Methodical Approaches to Evaluating of External Competitive Advantages of an Economic Entity

L.G. Kiseleva, E.L. Vyugova and V.A. Meshkov

Department of Pharmacy of Marketing, Perm State National Research University, Perm, Russia
Department of Pharmacy Economy, Perm Institute of Economics and Finance, Perm, Russia
Department of Economics of Economy, President of Perm Institute of Economics and Finance Perm, Russia

Abstract: Nowadays there is a rather serious problem of assessment of enterprise competitiveness in the market, because a conventional policy of its definition does not exist. Existing policies are rather labour-intensive or include necessity of analysis of hard-to-reach indicators. The paper provides the methodic approaches to assessment of economic entity competitiveness from the point of view of external competitive advantages. The authors suggest an algorithm of enterprise competitiveness assessment; substantiated key success indicators (KSI) of economic entity; worked out a matrix of strategic competitive positioning of economic entities in the sectoral and territorial markets.

Key words: Competitiveness - Competitive advantages - Competitive potential - Competitiveness assessment

INTRODUCTION

Under the conditions of market economy, enterprise competitiveness procurement is becoming the main target of economic entities. In the aid of competitiveness management, a corresponding instrument of its assessment is needed. Numerous studies in the sphere of competitiveness assessment define this problem as one of the basic in the system of scientific research. Thereby, the problem of assessment of economic entity competitiveness being exceedingly actual, nowadays, is not studied enough what had predetermined the research subject choice.

The goal of this research was the creation of a methodological approach to assessment of enterprise competitiveness on the basis of its external competitive advantages.

Materials and Methodologies of Research: The studies of foreign and Russian scientists on the problem of assessment of enterprise competitiveness were became the theoretical basis for this research. A significant contribution to the studying of competitiveness was made by such foreign scientists as M.Porter, I.Ansoff, I.Marshall, G. O’Shonessy, O.Wilson, etc. Among Russian researches, it is possible to note R.A.Fatkhutdinov, Kh.A.Faskhiev, L.V.Tzelikova, A.S.Shalminova and a number of other authors.

Existing policies of assessment of enterprise competitiveness have a range of disadvantages: a number of them identifies the competitiveness of an enterprise with the competitiveness of its goods and services (R.A.Fatkhutdinov), other suggest evaluating big array of indicators, what stipulates considerable labour-intensiveness of this process (L.V. Tzelikova), or the subject to assessment are the indicators of internal potential of an enterprise (A.S. Shalminova, Kh. A. Faskhiev), which have the status of proprietary information secured by the enterprise, due to what responsive group of consumers interested in determination of the position of an enterprise in the competitive market (organs of authorities, scientific
organizations, other companies – competitors, etc.) don’t have an access to this information and cannot evaluate it [6-8].

The methodological basis of the research was the modern conception of marketing defining the need of economic entity in distinguishing (distinctive) competence, which formed its competitive advantage and also methodology of systemic research and scientific modeling of economic events. The subjects of the research were the totality of economic entities of Perm, acting in the territorial market of foodstuffs, data of expert evaluations and sociological surveys. In the process of research methods of systematic, mathematical-statistical, logical, sociological analyses, expert evaluations, modeling were used.

RESULTS AND DISCUSSION

Under the conditions of market economy one of the most significant factors of creation of high competitive potential of economic entities is strategic positioning, the essence of which consists of forming of position of an enterprise distinguishing it from enterprises-competitors. The elements of such “distancing” policy are the indicators of external and internal competitive advantages, the totality of which characterizes the successfulness of market activity of an economic entity in regard to the competitors in this territorial or sectoral market (Fig. 1).

Internal competitive advantages (values of the enterprises) include resource maintenance of economic entity: material and technical basis, personnel, finance, stocks. They can be changed through a range of certain indicators, such as capital-labor ratio, yield of capital investments, financial security of economic entity, etc. the informational basis of the listed above elements and indicators are the data of accounting and statistical statements, records management, which are often confidential and inaccessible for analyzing and evaluating by a third party, what is the main argument for using the approach we suggest: to use external competitive advantages of economic entities while evaluating of economic entity in regard of competitors in the branch or in the particular territorial market [10].

At the same time, in our opinion, there should be marked certain key success indicators (KSI), which determine competitive success of economic entity in a branch, that is those resources, which the enterprise considers to be the most valuable for it and attacks on them will invoke strong response measures of the competitor. Distinguishing of these key success indicators and developing measures of their realization in future are the target of an enterprise, which aims to provide improvement of its position in competitive environment. The key success indicators of economic entity in the territorial or sectoral market should become the basis of strategic management of enterprise.

Among the main types of key success indicators and their components, we have marked out 22, particularly:

- Organizational elements of external competitive advantages, including the next KSI:
  - Technological KSI:
  - Implementation of innovations in industrial process;
  - Designing of new goods.

- Industrial KSI:
  - Opportunity of low cost price support due to availability and low cost of raw products and materials;
  - Quality of production;
  - Extent of production facilities using;
  - Profitable location of the enterprise, resulting in transporting saving;
  - Access to experienced force;
  - Productivity level;
  - Opportunity of filling of orders of consumers.

![Fig. 1: Diagram of competitive advantages of economic entities](image)
Table 1: Elements forming the constitution of external competitive advantages of economic entity

<table>
<thead>
<tr>
<th>№</th>
<th>Elements</th>
<th>Key Success Indicators</th>
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<tbody>
<tr>
<td>1</td>
<td>Organizational</td>
<td>Location</td>
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<td></td>
<td></td>
<td>Organization of production</td>
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<td></td>
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<td>Organization of sell (off-load)</td>
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<td>CRM-programs</td>
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<td>Formation of image</td>
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<td></td>
<td></td>
<td>Quality system</td>
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<tr>
<td>2</td>
<td>Marketing</td>
<td>Assortment of goods and services (product range)</td>
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<td></td>
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<td>Price policy</td>
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<td>Methods of distribution</td>
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<td>Methods of promotion</td>
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<td>3</td>
<td>Service</td>
<td>Quality of service</td>
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<tr>
<td></td>
<td></td>
<td>Conditions of service</td>
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</tbody>
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- Sale KSI:
  - Presence of single-level and zero channels of production purchasing;
  - Presence of retail network of goods sale;
  - Quick deliverance.

- Other organizational competitive advantages:
  - Favourable image/reputation of economic entity;
  - Introduction of CRM-program.

- Marketing elements of external competitive advantages, including the next KSI:
  - Presence of a wide range of goods and services;
  - Possibility to design (introduce) new goods and services;
  - High qualification of sale department personnel;
  - Efficient price policy;
  - Complex use of promotion methods;
  - Optimal system of distribution.

- Service elements of external competitive advantages, including the next KSI:
  - Qualitative service;
  - Optimal conditions of service.

All mentioned indicators have qualitative characteristics.

The constitution of external competitive advantages in accordance to value elements is performed in Table 1. The informational basis for evaluating these indicators is expert opinion, which is based on the audit of competitive advantage indicators. Thus, audit of marketing elements of external advantages includes, in particular, audit of assortment of goods and services, for conducting of which it is offered to use the next marketing methods of analysis (Fig. 2).

As it’s seen on Fig. 2 during the assortment audit a three-level analysis of a good is conducted, when its capability to meet the needs of consumers, quality, consumer properties, design, package, trade mark and also different services, accompanying the good, are defining. In dynamic of production and sales of goods, it is also very important to determine the stage of good life cycle, because each stage of the life cycle has its own peculiarities in marketing actions as price setting, promotion, volume of sales and etc. Further by means of Boston Consulting Group matrix (BCG) the strengths and weaknesses of economic activities of economic entity in regard of sales growth rates and its relative market share are determined and Ansoff market allows determining the sales strategy for strengthening the market position of an enterprise and increasing its competitive potential [2]. Particularly, three main strategies can be marked out:

- Introduction into the market.
- Development of the good.
- Market expansion.

Usually, the strength of economic entity is performed by the strategy of existing market expansion, which determines its competitiveness in the market.

Marketing audit of price policy includes the next steps:

- Analysis of the factors, influencing price policy.
- Studying of the methods of price setting at an enterprise.
- Evaluating of price strategies and tactics usable by economic entity.

In the course of price policy audit the opportunity of achieving of price competitiveness of economic entity is revealed [3, c. 2-14].
Audit of distribution methods allows to determine the optimal logistic of an enterprise product distribution, ways of deliverance, conditions of deliverance. The strengths of enterprise are direct or zero channels of product distribution, which allow achieving low distribution costs, what is one of the factors of economic entity competitiveness improvement [4].

Using of methods of product promotion plays an important role in relationship with responsive group of consumers of external marketing environment for an economic entity. To the foreground in the marketing promotion audit, at the same time, comes the analysis of target audience and referential groups, which can have direct or indirect impact on target audience, which are of interest for the economic entity. Loyalty of the groups, listed above, to the enterprise is its strength, improving the chances for competitive advantages in the market [10]. The contact with responsive group of consumers is realized by personal (personal sales, exhibitions, fairs, etc.) and nonpersonal (advertisement, sale promotion, propaganda, etc.) means of communication, which are also recommended to be audited. The complex approach to designing of promotion methods belongs to the strengths of an enterprise. Though, here should be considered the correlation of obtained positive effect in the form of the increase of profit and, for example, costs for designing a complex of measurers aimed to communication with consumers (efficiency factor). This correlation should be more than one; otherwise, the cost growth can result into decreasing of competitiveness of economic entity [9].

Analysis of the unique selling proposition (UPS) has a big profile in the conditions of competitiveness. It admits to determine if there are any goods with unique advantages, which distinguish such goods from the similar, in the product proposal of an economic entity [5]. The unique selling proposition, undoubtedly, is strength of an enterprise, which improves its competitiveness. In a similar manner, audit of other value elements of external competitive advantages of an enterprise is conducted.

It is suggested to conduct the quantitative assessment of mentioned competitive advantages on a 0 to 10 scale, which allows providing data comparability and opportunity of comparing the information of different economic entities – competitors. However, estimation scale can be chosen by the enterprise independently, according to the target of analysis. The algorithm of comparability of quantitative indicators of external competitive advantages includes the next steps (Fig. 3). On the first step the indicators of external competitive advantages should be divided in regard of their significance. Each indicator is set to coefficient of significance (k), which is determined by experts. The sum of all coefficients of significance of external competitive advantages indicators of economic entity should be equal to 1.

Managers of the enterprises-competitors, their deputies, dealing with the problems of distribution, marketing, logistics, service serve as experts. Competence of the experts is defined by the method of ‘self-evaluation’. At that, their positions, working experience, qualifications are considered. The group of experts should consist of 5-15 people, according to recommendations of E.S. Wentzel (for the confidence probability 95, 0%) [1]. As the instrument of comparative analysis of competitive advantages serve especially designed questionnaires and
inquiry form. At the step of survey it is offered to use Delphi approach, by which at the beginning the experts give answers to the questions asked without argumentations, after the results processing an integrated expert opinion is formed, which is once again offered to the experts for reasoned examination. This approach is considered to be more objective method of expert evaluation, because while using of this approach feedback is present.

At the next step ranking of the values of the analyzed indicator for all estimated economic entities is carried out. At the same time, minimal (worst) and maximal (best) values of the competitiveness indicators are detected. The minimal value is set to one point, the maximal – ten points. For each economic entity the point value of the indicator on the basis of the interpolation technique within the range from one to ten points.

Quantitative assessment of external elements of competitiveness is suggested to conduct by the formula:

$$K_{ij} = 1 + \frac{(K_{ij} - K_{min,j})}{(K_{max,j} - K_{min,j})} \times (10-1),$$

Hereinafter, summarized quantitative assessment of external competitive advantages is defined by formula:

$$\sum K_i = \sum k \times \sum K_{ij} \times n,$$

$$\Gamma_{de} \sum K_i - \text{summarized assessment of i-th economic entity among all economic entities of interest;}$$
$$\sum k - \text{sum of all indicators coefficients of significance;}$$
$$\sum K_{ij} - \text{summarized assessment of point indicators of competitiveness for i-th economic entity;}$$
$$n - \text{amount of the considered indicators.}$$

The results of assessment of external competitive advantages are offered to arrange in the matrix of strategic competitive positioning of economic entities (Fig. 4).

**CONCLUSIONS**

Thereby, competitiveness of economic entity appears to be a complicated phenomenon, requiring an adequate assessment, which, frequently, can be difficult due to inaccessibility of needed information about internal competitive advantages of an enterprise. In this case, the problem of measuring of competitive advantages can be solved by using of suggested methodological approaches to assessment external competitive advantages of economic entities, which allow determining the relative competitive position of economic entities in the sectoral and territorial markets through assessment of external competitive advantages. Such analysis is available for any company interested in determination of its position between competing economic entities.

**REFERENCES**