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STRATEGIC MANAGEMENT AND LEVEL OF COMPANY'S EXPORT COMPETITIVENESS UNDER ECONOMIC UNCERTAINTY

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Abstract:

Strategic management is a relatively new scientific discipline, which goal is enabling the company to work in the modern business environment that businesses face, from outside and from the inside. So, business leaders are under pressure from stakeholders to comply with their demands while maintaining the organization's competitiveness in increasingly complex markets. Leaders are striving to continuously formulate strategies with management elements that will help them deliver more value to their customers and stakeholders in the host country and abroad.

Also, it's necessary to analyze the relevant forces creating new markets as identifying business strategy requirements. Therefore, management elements and management models are used as guides for managerial activity in the business world for increasing a firm's competitive advantage especially in time of economic and political uncertainty. Companies confirm that management under this kind of pressure is very hard and any step is hand-in-hand with big risks. Taking into account that modern business operations are characterized by turbulent surroundings, the quality of decisions is very important to keep the company's profit as it export-led growth.

This paper covers the idea that there is direct connection between good strategy management and export-led growth strategy that influence the level of profit of the company as its competitiveness and performance in the global economy.

Key words:
strategic management, export-led growth, business performance, competitiveness, Macedonia.

1. Introduction

The main goal of strategic management is to equip the company to new operating conditions dictated by market and technical and technological changes, seize opportunities in terms of profit and avoid the threats from uncontrolled factors. Strategic management is actually a kind of special long-term organizational planning, in the direction of achieving long-term positive results, with which the organization will achieve a better competitive position in the future (Boskov and Drakulevski, 2017).

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The main goal of strategic management is making quality decisions, which will mean achieving profitability. A strategic thinking framework is need to guide for examining all markets that are relevant to the core business of interest. Also this is important to determine the strategic implications for the relevant markets. Strategic thinking in changing markets requires developing a revised conceptual perspective and new thought processes concerning market analysis and targeting and positioning strategy formulation. Many companies and industries are confronted with an array of changes in their core markets, presenting strategy researchers and executives with complex challenges but also exciting opportunities. These new challenges are driven by demanding customers with altered value requirements, aggressive global competition, market turbulence, rapid emergence of new technologies, and the escalating globalization initiatives of many companies (Chakravarthy,1997).

Companies confirm that management under economic and political pressure is very hard to do and any step is hand-in-hand with big risks. Taking into account that modern business operations are characterized by turbulent surroundings, the quality of decisions is very important to keep the company's profit as it export-led growth.

This paper covers the idea that there is direct connection between good strategy management and export-led growth strategy that influence the level of profit of the company as its competitiveness and performance in the global economy.

2. Literature review

Strategic management is a continuous process that monitors and controls the business and industries in which the company operates, monitors competition, and sets out strategies and goals to identify all existing and potential competitors, and then reviews the strategy on a regular basis to determine how it is implemented and whether it is successful or it is necessary to replace it. In this part of the paper, we examine a few authors and its opinion about strategic management as one of the biggest challenge today. According this, the biggest challenge that today's companies face in the modern environment are rapid and sudden changes and the emerging conditions of operation caused by globalization (Daniels et al., 2011). The authors process several chapters as essential elements that need to be understood when solving the problems that companies face like managing the international value chain, operational goals and assets, the challenges and control of international operations and the care of the individual and the company (Boshkov, 2018) .

David A. Ecker in his book covers the strategic elements and concepts, competition analysis, consumers and market analysis. This author provides guidance how to understand the market dynamics and the advantages of companies so that they can create winning business strategies enabling business success as well as managing strategic change and uncertainty.

Another authors focused on strategic management in a time of globalization and competitiveness (Heath et al., 2014). Their research includes inputs of strategic management, strategic actions (strategy creation and strategic actions), strategy implementation. These authors through theoretical presentations aim to establish a new standard in strategic management and provide a rich and comprehensive analysis

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of the concepts and tools of strategic management. Schmarmhorn (1996) helps readers about the foundations of managerial work, not only to see the basics of managerial discipline, but also to understand and foster their personal potential and develop their managerial tools and career skills. Through this analyze, the author explains the six conceptual sections that he considers to be the foundation of managerial work, such as management, environment, planning, organizing, leadership and managing.

In the era of competitiveness, some authors determinate and underline the crucial meaning of operational management (Chase et al., 2004). These authors explain the methods for effective production and distribution of products and services by the company. The book focuses on operational strategy and change management, process selection and design, as well as the design of the supply chain and its planning and control. As the main issue that is elaborated is the strategy and its implementation, where the authors state that each company must have a detailed business plan that is supported by three main strategies as financial strategy, marketing strategy and operational strategy.

3. Companies Benefits from Export-Led Growth Strategy

Openning up a country's market to the international markets allows a country more efficient production and allocation of resources as the country can concentrate on the production of goods in which it has a comparative advantage based on its factor endowments. Thus, world trade markets allow producers and consumers of the participating countries to benefit from lower prices, higher-quality products, more diverse supply of goods, and higher growth. Export-led strategies allow an expansion of aggregate demand without much inflationary pressure and without the danger of a wage-price spiral, compared with strong domestic demand injections. This partly stems from the real appreciation of the currency that result from large export earnings, which tame inflation and allow real wages to rise (Henriques, I. and Sadorsky, P.,1996).

Following this, through ELG is also embodied in the characteristics of the firm like:

- the current efficiency and effectiveness of the use of resources,
- the willingness and the ability to relate profitability to growth of capacity (i.e. the willingness to invest), and
- the ability to innovate to improve technology and organization and thus improve efficiency and effectiveness.

It is up to the companies to implement competitive business operating practices and business strategies. Presently, transition and developing countries seem to have a plethora of policies and strategies that relate to the private sector in one way or another: private sector development strategy, company development strategy, trade and investment policies and strategies, export strategy (Boshkov and Kovacevski, 2017). Yet, the responsibility for implementing these various national strategies and programmes are disbursed throughout the public sector institutions, where both capacities and authority to coordinate are weak.

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Furthermore, there is need to establish dialogue and partnerships between the government, SMEs, the civil society and the academia to appropriately assess and prioritize SME challenges and to implement remedial actions.

4. Relationships between management elements and business benefits

Management elements are essential to understand for achieving successful strategy execution. This is strongly associated with the realization of four business benefits. Four elements that play a key role in achieving successful strategy execution are (Peppard, 2007):
-engendering and reinforcing an organizational culture of continuous change,
-managing the on-going change portfolio, conflict resolution, resources and interdependencies,
-establishing accountability and governance of each change program, and
-harmonizing the strategic leadership team to support the change portfolio.

Each of the business benefits is dependent for its realization on at least one of these four elements. The relative influence of these elements in securing each business benefit is typically greatest. So, to realize business benefit, there must be an organizational culture in which accountable managers balance their optimism and motivation with realism. The strategic leadership team must encourage and support such behavior, and it must be prepared to act decisively in eliminating non-viable programs. Also this demonstrates the strong influence the strategic leadership team's behavior and organizational culture have on an organization's ability to abort ill-conceived change programs during execution (Boskov and Drakulevski, 2017).
Increasing confidence in management's ability to deliver change programs is business benefit that is unique in a way it is the only one out of the other business benefits that is dependent for its realization on the effective performance of all four key elements of strategy execution. Another important business benefit is speedy delivery of change programs. The "speedy delivery of change programs" is dependent on the effective performance of the management elements.
Minimizing variance of actual to forecast cost as business benefit is important in means that realization of this business benefit is determined by the effectiveness with which the elements "engendering and reinforcing an organizational culture of continuous change" and "harmonizing the strategic leadership team to support the change portfolio" are performed. Upon reflection, this is understandable: the forecasted costs are determined in the planning stage and, as our focus group discussions indicated, the honesty of these estimates can be questionable as they are significantly affected by the organizational culture and the "togetherness" of the leadership team.

5. Competitive Business Practices and Strategies

It is up to the companies to implement competitive business operating practices and business strategies.

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However, the options available to companies are also closely related to the quality of institutions, markets and organizations that constitute the business environment. It is the efficiency and effectiveness of institutions, markets and organizations that encourage or discourage companies to take their cues for learning new ways of doing business, compare their own competitive characteristics with those of their rivals, and make their decisions to invest, including the introduction of innovations into their business strategies. If the environment is weak, SMEs' ability to detect market signals that would enable them to invest and grow will also be weakened (OECD, 2000).

Presently, transition and developing countries seem to have a plethora of policies and strategies that relate to the private sector in one way or another: private sector development strategy, company development strategy, trade and investment policies and strategies, export strategy, and so on. Governments usually consult with the private sector, though mostly with large and foreign investors, when setting policies since public-private dialogue enhances ease of implementation, political credibility and sustainability strategies. However, there are also capacity deficiencies that must be overcome on the side of company membership organizations as discussants (Boshkov and Drakulevski, 2017).

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6. ELG in a time of political uncertainty

Concerns about the political situation in Macedonia affected investment, which subtracted 1.3 pp from growth in 2016. Political uncertainty took a toll on growth in 2016 and early 2017, but a recovery is expected as confidence is being restored. Growth fell to 2.4% in 2016 (from 3.8% in 2015), supported mainly by household consumption linked to rising employment, wages, pensions, and credit. The economy contracted by 0.9% in the first half of 2017, as investment declined by double digits. Private consumption growth remained positive, while net exports had a marginal negative contribution. Construction and services, traditional drivers of growth, contributed negatively in the first half of 2017, while other sectors had small positive contributions.

The current account deficit widened from 2.1% of GDP in 2015 to 3.1% in 2016 but remains manageable. The solid increase of exports was not enough to compensate for higher dividends and profit repatriation, pushing up the current account deficit, which narrowed back to 2.1% of GDP in the first half of 2017, helped by strong exports. Net FDI, which performed well until May 2017, declined significantly in June but was partially compensated by other financial investments.

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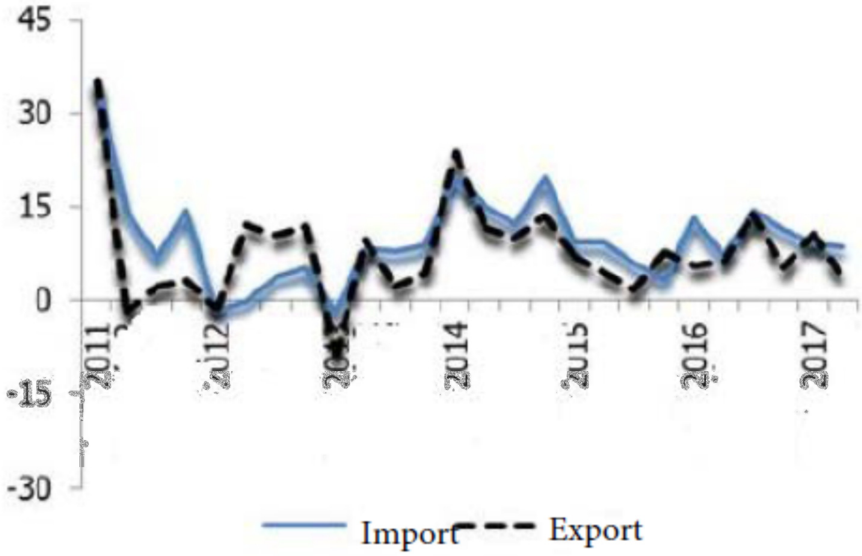

Figure 1. Annual rates of real growth of exports and imports
Source: SSO,2018

In the second quarter of 2017, net exports had a positive contribution to the economic growth, with higher annual growth of exports from imports of goods and services. The real export of goods and services registered a small quarterly decline of 0.8% and a real annual growth of 8.5%, which was the component with the highest positive contribution within the GDP. All categories have a positive share in the growth of the nominal export, of which more important is the industrial procurement and investment products. This is associated with the positive developments in the new production capacities as well as with the export activity of the metalworking industry. The import of goods and services in real terms increased by only 3.5% on annual basis.

The foreign trade in the second quarter of 2017 amounted to EUR 2,956 million, or 28.9% of GDP. Compared with the second quarter of the previous year, an increase of 13.1% was registered, with the simultaneous growth of the two components. In the second quarter, export of goods continued to grow rapidly, reaching an annual growth rate of 19.5%, the highest achievement since the third quarter of 2011. The main driver of the good export performance remains the foreign industrial capacities, whose export activity continued to grow in the second quarter of 2017. Most traditional sectors in the economy also made a positive contribution to the export growth, with a marked increase in the categories "metal ore", "tobacco" and "iron and steel". The growth of the export of the metal processing sector is a combined effect of the increased exported quantities and higher prices, in line with the growth of the prices of metals on the world stock exchanges.

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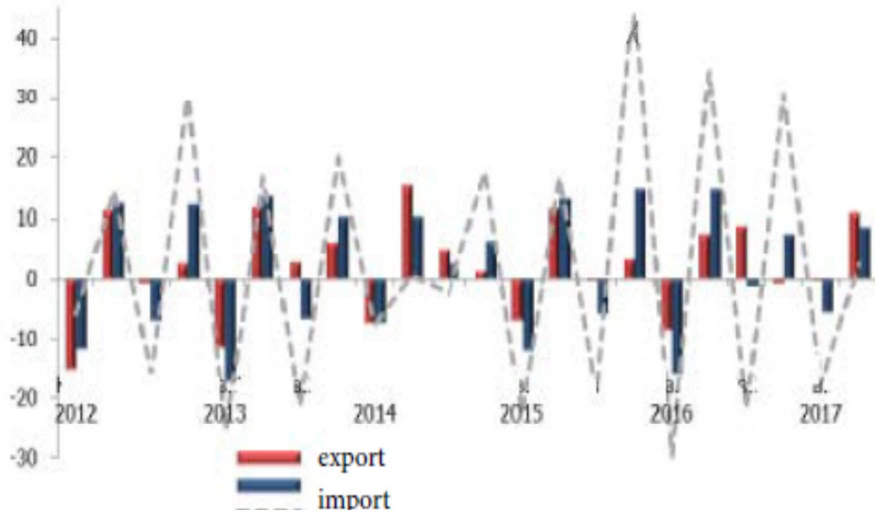

Figure 2.Export and import in 2017.
Source:SSO,2018.

In the second quarter of 2017, import of goods increased by 8.8% on an annual basis, which is a slowdown compared to the first quarter of 2017 (annual growth of 15%). The energy imports, the import of equipment and machinery and the raw materials of new foreign companies in the economy are driving factors for the growth of imports. The increased import of fuels is due to all component components, with significant growth in the import of oil derivatives and electricity. Moreover, the annual increase in the import of oil derivatives fully reflects the price effect, as a result of the increase in the price of oil on the world stock exchanges, with almost unchanged imported quantities. At the same time, the import of food and metal ore also contributed positively to the import growth. The annual changes of the two components of the foreign trade led to narrowing of the deficit in the trade in goods by 13.8%. Such a change arose from the narrowing of the non-energy balance, amid a deepening energy deficit.

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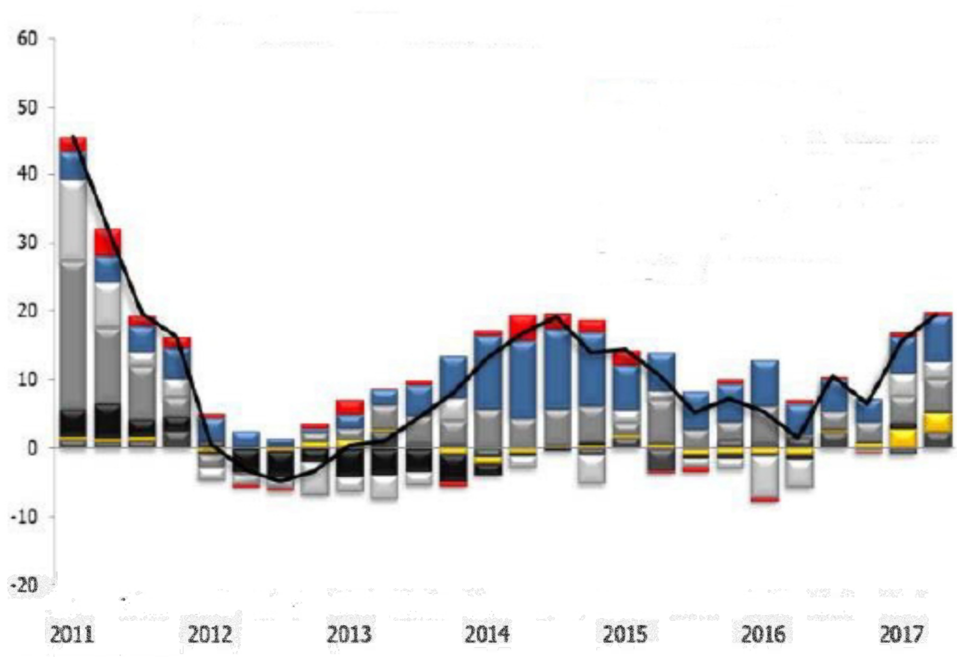

Figure 3.Export (changes in %) 2017

Source:SSO,2018.

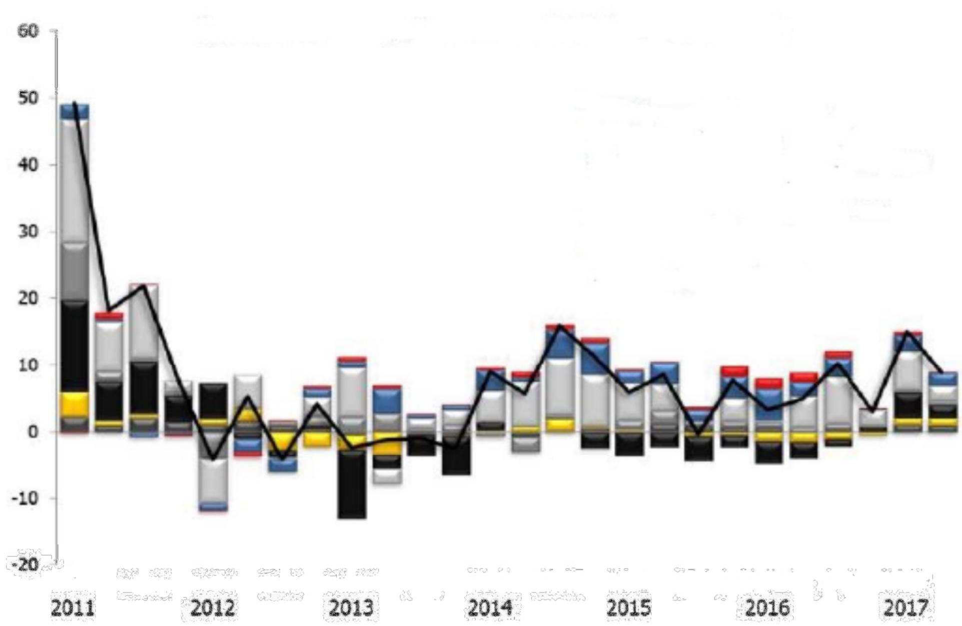

Figure 4. Import (changes in %) 2017

Source:SSO,2018.

In 2017, the growth rate was reduced from 2.5% to 0.5%, while the rate for 2018 remained unchanged (3.2%). Further moderate acceleration of growth is expected in 2019 3.5%. Reducing the growth rate in 2017 is a reflection of the achievements in the first half of the year, when economic activity declined. This deviation is largely due to the lower investment demand, but also to the more pronounced import

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pressures. However, with the gradual exhaustion of the uncertainty of domestic political developments, the return of investor confidence and improved expectations of economic agents, GDP growth is expected. Assuming a fully stabilized domestic environment and a more favorable path of external factors, growth in the next two years is expected to accelerate, with domestic companies also expected to show greater export and profit.

7. Main drivers of growth in Macedonia

The main growth factors, as in the previous projection cycle, remain the activity of new foreign export-oriented capacities, public investments in road infrastructure, whose dynamics should accelerate after the temporary slowdown in 2017, as well as the stable expectations of households. Exports of goods and services are expected to have the highest positive contribution to growth in 2018 and 2019. This is based on the expectations for the growing activity of new foreign capacities, the further improvement of the global environment and the recovery of some of the traditional export sectors. In addition to exports, the growth in the next two years will be supported through the investment activity, in conditions of stable environment and continued positive action of the basic factors of the investment activity, ie growth of foreign investments and the continuation of the cycle of public capital investments. The favorable economic environment is expected to stimulate further growth of private consumption by increasing wages and employment in the private sector, and additional impact is expected from the credit support of the banks. It is expected that the growth of components of domestic demand and exports will lead to higher imports. The increase in imports will be in line with the foundations and will not lead to distortion of the external balance.

8. Conclusion

It is up to the companies to implement competitive business operating practices and strategic management. The options available to companies are also closely related to the quality of institutions, markets and organizations that constitute the business environment. It is the efficiency and effectiveness of institutions, markets and organizations that encourage or discourage companies to take their cues for learning new ways of doing business, compare their own competitive characteristics with those of their rivals, and make their decisions to invest, including the introduction of innovations into their business strategies.

Opening up a country's market to the international markets allows a country more efficient production and allocation of resources as the country can concentrate on the production of goods in which it has a comparative advantage based on its factor endowments. Thus, world trade markets allow producers and consumers of the participating countries to benefit from lower prices, higher-quality products, more diverse supply of goods, and higher growth. Export-led strategies allow an expansion of aggregate demand without much inflationary pressure and without the danger of a wage-price spiral, compared with strong domestic demand injections.

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The current condition, the amount of the current account deficit and its structure do not indicate imbalances in the economy till 2019. From the aspect of the financial account, it is expected that the financing of the current account in this three-year period will be provided through non-debt and debt financial flows in the long term, ie mainly through foreign direct investments and indebtedness of the public and private sectors abroad. In the period 2017 - 2019 it is expected that the current account deficit will be fully covered by the financial flows, which will enable additional growth of the foreign reserves. The general view is that there is weaker economic growth, weaker monetary and credit movements, a lack of price pressures and a balance of payments position that provides further maintenance of foreign reserves at the appropriate level. The risks surrounding the realization of this macroeconomic scenario are mainly related to the external environment, with the gradual reduction of the risks from the domestic environment as a result of the stabilization of the political environment in the country.

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