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**RESOURCES – BASE FOR COMPETITIVNESS**

**Abstract**

Globalization of world markets and the internationalization of companies inevitably led to changes in the management of the enterprises. Because of this, there are numerous challenges that the companies must deal with in order to survive and create a sustainable competitive advantage.

Competitive strategy of companies consists approaches and initiatives which need to be taken in order to attract more customers and to satisfy their needs, while opposing to competitive pressures and strengthen its market position.

Strategy and objectives of the company are directed towards the proper management and use of resources, reduce of costs, maintain market position, meeting the demands of the consumers and above all, maintain long-term competitive advantage over its rivals. In achieving this goal, the company approaches towards utilization of advanced technologies and information systems, as well as proper utilization, allocation and development of resources and capabilities of the company.

**Keywords:** Competitive Advantage, Resources, Capabilities, Strategy.

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## **Introduction**

Changes in environment and modern trends of internationalization and globalization impose certain changes in the operation of companies. Over the past decade major contributions in the field of economics and strategic management are made, that draw attention to resources. The main contribution for the resources in the companies is the theory of competitive advantage. Its logic is relatively simple. It starts from the assumption that the desired outcome of managerial effort within the company is competitive advantage which will be maintained.

Achieving competitive advantage which will be maintained enables the company to increase its profitability. The question of how to increase the profitability of the company and how to maintain a competitive advantage in terms of resources, the answer lies in the possession of certain key resources that have specific characteristics such as value, inability to copy and uniqueness. Competitive advantage can be maintained to obtain if the company effectively deploy these resources to its products and markets.

The current competitive conditions of the developed economies of the world market are becoming increasingly dominant and create difficulties in the survival of companies. Realizing that the company is not enough to be mediocre in their competitiveness actualized the need to create strategies for designing new products and services that would attract the attention and interest of the consumers.

### **1. The resources and their role in creating competitive strategy**

Resources are inputs into the production process of the company - investment equipment, skills of employees, patents, finances and talented managers. Resources include a range of individual, social and organizational phenomenon<sup>1</sup>.

Resources, by themselves, do not produce a competitive advantage. The production technology of the company, unless protected by patents or other restrictions, can be purchased or imitated by

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<sup>1</sup> Teece, J. David: "Explicating Dynamic Capabilities: the Nature and Micro foundations of (Long Run) Enterprise Performance", *Fundamentals of Business Strategy*, Vol. 5, SAGE Publication Ltd, London, 2007, pp. 516.

competitors, but when the production technology is integrated with other resources and establish a capability that can develop and result in to competitive advantage. Thus, competitive advantage can be created through a unique set of few resources. Physical assets alone usually cannot enable the company to maintain competitive advantage<sup>2</sup>.

In some cases, resources or capabilities help the company to increase its revenues and reduce costs, but the company gets only a temporary advantage because competitors can quickly imitate. Many e-businesses in the early 21<sup>st</sup> century have seriously reduced their profits because of the new (or existing) competitors who very easily copied their business models. A significant example is Priceline.com, which offers to the consumers to buy online tickets and a wide range of other products. It was too easy for competitors (for example, the association of major airlines) to copy the products and services of Priceline. Resources and capabilities must be rare and valuable, difficult to be imitated or difficult to replace in order the company to achieve competitive advantage which will be maintained over time<sup>3</sup>.

Because all resources lose their value, an effective corporate strategy requires continuous investment in order to maintain and build valuable resources.

The competitive strategy of the company consists of business approaches and initiatives taken to attract customers and to meet their needs, to counter competitive pressures and strengthen its market position. Business strategy not only cares for competitiveness and competition, but also how management plans to deal with all the other strategic problems that may be faced in business. The basis of competitive strategy of the company consists of internal company initiatives that lead to superior value for customers. But also it contains offensive and defensive moves to counter competitors, actions for exchange of resources to improve the long-term competitive ability of the company and market position, as well as efforts to respond to any market conditions<sup>4</sup>.

When managers will identify the resources and strengths of the company, should be carefully assessed their competitive value and their

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<sup>2</sup> Hitt, A. Michael, Ireland, R. Duane, Hoskisson, Robert E.: *Strategic Management – Competitiveness and globalization*, Nelson Education Ltd, 2005, pp. 91-91.

<sup>3</sup> Dess, G. Gregory, Lumpkin, G. T., Marilyn, L. Taylor: *Strategic Management – creating competitive advantage*, McGraw-Hill, Irwin, 2005, pp. 88.

<sup>4</sup> Thompson, A. Arthur, Struckland III, Jr. A. J.: *Strategic Management – Concepts and Cases*, McGraw – Hill, Irwin, 2011, pp. 124-125.

importance in building strategy. Some advantages of resources and competitive capabilities are more important than others because they give more power to the strategy or they are major factors in participating in a stronger market position and higher profitability. Most companies are well supported with competitive valuable resources, much less a competitive superior resources. Many businesses have a mix of resources - one or two valuable resources, some good, satisfactory to the average. Only a few companies, usually the strongest leaders in the industry, possess competitive superior resources. The principle of building the strategy is simple: the company strategy should be tailored to align with company resources - taking into consideration the strengths and weaknesses. Managers should build their strategies exploiting capabilities - its most valuable resources and avoid strategies that have tough requirements in areas where the company is weakest. Companies who are lucky enough and have specific skills or other competing superior resource must wisely implement their strategy, because their value will decrease with time and competition<sup>5</sup>.

## **2. The impact of resource management in the building of competitive advantage**

One of the main strategic decision-making processes that the managers are facing is deciding which resources to develop and direct. Top managers spend a lot of time analyzing, selecting, developing and directing the necessary resources to enable the company's competitiveness. These resources and competitive advantages must be constantly upgraded or modified to enable the company to maintain its competitive advantage over other companies in the market<sup>6</sup>.

Managing the process of identifying and developing resources required from the managers examining the weakness of resources that must be corrected to ensure that the current strategy of the company will be competitive in the future. It is therefore important to evaluate the

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<sup>5</sup> Collis, J. David and Cynthia A. Montgomery: "Competing on Resources: Strategy in the 1990s", *Fundamentals of Business Strategy*, Vol. 5, SAGE Publication Ltd, London, 2008, pp. 140-150.

<sup>6</sup> Hill, W. L. Charls and Gareth, R. Jones: *Strategic Management – An Integrated Approach*, Houghton Mifflin Company, 2007, pp. 91-97.

quality of competitive advantages, resources and skills needed in the current and desired strategy and competitive position in the future.

Two issues must be considered when determining specific strengths required for the strategy: Do the strengths support the competitive advantage position, resources and capabilities of the company and whether they can be implemented effectively? Starting with the strengths that the company possesses, strategist determines the unique features of the company's current strengths - those that are different from those of competitors. These features can include competitive advantages and capabilities. Once you determine the critical advantages, the strategy has been developed to use the same.

### **3. Building and maintaining competitiveness**

"What is meant by competitive advantage and why is it important? "Hutchison" is trying to get its advantage by promoting the 3G- technology wireless – communication. This is an example of an attempt to create a competitive advantage because they were the first to have made the move and got ahead through this technical innovation"<sup>7</sup>.

Competitive advantage is necessary but not sufficient condition for continued market share because the company at some point needs a capability not just to be better than the competitors, but also the ability to earn above normal profits to justify its participation.

If the company is poorly positioned in the market, in one industry, or execution of one activity, which is characterized by a good return on investment, the competitive advantage is not sufficient to support further action in this industry. The company could face a reduction in the number of consumers while external factors are beyond its control. In this situation the strategic goal of the company should focus on looking for new industry that can build different competitive advantage. A company may have a competitive advantage, but to be badly placed. Or, it may be well positioned, but with lack of competitive advantage because cannot achieve relevant essential skills. Achieving competitive advantage involves expanding the resources of the company, developed from strategy into capabilities, to use the strengths of the opportunities that are provided by the external environment. Positioning is a part of

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<sup>7</sup> Collin, White: *Strategic Management*, Palgrave Macmillan, 2004, pp. 269.

this, but the development of competitive advantages reflects positioning and effective use of any resource.

To maintain an advantage for short term requires constant development of capabilities and restructuring of certain resources in different skills. Because of this, must carefully monitor changes in the environment. It includes a combination of good follow of changes and better management of resources than competing companies operating in the same market. Without potentially competitive advantage, strategy cannot be developed. Identification and development of competitive advantage is the center of strategy formulation<sup>8</sup>.

Profit that can be earned from the resources and capabilities, not only depends on their ability to build a competitive advantage, but how long that advantage will be held. This depends on whether the resources and capabilities are sustained and whether competitors can copy the competitive advantage they offer. Resources and capabilities are easy to copy if you are transferable and replicable<sup>9</sup>.

### **Conclusion**

Taking into consideration the current conditions of competition in the market, only those companies that provide the best allocation of resources, succeed to be the most competitive and continue to exist despite all else that must be diversified or to look for any other business that will be more successful.

It can be concluded that the resources and their allocation are those which decide the success of the company and its market share. Global markets worldwide and current competitive conditions are becoming more prevalent and contribute to hindering the fight for survival of companies.

In order to exploit opportunities and neutralize the environment threats, available resources, companies must be valuable and rare among current and potential competitors to the company. Also of paramount importance in achieving competitiveness is a resource to be difficult for imitation by competitors and to do not have strategic equivalent replacement. Such resource, by themselves contribute to achieving

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<sup>8</sup> Ibid, pp. 269-271.

<sup>9</sup> Grant, Robert M.: "Analyzing Resources and Capabilities", *Contemporary Strategy Analysis*, Wiley, 2007, pp. 124-125.

competitiveness in the market, which leads to domination over rivals only when they are properly allocated, are used and managed.

The fact that there is not enough companies to be mediocre in their competitiveness, questioned the need for creating strategies for new products and services which would increase the interest of consumers. Therefore, arises the need to achieve sustainable competitive advantage that enables companies to increase their profitability. But the company's ability to increase its rate of profit depends also on attractiveness of the industry.

Nowadays, in conditions of market economy, where competition is fierce and where profit is monitored, as the main motive in running a business, a successful management of resources is essential. Market research, developing new products, improving existing products, creating the most adequate distribution system and promotion are just some of the activities that a company must take over if it wants to achieve or maintain own market competitiveness.

The competitive advantage of companies can be manifested in various ways, through the ability to produce low cost, strong expertise in e-commerce, technological know-how, without manufacturing defects, expertise in providing consistently good customer service, excellent skills in advertising or unique talent for advertising and promotions. Also, by having equipment, attractive locations, widespread distribution, ownership of valuable natural resources, computer network and information system and significant amounts of cash. But what is essential is experienced and capable workforce, skilled workers in key sectors, motivated and dynamic staff, intellectual capital, know-how management and organizational learning embedded in the organization. Today more attention is given to organizational resources and valuable invisible resources, so it can be distinguished the systems for quality control, licensed technology, patents, loyal customer bases, strong credit rating, purchasing system, well-functioning internal communication company, an e-commerce exchange of information with key suppliers and customers, computer manufacturing, a system for doing business online, brand image, company reputation, goodwill of customers and motivated and dynamic workforce.

Competitive company is a company which in a short time develops new products to the market, has strong distribution network, strong partnerships with major suppliers, excellent R & D- sector for development of new products, a high level of organizational agility in

adapting to market conditions and exploitation of opportunities, well trained officials customer service or system of conducting business online.

What can be derived as a conclusion from this analysis is that the continued investment and development of resources keeps companies competitive on the global markets and provides long-term survival and profitable operation.

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