

# Identifying and Adopting Latter Instruments Determining the Sustainable Company Competitiveness

Andrej Miklošík, Petra Horváthová, Štefan Žák

**Abstract**—Nowadays companies in all sectors are looking for the sources of competitive advantages. Holistic marketing approach searches for their emergence based on the integration of all components and elements across the organization. Modern marketing sees the sources of competitive advantage in implementing the latest managerial practices, motivation, intelligent project management, knowledge management, collaborative marketing, CSR and, in the recent years, also in the business process optimization. With the use of modern tools including business process management and business process modelling the company can markedly increase its internal efficiency which can lead not only to lowering the costs but to creating the environment for optimal customer care, positive corporate culture and for origination of innovations as well. In the article the authors analyze the recent trend in this area and introduce suggestions to companies to identify and optimize the key processes that have a significant impact of the company's competitiveness.

**Keywords**—business process optimization, competitive advantage, corporate social responsibility, knowledge management

## I. INTRODUCTION

MANY companies are working hard to efficiently satisfy the customer needs, to create the brand position, to differentiate in services. These activities should help to create such market position which would protect the company against competition price wars and prepare fundamentals for further expansion on the market. In these turbulent times of unawares alteration of economic recession and crises management is looking for the sources of competitive advantage, which would help the company to stabilize its position. The traditional sources are more and more easily replicated by the competitors, as they are visible to the all market competition and thus trackable with lower requirements on sources of all kinds.

*We can identify these traditional sources of competitive advantage:*

- product portfolio width – companies are adding new products to the portfolio when identifying new niche markets, searching to hit new customers, optimizing the portfolio complexity and optimizing the product lifecycle,

Dr. A. Miklošík and Dr. Štefan Žák are with the University of Economics, Faculty of Business, Marketing Department, Dolnozemská cesta 1, 852 35 Bratislava, Slovakia (phone: 00-421-2-6729-1548; fax: 00-421-2-6729-1149; e-mail: miklosik@euba.sk, zak@euba.sk).

Dr. P. Horváthová is with the VŠB-Technical University of Ostrava, Faculty of Economics, Department of Management, Sokolská 33, 701 21 Ostrava 1, Czech Republic (phone: 00-420-59-6992442; fax: 00-420-597-322-442; e-mail: petra.horvathova@vsb.cz).

The article originated as the output of the project VEGA no. 1/0418/11 Sustainable marketing and sustainable consumption.

- product quality – the quality was intensively perceived as the factor differencing the companies from each other, however, with new technologies, production automation, computer integrated manufacturing and logistics optimization the differences are slightly mitigating,
- premium branding – usually connected with premium quality, created a space for higher margins by the orientation on the premium segment,
- exclusive showrooms – expensive presentation and personnel is helping to create a unique sales point,
- customer orientation and customer care – these factors are creating the image of the company and help to increase customer loyalty, however, these should be the matter of course nowadays,
- collaborative marketing – a close cooperation with the customer not only during the purchase decision process and after the purchase but also in the earlier phases should help the company to develop products with the right features, stimulates demand and supports the customer confidence and engagement which leads to higher loyalty.

Definitely, we are not claiming these instruments are not working in the present situation. However they have transformed to the position of necessity and decreasing number companies in this field have significant deficiencies in this area. Thus modern marketing and management approaches are seeking for new sources of competitive advantage which would not be such visible for competitive intelligence and at the same time would help the company to stabilize or strengthen its market position. In recent decades new management approach including the elements of crisis management must be applied. According to Mikušová [17] a lot of organizations do not consider this approach a feature of competitiveness.

## II. LATTER COMPETITIVE ADVANTAGE SOURCES

Based on our research in the area of European companies' behaviour in the crises, we have identified the sources of competitive advantage which can be named as the latter sources. They are based on the holistic approach which integrates the influence and effects throughout the different organizational elements. We are listing them further in the article. We summarize their typical characteristics in the Table I.

TABLE I  
TYPICAL SIGNS OF THE MODERN COMPETITIVE ADVANTAGE SOURCES

Typical Sign	Deeper characteristics
--------------	------------------------

Dominating internal character	Unlike the traditional tools which are oriented directly at the market, these sources are internally oriented. Of course they do not exist isolated from the external environment, but the substance is interconnected with internal company environment.
Difficult to imitate	These instruments exhibit a higher degree of sophistication which with the combination of their internal character makes them very difficult to copy by the competitors. The general principles can be studied but the exact implementation process, budgeting, expert knowledge are hidden in the innovating company.
Require experts from various areas	The holistic character of these instruments requires advanced knowledge in these areas. Typically experts from outside of the company are hired to bring the knowledge to the company. In legitimate cases the outsourcing method should be applied to gain benefits from the knowledge created by an expert services company.
Coexisting with traditional sources	Application of the methods introduced in this section cannot guarantee the success of the company itself. Effective usage of these traditional sources of competitive advantage is the prerequisites for implementing these advanced instruments to the company.

According on the introduced characteristics of the latter instruments we can argue that implementation of these is strategic and crucial for companies in regardless of subject matter and business sector. Based on the mapping of recent knowledge in the marketing, management and IT research field and our own primary and secondary research, we have identified these major modern sources of competitive advantage:

- corporate social responsibility (CSR),
- knowledge management (KM) and
- business process optimization (BPO).

### III. CSR AS THE DRIVER OF THE SUSTAINABILITY OF COMPETITIVENESS

The growing threat of climate change and the constantly worsening condition of the environment give rise to the emphasising of permanent sustainability. Sustainable development is the priority for the EU herself. In May 2001, the EU adopted the Strategy for Sustainable Development. Its goal is to ensure a high level of environmental protection, social fairness and cohesion, economic welfare and an active worldwide support for sustainable development. Of course, this goal also applies to the activities of business practice; examples include a statement of the European Commission who in its Green Paper entitled Promoting a European framework for Corporate Social Responsibility states that it is a concept within the framework of which businesses integrate

social and environmental considerations into their business activities in cooperation with interested parties on a voluntary basis (Commission of the European Communities: Green Paper).

The Implementation Guide for Canadian Business [8] defines CSR as a way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better conditions for the businesses themselves and, at the same time, create wealth for the whole society. The voluntary responsible business activities stand on three pillars: the economic, the social, and the environmental field. All three fields should be part of the social responsibility of every business; however, every field comprises many activities from which the businesses can choose according to their focus of activity and the requirements of the participating parties.

Many authorities pay attention to the relationship between CSR and the competitive advantages. From our research we have selected sever authors that strengthen the importance of CSR for improving the company's market position [1, 11, 13, 19, 22]. Perrini and Burritt [3, 19] addressed this issue in their work in whole chapters. We are discussing the issues and relationship of CSR towards the competitive advantage based on the four fields of CSR – market-, workforce-, society- and environment-oriented CSR activities.

#### A. Market-oriented CSR activities

These business activities include driving standards of the supply chain, activities to improve the quality and safety of products, innovations, fair pricing or ethical advertising. Customers and consumers' associations, suppliers and business partners ("to be a fair customer/partners" for example by paying without default, entering into local partnerships, managing standards by means of a supply chain), as well as investors and shareholders are critically important external stakeholders in market-oriented CSR activities. In broad terms, when it comes to following the competitive strategies, competitors as well may be included with stakeholders. Market-oriented CSR activities are on the one hand aimed at customers and on the other hand at business partners or suppliers.

#### B. Workforce-oriented CSR activities

Many CSR activities focus on the main internal stakeholders – the employees. They deal with the improvement of working conditions, wages and transfer payments or the creation of new jobs. Other activities in this field include work/life balance, equal opportunities and diversity, job satisfaction, training and staff development, responsible and fair remuneration, health and safety at work and labour law. Workforce-oriented CSR activities may also include communication/information of employees and participation in company decisions which often results in a strong integration of CSR into their business policies.

#### C. Society-oriented CSR activities

The main aspects of community engagement are social integration, education, medical care, quality of life (sports/culture), economic recovery and employment,

improvement of the local infrastructure as well as security, including various forms of voluntary contributions (e.g. cash or in-kind donations – gifts, free service or voluntary work). This often means cooperation with local organisations or institutions such as schools and hospitals, environmental groups, cultural organisations, sports clubs, etc., but also with public administration bodies and non-governmental organisations. These activities are sometimes referred to as Corporate Community Investment (CCI), but they are also activities in favour of broader society (e.g. in favour of developing countries).

#### *D.Environment-oriented CSR activities*

CSR activities in the field of protection of the environment and sustainable development focus on an efficient use of resources and the reduction of waste and pollution of the environment by means of environmental management systems, eco-design, ecological labels or cleaner manufacturing techniques and technologies.

We can argue that adoption of CSR principles is crucial for the long-term sustainability of business in the current environment. It not only helps to differentiate from the competitors but also supports the brand awareness and creation of positive attitude of the public towards the company and its product portfolio.

#### IV. KNOWLEDGE MANAGEMENT AS THE EFFECTIVE METHOD OF BUILDING THE COMPETITIVE ADVANTAGE AND STIMULATING THE INNOVATION ENVIRONMENT

The system and level of available knowledge on a microeconomic level is considered to be the key constituent that is bound to the business adaptability to changes in the marketing environment. Effective knowledge management is definitely one of the key latter determinants of the company's competitive advantage. This statement is confirmed not only by our research but is supported with a strong evidence of world's marketing management authorities. This thesis is introduced in many recent works of Davenport and Prusak, Jackson, Maier, Mullins, Stapleton, Zelený [6, 10, 14, 18, 21, 23] and other authors. Ghiculescu goes further and defines the direct impact of knowledge management on creating a sustainable competitive advantage [7]. We consider this relationship as key to the inclusion of this area, to key modern factors influencing the creation of sustainable competitive advantage for enterprises.

Knowledge is considered to be the key pillar of society's progress in the present dynamic world. Two ways of how knowledge comes into being are distinguished by the experts. The first is based on formal research and development separated from conventional production and provision of services – off-line activity; the second is on-line learning, a genuine person learns by doing (investigative learning, learning-by-doing, learning in the form of experiment – result – evaluation – retention – new experiment). From the economic point of view, this type of learning is very important, mainly because the costs for generating knowledge are being borne by the genuine person. A typical example is an entrepreneur who in an indeterminable environment bears the risks of advancing their existing activities for the purpose

of their future growth. Only then, when they gain respective knowledge and skills through this process, will they be able to survive as a business. Otherwise they will be out of the game making room for someone more capable, i.e. people with corresponding knowledge and skills.

Businesses that want to be successful on the market and dispose of exceptional power in the long term need to implement knowledge management into their practice. Developed countries provide the world with information and innovation, management, culture as well as pop-culture, state-of-the-art technologies, software, education, medical care, financial and other services [16]. Latest computer operated technologies enable an infinite variety of production. New information technologies are pushing the prices and costs of production variability to zero. The basis of a successful implementation of the knowledge management is to understand the condition that the business consciously and purposefully uses knowledge. Knowledge that the customer oriented company disposes of has to surpass the knowledge of their competitors and customers.

One of the basic pillars when building knowledge management is staffing. People as the carriers of knowledge form the substance of the whole knowledge management system. It is thus vital that companies pay necessary attention to this area before making any further planned steps. Experience from practice points to a frequently repeated mistake when companies focus on only one goal: to quickly and relatively cheaply put into practice a new sophisticated information system that will ensure an effective knowledge management within the company. However, the whole process is challenging, long-term, and that is why it cannot be carried out without creating the necessary structure of competence, position and motivators. Within the structure of the company it is necessary to create a separate work position, or space within another work position, for control jobs linked to the process of knowledge management. Not only in bigger companies should this team be composed of more than one employee, because the multitude and variance of solved tasks and problems is often so very diversified that it overreaches one department and is headed across the company's organisational structure.

Knowledge management gathers all the latest development tendencies and furthermore, it is trying to form a methodical process of identifying, gaining, maintaining and using the intellectual capital. It is mutual knowledge exchange that significantly supports the changeover to a knowledge company. To achieve this, it is necessary to make such a company "atmosphere" in which information and knowledge gaining as well as their exchange is the highest priority. Without the circle of constant discovering, exchange, and use of knowledge, businesses existing in a turbulent environment cannot compete in the competitive struggle because nowadays, knowledge is one of the most valuable assets of businesses. A partial survey has shown a certain trend of voluntary knowledge exchange as well as a trend of awareness about the benefits of knowledge management on the part of businesses.

In case the company does not pay enough attention to personnel provision, the whole process of innovating the knowledge management system and its maintenance will not be successful. This does not mean the company will not be

able to make the transition to a higher process level but the process will certainly not be continuous with an output and asset curve growing on a long term basis to reach the company's operation goal. To get maximum asset from the realized knowledge management activities it is necessary to take into account the costs for the creation and maintenance of a team that will take care of the start and continuance of the process in a sustainable pace for the whole time.

Effective knowledge management implementation in the company has several impacts on other important areas forming the basis for the competitiveness of the enterprise. One of these areas is the innovation management. We have decided not to include innovation, innovation capacity, innovation potential and innovation management to the main latter competitive advantage sources, as we definitely see the intensive connection between the knowledge management and the innovation potential. This relationship was recently described e.g. by Günsel [9]. Creating the creative culture and environment, supporting the creative employees or handling with the created knowledge responsibly are the key factors of innovation emergence. Thus it can be argued that effective management of knowledge is a determinant of innovation creation which is currently considered being one of the key sources of competitive advantage.

#### V. BUSINESS PROCESS OPTIMIZATION AS THE INSTRUMENT FOR INCREASING COMPANY EFFICIENCY

At present the process analyses represents one of the major sources of competitive advantage. Processes are one of the major determinants of the operative activities effectiveness. As Miklošik states, they often include redundancies, a lot of non-automated operations and direct time and space losses affecting the final competitive ability of the company. Modelling brings an independent view at the company processes identifying the complexity of the relations with their interconnections. Key variables determining the competitive position, added value and the economic outcome are identified as well [15].

Business Process Optimization (BPO) represents the key pillar of Business Process Management (BPM). BPO can be defined as a systematic process of identifying key processes in the company throughout the departments, analyzing them and finding the possibilities to change them to become more effective, straightforward and, in justified cases, also using the methods of process elimination, combination or new process creation.

There are many definitions of business processes. The classical Davenport's definition states that a business process is a structured, measured set of activities designed to produce a specific output for a particular customer or market. It implies a strong emphasis on how work is done within an organization, in contrast to a product's emphasis on what [5]. Rummler and Brache [20] state that business process is a series of steps designed to produce a product or service. Most processes are cross-functional... The focus on business processes can be dated up to the industrial revolution, however management in the modern era has concentrated on the business processes since the 90's. The predecessor for BPO

was the Business Process Reengineering, which was first mentioned in 1990 by Davenport and Short [4].

In the process of BPO methods as Business Process Modelling (BPM), experimental design and testing are used to identify the potential bottlenecks. There are many approaches and models related to BPO. From our research the approach of Kress seems to be one the most complex and documented. Kress [12] introduces the intelligent BPO methodology, which is created in a form of pyramid. The process is outlined by the business strategy and goals definition. In this approach the EPM (Enterprise Project Management) and Scenarios are put together with the KPIs (Key Performance Indicators), after the synthesis the log file is used for process mining and finally for introducing the new process model.

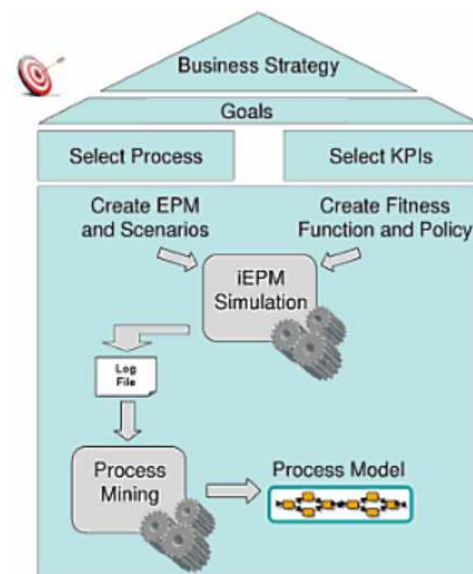


Fig. 1 Intelligent business process optimization methodology

Regarding BPO most authors agree that the optimization should concentrate on all three levels of business processes:

- primary processes (also called operational or core processes),
- support processes and
- management processes.

We can agree with the authors who have described the correlation between business processes and the competitiveness of the company. There are many indicators of potential business process inefficiency in the company. In the Table II we list one of them for each area as described by Arlbjorn [2].

TABLE II  
BUSINESS PROCESS INEFFICIENCY INDICATORS

Area	Potential causes
Organization	If a company is growing, many decisions need to be made within short periods of time and therefore, thought-through strategies for the execution of business processes may not have been made.

Management	If managers give conflicted information to the employees, this is a sign of poorly executed business processes.
Employees	If there is a high turnover of employees (often seen in relation to jobs consisting of monotone work tasks), there is an increased demand for simple and well-defined processes in order to minimize learning time and errors.
Customers	If it is not possible to answer questions from customers within satisfactory time frames, the processes in this context are not functioning as they should.
Products/services	If products have an unsatisfactory long time to market, the existing processes may be defined in a more flexible manner.
Information technology	If introducing new IT systems (e.g. ERP system), there is a need for refining processes in order to be able to use the system efficiently.
Process management	If there is a need for better visibility of relevant processes, the work of documenting such process may be improved.

To summarize, the main objective of BPO is to maximize or optimize one or more of the process components while keeping other constraints. The typical effects include cost reduction, throughput maximization and efficiency increase. As BPO is one of the major quantitative tools used in the industry, it requires a solid knowledge before starting the process. Thus outsourcing is applied in many cases to use the external knowledge to coordinate and drive this process.

## VI. CONCLUSION

This article aimed at identifying the modern trends in competitive advantage achievement by the companies. The research was oriented at their position, awareness and usage by the European companies. The proposed typology of the latter instruments can be further processed and amended in the following research in this field. We can argue that systematic and planned implementation of the instruments will significantly enhance the competitiveness of the company not only short-term but, what is even more important will create the fundamentals for its long-term sustainability.

## REFERENCES

- [1] F. Ammon, *The Eastern European Expansion of the EU: Are International Enterprises Only Competitive by Offshoring?: A Strategic Analysis at the Example of Nokias Relocation from Germany to Rumania*, GRIN Verlag GmbH, 2010.
- [2] J.S. Arlbjorn and A. Haug, *Business Process Optimization*, Denmark, Academica, 2010.
- [3] R. Burritt, et al., *Environmental Management Accounting and Supply Chain Management*, Springer, 2011.

- [4] T.H. Davenport and J.E. Short, *The new industrial engineering: information technology and business process redesign*, Center for Information Systems Research, Sloan School of Management, Massachusetts Institute of Technology, 1990.
- [5] T.H. Davenport, *Process innovation: reengineering work through information technology*, Harvard Business School Press, 1993.
- [6] T.H. Davenport and L. Prusak, *Working knowledge: How organizations manage what they know*, Harvard Business School, 2000.
- [7] D. Ghiculescu, et al. *Knowledge management - Way to obtain sustainable competitive advantage*. 2011.
- [8] Government-of-Canada, *Implementation Guide for Canadian Business* 2006, Public Works and Government Services Canada: Ottawa.
- [9] A. Gunsels, E. Siachou, and A.Z. Acar. *Knowledge management and learning capability to enhance organizational innovativeness*. 2011.
- [10] S.E. Jackson, M.A. Hitt, and A.S. Denisi, *Managing knowledge for sustained competitive advantage: designing strategies for effective human resource management*, Jossey-Bass, 2003.
- [11] C. Keinert, *Corporate social responsibility as an international strategy*, Physica-Verlag, 2008.
- [12] M. Kress, *Intelligent business process optimization for the service industry*, Karlsruhe, KIT Scientific Publishing, 2009.
- [13] C. Louche, S.O. Idowu, and W.L. Filho, *Innovative CSR: From Risk Management to Value Creation*, Greenleaf, 2010.
- [14] R. Maier, *Knowledge Management Systems: Information and Communication Technologies for Knowledge Management*. Third ed, Berlin, Springer-Verlag, 2007.
- [15] A. Miklošik and E. Hvizdová, *Faktory úrovne procesov a procesná optimalizácia in Aktuálne výzvy teórie a praxe pre obchod, marketing, služby, cestovný ruch a medzinárodné podnikanie*. 2010. Bratislava: Vydavateľstvo EKONÓM.
- [16] A. Miklošik and E. Hvizdová, *Informačné systémy v manažmente znalostí*. Studia commercialia Bratislavensia, 4(13): p. 13, 2011.
- [17] M. Mikušová, *Crisis management. Review of interdisciplinary approaches to crisis and crisis management*, Lambert Academic Publishing, 2012.
- [18] L.J. Mullins, *Management and organisational behaviour*, Financial Times Prentice Hall, 2007.
- [19] F. Perrini, S. Pogutz, and A. Tencati, *Developing corporate social responsibility: a European perspective*, Edward Elgar, 2006.
- [20] G.A. Rummler and A.P. Brache, *Improving performance: how to manage the white space on the organization chart*, Jossey-Bass, 1995.
- [21] J.J. Stapleton, *Executive's guide to knowledge management: the last competitive advantage*, J. Wiley & Sons., 2003.
- [22] W. Visser, et al., *The A to Z of Corporate Social Responsibility*, John Wiley & Sons, 2010.
- [23] M. Zeleny (2005) *Knowledge management cycle and its integration in the successfully organized enterprise*.