-0060548780
- [11] SEDLÁK, B. 2012. Uplatnenie koncepcie dlhodobej udržateľnosti konkurenčných výhod v stratégii firiem. Dizertačná práca 2012

- [12] SEDLÁK, B. 2005. Základom pre analýzu vplyvu prostredia na organizáciu je porozumenie tomuto prostrediu. Bratislava: City university 2005. B634 TMA 02-2, s. 4-6
- [13] TICHÁ, I.- LEZNAR, A. 2005. Učíci se organizace. Praha: Alfa 2010. ISBN 80-86851-19-2
- [14] WOMACK, J. P.- JONES, D. T. 2003. Lean Thinking – Banish Waste and Create Wealth in Your Corporation. New York: Simon and Schuster 2003. ISBN 0-7432-3164-3