CREATION OF FIRM’S COMPETITIVE ADVANTAGES IN THE INFLUENCE OF UNSTABLE ENVIRONMENT

Vashkiv O.P.,
Ph.D., Associate Professor Department of Entrepreneurship and Trade
Ternopil National Economic University
Ternopil, Ukraine

Vashkiv O.O.,
Student of Ternopil National Economic University
Ternopil, Ukraine

In general, the external environment of the company, including global, means the totality of specific circumstances, phenomena and factors that are external to the firm. These factors are direct or indirect and they affect the effectiveness of a firm’s operation and development. There is no doubt that the role of the environment and its interaction with it is extremely important for ensuring the effective functioning of the company as well as the formation of its competitive advantages. They are seen as actions for adaptation to instability and the possibility of its use for ensuring sustainable development and ensuring competitiveness. After all, the competitiveness of the company is defined by its current efficiency, the dynamics of adaptation to changing environmental conditions, and actions for the formation of favorable conditions for functioning in commodity, resource, financial and other markets [1, p. 23].

At the core of the creation and implementation of competitive advantage is the ability of the firm to highlight and optimize and timely combine the factors of competitive advantage [3, p. 9]. Building competitive advantage in an uncertain external environment begins with an analytical evaluation of the competitive position of the company in the market. Its resilience involves identifying the strengths and weaknesses of the company. These include the factors that to a certain extent affect consumers’ interest in buying products and, as a result, replacing its share of sales in a particular market.
In general, external environment means a series of specific circumstances, phenomena and factors that directly or indirectly affects the company as well as the efficiency of its operations and development. There is no doubt that the role of the environment and the company’s interaction with it are essential for the effective functioning of the company. «Modern turbulent conditions of the global business environment require constant monitoring of its constituents, estimates of key parameters and determine the factors that significantly influence its transformation to identify potential trends of development» [2, p. 33]. If the company plans to enter new international markets or trying to strengthen the regional presence, there is a need for a comprehensive assessment of the majority of indicators of the global or national business environment and identification of opportunities to create competitive advantages. This process involves not only compiling information on the development of the global business environment, but also the establishment of transformational trends.

Under the influence of the state, composition and structure of the environment the company creates its competitive advantage. External environment such as macro, meso and micro creates a resource system that can manage the company in order to carry out its mission. It determines its production structure, personnel and qualification structure, technological profile, long-term development plans that are dictated by the market.

Approaches researched by leading scientists engaged in research of factors in creating competitive advantage, allow admitting that in the making of the modern theory of competitive advantages there are two approaches: market-based and resource-based.

Under the market-based approach, priority is given to external factors. The formation of competitive advantages of the company is based on its optimal adaptation to the specific conditions of the environment. The main external factors are: demographic and socio-economic, climatic and geographic, political and legal.

According to the resource-based approach, priority is given to internal requirements of the company and its tangible (physical) and intangible (intangible)
factors of competitive advantage. Their development facilitates a flexible response to changes in the external environment and captures a significant market position, which ultimately contributes to undoubted success in the market’s competition.

All the factors that determine the competitive advantages of a company can be divided into several groups: human resources – the number, qualifications and labor costs; natural resources – quality, cost, availability, climate, geographical location of the company; resource knowledge – the amount of accumulated and processed scientific, technical and market information; financial resources – amount and value of capital that can be used to finance a company; infrastructure – the type and quality of existing infrastructure, the cost of its use, which affects the nature of competition.

The mechanism to create and implement competitive advantage is supported by management tools in an unstable environment. Their actions determine the price mechanism, build contractual relationships with partners at all levels, and perform intra-planning and forecasting. Consequently, due to the created competitive advantages, the company has an opportunity to withstand the influence of the market mechanisms and successfully overcome the difficulties arising from the instability of the external environment.

The process of creating competitive advantage of any facility is based on selection of the most important indicators and factors. These include macro regional infrastructure, micro companies, continuous monitoring and analysis of their options. Thus, the main task of the analysis is to identify the optimum state of the components of the environment that ensures effectiveness and continuity of the process of formation of competitive advantages of the managed object.

The basis of the formation and implementation of competitive advantage is the firm’s ability to determine optimal and timely factors to combine competitive advantage. Factors of competitive advantage are specific components of the external or internal environment which give the company the advantage over its rivals.

The process of creating a competitive advantage provides a number of successive stages, the implementation of which allows you to create and maintain competitive advantages:
Step 1. Determine the competitive sphere and its purpose. This is a description of the desired state of economic processes or finished products to be achieved through competitive advantage.

Step 2. Develop options for creating competitive advantage. This is the standard decision-making stage. It involves the formation of both individual and group structures in the company, as a result of which a competitive advantage should be realized. Specifically, each of the prepared draft at the company level should include all the components of the essential activities.

Since it is not known beforehand which plan will best achieve the desired result, the designed options should be consistent with the main goal.

Step 3. The development of selection criteria options for creating competitive advantage. This process performs the function of creating regulators to reduce the number of developed alternatives. Among the objectives of this phase are two obvious selection criteria: ensuring the goal of designing and ensuring minimum costs to the process of creating a competitive advantage.

Step 4. Select the best option to create competitive advantage. This step is outlined by several criteria and is by nature the process of approving complex decisions. There are two block diagrams to making a decision. In the first criteria, the feasibility of the project is using a filter that denies options that do not comply. Among the options that were selected are those that provide the full achievement of this goal, for instance, – one that is characterized by minimal costs.

Step 5. Detailing and designing of the chosen option to create competitive advantage. This step serves as the proof of the general scheme of creating a competitive advantage to the filling level of particular executors. Surely, it is not necessary to complete specification for each version of the project, because it is irrational. Direct selection in the previous step can be carried out at circuits (structures) options and approximate estimates.

Step 6. The implementation of the project. At this point, the enterprise creates an organizational structure for the project to carry out the necessary resources. Monitoring and controlling are important elements in the creation of competitive
advantage. Control checks the progress of the whole process and takes steps to address deviations that may arise. This phase also requires a clear understanding of the demands of consumers and the needs of suppliers. Studying the competitors helps to predict their possible actions (counteractions) and the time to take proactive measures.

The following sequence of stages of the process of creating a competitive advantage is a simplified methodological design of linear type, which should be followed in solving definite class.

Consequently, the process of creating competitive advantages of any object is based on the selection of the most important indicators and factors of the micro environment, the infrastructure of the region, the macro environment of the enterprise, continuous monitoring and analysis of their parameters. In this case, the main task of the analysis is to identify an optimal state of the components of the external environment. This ensures the effectiveness and continuity of the process of forming the competitive advantages of the managed object.

Literature:

