

# THE STRATEGY OF CREATING SUSTAINABLE COMPETITIVE ADVANTAGE OF COMPANIES IN THE CONDITIONS OF GLOBALIZATION

Andon KOSTADINOVIC<sup>1</sup>, Milovan DIMITRIJEVIC<sup>2</sup>, Marija ILIEVSKA<sup>3</sup>, Gruja KOSTADINOVIC<sup>4</sup>

<sup>1</sup>Faculty of Law, Security and Management "Konstantin Veliki" Nis, Serbia, E-mail: [andon.kostadinovic@konstantinveliki.edu.rs](mailto:andon.kostadinovic@konstantinveliki.edu.rs)

<sup>2</sup>Faculty of Law, Security and Management "Konstantin Veliki" Nis, Serbia, E-mail: [milovan.dimitrijevic@konstantinveliki.edu.rs](mailto:milovan.dimitrijevic@konstantinveliki.edu.rs)

<sup>3</sup>Faculty of Law, Security and Management "Konstantin Veliki" Nis, Serbia, E-mail: [marija.ilievska@konstantinveliki.edu.rs](mailto:marija.ilievska@konstantinveliki.edu.rs)

<sup>4</sup>Faculty of Law, Security and Management "Konstantin Veliki" Nis, Serbia, E-mail: [gruja.kostadinovic@konstantinveliki.edu.rs](mailto:gruja.kostadinovic@konstantinveliki.edu.rs)

**Abstract**— Globalization of the world economy imposes the modern business strategy. Change is a permanent need, i.e., it is either to innovate or disappear from the economy scene. The strategy of company inclusion in the world market processes in globalization conditions is of the national interest and it is a common task and goal of a country and enterprises/companies. A company is a bearer of economy reintegration strategy into the world economic environment. It is a complex and responsible task, i.e., a process in which enterprises should build capacities for export – create the market ambient.

**Keywords**— sustainable competitive advantage of companies, conditions of the market globalization, megatrend tendencies.

## I. INTRODUCTION

WORLD is located in a large and far-reaching changes, characterized by complex and contradictory global processes both economic and social trends. At the same time, the place and permeate contemporary processes of transition, regional integration and globalization.

The business entity enterprises/companies are the holder of strategy for the reintegration of the Serbian economy in the global economic environment. This is a complex and responsible task, or process in which to train companies to export - to create a market environment. Exports account for a central place in economic development (in addition contributes to the balance of payments and foreign exchange balance, increasing the overall liquidity of the national economy and contributes to increasing the limited absorption capacity of the domestic market). On the possibility of making dynamic exports will have a key role to two factors:

- 1) *state and opportunities in the global market,*

- 2) *available resources of the country and individual companies.*

The globalization of the world economy imposes a way of business thinking. Changing is a permanent need, either innovates or disappears from the economic scene.

Activities of the company must be long-term rather than short-term oriented (management must emphasize product innovation, process and marketing method). Timely reaction to changes (adjustment) is the basis of successful management and training company for export. It includes the following:

- 1) *identifying and introducing changes in the organizational structure,*
- 2) *changes in product and market strategy,*
- 3) *changes in the development strategy of the company and management,*
- 4) *use of human and other resources (use of knowledge, training of staff). [1]*

Technological process and competition (combined with the liberalization process), lowering the barriers to the international flows of goods, services and factors of production, and the increased interest in international specialization has led to a rapid expansion of international economic transactions. It should be borne in mind that the main bearers of the globalization of business, and companies, so the emphasis in global business is placed on creating a strategic and competitive recognition in such a large scale (not escape the necessary local adjustments). The long-term tasks of economic cooperation with foreign partners should be the strategic development objective of both individual companies and the economy as a whole (with micro and macro development aspect). This strategy should, as far as possible, be consistent with the development strategy of foreign economic relations and technological development strategy.

## II. TENDENCIES AND PROFITABILITY OF COMPETITIVE POSITION OF THE NATIONAL ECONOMY

New trends in the international business environment that have an impact on the operations of the company are:

- 1) *The tendency of quick and sudden changes in environmental conditions,*
- 2) *The tendency of growing interdependence of all subjects,*
- 3) *The tendency of more prominent conflicts and conflicts of interest,*
- 4) *The tendency to strengthen the role of public opinion,*
- 5) *The tendency to strengthen the fight for the affection of the public,*
- 6) *The tendency of the increasing complexity of the process of communication.*

In the coming years is expected the growth of trade-related (counter trade), very different and complex international transactions that take place in different forms, but the goal is to import the domestic market compensation, compensates for export to foreign markets. At the same time, it is estimated that the trade-related jobs become more complex and more sophisticated techniques, with a greater orientation to "switch" and "repurchase" (by arrangement back). To include the business entities in international flows, economic policy needs to create certain preconditions:

- 1) *Motivation of company to conduct international business,*
- 2) *Marketing oriented enterprises in the domestic and global markets,*
- 3) *Adequate development of international marketing information system,*
- 4) *Orientation on the effectiveness of the company, not just on the efficiency of operations,*
- 5) *Strategic approach to international labor market, services, capital and information,*
- 6) *Interplay of technological and marketing strategies and*
- 7) *Innovation in the strategy and structure of the company. [1]*

With all these increased competitiveness could be achieved by the directivity of the credit policy. The expectation is that the creation of export benefits primarily be used mainframes, but in our conditions, priority should be given to small and medium-sized enterprises because they have a greater propulsion and adaptability. In terms of globalization of markets SMEs are more flexible for the following reasons:

- 1) *easier to regenerate severed business ties with foreign partners,*
- 2) *efficiently adapt to market requirements (elaboration and implementation of strategies to increase exports)*
- 3) *efficiently from research teams in companies,*

- 4) *easier to import the best equipment (new tech methods and knowledge)*
- 5) *intense introducing the quality system,*
- 6) *rapidly modernize foreign trade operative,*
- 7) *easier to create its own strategy of propaganda,*
- 8) *included in the contemporary international business information systems and electronic data interchange.*

In an attempt of penetrating to the foreign markets (direct placement or through specialized exporters) should bear in mind that the way of this adjustment depends on the available financial resources, but also time to adapt where there are several strategic approaches:

- 1) *Placement through the sale of licenses,*
- 2) *Export of own products,*
- 3) *Direct sales from its own warehouses abroad*
- 4) *Finalization of products abroad (or a combination of the mounting process)*

Complete organization of production and marketing abroad.

## III. BUSINESS AND DEVELOPMENT ORIENTATION OF SERBIAN ENTERPRISES IN THE CONDITIONS OF GLOBALIZATION

Serbian company must be international (export) oriented with a tendency of continuous correction of profitability and competitive position, and in order to make progress it is necessary to:

- 1) *Adequately treated the international market in the strategy of growth and development of the company:*

- a) *the systematic (continuous) separation of business conditions in the domestic relative to the foreign market,*
- b) *appreciation of the economic interest in defining the objective function of enterprises in the global market (dedicated export, not surplus products).*

- 2) *Selection of defining international perspective products:*

- a) *the lower degree of diversification of export offers (buyer chooses the product),*
- b) *export of a large volume of products that have passed (in relation to the requirements and standards i.e. quality).*

- 3) *Establish direct contact with foreign customers, the target market segments:*

- a) *contemporary buyer is becoming more sensitive to a range of benefits and services, with a product/ service both before and after purchase.*

- 4) *The selectivity in the choice of markets and market segments:*

- a) *selection of the most attractive*

*target markets (export and import substitutive eliminate the concept of growth and development).*

5) *Adequate relationship towards competition:*

- a) *acceptance of national loyalty to competitors from their own country (eliminating defensive approach and subordinate position in relation to international competition)*
- b) *Cooperation is necessary for exports, mutually competitive networking and joint analysis of foreign markets.*

6) *Versatility in the use of certain forms of international business:*

- a) *overcoming the classic exports, increase the long-term production cooperation (with the countervailing duties, by-back affairs and border traffic)*
- b) *create conditions for joint ventures and direct investment.*

7) *To overcome the gap between potential and effective competition:*

- a) *real estimate of production-technological and market position (compared to competitive companies from other countries),*
- b) *increasing the level of qualification of production according to international standards and customer requirements (quality, deadlines, delivery, functionality, competitive prices)*
- c) *increasing of competitiveness (degree of novelty products, originality, design, packaging, recognition, the performance of the "made in" and services).*

8) *Stimulating innovative and creative work;*

- a) *improve the treatment and status of scientific research and creative work (in order to accept new ideas and practical inventions)*
- b) *increase the degree of novelty products with originality and design.*

9) *Eliminate bargaining and price inferiority:*

- a) *harmonize price levels with international standards (with a policy of real exchange rates and economic stimulus policies)*
- b) *taking into account non-price competitiveness factors.*

10) *Adequate attitude towards promotional activities:*

- a) *public relations, advertising, trade fairs and exhibitions and personal selling abroad*
- b) *necessary to align the scope and structure of the promotional activities.*

Serbian international oriented companies lack skills

and awareness of the need for product differentiation compared to the competition (design, style, shape, packaging, labeling, brand, user, service, warranty, product promotion, etc.). In a very significant segment of marketing behavior (economic propaganda, public relations, trade shows and exhibitions, personal selling) there is a great discrepancy between the volume and structure of promotional activities. By the favorable performances of Serbian products and their increased visibility in the international market will not come unless they were promoted at the same time the quality of products and their all-round promotion. It is essential that in order to improve the competitive competence and successful overcoming of external obstacles, in appearance and operation on a specific foreign market, many companies establish export marketing group (consortium), in terms of common (collective) participation in the markets of third countries (legally and economically independent enterprises). Export-oriented in this way are primarily medium-sized and small companies.

Improving the performance of the national export market assumes not only to create a favorable institutional environment for export support and restructuring of the economic system to the propulsive export sectors, but also the recognition of the strategic profiling of international business activities of Serbian companies. Continuous integration of the world economy, dynamic changes in technology and changed competitive environment, have changed the framework of international business and profiled a new type of company whose success is predominantly determined the standards of the world market and international orientation. Creating a new strategic horizon of business enterprises allows not only the appropriate economies of scale, but also encouraging a critical mass of key success factors. Hence the kind of emphasizing of management and entrepreneurial approaches in inclusion into flows of international trade that the traditional approaches to international business make inferior.

Therefore, the international business orientation of Serbian companies must necessarily take into account the strategic management approach, not only due to the adjustment of current changes in the global business environment, but also for overcoming internal barriers to the growth of the company. Consequently, it is essential that selection opportunities in foreign markets, modes of entry, type of presence in the international market, the allocation of resources and because the target market synergistically contributes to the achievement of the strategic mission and long-term development goals of the company.

The development dimension and internationalization of business assumes, therefore, that the dominant orientation to the domestic market enterprise is increasingly engaged in international business activities,

through the stages of export marketing, multinational, to the global orientation. In addition, the ability of management to identify the requirements of the target market and flexibly react to a competitor, will depend on the success of the overall business mission of the company.

#### IV. TENDENCIES OF MEGATRENDS AND THE DOMINANT POSITION IN THE WORLD ECONOMY

The spectacular development in the period from 1950 to 1973, especially from 1956 to 1970, is the largest and fastest economic growth recorded in the history of civilization. World gross national product (GNP), in this period increased from \$300 billion to \$2,000 billion, Income has tripled, while world trade quadrupled. In the period from 1960 to 1970, global gross domestic product (GDP) grew at an average annual rate of 5.3% and 7.7% of trade exchange. At a later stage, and growth rates were considerably lower.

As a result of industrialization leads to endangering the ecological system of modern civilization and the man from several aspects:

- 1) *automation, robotics and computerization bring many economic and social benefits, but also require high investments and jeopardize employment,*
- 2) *the technological development opens up a number of issues in the field of ethics, culture and psychology that are not directly of an economic character, but they are of great importance for economic and social development,*
- 3) *military industry complex products pose a real threat to man's survival,*
- 4) *uneven and the gap between developed and developing countries and regions within them is growing,*
- 5) *communal problems complicate and endanger the life in big cities.*

In this developmental period the USA has solidified and strengthened its global leadership role in the economic and political level, acting directly or through a system of international institutions, organizations and integration. Shortly before the World War II the United States started with a new type of global expansion. Holders were large industrial corporations, which later evolved into transnational companies (TNCs), and which are still the holders of one of the dominant development concepts in the world system of reproduction (WSR).

Unlike the previous phase, in which the capitalist mode of production expanded into the European countries, the contemporary phase is characterized by the fact that at the international level the movement of the financial and commercial capital changes its character.

What happens in the period after the seventies in WSR, had and will have an intense and long-term impact on the nature of the relationship between its subjects. The

changes taking place deep in their character and meaning, a global and long term for its implications.

Modern information explosion in developed countries is in complete contrast to the information poverty in underdeveloped countries. Sam Tokyo has more telephones than the whole of Africa. Underdeveloped countries, which represent about 80% of the world's population, comprise only 2% of the world's IT costs.

Information and poverty in developing countries have different forms:

- 1) *Planning with the lack of the necessary facts,*
- 2) *unreliable information about the external debt and poverty,*
- 3) *scarce information supports for decision-making at the top,*
- 4) *inadequate financial controls, inadequate system of reporting and monitoring system,*
- 5) *lack of information about the performance of public enterprises,*
- 6) *limited access to information on the development of the rural part of the population,*
- 7) *limited channels for the exchange of information for professionals and scientists within and between states, therefore limited access to the national statistics and international research results,*
- 8) *insufficient information supports activities of scientists,*
- 9) *lack of information on natural resources,*
- 10) *insufficient use of local and locally produced knowledge,*
- 11) *unsatisfactory access to current information from the domestic and international markets.*

One of these new institutions, the World Trade Organization (WTO - 01.01.1995.), when it is not just about the renaming of the General Agreement on Tariffs and Trade (GATT) is the shaping of the institutional changes that have taken place in the economic reality on a global level. Relations at the global level are still complicated due to the changes taking place in the countries that belonged to the group of countries called real socialism. Completed period of socialist development of a certain type, which included primarily the companies that once belonged to the Asiatic mode of production introduced significant changes in the understanding of world history over the past 150 years. This model has failed to realize the continent as a social alternative to the perspective that contemporary global development transcended beyond the framework of a mature industrial society. Earlier the leading forces in the WSR were forced to constantly take care of who is behind them (Spain - France, the Netherlands - United Kingdom - Germany). The United States in a specific situation that they are not catching up with no country that could absolutely dominate the SSR. The leadership of the United States threatens the only eminent

technological and trading power - Japan, whose importance in the political, and especially military, plan on a global scale is very bad. The dominance of the US on a world scale and the disappearance of the Soviet Union as a global competitor did the leadership of the United States almost absolute, but they are realistic expectations that revitalized Russia and the strategic alliance with China and India lead, in the future, to the decomposing influence of countries and regions at the international level of great importance to the relations in the global market. The changes are reflected in the WSR, the shift in the geographical structure of the central Mediterranean, across the Atlantic to the Pacific on whose circumference during the nineties concentrate the most development potential and subjects of the global economy.

The United States entered the weather restructuring WSR in the state of decline and stagnation, but they are, nonetheless, retained a leading role in it. The US still provides standards for the world in many areas, such as in the field of science and technology, the production of

civilian aircraft, chemical products and computer systems and programs, although the nature of leadership on a global scale with very different characteristics compared to previous periods. The crisis of leadership positions in the USA is related to the change in the components that were critical to its dominance in the post-war period.

Sources dominant development position of Western countries since the Industrial Revolution were the innovations in trade, technology and organization, combined with the accumulation of capital, the use of available natural resources and manpower. The key features of innovation perceived in the broadest sense (uncertainty, search, research, financial risk, experimentation, discovery) to the extent that intertwined the expansion of trade and use of natural resources in the West that already since then must be considered as a necessary and important factor of production.

A number of scholars have pointed basic directions, the megatrends that are changing the characteristics functioning and development of the SSR in the eighties of the twentieth century [3].

<i>From industrial society</i>	<i>Towards</i>	<i>Information society</i>
1) electromechanical		1) high-tech/high touch
2) industrial technologies		2) the global economy
3) national economy		3) long life
4) short-term		4) decentralization
5) centralization		5) self-help
6) institutional help		6) participatory democracy
7) representative democracy		7) networking
8) hierarchy		8) south
9) North		9) the choice between many possibilities
10) possibility to choose and/or		

Fig. 1. Megatrends of the eighties of the 20th century [4]

Megatrends of the eighties of the 20th century were largely achieved in that period. But some, like the one that relates to the redistribution of economic and political power between the developed North and the developing South, none of the scientists were not along the lines of what was, at the time, happened. Differences between developed and developing countries have, during this period, significantly deepened in many respects, but relations took on the new structural features.

Internationalization in elemental form and the globalization of the WSR began back in the early stages of industrialization. At this stage, a significant development of the communication means, the construction of railways and development of shipbuilding, which enable globalization on the domestic market, but also on an international level. Modern globalization is taking place and intensified as a result of the interaction of technological and economic development and growth of all forms of foreign trade activities.

More and more intensive internationalization of

various segments of business activity in the seventies spurred the process of regional integration of the eighties affected the profiling of the basic features of the process of globalization in the late 20th century:

- 1) *globalization of the market, or commercial transactions in all segments and at all levels,*
- 2) *globalization of business with them, directly or indirectly, related activities and operations,*
- 3) *globalization of competition with the development of integrated competitiveness.*
- 4) *Three essential elements of global development and competitiveness are integral:*
- 5) *global companies,*
- 6) *global market,*
- 7) *global competition.*

In the context of the internationalization of production systems and processes taking place, segmentation processes and products in parts that are produced in different organizational units in various parts of the world are to produce the most favorable cost structure of the production segment, a part. In addition to the assumptions already achieved in the field of transport and

telecommunications, is to create a type of global corporations whose individual segments are connected and integrated highly sophisticated activities in the field of management, organization, research and development, marketing. Instead of cars since the beginning of this century, that structured physical space connecting and uniting it, enabling it to master distances and giving the individual the possibility of transfer from one place to another, accompanied damages, escaped injury and dead, electronics and information structure of the world as a unified functional whole intellectual connections.

Observed in the historical perspective phase of the globalization of the world economy appear from the middle of the last century, but in the last decade of this century, the world economy is becoming more and more part of the process of globalization as the main characteristics. In the early 70-ies and 80-ies of the last century, the characteristics of the economic development of industrialized countries in the world are economic relations instability, inflation, unemployment, slowing economic growth, monetary instability, the crisis of supply of energy and raw materials. This situation demanded urgent solutions and the most Western countries and other developed countries have sought above all output in their integration power, shifting the difficulties and impact of the crisis on our own economy of less developed protagonists within the world of the reproductive chain. Globalization is called the third phase of the process of internationalization of the world economy (OECD, 1992). According to the concept of globalization thus defined, in the first phase (since the Second World War to the end of the sixties), the main role is played by world trade, and the level of internationalization measured by the share of global development. During the seventies, in the second phase of internationalization of the dominant role of foreign investment, and as a measure of the internationalization of an economy or corporation is determined by the share of its production capacity abroad in realized sales in the world market. The third phase of internationalization or globalization process is mainly influenced by technology, and scientific and technical progress and the development of information technology. According to some authors, economic relations will be increasingly made between trading blocs and not between countries. Relations will be increasingly implemented through bilateral and trilateral business arrangements both in terms of investment and in terms of trade, making the global operation of the world market critical. [6] The opening of the world market, increase in competitiveness and the consequences that have arisen in the field of employment lead to global changes in the domain of national economies. Regionalization of the world market,

the introduction of protectionist measures and the uneven distribution of wealth, can slow but not stop already a well-advanced process of integration. Any changes in qualitative and quantitative terms, as well as maintaining the stability of the system, developed economies achieved in recent decades thanks to an organized synthesis of scientific and technological progress and transnational processes.

Thus, the transnational corporation is one of the leading entities in strengthening the process of globalization of the world economy. The function of the integrative processes of globalization and regionalization processes conducted at a touch of a scientific-technological and information revolution and activities of transnational corporations.

#### V. CONCLUSION

Strategic development goals, both individual companies and the national economies as a whole, in terms of market globalization, directly correspond to the long-term tasks of economic cooperation within the framework of foreign partnerships. The strategy involving a large system in the processes of the contemporary world market is of national interest and is the common goal and task of the state and of the company/companies. Qualitative and quantitative changes, as well as maintaining the stability of operating system, developed economies realized under the conditions of globalization, thanks to an organized synthesis of scientific - technological progress and the trans-nationalization of companies. Perspectives linking companies and conquer new markets based on the national development strategy, harmonized regulations on the level of European and international standards and successful management in conditions of globalization of the market [7].

#### REFERENCES

- [1] Popović P., Globalizacija ekonomska suverenost, Poslovni krug, Beograd, 1998.
- [2] Smit A., Istraživanje prirode i uzroka bogatstva naroda, Beograd, 1970.
- [3] Naisbitt J., Aburdene P., Megatrends 2000, Dan Books, London, 1990.
- [4] Naisbitt J., Megatrends 90, Avon Books, New York, 1990.
- [5] Kostadinović A., Sociologija rada, Grafožig, Beograd, 2004.
- [6] Kostadinović S., Međunarodno privredno pravo, Subotica, 2005.
- [7] Dimitrijević M., Perspektive i ograničenja poslovnog i upravljačkog povezivanja kompanija u uslovima globalizacije tržišta - doktorska disertacija, Fakultet za menadžment, Beograd, 2009.
- [8] Kotler F., Kako kreirati, ovladati i dominirati tržištem, Adizes, Novi Sad, 2003.
- [9] Bajec J., Joksimović Lj., Savremeni privredni sistemi, Ekonomski fakultet, Beograd, 2002.
- [10] Stiglitz J. E., Protivrečnosti globalizacije, SBM, Beograd, 2004.