

DEVELOPING STRATEGIC FRAMEWORK FOR COMPETITIVENESS IN THE GLOBAL MARKET

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Abstract

The aim of this paper is to provide an understanding of the impact of the process of developing unique business strategy. The complexity of strategy designing process for the global business is emphasized. Key structural elements of the global business strategy are analyzed. Furthermore, the paper highlights the competitiveness approach in designing strategies for increasing sustainability in the global market.

The empirical research is based on a survey that focuses on the strategic planning process and achieving sustainable competitive advantage. Global enterprises operating in the Republic of North Macedonia are subjects of the research. The research results confirm the importance of designing specific goals and competitive strategies for enterprises to enter the global market, provide an understanding of key structural aspects of global business planning and emphasize the challenges that global enterprises are facing in rapidly changing business environment.

Keywords: *strategic planning; global strategy; competitive advantage; sustainability*

JEL Codes: *M21; M16*

Introduction

Planning is future-oriented, but sensitive to the past. The planning process allows enterprises to adapt to the changing markets. Strategic planning begins with strategic analysis of external factors (threats and opportunities) and internal factors (strengths and weaknesses). The next step refers to the process of creating strategy that will be focused on exploiting potential business opportunities. It can be considered as a formal process that allows the enterprise to strive for more proactive rather than reactive strategies.

The strategy formulation phase is important because it encompasses key decisions for global enterprises, such as which new businesses to enter, which businesses to leave, how to optimally allocate resources, whether to expand activities or introduce diversity,

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whether to enter in the global market, whether to integrate or set up a joint venture and how to avoid a takeover.

Successful global enterprises adapt quickly to the market changes. These strategic decisions require awareness of the multicultural global business environment. The competitive spirit is a global fact, therefore enterprises need to think and plan globally.

The ability of the enterprise for survival and prosperity depends especially on the selection and implementation of an appropriate strategy. The competitive advantage represents a set of assumptions and hypotheses about how the competition in the industry will develop, and how that evolution can be used to make a profit. Depending on the extent to which assumptions and hypotheses accurately reflect the evolution in a particular industry, enterprises can achieve a competitive advantage by implementing their strategies. If the assumptions and hypotheses are not correct, then their strategies will not present an effective source of competitive advantage. Often, the assumptions on which the enterprise has been built and is being run no longer fit reality (Drucker, 1994, pp. 95-105). Global enterprises are facing these challenges with integrated global strategic management approach. The best outcome is to be flexible to the changes and systematically develop a competitive business strategy that differentiates the enterprise on the global market based on core competencies (knowledge, innovations, technology) or costs.

Globalization of business activities

In the process of formulating appropriate global strategies, managers need to consider the pros and cons of the globalization, specific national circumstances, and current developments. Global strategies are continuous and comprehensive top management tasks that enable businesses to operate and compete effectively across national borders. Efficiency and knowledge as goals of global enterprises are often linked and combined into a single dimension called global integration. It refers to the coordination of value chain activities across countries in order to achieve global efficiency, synergy and profit by maximizing the similarities between countries. On the other hand, flexibility as a goal presents the local adaptability, which means meeting the specific consumer needs in particular countries. The global integration-local responsiveness framework presents the dual goals pressure for enterprises and the balance they try to achieve. This framework identifies four different strategies for enterprise globalization (Barlett and Ghoshal, 2000, p. 203). In general, multi-domestic industries prefer an international or multi-domestic strategy, while global industries prefer a global or transnational strategy.

Enterprises that apply the international strategy or the export strategy consider the global business as secondary in relation to the domestic business. The products are designed

for domestic consumers, and global business is seen as a way to extend the product life cycle and to replicate domestic market success.

Enterprises with multi-domestic strategy delegate considerable autonomy to managers in individual countries, allowing them to work independently and be locally accountable. With this strategy, enterprises recognize and emphasize the differences between national markets. Products and services are carefully adapted to meet the specific local customers' needs in each country (Moran and Riesenberger, 1994, p. 91). However, the multi-domestic strategy leads to inefficient production, unnecessary activities, and large number of products designed to meet local needs, and generally high costs for global operations (Cavusgil, Knight, and Riesenberger, 2008, p. 319).

Enterprises that apply global strategy have significant control over global business activities in order to reduce redundancy and maximize efficiency, knowledge and integration globally (Levitt, 1983, pp. 92-102). In this way, the global strategy emphasizes greater central coordination and control. Research and development, as well as manufacturing, are centralized at headquarters, and the world is seen as one big market. The global strategy provides greater ability for response to global opportunities, increases global learning, and expands the knowledge base among the subsidiaries and organizational units, and creates large-scale economy that results in reduced operational costs. Global strategy can also improve the quality of products and processes, and thus, affect the global brand recognition and reputation, influence consumer decision making and increase the efficiency of global marketing programs.

The ability of enterprises to implement global strategy is facilitated by many factors, including similar needs and tastes of consumers around the world, increased acceptance of global brands, increased spread of technology (especially in industrial markets), increased effect of the Internet and e-trade, market globalization, as well as the expansion of global joint ventures. The main challenge for executing global strategy is the coordination of widely dispersed global activities.

The transnational strategy is a coordinated approach to global expansion, in which the enterprise strives to respond to local demands while retaining some central control of activities to ensure efficiency and knowledge. Transnational strategy combines the main advantages of multi-domestic and global strategy, while minimizing their disadvantages (Barlett and Ghoshal, 2000, p. 207). This strategy is based on flexibility, standardization where possible and adjusting where appropriate. Due to the challenge to maintain balance between central control and local responsibility, many enterprises find the transnational strategy difficult to implement (Zou and Cavusgil, 2002, pp. 1-21).

Global strategic goals

The strategy in a global context provides configuration of the value-added business activities on a global scale and market positioning in relation to competitors (Cavusgil, Yeniyurt, and Townsend, 2004, pp. 711-716). It leads the enterprise to selected customers, markets, products and services in the global market. The strategy presents a plan of activities that channels enterprise resources effectively in order to differentiate from competitors and achieve unique and sustainable goals. The strategy should enable enterprises to achieve their desired results in an unpredictable environment. The global strategy includes determination of strong global vision, global allocation of resources, entering major markets, joining global partnerships, and taking first move steps in response to global rivals (Yip, 2003, p.116).

Concerning the role of strategy in creating competitive advantage in global business, Levitt (1983, pp. 92-102) elaborates that an effective international strategy begins with the development of a standardized product that can be produced and sold in the same way in many countries. According to Kenichi Ohmae (1989, pp. 136-145) the most important goal is to deliver the product or the created value all over the world, while other researchers emphasize the importance of achieving strategic flexibility. The idea of utilizing economies of scale by creating a global production and synergy of various enterprise's activities is also important. Managers need to create a solid global distribution system and use the profits to subsidize the development of new products and markets. The most accepted approach for gaining sustainable competitive advantage in global business is that of Barlett and Ghoshal (2000, p. 203), who consider that managers should strive to develop simultaneously global efficiency and flexibility, and ability to enhance innovation and knowledge advancement on a global level. According to Barlett and Ghoshal (2000, p. 203), enterprises that intend to become globally competitive must simultaneously strive for the three strategic goals - efficiency, flexibility and knowledge

Efficiency - The enterprise must build efficient global supply chain or network. Efficiency refers to reducing the cost of global business operations. Global enterprises with multiple value chains around the world should pay particular attention to research and development, production, supply, marketing and customer service.

Flexibility – The enterprise must develop global flexibility in order to deal with country-specific risks and opportunities. The diversity of the global environment is key challenge for top managers. Therefore, the ability of the enterprise to use local resources and opportunities is important.

Knowledge – The enterprise must be able to learn from its global presence and use that knowledge globally. The diversity of the global environment provides the global

enterprise with unique opportunities to upgrade its knowledge that can be shared between subsidiaries through the corporate network. This can include gaining new technological and managerial knowledge or know-how, new product ideas, improved research and development skills, partnership skills, and survival skills in an unfamiliar environment.

The success of a global business is largely determined by the extent to which it achieves efficiency, flexibility and knowledge. However, global enterprises face great challenge to simultaneously develop in all three directions.

Global strategy components

The business strategy is a set of fundamental choices that define the long-term goals of the enterprise, the values that will be offered on the market, and the way the enterprise intends to build and maintain a competitive business system and an appropriate organizational structure.

The enterprise has a need for designing a global business strategy when it operates in key markets around the world and when the business system is constructed from integrated and co-integrated cross-border activities. Accordingly, the global strategy should be composed of four main components (Lasserre, 2003, p. 37):

- Global ambition: Selection of long-term goals for the business, defining the relative importance of regions and countries;
- Global positioning: Selection of countries, consumers' segments and value propositions;
- Global business system: Selection of investments and resources, assets and competencies to create a global value chain, business system that will be able to offer higher value to consumers and global capabilities through alliances and acquisitions;
- Global organization: Selection of global structure, processes, systems, coordination and human resource management.

Developing sustainable competitive advantage

The enterprise ability to do something that competitors cannot, or own something that competitors want, it can be a competitive advantage. Achieving and maintaining a competitive advantage is essential for long-term business success.

The competitive advantage is related to several concepts (Stonehouse, Campbell, Hamill, and Purdie, 2004, p. 158):

- Superior performances, that cannot be accurately measured and are often expressed as above-average profit from sales or investments, higher revenue per unit, lower costs per unit, higher market share, etc.;

- Strategy or action plan, based on which the business intends to achieve a competitive advantage;
- Key competencies, that include special knowledge, skills and organization of activities in which the enterprise differs from and is superior to competitors;
- Innovation, which means that enterprises in the global business environment must constantly develop new knowledge and key capabilities, or innovate faster than competitors;
- Configuration, meaning the way in which the business activities are configured globally (geographically concentrated or dispersed);
- Coordination or integration, which means how business activities are coordinated globally; and
- Responsibility, which refers to the enterprise's ability to respond to local needs, or indicates its ability to respond quickly to the changing environment.

The competitive advantage encompasses the enterprise' abilities that are difficult to be imitated and are interchangeable. There are generally two types of competitive advantage:

- Advantages that lead to increased value for the consumer through performance, quality and brand services, and finally to the creation of differentiated value; and
- Advantages that lead to a low cost base (low labor costs, low supply costs, economies of scale in production, efficiency) and finally to cost leadership.

The differentiation of enterprises and their products can be obtained due to quality, design, or image, while cost leadership can be reached based on cheap raw materials, cheap labor, economies of scale, or efficient technological processes. The sources of these competitive advantages are in the ownership of the enterprise (built competencies, reputation and image) or access to scarce resources and assets.

Central issue for global enterprises is the ability to use the existing advantages in multiple countries in order to successfully compete with local players and other global competitors. This can be done in two ways:

- First mover advantage - being first among competitors to enter a certain market; and
- Expand already gained advantage - using developed capabilities in order to eliminate existing competitors in certain market and achieve dominance over them.

One of the key goals of any business strategy is to achieve a sustainable competitive advantage. This means that the strategy should firstly lead to superior performance in the industry; and secondly, to maintenance this superior performance over time. Global

enterprises are aware that more importantly is to maintain the competitive advantage due to the dynamic and unpredictable business environment and competition.

Sustainability is best determined by the time period during which the enterprise succeeds to maintain its superior performance. The extent to which competitive advantage is sustainable depends on several organizational characteristics (Stonehouse, Campbell, Hamill, and Purdie, 2004, p. 159):

- Ability to create key skills and knowledge, as well as to develop strategies that are superior to competitors and difficult to imitate;
- Ability to coordinate and integrate global business activities more effectively than competitors;
- Ability to continuously modify and improve strategies, knowledge, and skills.

Sustainability of competitive advantage also depends on the competitors' ability to imitate or surpass the leader that has achieved a superior level of performance in the industry. Furthermore, it depends on changes in the business environment, such as technological changes that cannot be controlled and may increase or decrease the competitive advantage of the leading competitor.

According to Lasserre (2003, p. 48), there are three ways to achieve sustainable competitive advantage: consumer loyalty; positive feedback; and first on the move strategy. Also, global corporate leaders need to accept and understand the importance of "soft" factors for the success of the enterprise and advance their skills in order to successfully lead global enterprises in the changing business environment (Dimitrova, 2017, p. 212).

In order to sustain on the global market, the competitive advantage must be long-lasting. From an economic point of view, the competitive advantage is similar to the monopoly position which provides a profitable advantage for the enterprises. This only happens if the monopoly position is not immediately threatened by imitation.

Research methodology

The research methodology included literature review, secondary data analysis and an empirical research based on collection and analysis of primary data. In order to provide a direct insight in the processes of designing and implementing competitive global strategies, a survey was conducted in a representative sample of top five global enterprises that are operating in the Republic of North Macedonia in different industries. The questionnaire was distributed in February 2020 and was answered by top, middle or low level managers.

Research results

The analysis of survey results is presented hereafter. The questionnaire was answered by five global enterprises, 40% of which operate in the service sector and 60% operate in the manufacturing sector. Most of the enterprises covered by the survey or 60% are operating in the automotive industry, while the rest are operating in the field of telecommunications, banking and metallurgy. Regarding the ownership of the majority capital in these enterprises, 100% of them are foreign-owned.

In terms of the enterprises' presence in the global market, 100% are present in the European market, 60% of them operate in Asia, and 40% are present in the North and South America markets, which means that these enterprises have globalized business activities.

These global enterprises entered the Macedonian market in the period from 2001 to 2008, and 40% of them made an investment during 2007. These enterprises are global leaders in their fields, with many years of experience in international operations. In terms of strategies and methods for entering new markets, 60% applied a strategy of mergers and acquisitions, while the remaining 40% applied a strategy of Greenfield investment, when entered the Macedonian market.

Regarding the level of management that the examinees represent, 60% of the managers belong to the middle level of management in the enterprises from the manufacturing sector, while 40% of the managers who filled in the questionnaire are from the low level of management in the enterprises from the service sector.

Regarding the issues related to the strategy, the global enterprises in the Republic of North Macedonia operating in the manufacturing sector produce final products or components that are mostly exported and intended for the global market, while the enterprises in the service sector most often offer products and services for the Macedonian market.

According to the research, the most important reason for globalization of their corporate activities is market diversification or entering new markets; followed by the strategic reasons for expansion or investing in a potentially profitable relationship with a foreign partner; strengthening the competitive position; and finally, profit increase. Less important for these enterprises are the following reasons: improvement of quality of products and services, proximity to sources, access to cheap raw materials and economy of scale.

On the contrary, as the most important reason for entering the Macedonian market, global enterprises indicate the tax benefits, followed by the need to expand into new markets and the strategy to move first due to low competition in the industry or region, and finally, as less significant reason is the cheap labor force.

The answers from the survey show that 60% of the global enterprises apply a global strategy, while 40% of the enterprises apply a transnational strategy, while as the international and multi-domestic strategy are not used in the process of globalization of business activities. Their general business strategies are aimed at developing new products or improving existing ones, and expanding the operations into new fields.

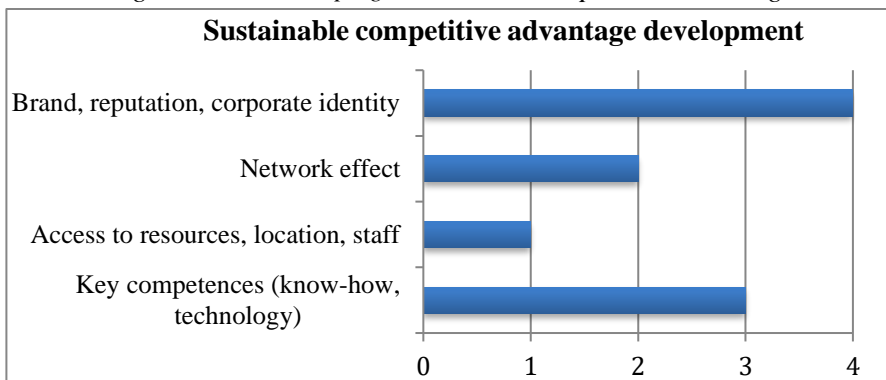
In the context of competitive generic strategies applied by global enterprises in North Macedonia, the data from the analysis show that 40% of enterprises opt for differentiation strategies or offer products and services that differ from the rest in the industry, but the remaining 40% of enterprises choose the focusing strategy where they concentrate on a particular regional market or consumer group, and 20% of the enterprises opt for another type of strategy, such as the strategy for production of high quality products with low costs.

Regarding the changes or adaptation of the strategy from the moment of its formulation to the implementation, the analysis of the research results shows that the enterprises make small rare strategy changes in 60% of the cases and small frequent strategy changes in 40% of the cases. As the most common reason for changing the strategy, the enterprises indicate the market conditions and the consumer needs, as well as the changes in the overall environment and competition.

Global enterprises generally rate competition in the industry they operate as moderate, with the exception of the banking sector where it is rated as high.

In the context of the ways to maintain a competitive advantage, global enterprises indicate as most relevant, the image, brand or reputation of the enterprise, followed by the core competencies (know-how and technology) that cannot be imitated or copied; the network effect, experience, cooperation, information network, critical mass; while the last important way to maintain a competitive advantage is access to scarce resources, location and staff (Figure 1).

Figure no. 1 Developing sustainable competitive advantage

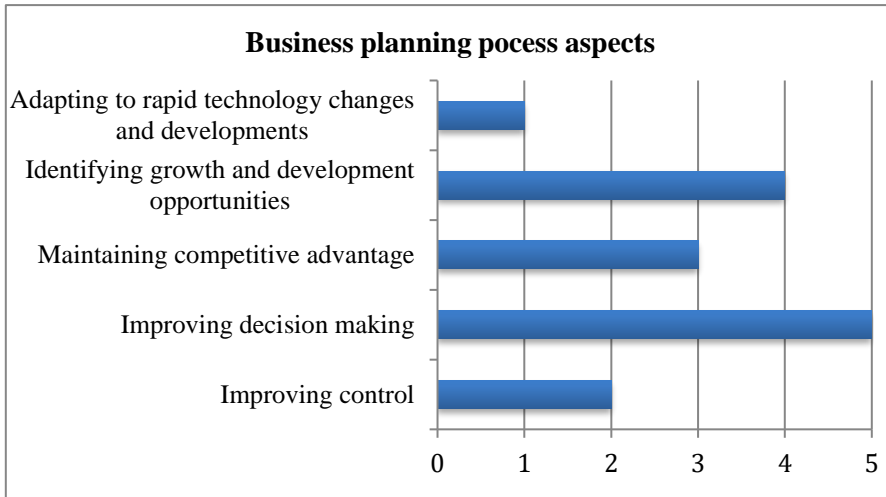


Source: Author's survey, 2020

Changes in the business environment (ex. economic crisis) according to 60% of global enterprises, can be partially predicted and included in the plans to avoid their negative effects, while 40% of enterprises believe that such changes cannot be predicted at all and included in the plans. Accordingly, only 20% of global enterprises make complete adjustments to goals, plans and strategies as a result of changes in the business environment, while 80% of enterprises make only partial adjustments and modifications.

Based on data from the empirical research, the main reasons for applying business planning global enterprises operations are ranked as follows (Figure 2): improving decision-making; evaluating alternatives; second, discovering opportunities for growth and development; increasing and maintaining the competitive advantage; improving control; and adapting to technological changes.

Figure no. 2 Benefits of business planning

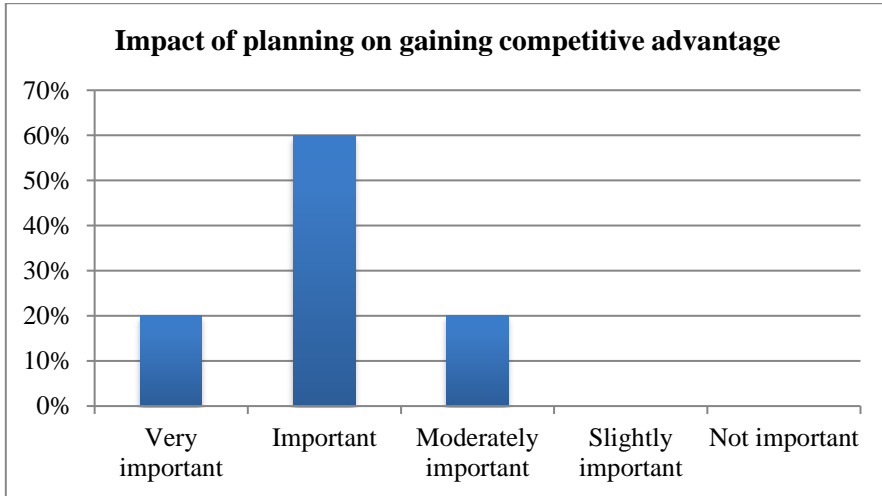


Source: Author's survey, 2020

Regarding the factors that influence the planning of global enterprises, the most important external factors are economic factors and competition, followed by technological factors, standards and regulations, political and cultural factors. On the other side, global enterprises as most important internal factors indicate the market, consumers and competition data analysis; and financial resources, followed by technology and innovations, organizational structure, human resources, and organizational culture.

Based on the research, it can be concluded that in 60% of the enterprises the impact of planning on achieving strategic goals and gaining competitive advantage is high, in 20% is extremely high, and in 20% is moderate (Figure 3).

Figure no. 3 Planning and competitive advantage



Source: Author's survey, 2020

The comprehensive analysis of the planning process and practices in the representative sample of global enterprises in the Republic of North Macedonia indicates that they pay significant attention and effort in planning processes on various levels, and the most common problem they face in this regard is the complexity of the global environment (differences in legal, economic, market, technological, cultural and political conditions across different countries).

Conclusion

Global strategic planning is a comprehensive and ongoing planning process aimed at formulating strategies that enable the enterprise to compete effectively on the global market. Top-level managers are usually responsible for the strategic planning process. Within the strategy formulation phase, the enterprise sets its goals and the strategic plan that will lead to the achievement of those goals.

The competitive advantage sets the enterprise apart from others in the process of meeting consumer's needs. The basis of global competitive business strategy formulation is choosing how the enterprise will differ from others. Managers decide whether the enterprise will perform different activities from the competition, or will perform similar activities in different ways. Over time, the strategy changes to suit the dynamic business

environment. In order to sustain competitiveness, enterprises develop strategies that focus on core competencies, synergies and higher value for consumers.

The most accepted approach to create a sustainable competitive advantage in global business is striving to simultaneously achieve the three strategic goals: efficiency, flexibility and knowledge. The competitive advantage strategies are generally based on creating differentiated value or building cost leadership.

Regarding the results of the conducted research, the most important reason for the globalization of enterprises' activities is market diversification or conquering new markets. The main reason for global enterprises to enter the Macedonian market are the tax benefits. The analysis confirms that most of the global enterprises operating in the Republic of North Macedonia apply a global strategy, while their general business strategies are aimed at developing new products or improving existing ones, and expanding the enterprise's operations in new fields. In the context of competitiveness, research shows that global enterprises in North Macedonia are mainly focused on differentiation strategies.

Furthermore, managers agree that the strategic planning process is complex and time consuming but it is significant asset in fighting the global competition and making key strategic decisions. Finally, the research indicates that global enterprises are generally open to the opportunities for expanding to new markets besides the different challenges in the global business environment (differences in social, technological, legal, economic, cultural and political factors). Global enterprises are dedicated to create and implement unique and innovative competitive strategies in order to increase their market share, achieve positive financial results and higher performances.

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