

New paradigm of a company's competitiveness: complex approach

Victoria I. Pyatanova

Cand. Sci. (Econ.), MBA (University of Cambridge), Head of Financial Management Department,
ORCID: <https://orcid.org/0000-0003-0903-7523>, e-mail: Pyatanova.VI@rea.ru

Plekhanov Russian University of Economics, 36, Stremyanny lane, Moscow 117997, Russia

Abstract

The issues of competitiveness such as why some companies reach success, while others not, how companies differ and how they are managed within the chosen strategies to reach the state of competitiveness are the key for the organization of any type and industry. Some researches had a tendency to fragment or disintegrate the important parts of this problem, but the purpose of this paper is to integrate the main elements of the competitiveness phenomenon into the complex system and offer a wide practical view over the cornerstones of a company's competitiveness in a contemporary environment. In this article the author reveals her understanding of the concept of modern company's competitiveness, then in the main part offers the qualitative model – the system of company's competitiveness which should lead to financial competitiveness. The presented framework is practice-oriented and based on factors and efforts that depend on the company itself, but goes beyond the resource-based view or a particular single strategy school, highlighting the importance of a complex approach.

Keywords: competitiveness, competitive advantage, organizational effectiveness, strategy, company, competitor, demand, long-term view

For citation: Pyatanova V.I. (2022) New paradigm of a company's competitiveness: complex approach. *Upravlenie / Management (Russia)*, 10 (1), pp. 36–41. DOI: [10.26425/2309-3633-2022-10-1-36-41](https://doi.org/10.26425/2309-3633-2022-10-1-36-41)



Новая парадигма конкурентоспособности компании: комплексный подход

Пятанова Виктория Ивановна

Канд. экон. наук, MBA (Кембриджский университет), зав. кафедрой финансового менеджмента,
ORCID: <https://orcid.org/0000-0003-0903-7523>, e-mail: Pyatanova.VI@rea.ru

ФГБОУ ВО «Российский экономический университет имени Г. В. Плеханова»,
117997, Стремянный пер., д. 36, г. Москва, Российская Федерация

Аннотация

Вопросы конкурентоспособности, такие как «почему одни компании достигают успеха, а другие нет», «как отличаются компании», «как они управляются в рамках выбранных стратегий для достижения конкурентоспособности», являются ключевыми для организации любого типа и отрасли. Некоторые исследования имели тенденцию фрагментировать или дезинтегрировать важные части проблемы. Целью же этой работы является интегрировать главные элементы феномена конкурентоспособности в комплексную систему и предложить широкий практический взгляд на краеугольные камни конкурентоспособности компании в современном окружении. В статье автор раскрывает свое понимание концепции конкурентоспособности современной компании, затем в основной части предлагает качественную модель – систему конкурентоспособности компании, которая должна привести к финансовой конкурентоспособности. Представленная система практически ориентирована и основана на факторах и усилиях, которые зависят от самой компании, но идет дальше ресурсного взгляда или подходов отдельных школ стратегии, подчеркивая важность комплексного подхода.

Ключевые слова: конкурентоспособность, конкурентное преимущество, организационная эффективность, стратегия, компания, конкурент, спрос, долгосрочный взгляд

Для цитирования: Пятанова В.И. Новая парадигма конкурентоспособности компании: комплексный подход// Управление. 2022. Т. 10, № 1. С. 36–41. DOI: 10.26425/2309-3633-2022-10-1-36-41

Introduction

Although there has been a considerable progress in the development of conceptual foundations of a competitiveness and explanation of competitive success of different companies, industries and nations, the need to understand the changing processes within and outside the company in the era of uncertainty and fourth industrial revolution requires academics and practitioners to develop the deeper grounds – new paradigm of competitiveness of a company.

There has been a number of strategic approaches and schools that focus on different factors and drivers of competitive success of a company. McKiernan has named four approaches: prescriptive, emergent, competitive positioning and resource. Mintzberg, Lampel and Ahlstrand [2013] have determined ten schools of strategy: design, planning, positioning, entrepreneurial, cognitive, learning, power, cultural, environmental and configuration. According to Porter [1985; 1991], on a broad level, the success of a firm is determined by two areas: industry attractiveness and company's relative competitive position in that industry. Hence, Porter offered the outside-in approach and made a great emphasis on the analysis of external environment for determining grounds for competitive advantages of a company. Resource-based theory of the firm, on the contrary is very introspective and focuses on the company's internal resources and capabilities as basis for the competitive success. Hamel and Prahalad [1990] underline the role of core competences in creating sustainable competitive advantages.

Three directions of research address the dynamic process of creating competitive advantage of a company: game theoretic models, models of commitment under uncertainty and so-called resource-based view of the firm. And although these theories highlight the main characteristics of processes of creating and sustaining competitive advantages, they miss the disclosure of true source, basis of company's competitiveness.

In order to understand the present foundations of competitiveness of a company and build the complex system of competitiveness it is necessary to determine the concept of competitiveness. There are different understandings and measures of competitiveness in the literature, depending on chosen level (macro, meso, micro), disciplinary approach. For example, on micro level marketing people measure competitiveness by market share and brand awareness. Sales people – by the indicators of sales volume and dynamics. Technologists – by innovations and the level of technology sophistication. Financiers – by effective usage of financial resources, sound financial position and financial stability of a company.

In economic and business literature there are different approaches towards definition of competitiveness of a company. So, Krugman [1994] calls a company competitive if it

has a stable market position and pays its obligations. Chikan [2008] defines competitiveness of a firm as the ability to reach a dual target: to satisfy the requirements of customers with profit. Some authors base their definition on market share, while others determine competitiveness as ability to sell goods that can sustain global competition. However, the latter approach, in my opinion, narrows the notion of competitiveness and equals it to the ability to be in demand. Market share itself, on the other hand, cannot guarantee the achievement of competitiveness from finance point of view as conquering the desired market share may be reached by aggressive sales with usage of discounts and generous credit terms, which negatively affects profitability and liquidity.

In my opinion, competitiveness of a company is its ability to steadily outperform competitors, which is reflected in financial competitiveness. From finance point of view competitiveness of a company is determined by its ability to steadily reach the superior level of profitability than competitors. I call it 'financial competitiveness' [Pyatanova, 2021, p.37].

Contemporary theory of competitiveness should simultaneously view the company both in the context of industry and wider surroundings as the external environment affects the performance and that influence at the same time has some restraining character. It is necessary to analyse and take into consideration the external environment to understand the opportunities, conditions for demand and prospects of the market. The modern competitiveness theory should be complex and allow the possibilities for changes in such areas as customer needs, technologies, supply system, new managerial practices etc., that is to be wide enough and flexible. Nowadays, due to increasing uncertainty, the influence of the fourth industrial revolution and transformation of industries, we see the growing importance of internal factors, including technological, for the ability of a company to outperform rivals on indicators of profitability.

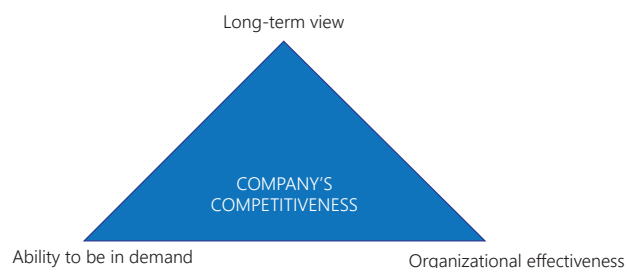
The ability of a company to reach superior profitability depend on complex of financial and non-financial factors, simultaneous influence of many variables, including demand and others. Therefore, the task was to group them by areas (directions of activity) and then to decompose and highlight the most significant factors in order to manage them. The paradigm presented below offers the framework of company's competitiveness, components of the recipe of success, however the dosage of each component is necessary to determine depending on the specifics of a company, industry and market.

New paradigm of a company's competitiveness

According to the purpose to build a new paradigm of a company's competitiveness and based on the vast

practical experience in the field of strategy and finance, I have made an attempt to create the qualitative model of a system of company's competitiveness. This model is based on comprehensive, complex approach. The task was to draw an original, wide and universal system that would work for an organization of any type, size and industry. In the designed framework I focus on factors and actions which depend on the company itself.

I believe that the competitiveness of a modern company is determined by three main elements (cornerstones): the ability to be in demand, organizational effectiveness and long-term view (fig. 1). Further we shall consider the main cornerstones of the 'competitiveness triangle'.



Compiled by the author on the materials of the study

Figure 1. 'System of Company's Competitiveness – 'Competitiveness Triangle'

The ability to be in demand

Although the focus of our research lies on the ability of a company to reach competitive success, no doubt that the opportunities to exploit the competitive advantages are found in external environment. There may be unique conditions of the specific market, favourable relations with the local government¹, the possibility to create a new demand in the marketplace etc. External environment impacts the configuration of company's resources, its strategic moves and brand positioning. The ability to be in demand directly influences the company's competitiveness and is reflected in outstanding sales and recognition by the market. This is the primary element of the company's system of competitiveness.

The ability to be in demand means the ability to sell goods and services that customers will value higher than those offered by competitors.

There are several drivers that are able to activate this angle of the competitiveness triangle. Among them the main are: technological and product innovations, effective marketing and sales, continuous improvement of service, superior customer relations.

¹ Although Michael Porter tries to clear the financial results from influence of this condition, in my opinion, if such possibilities exist and can help to strengthen the competitiveness of the company, they should be taken into consideration and used.

Organizational effectiveness

The next key element of the system of company's competitiveness I call 'organizational effectiveness', which includes the choice of the organizational structure and routines suitable for the chosen strategy, specific activity and current context; the quality of financial management; cost efficiency; quality of all processes; focus and prioritization of tasks; smart work with personnel etc. In fact, this should be a live organizational mechanism, 'country within a country' to implement strategy and serve the ability to be in demand.

No doubt, that the nearest competitors influence the pace and extent of the organizational improvements and innovations. Differences in organizational effectiveness between companies may be deep and comprehensive. Some companies may use their assets in a smarter way, eliminate unnecessary activities, employ more advanced technologies with higher productivity, select and motivate personnel better etc. Such differences in organizational effectiveness are the important source of differences in profitability between competitors because they influence costs and extent of differentiation.

It is important to point out that the pursue of organizational effectiveness should be reasonable, which means foremost not to supplant the implementation of key strategic goals of a company. Also, additional costs as a result of 'better practices' implementation, should not exceed the benefits, expected from increased effectiveness.

Since 1980s corporate managers have been preoccupied with improvement of operational efficiency. Companies have adopted such programmes as total quality management, benchmarking, time-based competition strategies in order to improve quality of goods, customer satisfaction and achieve better practice. [Porter, 1996, p.63]. Operational efficiency means performing similar activities better than competitors do. This means better usage of resources, higher productivity, faster service etc. However, the possibilities to increase operational efficiency are limited by a certain level, behind which we can see the opposite effect, for example, growing frequency of mistakes of personnel due to excessive labour intensity. On the other hand, operational efficiency of a company has a certain space for improvement through joint usage of resources, organizational capabilities and knowledge by different divisions.

Porter argues, and I agree with his viewpoint, that continuous improvement of operational efficiency is necessary but insufficient to reach superior profitability. Few companies could retain competitiveness during the long period relying on operational efficiency only; the employment of new technologies and ways of doing business requires more comprehensive and complex approaches in order to outperform rivals.

In my opinion, the organizational effectiveness as an angle of competitiveness triangle is based not only on achievement of superior productivity in certain activities, but also on right choice, combination and configuration of activities, both on strategic and operational levels. The main drivers that activate this area include: smart and flexible organizational structure and management systems, superior productivity, cost efficiency, high quality of financial management and general management, fine connections and relations, ability to implement strategy.

Organizational effectiveness should also be born from readiness to cooperate, exchange resources and knowledge, from striving for continuous synergy. It should be translated both inside the company, generating confidence and enthusiasm of staff, and into external environment, showing the partners firm aspiration of all members of an organization to work consistently on the basis of best practices.

Organizational effectiveness should be of dynamic nature and interact with other parts of the competitiveness system, permanently keeping in sight other significant angles of the competitiveness triangle – ability to be in demand and long-term view.

Long-term view

The third and strategically the most important element of the competitiveness triangle is a long-term view, therefore I locate it in the top of the triangle. It is critical not only to reach the state of competitiveness but to be able to retain it over the long run. In this sense it is vitally important for a leader to have a long-term view over the business and an intention to work and prosper long-term. This intention should be imbedded into the strategy, culture, operational efforts and construction of processes and routines. The intention to work long-term will impact all the spheres of the company's activity, influence all kinds of decisions: investment, financing, R&D, team building. To put it in simple words, this is a faith in future of the organization, an intangible fuel for the company's existence.

The 'long-term view' zone of the triangle includes: mission, vision, corporate strategy, ethics and reputation, strategic relations, corporate culture, the intention of top-management to work long-term. To take care of this zone means paying attention to factors that create foundations to reach and sustain superior competitiveness in the long-term prospective.

The aspiration for long-term presence in the market is an important factor of success, which should be reflected in everything the company does (taking orders, production organization, customer service, personnel development, sales, product enhancement) i.e. everything that creates the ability to be in demand and provides organizational effectiveness.

Long-term view also means consistency and continuity of action. After strategy formulation the company must

consistently work on its implementation. Continuity of efforts is needed for reinforcement of strategic positioning, as consumers and partners need time to understand the place and role of the company in the market. Also, time and persistence are needed to continue and complete projects started, to generate demand, to form the culture of consumption of new goods, to develop product and create the unique value proposition.

Continuous efforts are needed also to build the organizational effectiveness, to ensure that processes, structure and interaction are organized in a best way, to reach the economy of learning, provide transfer of knowledge and experience from mature to young employees. Continuous efforts are needed to fight rivals on constant basis.

Long-term view is opposite to short-term approach, aimed at maximizing short-term profits without constructing long-term strategic intents. Strategy and tactics of such companies differ from those aimed at long-term success. For example, short-term behaviour is often characterized by pursue to maximize financial results at any cost, which can be accompanied by unethical actions towards partners, personnel etc. In such instance the management is aimed narrowly to satisfy mostly interests of shareholders and top-level managers, not taking much care about interests of other stakeholders, issues of long-term reputation, effective corporate governance and corporate social responsibility of business.

Complex approach

After determining the cornerstones of the system of a company's competitiveness, it is necessary to emphasize the importance of complex approach. Here I mean not just keeping strategic fit (between the strategy and activity of the company), but running different businesses and functional activities in unison: in perfect coordination, reinforcing each other and following the common goal to achieve superior competitiveness.

In my opinion competitiveness of a company is formed as a result of diverse activities, comprehensive and purposeful efforts of different divisions. It can hardly be achieved only on a basis of a single competitive advantage, and even if it initially takes place, the created advantage can be easily destroyed by competitors. When the company possesses the bouquet, wide bunch of advantages, even if there are many competitors which may duplicate particular advantages, it would be simply impossible to recreate the whole palette of advantages composed within such a company. Therefore, if all the divisions work purposefully, devotedly and harmoniously together to retain and augment competitive advantages, have teams of ambitious, educated and talented people, it is very difficult to win over such an organization.

To sum up, in order to build the sound system of company's competitiveness all matters. Such complex approach on the level of the whole organization (not only in the part of its organizational effectiveness) is based on the wholeness of system of activities which creates competitiveness, not on the collection of its parts. Competitiveness of the whole company in a long run is created by virtue of how its activities match and strengthen each other.

Conclusion

Nowadays business leaders are greatly concerned with the ability of a company to stay competitive in a changing environment and search for key elements, new sources and drivers of competitive success. In the offered competitiveness framework the focus was made on factors and actions that depend on the company itself. It is necessary to admit that study of external environment and building the successful relations with its agents are very important steps for proper positioning of the competitiveness triangle. External analysis is critical to determine where the competitiveness triangle will float, to select environment (industry, geographic scope) with favourable opportunities to exploit the bunch of a company's competitive advantages. However, the efforts to properly understand and interact with external environment principally depend on the company itself.

As it was mentioned above, the goal of creation of company's competitiveness system was to offer a universal practical model which can be used by any company. However, there is no doubt that the concrete factors of competitiveness which each company in a chosen industry defines as dominating for success, will differ from case to case. As companies are different, their success factors are different. For example, for dairy processing industry these are high quality of finished goods, access to the raw materials of needed quality and quantity, access to finance for seasonal operational purposes etc.

Achievement and sustainment of competitiveness requires continuous adaptation of a company to changing economic conditions and social norms. So, in current conditions of uncertainty the system of a company's competitiveness should be alive, dynamic, and parts of it should work smoothly in interaction to reinforce each other and develop synergy.

To conclude, if all three angles of the competitiveness triangle are utterly active, continuous in their efforts and strong in interactions, this would create the effect of synergy which may lift the competitiveness of a company to the unattainable highness. These are the organizations that have all the chances to work many years meeting and exceeding the expectations of its customers, shareholders, employees, business-partners, society.

Список литературы:

- Мициберг Г., Альстранд Б., Лампель Ж. (2013). Стратегическое сафари: Экскурсия по делям стратегического менеджмента / Пер. с англ. Д. Раевская, Л. Царук. М.: Альпина Паблишер. 367 с. (Серия «Сколково»).
- Пятанова В.И. (2021). Формирование концепции конкурентоспособности компании в контексте развития стратегической мысли // Микроэкономика. № 5. С. 36–43. <https://doi.org/10.33917/mic-5.100.2021.36-43>
- Chikan A. (2008). National and firm competitiveness: a general research model // *Competitiveness Review: An International Business Journal incorporating Journal of Global Competitiveness*, V. 18, No. 1/2, pp. 20–28. <https://doi.org/10.1108/10595420810874583>
- Krugman P. (1994). Competitiveness: A dangerous obsession // *Foreign Affairs*. V. 73, No. 2. Pp. 28–44. <https://doi.org/10.2307/20045917>
- Porter M. (1985). *Competitive advantage: creating and sustaining superior performance*. New York: Free Press; London: Collier Macmillan. 929 p.
- Porter M. (1991). Towards a Dynamic Theory of Strategy // *Strategic Management Journal*. V. 12, No. s 2. Pp. 95–117. <https://doi.org/10.1002/SMJ.4250121008>
- Porter M. (1996). What is strategy? // *Harvard Business Review*. V. 74, No. 6. Pp. 61–78.
- Prahalad C., Hamel G. (1990). The core competence of the corporation // *Harvard Business Review*. V. 68. No. 3. Pp. 79–91. https://doi.org/10.1007/3-540-30763-X_14

References

- Chikan A. (2008), “National and firm competitiveness: a general research model”, *Competitiveness Review: An International Business Journal incorporating Journal of Global Competitiveness*, vol. 18, no. 1/2, pp. 20–28. <https://doi.org/10.1108/10595420810874583>
- Krugman P. (1994), “Competitiveness: A dangerous obsession”, *Foreign Affairs*, vol. 73, no. 2, pp. 28–44. <https://doi.org/10.2307/20045917>
- Mintzberg H, Lampel J., Ahlstrand B. (2013), *Strategy safari: A guided tour through the wilds of strategic management*, trans. from Eng. D. Raevskaya, L. Tsaruk, Alpina Publisher, Moscow, Russia. (Series “Skolkovo”). (In Russian).
- Porter M. (1985), *Competitive advantage: creating and sustaining superior performance*, Free Press, New York, USA; Collier Macmillan, London, UK.
- Porter M. (1991), “Towards a dynamic theory of strategy”, *Strategic Management Journal*, vol. 12, no. s 2, pp. 95–117. <https://doi.org/10.1002/SMJ.4250121008>
- Porter M. (1996), “What is strategy?”, *Harvard Business Review*, vol. 74, no. 6, pp. 61–78.
- Prahalad C., Hamel G. (1990), “The core competence of the corporation”, *Harvard Business Review*, vol. 68, no. 3, pp. 79–91. https://doi.org/10.1007/3-540-30763-X_14
- Pyatanova V.I. (2021), “Evolution of the company's competitiveness concept in the context of development of strategic thought”, *Mikroekonomika*, no. 5, pp. 36–43. (In Russian). <https://doi.org/10.33917/mic-5.100.2021.36-43>