The Wheel of Coompetition as a New Instrument of Strategic Management

Vladimir Sergeevich Osipov

Institute of Economics of RAS, Moscow, Russia

Abstract: In the article the author offers a concept of a new strategic management instrument—a wheel of coompetition. At the present stage of development new values in company management are highlighted, such as corporate social responsibility or cultural characteristics of countries. Strengthening of hyper competitive struggle forces the producers to look for new opportunities in order to win. One of such opportunities is offered by the concept of the coompetition developed by us.

Key words: Coompetition · Competition · Competitive strategy · Value chain management · Value co-creation · Co-management · Consumer needs satisfaction · Cultural traditions · Corporate social responsibility

INTRODUCTION

Evaluation of competition theory evolution comes down to finding ways and opportunities to create economic mechanisms which would ensure the sustainability of subject’s competitive advantages [1] (be it a business, region, country or continent) as well as its strategic prospects. From our point of view, the downfall of competitiveness, cutting of production in the majority of branches of Russian national economy, production delocalizing (shift of production under other jurisdictions) are first and foremost caused by the disabled state management system. It has in its turn lead to the constantly worsening investment climate, decline of competitiveness, weakness of national producers on the global market and etc.

National producers in their turn are in constant search for such economic management models, which would allow to level negative influence of state disability [2] and to make a breakthrough in competitiveness. The breach of inter-household and inter-industry connections has resulted in the complicated process of economic relations creation between producers within the value chain [3] and technological cycle [4]. Centrifugal behavior was typical for the chain members during difficult transformation process. Each of them aimed to cope individually with the consequences of the economic restructuring. It is typical when economic objects (be it enterprises falling out of technological cycle, regions in a country— as it happened in Russia on the verge of the centuries, or EU member states) tend to “stand out” from the problem system and to survive the hard times on their own.

When facing crises the system becomes vulnerable and either falls apart completely or transforms into a new condition. The crisis of the old systems gives birth to the formation of a new one, which would be more viable in altered environment. However participants of the new system strive to create a more sustainable mechanism able to resist the threats which destroyed the previous system. In any case, if the parts of the system (even destroyed by the previous crisis) could outlast turbulent times they tend to integrate on new terms and through new mechanisms.

If the system has not been destroyed during crisis it introduces changes into operation mechanism which would in future protect the system from the similar threats. However in both cases the complex of economic subjects undergoes alterations concerning the threats which the system or the complex of economic subjects has previously survived. Surprisingly the idea to create mechanisms of forecasting risks and threats does not appear, with all the programs of risks forecasting being implemented and considered. We nevertheless consider these to be insufficient to solve the problem of creating forecasts of large economic systems development.

We think that creation of a new mechanism with the consent of all participants of new economic relations and observance of all rules can lead to positive shift in the crisis of economic science and economic system.

Corresponding Author: V.S. Osipov, Institute of Economics of RAS, Nakhimovsky avenue, 32, Moscow, 117218 Russia.
Let us consider the first stage of such mechanism creation on the level of producers. We look at the producers as the basis of economic system “enterprise-region-state”.

Evollvement of hyper competitive struggle between the producers requires constant renewal of strategic management instruments. The concepts are permanently updated for the purpose of providing a short-term though sustainable advantage.

Under the conditions of hyper competitive struggle the producers are forced to look for such sustainable competitive advantages, which (both, in combination or individually) could not be quickly copied and implemented by the nearest competitors. This leads to the need of elaboration of such strategic management instruments complex which would not only be up-to-day, but also aimed for the future. We consider that coompetition (i.e. joint competition of producers and consumers in reaching their goals) or bound cooperation gives the company management a complicated task to transition of consumers from one producer to another. It complicates the opportunity of inefficient companies to act profitably. Thus, the increase of competition cuts the lower part of companies when distributed by productivity” [6].

Earlier the producer was the one who defined what products to make and how they should satisfy consumer needs (the consumer was seen as a passive and obedient payer). Satisfaction of consumer needs is only possible in
close contact between the producer and the consumer. The consumer should have an opportunity to pose its requirements to the producer in such a way that the latter would be able to undertake all actions for satisfying consumer needs. This leads us to the second joint of the wheel of competition – “value co-creation”.

According to researcher T. Vorozheykina “…it is not a question of bad quality but of the mismatch of qualitative characteristics and technological requirements for manufacturing of a certain product range”[7]. Thus, if the consumer is interested in a product with certain qualitative characteristics, the producer will have to adjust to these requirements and to make a product of demanded quality.

It is logical to assume that the consumer is interested in transmitting its product requirements to the producer, but it is only possible in the conditions of maximum comfort with no persistence from the producer. In the above-mentioned article T. Vorozheykina considers the situation when the consumer has market power over the producer. That is typical for agricultural branch in relation to the chain raw materials producer (seller) – raw materials processor (consumer). However it is impossible to be guided only by the level of market power using it as an indicator of dialogue possibility with the consumer (so called “collaboration” [8]). On the contrary the stronger participant in the relations should, in our opinion, make the first step towards the weaker one to establish value co-creation relations. Standard market researches, focus groups polls, to our mind, cannot provide objective information. Value co-creation implies consumer participation in the process of value creation – a product capable of maximum satisfaction of consumer needs. The consumer presents its requirements to the producer and periodically explains the way to fulfill them. An increasing number of producers provide the consumers with the right to define product form, shape and composition. For example, Reflect.com (perfumery producer) gave its consumers the opportunity to create a tailor-made product. Composition and characteristics of creams were presented on the web-site and if some components were mixed, then the characteristics of the mix appeared. Thus, the consumer independently makes a product for him- or herself for individual needs. Such involvement of the consumer in the value creation process leads to value co-creation.

The following joint of the wheel of coompetition is for the economic object which dominates in production business corporate social responsibility. The leading supranational organizations (the UN, for example) note the importance of this phenomenon. In this situation we consider it necessary to apply the CSR experience of the most successful companies which have presented stability during the financial crisis. It is important to note that International stock exchanges refuse the listing to the companies which do not adhere to the requirements of corporate social responsibility. In our opinion it is much more favorable for business to become socially responsible towards consumers and employees.

According to the ideologist of the value chain management concept, professor M. Porter “a company should carefully choose from this menu one or a few social initiatives that will have the greatest shared value; benefit for both society and its own competitiveness”[9].

This leads us to a reliable conclusion that companies, for which corporate social responsibility is a norm, essentially have more chances for successful passing through post-crisis turbulent times. However it is thus obvious, that worldwide corporate social responsibility is not of equal importance for company management strategy formation, as well as not all products are of the same identical demand or interest among the consumers.

The following joint of the wheel of coompetition we name “cultural traditions”. Account of a traditional factor or a factor of cultural traditions of the countries and regions has essential importance for corporate strategy formation on certain markets. Elaboration of management strategy through mixing cultural traditions or through cross-cultural approach (as “SAMSUNG” corporation does) is suitable not for all products. Besides, the consumer begins to experience certain boredom by the products provided for satisfaction of his/her needs. The consumer grows weary of the identical “hamburger” or “beer” he/she receives in any region of the world or any corner of the country. There is a need for individualization, though globalization actively resists the satisfaction of this desire. This could be a possible reason why consumers have controversial feelings about the ongoing globalization; they simply do not want to become identical.

We come to the final fifth part of the concept which we called “co-management”. The value chain co-management implies partnership relations within the value chain. It is complicated to speak about the equality of the value chain participants, as economic objects in production cycles are not necessarily and not always equal in rights and opportunities. However creation of partnership and value chain co-management is beneficial for the economic object which dominates in production cycle. Thus we speak not only about the so-called “decentralized” network business structures, but also about “centralized” ones with have a central and a number of the peripheral enterprises in the network structure.
It should be noted that the dominating economic subject itself might not necessarily have direct economic interest in carrying out the function of a peripheral economic subject (otherwise the latter would simply not exist in the chain). Participation of the latter is conditioned by economic factors – it carries out its function more effectively and adds higher consumer value to the product [10].

Thus, we have come up with a group of “5C” factors which, in our opinion, are capable of providing sustainable business competitiveness under hyper competition: Consumer Needs Satisfaction, Value Co-Creation, Corporate Social Responsibility, Cultural Traditions, Co-Management.

We believe that combination of the specified factors in a basis for business development, creates additional powerful opportunities for a winning in competitive game.

REFERENCES