

THE ANALISYS OF ASPECTS OF COMPETITIVENESS OF DOMESTIC ENTERPRISES

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***Summary:** New competitive conditions require new approaches in the field of organizational management and development of competitiveness. Standards and the best practices are the way to excellence, but in the long term. Achieving competitive capabilities in a shorter period of time implies innovation and the improvement of productivity and knowledge. Domestic companies have had a problem with the competitive ability in international level for many years. Insufficient investment in quality has resulted in extremely poor competitive position of the domestic economy. To make local companies become competitive at the international level, it is necessary to alter the ways of thinking and adopt modern world achievements in the field of organizational management.*

***Keywords:** competitiveness, management, innovation, quality, knowledge.*

1. INTRODUCTION

Global competitiveness is becoming increasingly intensive, noticeable and offensive. The current moment of global economy can be marked by slow but sure rise of enterprises from newly industrialized countries, such as China, India, Brazil, South Africa, Turkey, etc. Enterprises from these countries are becoming global competitors. Their competitive ability is based on lower business costs, first of all because of lower labour costs, but also for their readiness to accept foreign investments and the most modern methods and management techniques. The main stimulus for these economies is increased domestic consumption as well as a numerous young population. The latter represents an advantage not only concerning education but everything else as well – as the income rises, people become more educated and they change their preferences.

The world economic crisis and its long lasting effects emphasize the need for permanent improvement of knowledge – in recent years only the best, no matter where they come from, can win. The winners are usually the companies which have performed optimiza-

tion between the price and the quality on the grounds of reducing costs and permanent productivity increase by applying standardized QM concept and intensive innovativeness. Chinese and Indian companies are such examples.

This implies the necessity for developing new business models aimed at establishing competitiveness on the global market. Rapid changes, short-lived advantage, disruptive technologies, revolution-bringing competitors, disturbed markets, omnipotent clients, rebellious shareholders – are all the 21st century challenges, putting the worldwide projected organisational constraints on test and bringing the management model flaws, unable to keep the pace with time, into spotlight, [1].

When it comes to the competitiveness of domestic enterprises we have to say that it is at a very low level. Insufficient applications of knowledge, low technological level of enterprises, unproductivity and inefficiency are just part of the problem that domestic companies face.

2. COMPETITIVENESS IN GLOBAL TERMS

The competitive ability of a company in the modern business conditions is hard to achieve and easy to lose. The reason for this attitude is the fact that the rapid technological advances enabled the technology to become available to everyone in the world under reasonable terms. In addition, the global economic crisis has highlighted the fact that it is necessary to create new business models.

The challenges which follow establishing, keeping and developing competitive abilities on the global market are much greater today than 20 years ago. The following reasons are considered to be crucial:

- New companies are mostly based on services,
- New companies are mostly from the field of knowledge economy,
- The change of techno-economic paradigm causes considerable changes,
- The number of allowed mistakes is far smaller than before,
- The new paradigm is, in great extent, in the phase of pre-standardization, which makes choosing the winners impossible, [2].

In modern business conditions the following business functions with the strategic role are particularly emphasized in organizational management because of their market orientation: marketing, quality, research and development. The company's growth, development and success are determined by tight interdependence of these three functions and their synergistic effect. Marketing, as a business function, should create marketing program according to defined needs and customers' requests with the aim to fulfil customers' requirements, to make profit and satisfy all other interest groups within a society. Marketing management becomes knowledge management – it makes possibilities for increasing knowledge productivity of other business functions. Marketing represents the key instrument which makes knowledge more productive. The result of research-developing function is development of new technical-technological solutions. Each successful innovation must coordinate technological as well as the whole marketing function. Marketing is essential for total process of technological innovation.

Quality, alongside with product diversity and marketing communications, represents the key element for creating a successful brand with a stable market position. Quality

is becoming a primary developing aim expressed in the form of business excellence and achieving world class product and services. Business excellence implies that businesses constantly work on the implementation of quality of business organizations based on the increase in productivity and skills of each employee. Business excellence is the development of market economy, with the user in focus of the organization, permanent improvement operations based on knowledge and productivity of labor and business in line with the requirements of the various interest groups in the region.

Countries that are competitive are also the countries where the awareness of the need for continuous quality improvement of business has been developed for many years. Industrialized countries of the world such as China, India and Brazil are putting great efforts in spreading the concept of sacrificing business practices in order to create conditions for improving the competitiveness of its economy.

Table 1: Ranking of the top 10 countries in the world according to the competitiveness from 2013. [3]

Country	Rank in 2013–2014	Rank in 2012–2013
Switzerland	1	1
Singapore	2	2
Finland	3	3
Germany	4	6
USA	5	7
Sweden	6	4
Hong Kong	7	9
Netherlands	8	5
Japan	9	10
Great Britain	10	8

3. THE ANALYSIS OF THE BASIC ASPECTS OF COMPETITIVENESS OF DOMESTIC ENTERPRISES

Since the early 1980s domestic economy has had problems with improving quality and productivity. The productivity problem did not appear in domestic economy only in the time of transition but it was present before, as well. These problems were the result of inappropriate business performance which was not based on market principles. Certain products had unjustifiably high prices which were not competitive on the world market. Therefore, Serbian companies reduced export prices in order to gain competitiveness on the world market, while domestic customers had to pay this cost of unproductiveness through high prices. Old technology, poor quality, unattractive packaging and high prices are thus the main reasons for uncompetitive appearance of Serbian products on international market.

Technological equipment also represents a significant element of productivity rising. The average machine age in Serbia is about 30 years. Compared to the situation in the region, this represents the approximate 12-year obsolescence. Serbian economy is, technologi-

cally, 29.5 years behind European Union, which was confirmed on the representative sample of 154 small, medium and big companies within six economical branches with similar production programs. The comparison was carried out in textile, food-processing, pharmaceutical, machinery, chemical and building material industries. Austria was taken as a criterion because of its similar natural, social and demographical characteristics in relation to Serbia [4]. The greatest obsolescence was noticed in textile companies (35 years), then in machine industry (34.5 years). Pharmaceutical companies were best ranked with 21 years' delay. Considering the regions, the equipment, tools and other production means are most obsolete in south Serbia (41 years) and the least in Backa (18.5 years' delay). In Belgrade the delay is 20.5 years. The most productive companies are those with the equipment and machines of the highest quality. These are pharmaceutical companies, some companies from the field of food processing and companies with foreign capital, which is totally 8.5 to 9% of the whole Serbian industry. Metal industry is in the worst situation, with 35 year- old- machines in average, and reject of 36%, which is more than double compared to the average in EU countries.

According to the list of the World Economic Forum for 2013, Serbia ranked 101st place out of 148 countries that were analyzed. Serbia was on the 95th place on the list in 2011 and in 2012 which means that there is movement in competitiveness, but in a negative sense. An interesting fact is that this year, Serbia found itself in the company of Algeria (100th place) and Guyana (102nd place). Our last year „neighbors”, also significantly modified their status – Argentina is „down” to 10 seats (now at 104), whereas Greece moved up five places (now 91st). Table 4 provides a ranking of the countries of the Western Balkans in 2009–2013. Only Serbia and Slovenia were down on the list.

Table 2: Ranking of the country of the Western Balkans towards competitiveness in 2008–2011.

Country	Rank in 2009.	Rank in 2010.	Rank in 2011.	Rank in 2012.	Rank in 2013.
Slovenia	37	45	57	56	62
Montenegro	62	48	60	72	67
Croatia	72	77	76	81	75
Macedonia	84	79	79	80	74
Serbia	93	96	95	95	101
BiH	109	102	100	88	87

Source: based on **The Global Competitiveness Report 2013–2014, The Global Competitiveness Report 2012–2013, The Global Competitiveness Report 2011–2012, The Global Competitiveness Report 2010–2011, The Global Competitiveness Report 2009–2010**, World Economic Forum, 2013.

Among the countries in the close environment, Hungary is on the 63rd place, Bulgaria is located on 57th place, Romania is located on the 76th place, Greece, as already mentioned, is located on the 91st place and Albania is on the 95th place. As can be seen from Table 4, Serbia has had a problem with global competitiveness in the last five years, and it was

particularly present in 2013 – Serbia has the worse position in relation to all countries, not only in the Western Balkans, but also in closer environment of southeastern Europe. Table 3 provides a ranking of the countries of the Western Balkans towards competitiveness indicators. The basic requirements of competitiveness of the country consists of the following indicators – institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, the efficiency of capital markets, technological capacity and market size. As can be seen, Serbia is slightly better when it comes to business efficiency, than when it comes to innovation, [3].

Table 3: Ranking of the Western Balkan countries to indicators of competitiveness in 2013.[3]

Country	Rank in 2013. In sum	Rank to primary requirements	Ranking by business efficiency	Ranking by innovation
Slovenia	62	37	62	49
Montenegro	67	68	72	70
Croatia	75	61	68	80
Macedonia	74	70	76	94
Serbia	101	106	92	125
BiH	87	87	89	89

According to the World Economic Forum, all countries in the world are divided into five groups. The first group consists of countries with its economy based on resources and it consists of 38 countries. The third group comprises countries whose economies are based on the development of business efficiency (this group consists of 31 countries) and the fifth group consists of countries whose economies are based on the application and development of innovative activities (this group consists of 37 countries). Second group consists of countries in transition from the first to the third group (this group has 20 countries) and the fourth group consists of countries in transition countries from the third to the fifth group of countries (in this group consists of 22 countries). Serbia is located in the third group of countries (the economy keeping efficiency), together with Montenegro, Romania, Bulgaria, Macedonia, Bosnia, Albania, Indonesia, Chile, and so on. Croatia is in the fourth group (transition from efficiency to innovation), while Slovenia is located beside the fifth group countries that stem (economy driving innovation and sophistication). The fifth group consists of mainly the most developed countries of the world.

The World Economic Forum provides an analysis in the field of sustainable development, from the aspect of social sustainability and viability of protection of environment (Table 4 for the Western Balkan countries). The main pillars of the social indices of sustainable development are: income, youth unemployment, access to sanitation, access to potable water, approach to health services, social welfare, participation of underground economy in the economy, social mobility, the overall unemployment rate. The main pillars of the index in Accounting for just protecting the environment includes: the power of legislation, the protection of land, the number of ratified international protocols and agreements, the

availability of water for agriculture, emission exposure to carbon dioxide ratio for fishing, the concentration of particles in the air quality of the environment.

Table 4: Ranking the Western Balkan countries by factor analysis of sustainable development in 2013. [3]

Country	Ranking by social sustainability	Ranking by sustainability in the field of environment	Change in relation to previous period
Slovenia	4,68	4,60	Slight increase
Montenegro	4,13	4,13	Stagnation
Croatia	4,09	4,13	Stagnation
Macedonia	3,99	3,83	Stagnation
Serbia	3,58	3,74	Stagnation
BiH	3,66	3,44	Slight decrease

When it comes to number of certified organizations in the domestic market in the field of quality management, Serbia is the leading country of the region of Western Balkans. The number of certified organizations in Serbia certainly has contributed to a better position of our economy in the case of improving business efficiency as a parameter of global competitiveness – the level of business efficiency of Serbia is the 92nd position, the level of innovative spirit of the 125th position on the global scale. On the other hand, the number of certified organizations in Serbia is not nearly satisfactory compared to other SEE countries, such as Hungary, Romania, Bulgaria and Greece.

Table 5: Number of certificates of ISO 9001 and ISO 14001 in the Western Balkans. [5]

Country	ISO 9001s	ISO 14001
BiH	1.027	145
Montenegro	96	15
Croatia	2.048	575
Macedonia	302	103
Slovenia	1.363	313
Serbia	2.831	575

4. CONCLUSION

Competitive advantage cannot be achieved as it could have been before the crisis in 2008. The world economic crisis has changed business conditions, which is particularly related to resource management and market competitiveness. A lot of factors contribute to forming the strategically insertion, but the three represent a particularly interesting threat to a well-timed renewal. The first one is the leading teams' tendency to disclaim or ignore the urge to restart the strategy. The second one is the lack of convincing alternatives to the un-

changed state. The third one is the allocation rigidity, which complicates talent placement and regrouping behind the new initiatives.

Innovations, flexibility and productivity are guidelines for the future development in the field of competitiveness and organizational management. The very essence of the struggle for competitiveness lies in accepting changes. Knowledge is the main driving force of permanent productivity growth in the companies from these countries. Companies from transitional countries are faced with numerous problems – among them the most important are those related to improving knowledge and organization. Economic progress and development of Republic of Serbia require creation and development of competitive economy based on knowledge, new technologies and innovations, as well as on overall implementation of integrated management systems.

To achieve commercial success of the company it needs to have a competitive advantage in the form of lower costs and / or product differentiation, with a long-term strategy of providing products and services of high quality and continuous innovation. The main problem is the lack of competitiveness of domestic enterprises, which occurs as a result of poor productivity performance and the lack of implementation of new technologies and knowledge and inadequate application of the concept of quality management. Every business organization must become aware of the fact that the only way to establish and develop competitive capabilities constantly improving sacrificing performance and achievement of the objectives of operational excellence. Among domestic enterprises there has not yet been developed the awareness of the importance of applying business excellence model for their business. The first step in this process is the implementation of a quality management system by ISO 9001 standard requirements and Development integrated management systems.

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