

# COMPETITIVENESS AMONG MACEDONIAN COMPANIES

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**Abstract:** *Demanding high quality of products/ services impose not only supplying new equipment but investing in education and training of employees, reengineering of business processes as well as permanent improvement of the quality system. Strong competition can be survived only by those companies that are well organized, have a qualified working capital, and the ones that invest into improvement of business processes, education, and training as well as in organization's innovative attitude. Modern market conditions, besides responding on customers' desires and needs, also impose an analysis of the position of the completion into their strategy.*

*This paper presents a completed analysis of the condition of Macedonian companies through one of the criteria for gaining a European quality award: measuring of contentment of purchasers/buyers as well as the manner of receiving information of their desires and needs.*

*The condition of Macedonian companies is different from those worldwide that are based on TQM (Total Quality Management) principles. But, the positive fact is that (as of the confirmed research) the attitude towards quality is changing. During the recent years, as of the beginning of the introduction of the market reforms, the tendency to include Macedonia into the European association is being largely emphasized; therefore the attitude of the top managers willing to achieve top quality is changing as well.*

**Keywords:** Enrichment of assortment and quality of products and services, competitive prices, existing and new markets, cooperation with foreign partners.

## 1. INTRODUCTION

Perceiving the desires and needs of the customers and the attempt of the companies to fulfill those, will increase the contentment of the users and will allow a competitive advantage to the companies. In order to gain successful information regarding the standing position and the position of its products on the market, it is necessary for the management to collect and adequately value the data from the customers for the products, their experiences and expectations and their level of contentment.

As for that purpose, a quality perception research is implemented through: questionnaires, association tests and other indirect testing and techniques for examination of users. Throughout the process of collecting of original primary data, their adequate processing, their estimation and effective interpretation, a mobilization of valuable entering information that help the development of own product concept is enabled. Through those measures according to Zairi [9], the management could follow the realization of its aims and especially the measurable operative goals for product/ service quality. More precisely, the management compares the perception of its own product of the customers in terms of perception of the best competitive product.

Turning marketing information [4] into measurable indicators and standards is necessary; in order to fulfill the demands of the buyers it is also necessary to provide a platform for understanding and cooperation with the other sectors and departments within the organization so that those demands would be fulfilled. In this way the development of these indicators and standards allows measurement and following of the quality accomplishment, reaching an acceptable level of quality to each sector, removal of defects and disposal. Therefore there is no need of a special control to each working position and there is also a reduction of the costs for that purpose.

Gathering data regarding the consumers' contentment for the quality products/ services is to show which measures should be taken from the companies in order to improve their contentment. The sources of measuring could be objecting, reclamations, questionnaires, debates, participating in the design etc.

Those statements open up dilemmas:

- are Macedonian companies prepared to come out at the global market?
- what's the condition to create values and build business culture as a response to the development of competition and fast adaptation of needs and desires of consumers/ buyers?
- is there a system built to measure the contentment by setting measurable dynamic standards?
- are they ready to accept the TQM philosophy?

## **2. MATERIAL AND METHODS**

This paper provides an analysis of the condition of Macedonian companies through one of the criteria to gain a European quality award [3]: measuring the contentment of buyers/ consumers as well as the manner of getting information regarding their necessities and desires.

Analyzing this paper is only a segment of the general research and the constant condition within Macedonian companies [4] in the domain of projecting and implementation of the quality system, analyzed through four polls of the house of quality at which highest position is the top management and the bases are measuring, estimating, analyzing and comparison of high and low quality. The house of quality is held by 4 subsystems: internal standardization, methods and techniques for flawless working, education and motivation, and analyzing the quality costs.

The constant situation was analyzed through the criteria for gaining European quality award: leadership, policy and strategy, employee's management, resources, processes, contentment of buyers/ purchasers, contentment of employees, influence towards the society and business results. Those were the criteria upon which Macedonian companies were evaluated in case they compete for the European quality award.

A special attention is given to the gathering of the entering data within the research. These researches have been done through a questionnaire and personal aspect of the current condition of Macedonian companies. The analysis of the findings is done through an algorithm for evaluating and determining the "age" i.e. the development stage of the Macedonian companies according to the polls in the house of quality (beginning from an undeveloped system to a more developed and vice versa) and the reckoning of the deviations of the subsystems that are part of TQM system, through the symptoms of the "shape" the system has. Pareto analysis has been used as well as an analysis for a percentage of the participation to individual responses.

The research was accomplished by testing 151 companies from different business areas and in order to make it more representable, the size, the settlement and the business field was taken into record as well.

### **3. RESULTS AND DISCUSSION**

One of the criteria for gaining an EQA (European quality award) is: how far has the company reached according to the plan to accomplish contentment to all those that experience a financial interest of it. The measurements of the performances need to be financial and additional. *As for the question what are the issues during the appearance on the market (domestic and foreign), here are the received information:*

The results of the analysis show that the most serious issues are:

- 53 from the examined or 35%, - *disloyal competitiveness*;
- 44 of them or 29%, - *high prices*;
- 29 of them or 19%, - *strong competition*
- and 17 of them or 11%, *listed "other"*.

By "other" they have listed: illiquidity of firms, inexistence of distribution networks, and frozen rate of the euro currency, uncontrolled and illegal import, fake brands etc. Many of the constructing companies have announced the protective attitude of the government towards the public supplies that results with a bad distribution of capital and concentration of capital at certain structures only, reducing of the customs formality, as well as the electronic approval of licenses and permits. None of the companies have announced the bad quality of its products/ services as an issue that is faced with at the placement at the domestic and foreign market.

*As for the question whether the competition is a threat for them and how do they see the advantages of the competition, here is the data:*

- 76% of them claimed that the competition is a threat;
- 24% do not see the competition as a threat;

86% had listed the reasons:

- 34 of them or 26%, *see the competition in better quality of their product/ services*;
- 34 of them or 26%, *claimed that low prices are a huge advantage of the competition*;
- 27 of them or 21%, *take as an advantage the well-developed distribution network of the competition*;
- 16 of them or 12%, *take as an advantage the importance of quality of the entering raw materials*;
- 12 of them or 5%, *have claimed that the design of the products is a key to success*;
- 2 of them or 10% claimed "other".

*The business subjects that deal with agriculture, forestry and fishing see the advantage in the contract manufacturing (a manufacturing with a known purchaser) within the processing industry. As well as adjusting the assortments, meaning updating with new sorts of vegetables and fruit that give increased profit and which sorts are more resistant to the outer influences. The cooperation with the research organizations counts here as well.*

Macedonian is well known by the brand of the red paprika, cabbage, peaches and tomatoes and not much for the cereals that bring far lower profit in the neighboring countries. The agricultural companies ought to renew the cooperation with the processing industry and deal with some supplying of fresh fruits and vegetables for canning because the processed food is actually a competitive advantage of Macedonian economy.

*Claimed as "other" by the companies that deal with production of food was given the export at the foreign market by the quality system and the food safety such as ISO 9001:2008 and HACCP.*

They also need to have an export registry number. It refers to the dairy companies mostly. Besides the producer itself, those international standards need to be followed by the cooperative companies that apply for the export registry number. This means that the company needs to demand from the responsible institutions (such as the state department of food safety, and the Food Institute) and to perform checkups over the working of their cooperative partners as a quality guarantee to the final product. Macedonia has only three dairy companies that own an export registry number.

The companies dealing with production of machines and appliances such as MZT Pumpi see the advantage into servicing the pumps, which means that they need to provide a servicing after the sale of the product.

10% of the researched companies see the advantage in “lovebrand”. Purchasers need to love the brand in Macedonian companies. Creating Macedonian brands that will be identified through the Macedonian identity is a necessity. For ex. if a Macedonian wine is promoted that means participation to each wine festival and getting a reward for it, of course. Then, people will say that Macedonian wine had beaten the German one and everyone will be proud of it.

Macedonian population is the most sensitive on pride, identity and nationality, therefore this should be used. The fact that Macedonian citizens avoid Macedonian products doesn't mean that there is a bad quality but only refers to the necessity to stabilize the brand. There are Macedonian products that cause a sense of pride such as “skopsko”, because everyone would say it's the best, everyone buys it and present it to the foreign visitors claiming that it's the best that cannot be replaced by any other. “Tikves” winery as one of the largest wine cellar on the Balkans has its “T'ga za jug” wine as a symbol of Macedonian beauty and love towards the country and it is an actual “lovebrand”.

Measuring the business results the trend of performance and results as well as a comparison with the competitive side are a key areas of business. Self-evaluation of the company, comparing own practice with the best practice using benchmarking strategy is supposed to help the organization to stimulate the internal creation [1].

Our researches have shown that 68% of the researched companies do a constant comparison with the competitive sides and the best ones; they also are taking measures to improve the business processes and products. Measuring would not stimulate imitating, direct copying of the competitive side, which is one of the most massive trend in Macedonia, but also a manner of manipulation of the buyers/ users [1].

Based on the measurements it is seen which are the competitive advantages of the competitive side, but as of the results it is shown that 26% of them claimed that the advantage lays in the better quality of their products/ services. In this way the benchmark is a useful method within the quality management, especially reckoning the continuous measuring of the gap between internal (own) practice and the best external practice, by setting measurable dynamic standards. Based on those measurements the policy and strategy of the organization is being built.

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*Gathering data for contentment of the purchasers regarding the quality of the products/ services needs to present which measures should be undertaken for improvement of their contentment.*

*The sources of measures could be in a form of objections, reclamations, questionnaires, debates etc.*

***As for the question “what do buyers/users search for” here is the data:***

- 90 of them or 60%, *get informed through an analysis of the profit/ offers;*
- 30 of them or 20%, *make it through a questionnaire;*
- 5 of them or 3%, *do not bother at all;*
- 26 of them or 17%, *Claimed “other” (direct contact with the users/ buyers and finding a mutual optimal and acceptable solutions).*

The fact that brings a concern is that there is a weak interaction between the buyers/ users and the producers, which refers to a bad function of the marketing services. The nonexistence or not well-developed marketing services to Macedonian companies eliminates them from the knowledge and providing the necessities on the market as well as their adjustment towards the contentment of those needs. ***As to the question whether there are some requests from the buyers/ users that cannot be fulfilled, here are the results:***

- 59% of them totally respond to the needs of the buyers/ users;
- 41% of them are not able to do that.

The reasons refer to the lack of the technological abilities, unrealistic demands of the buyers/ consumers as well as demands within the deadline that is shorter than the optimal etc.

*Macedonian companies do not use questionnaires much on order to measure the level of purchaser contentment of products, because the question: what’s the manner that they get informed whether the products/ services fulfill the expectations of the users, here are the results:*

- 54 of them or 35,7%, *claim that the bad quality of the products/ services is revealed through reclamations;*
- 36 of them or 23,8%, *through the realized sale (whether increased or reduced);*
- 26 of them or 16,7%, *through an analysis of a conducted questionnaire to the consumers;*
- 21 of them or 14%, *from the reports given from the quality control service;*
- 7 of them or 4,7%, *by tracking the competitive side and*
- 7 of them or 4,7%, *claimed “ other” ( finding direct contacts with users as a tremendous help).*

In order to improve the products/ services it is essential for the company to interpret well and correct the well-purposed objections and reclamations and to practice a continuous following of their contentment that would give a priceless source of information regarding the business analysis as well as their handling. In order to receive the information of the position of its products on the market successfully, it is necessary to collect and adequately value the data and the parameters of the users in terms of the product, about their experiences and expectations, as well as their level of contentment.

***As to the question whether there are some new improvement of the business processes and changes that have significantly influenced towards the business results to their companies, here are the results:***

- 52 of them or 34,3%, *have introduced new technology;*
- 47 of them or 31,4%, *included new products/ services;*
- 26 of them 17,1%, *have realized an improvement of the marketing concepts and strategies;*

- 21 of them or 14,3%, made some significant improvements of the business processes or the organizational methods;
- 5 of them or 2, 8%, Claimed that the step that significantly influenced over their business results was their proactive reaction of the company's working.

*Technical and technological equipment of Macedonian companies is nearly up to a satisfactory level and at some point it fulfills the current requests of the buyers/ users. The problems mainly come from a weak marketing approach (only 17% of them have realized an improvement of the marketing concepts and strategies), bad organized business processes or the organizational method) and the inability to fulfill the requested quality standard. This same technology when applied in Macedonia gives out bad results. The reasons are not only in lacking in modern technology but a weaker abilities of the managers, qualifications and the fulfillment of the employees and quality of leading the business processes.*

The demanding for high quality of products/ services impose not only a need to supply equipment but investing into education and training of the employees, reengineering of business processes as well as a permanent improvement of the quality system. Strong competition can be survived only by those that are well organized, own a qualified working capital and ones that definitely invest into the organization innovativeness.

Modern market condition imposes an analysis of the position of the competitive sides and their strategy, besides the desires and needs of the purchasers. The marketing activities at those companies need to focus on enrichment of assortment and quality of products/ services, determining constant markets and achieving new and richer cooperation with the foreign partners.

***As to the question what is the pricing quality of the new companies, here are the results:***

- 97 of the examined or 64%, determine the prices according the costs and their own policy;
- 36 of them or 24%, do it through comparison with the competitive sides;
- 12 of them or 8%, according to demand/ offer;
- 6 of them or 4%, *upon the influence of foreign partners.*

*According to the given aspects it is shown that during the process of price determining there is a huge influence from the detailed analysis of the competition as well as the market potential.*

Building policy and strategy in comparison with the best, using benchmarking strategy should not be turned into imitating, direct copying of the competition i.e. a direct support of the competitive products which appears as one of the massive phenomena and trends in Macedonia; it is also done through manipulation of the purchasers. All of the abovementioned leads to an uninventive approach, breakage of own creativity, crashing own working standards etc. Successful firms use the benchmarking as a possibility for creation and not imitating [2].

***As to the question which companies are compared while creating the policy, here are the results:***

- 103 of the examined or 68%, claimed that they make a constant comparison of their own abilities in regard to the competition from the same branch and undertake measures for quality improvement;
- 38 of them or 25%, *compare with the best companies worldwide;*
- 5 of them or 3,5%, *make comparison with the competitive sides from the same field and do not take any improvement measures;*
- 5 of them or 3,5%, *do not compare with any other.*

In order to improve the competitive of our products the innovators should be stimulated, new technologies and innovation need to be conducted, some research centers should be developed and some of the world achievements should be followed (by purchasing licenses and other rights and by establishing a cooperation with foreign partners).

The competitiveness can be improved by practicing training on regular basis and achieving an additional knowledge among the employees in order to raise their qualification potential.

***How does the company formulate, develop and question its policy and how does it switch into plans and actions? The question what is the key to their competitiveness on the market, here are the results:***

The companies in Macedonia are aware of the necessity to provide quality of products/ services as one of the condition to become competitive on the market. Through an analysis of data, the question what is competitiveness for them, here are the received results:

- *quality of products/ service;*
- *quality confidence of the products/ services;*
- *long-term tradition/ established reputation;*
- *achieved image;*
- *organization innovativeness;*
- *low prices;*
- *other.*

Under “*other*” the examined have listed:

- *adjustment to the needs of the market;*
- *business;*
- *fast problem solutions;*
- *kindness and cordiality of the employees;*
- *modern technology;*
- *marketing and knowledge about the promotion of its products and services;*
- *specialized expertise or specialized products;*
- *knowledge about foreign markets.*

As with the Pareto analysis, it could be concluded that 108 (71, 5%), of the examiners claimed the quality of products/ services as a key factor of the competitiveness of their products/ services on the market.

The rest of them claimed the following:

- 15 of them or 9,9%, for confidence;
- 10 of them or 6,6%, *long-term tradition and only;*
- 5 of them or 3,3%, for organization innovativeness.

The company’s innovativeness is in a very small percentage. This is a consequence of the inadequate attitude of the top management towards the innovativeness (not being respected for the employees, not being rewarded and not investing into innovativeness, research and development). As of all the researches worldwide [2] the innovativeness is placed on the second or the third place as a key factor of competitiveness.

*As to all production companies the order of the key factors for competitiveness is the following: products quality, confidence, long-term tradition, image, exception is the food processing industry to which the innovativeness comes on the second position.*

*This refers to those companies that sell knowledge and the ones owning monopoly among the Balkan countries and so on such as Mikrosan, MZT pumps, MZT Hepos etv.*

The key for competitiveness of Macedonian banks is the following: regardless sounding absurd, the non-development of Macedonian banking system is the best protection during this global crisis. Macedonian banks are conservative and focused mainly to collect deposits and give credits, while the investment banking is still unknown for many of them. None of them has compound financial instruments and disposal to risky markets within its portfolio.

#### **4. CONCLUSION**

The practice that Macedonian companies apply indicates that they do not pay much of an attention to the quality costs analysis as a result of ignorance and as a result of not being competitive enough on the market. *What those companies need to do is striving to minimize the costs meaning that they shouldn't use more than the necessary resources.* As an outcome, *it will arouse as a larger profit* because there is a huge difference between the price within the production and the selling price from minimal costs. *As from a lack of statistical approach for data processing, the evaluation of quality and transfer of information, there are many huge issues that Macedonian companies deal with through their placement on the domestic and foreign market.*

The condition that Macedonian companies have is significantly different that the ones worldwide, which generally based on TQM principles. But, the positive fact is (as confirmed with the research) that the attitude towards quality is changing in Macedonia. In the recent years as of the introduction of the market reforms, the tendency towards including Macedonia into the European associations is largely emphasized. Therefore the attitude of the managers itself that are prepared to achieve a top quality changes as well.

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