

THE ROLE OF COMPANIES LEADERSHIP IN STRATEGIES FOR CRISIS SOLVING IN HIGHLY COMPETITIVE INDUSTRIES

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Abstract

In today's world of globalization, the large number of companies always competes and intensity of the competition increases especially in the period of crises. The fiercest competition is mainly in the domains of: services, distribution, agriculture, retail, wood and metal processing industries, creative and innovative businesses, retails and the like. Firms that compete in the same branch of industry differ significantly in technological sophistication, ranging from high, lean technologies, to the low level manufacturing technologies, as liquor technologies. This paper presents the key attitudes, appearance and role of a leadership of companies in industries where many firms compete. Special attention is paid to doing business in crises, because almost every new day brings new challenge and the new crisis situation.

Keywords: crisis management, entrepreneurship, competitive strategy, leadership, industry

INTRODUCTION

The concept of modern business in today's world, implies doing business in everyday's stress. Crisis is result not only of crisis in economy, or recession, but also of the other factors, like natural disasters, lack of quality staff and so on.

As a good an example the example of the auto industry can be analyzed. This branch of industry was hit hard during the recession. Auto industry was introducing massive structural changes nearly two decades. Over the past couple of years even the well known brands were downsized, again restructured and they slashed their budgets to bring costs in line with lower sales. They also cut jobs for more than 300,000. Now, it seems that the auto industry has survived the crisis, and the sale grows up again. Crisis is the past. But, there is another challenge: auto companies

worldwide are now experiencing a shortage of the workforce competencies they need to grow! It is just on the contrary of expected. It is to expect that thousands of workers make significant surplus of workers, but it is evident a skills gap. The brand new crisis appeared, but not temporarily. According to one study, nearly 60 percent of all UK auto executives believe the gap will stay the same or increase over time.

Almost the same is in all branches of industries, but, also, in the field of services. To solve such challenges, it is necessary to bear in mind that the heart of the challenge are the changing in the nature of the skills needed by managers and workers, especially as more teams operate globally. New technologies and operations require new competencies, but, also, new strategies, new leaders, as well as their experience with autonomous problem solve and decision making.

The need for the willingness of the leaders for each business situation is imposed by the environment. It implies the willingness to make decisions for all the changes, not only from internal but also from the external environment. The top manager, or the leader, needs to understand the business conditions, potential risks and crises, and must be able to prepare appropriate business strategy, or to give the main elements for making business strategy.

The key role of leaders is to recognize risks caused by competitive companies that are focused to the same market. In fact, many firms compete in a same branch. As it was mentioned before, this is not only due to fundamental economic reasons, but, also, because their companies were in the focus of public and customers. In short, they are stuck in competition.

There are a couple issues that are associated with the leadership:

- How a leadership recognizes the potential pitfalls in which his company may fall?
- Which of pitfalls are of the strategic importance?

A successful recipe for solving problems is benchmarking, i.e. comparison with others. In the process of benchmarking leadership has to recognize and follow only the successful development of others. In practice, each leader has different view about leadership and strategy. For example, Bill Gates' and Microsoft's strategy is the strategy which is declared as the „strategy of peaceful innovators“. On the examples of the other leaders, it could be said that they could be equally successful, also, but in different forms and contents of their doing business. In essence, every method of management needs to work when the organization is in crisis, and when moments of happiness last, when there are good and bad business year of the economy.

Modern leaders endeavor to accelerate the training process and the process of improving their own companies, with low labor costs in order to confirm and to continue the real competition in the market today.

HOW TO PREPARE A COMPETITIVE STRATEGY FOR CRISES?

The facts speak, that the newly established companies, in the field of high technologies, can become the leaders, and that they may "soon" rule the world. This is the consequence of rapid

growth and development of complex technological processes and approaches to production, and the main reason for great success of less capable companies or industries.

Normally, no one company likes a crisis, but, also, every crisis gives new opportunity for development. If the crisis is a bigger opportunities for rapid advancement of some companies, especially of small and medium enterprises are larger. Worldwide research shows that successful small companies should dominate the world, but many of them have disappeared or have gone into oblivion, due to use too many Internet business and not to create a recognizable brand. In contrast to small companies, there are now exist large companies that have applied new technology, and transform themselves becoming stronger than ever.

The core of the problem focuses not only economic indicators, but, also, focuses newly needed indicators. They are of relevant impact on a given problem. New changes the leaders basically reflect through the three parameters of competition: price, quality and service. They have been raised to a higher level through:

Flexibility for changes

1. The first problem to be solved is how to present a matter of survival? These things people in the organization will see on their own ways.
2. The second challenge, everyone in the organization should look for best practices.

Costs

1. It should be determined how to perform each process in order to raise productivity.
2. It should not be emphasized the issue of cutting costs by 5-10%.
3. It must be found a way to cut costs by 30-40% in most cases, because in most cases it is needed that the company be competitive.

Quality

1. The first criterion, the percentage of 95% correct products is not good enough.
2. Further, it is necessary to completely get rid of the rejects.

Service

It is not the only challenge to improve, but also to change the offered service in the way that customers are not only satisfied, but so surprised that talk to everyone how good the service is.

Market

1. The company should take a new, strong position in the market.
2. The company should search for the untapped opportunities, and find new opportunities.
3. The company must not follow old way and use old methods.
4. It might look that the market in which company provides services seem saturated, but there is a lot of different demands for exciting new products, services and technologies.

WHY INDUSTRIES ARE PIECEMEAELED?

It is well known that companies endeavor to unionize to achieve better position on the market. But it is not the universal rule. There are a lot of companies that are piecemealed and doing business on that way. The explanations are different, because every organization has its own pro and contra. Reasons can be in the following:

- **Companies do not have the necessary resources for strategic investments, or do not have skilled leadership.**

For example, there may be that the company has great potential for the world economy and to all volumes of production, but lacks capital or projects for the construction of larger plants or for necessary investment for both horizontal and vertical organization of work. It is quite logic that such companies endeavor to unionize. But, also, they could lack the resources and skills to develop information and communication channels, and/or distribution channels to their consumers, or they do not have funds to build specialized facilities, and the like. So, such companies stay alone, or piecemealed.

- **Existing firms are introverted or self-satisfied.**

Although companies have the resources to improve the operations of their branches, they can be emotionally attached to the traditional industry sector practice. Or, they cannot see the possibilities for new and better changes. This means that the structure stay piecemealed.

- **Companies, outside the considered industry, do not pay attention to the companies of this industry.**

If the previous two conditions are met, some sectors remain piecemealed for a long time. They can provide a good chance to be improved because of the lack of attention of foreign firms. It is necessary that external actors, investors, shareholders, recognize and observe the opportunity to bring new resources and fresh ideas into the branch which has to be consolidated.

- **Company, outside the considered industry, recognizes that piecemealed structure of the considered industry is not the result of the competition.**

In this case it may occur very important strategic opportunity. Such a company knows that it can get into this industry cheaper, because of industries' initial structure. Given that there is no economic basis for the sharing structure of the company, no investment - the financial cost or risk of introduction of innovation in changing the economic structure will not appear.

WHAT ARE THE POTENTIAL PITFALLS OF STRATEGY?

Unique structure of business environment, in which there exists fragmentation of one branch of industry, leads to many pitfalls. Some of the most common pitfalls, that have to be seen and analyzed in the analysis of strategic alternatives, are as follows:

- **Some companies tend to dominate.**

Piecemealed structure of the branch does not support any tendency towards achieving the dominant position, and such tendency is missed and aimless. It would not be the case if the fragmentation can be overcome by eliminating its causes. If one of the companies, by improving the state of its business, still manages to achieve domination, it could be exposed to the risk of inefficiency, loss of production differentiation, changing of suppliers and customers, and so on. The question is whether it can, and how, to increase its own market share? Any attempt of generalization of the strategic intent may be the cause for the occurrence of crises and may increase the sensitivity to the competitive forces in the industry.

On the other hand, according to the data, domination can be extremely successful strategy in another industry, for example, in the branches in which there are cost advantages with the increase in production volume and the like.

- **Emergence of risks from the lack of discipline in the implementation of strategy.**

In branches where there is no way to overcome problems on the current way of overcoming problems, there exists a fertile ground for development of the new strategic concepts. Introduction of new strategic concepts requires courage of the leaders to take measures to keep business models that correspond to market activity, or better, to keep their businesses alive.

- **Pitfall of overdosed-centralization**

In many branches, where service is the key to success, good local contacts, control operations, the ability to react and make changes, the centralization can have a negative effect on these abilities.

- **Key assumptions**

In the analysis it is necessary to check whether the objectives and the costs that competitors incur agree with the goals and costs of the company. If one takes into account the fact that in all branches there are a large number of small companies, the error is if it is thought that all of them have the same goals, in particular the same costs. In many cases such enterprises are in the branch due non-economic reasons. It is to assume that the activities are performed by family members, at home, and therefore they have no regular costs related to employees - labor. Practice has shown that such enterprises are often interested in maintaining production and jobs more than for their own profit. As a result, their reaction to change, for example, the rates and other performance in the industry, may be significantly different than in the so-called "normal" company.

- **Excessive pursuit towards new products**

In piecemealed branch customers are in the focus. They have great power/strength. In this situation, new products in its early phase of the appearance on the market could be a real salvation from the competition. If there are opportunities for the growing demand of the product, it will be attractive also for the customers who were, generally, not familiar with it. Based on the price of new products, a valuable profit could be achieved. In some cases, customers can additionally show interest in education and services of these firms. However, as the product matures, appears risks of falling demand and decrease in income to cover costs. Therefore, the risk of over-reaction to new product and over-optimism regarding it is not negligible.

The question is, which are the tasks of a successful leader? Table 1 shows the leadership's role in the tasks to successfully compete with rival firms.

Table 1 The role of leadership in solving the tasks of strategic competitiveness

No.	LEADERSHIP AND COMPETITION	TASKS
1	<i>Clear position of the company and its competitors</i>	Carry out detailed analysis of the branch (structure), and analysis of competitors
2	<i>Clear causes of the branch piecemeal</i>	Determine whether the causes are of economic nature or not
3	<i>Decisions about changes in the state</i>	A detailed study of each reason of piecemealing, step by step. Try to find a possible solution in the field of innovation and strategic changes.
4	<i>Positive view to the future steady state in the branch</i>	<ol style="list-style-type: none"> 1. Bring positive responses to previous questions. Preventing of piecemealing, brings the question, whether the new structure will be profitable? 2. Leadership of the company must forecast the reality of a steady state in the branch, and after the change occurs, it must analyze the new structure. 3. If the new state brings a profit, leadership has to find the answer to the question: "Which is the most sustainable position of the company, which will confirm its performance in the new form of the branch, a long-term..
5	<i>Changes have not brought results</i>	Find the best alternative. Examine the causes of the situation. Determine the benefits of innovation. Consider new directions for the introduction of new technological solutions.

CONCLUSIONS

The essence of the efficient operations of companies in crisis situations and in competitive strategies is the fact that there are many methods which leadership can use to solve problems in the same industries. There may not be the focus only on methods which include economic indicators of business strategy, but also to other relevant parameters derived from the environment that have contact with the market performances of competing companies.

Flexibility for changes, market, cost, quality, and service are just some of the relevant indicators that should always be developed, especially in conditions of crisis in doing business. Leadership has a duty to make a decision on the introduction of changes, to apply possible new solutions. The key parameters which contribute to the stable state of doing business should be observed and considered from all possible aspects. Or, leadership can make the decision not to introduce any changes. This means that company can successfully operate in a given situation with competitors in the same industry. New company's products are a good solution for competitive strategy, especially in crises.

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