ORIENTATION OF ENTERPRISES TOWARD OBTAINING COMPETITIVE ADVANTAGE ON EU INTERNAL MARKET

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Abstract:
In this paper I proposed to emphasize the importance of obtaining competitive advantage by companies on EU internal market. The huge EU market, offers for participating companies the possibility to achieve significant economies of scale and numerous niches (segments) market, which can be covered with large quantities of goods, the condition is that niches to be discovered in time, and the firms to be able to adapt promptly at their needs. Thus, the most important positive effect derives from the fact that companies have at their disposal a vast market consisting approximately 500 million consumers, free of customs duties and other restrictions inhindering the movement of goods. On this background, the companies can achieve high series production and thereby can reduce their cost of production and increase their competitiveness. In this context, the companies must meet the standards of the European Union, if they really want to gain competitive advantage on EU market.

Keywords: *competitive advantage, economic efficiency, innovation, quality, firm*

JEL Classification: *E60, M21, O3*

1. Introduction

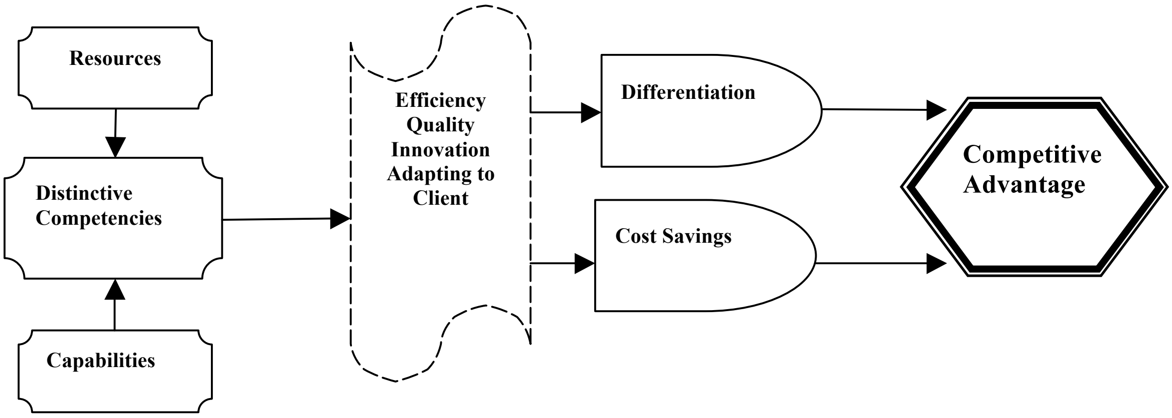
In the recent economic studies and researches the competitive advantage of firm it is considered the ability to create more value per unit of used resource in relation to competition. Thus, the creation of added value is a basic requirement for any firm while representing the central axis for understanding the nature of competitive advantage. [6] Consequently, a firm that has a competitive advantage obtains a superior performance compared with competitors, performance that can be quantified by a synthetic indicator, such as return on capital, or employed capital. Based on these theoretical coordinates we can say that a company can have a lot of strengths and weaknesses but it can only hold two types of competitive advantage: cost advantage and advantage from differentiation of products and /or services. On the same note, managers of companies must realize that a competitive advantage, once acquired on the EU internal market is not permanent. Contrary, it can be quickly eroded through the imitation by rival companies on distinctive competencies that define them, or due to changes that affect supply and demand, which may cause all these distinctive competencies to lose their relevance. Thus, from this perspective, we consider that the only form of sustainable competitive advantage for any company is based constantly on its organizational and managerial capabilities.

2. The process of competitive advantage creation for enterprises on EU Internal Market

It is a universally acknowledged truth that in the fight for competition, some companies are having success while others fail. Meanwhile, any company the success and failure can be succeeded. We emphasize that these events show us how companies develop distinctive competencies they managed to build from this by appropriate strategies, a competitive advantage and prevent its decrease. Consequently, in the process of competitive advantage creation the enterprises should focused on distinctive competencies, which are founded among firm's resources and capabilities. Thus, distinctive competencies that must have firms in the field of resources or capabilities allow them to obtain an increase of efficiency, quality, innovation, and capacity of adaptation to customers and to overtake rivals creating a competitive advantage, as can be seen in Figure 1. In these conditions, the distinctive competence means a superiority element of a company in the sphere of resources or capabilities which enables them to get a plus of efficiency, quality, innovation and responsiveness to customers and to overtake rivals creating a competitive advantage (Figure 1) The acquisition of "distinctive competencies" companies will be able to successfully enroll on the coordinates of sustainable competitive advantage and holding a leading position in the EU market.

The distinctive competences, financial, physical, human, technological and organizational resources of company are grouped into tangible resources (buildings, equipment, etc.) and intangible assets (trademarks, reputatie, patents, knowledge etc.). In order to establish a distinctive competence, resources (some of them) must be both: single - therefore, may not apply to other rivals, but also valuable - that have the capacity to increase their demand for the company's products. Capabilities refer primarily to the company's ability to coordinate and exploit the resources. They depend on management's competence and organizational system including the system of cultural norms and value system specific for any organization. For example, a company to distinguish itself in terms of innovation it must have a creative staff, and creativity to be appreciated, supported and rewarded. In essence, for a company the sine qua non condition is to have a unique valuable resource and its ability to capitalize, or at least a special ability to exploit efficiently common resources. Therefore, companies must identify available sources of distinctive competencies, to coagulate and turn them into competitive advantage.

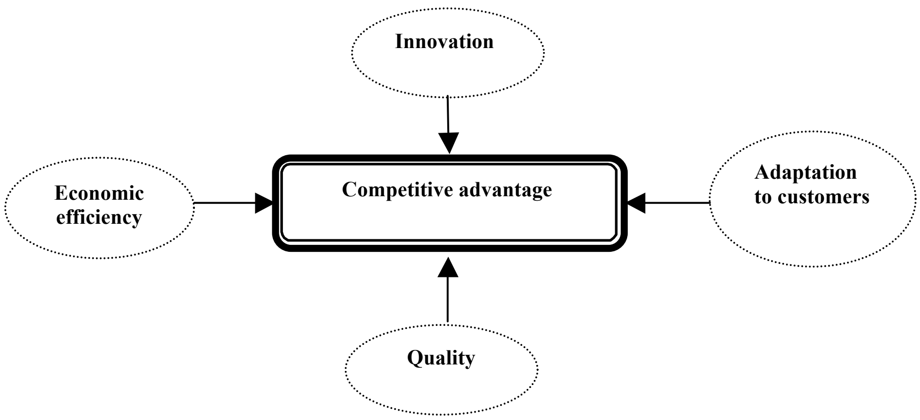
Figure1. The process of creating competitive advantage



Source: Charles Hill si Gareth Jones*, Strategic Management, an Integrated Approach, Houghton Mifflin Company*, Boston, 2008

As it can be seen in Figure 1, this process is not simple, especially even more so as the sources of information and assessment tools are quite imprecise. This situation can cause some manegers to deny the possibility of conscious control over all the factors that make the creation of a competitive advantage and refer only at luck as the main success factor of companies. Though their argument is not without interest, and although we also know that luck probably play an important role in success, we appreciate that it cannot determine the sustainable competitive advantage respectively maintaining company on top position in long term. Another significant aspect in our scientific approach on the process of competitive advantage creation for companies in the EU market is to identify the determinants of competitive advantage. Based on theoretical and practical arguments expressed by the economic analysts in this field, we can say that the determinants of competitive advantage is reflected in: higher efficiency compared to competitors; superior capacity for innovation; better quality of products or enhanced consumer satisfaction / their users; better adaptation to customer, also a rapid and personalized to customers' requests and needs. [5] Figure 2, suggestively entitled determinants of competitive advantage, highlights eloquently the organic connection that exists between innovation, economic efficiency, quality, adaptation to customer and competitive advantage obtained under these conditions.

Figure No. 2. The determinants of competitive advantage



Source: Charles Hill si Gareth Jones*, Strategic Management, an Integrated Approach, Houghton Mifflin Company*, Boston, 2008

In the economic teory, the efficiency of companies is the expression ratio between effort and effect. Thus, for any company the effort is measured by cost, and the effect is measured by the resulting value. In the same order of ideas, we consider that a more efficient company can gain a competitive advantage by reducing costs. If we refer to the fixed costs, it is widely recognized that they constitute a major difficulty for most enterprises and an area where economic losses are frequent. Therefore we believe that they should be very closely monitored and managed. Linked to this category of costs frequently receive the tendence to adopt costly organizational structures even when the volume and complexity of business activity does not require this action. At the same time, there is a need to adopt dynamic productive capacity of the company to changes in demand volume. Regarding this aspect, considering the relative rigidity of production capacity, including labor, the compensatory solution would be consisted in more versatile utility. In pursuit of this competitive advantage, companies prefer flexible equipment, and staff with multiple and diverse skills. From another perspective, fixed costs (like those lost, called "sunk cost") is a source of competitive advantage, among others as if they are high, they will be certainly an important barrier for companies to enter on EU market .

Therefore, enterprises there are already on the market, being interested to build barriers to protect themselves by rival companies to the market, and seek to gain a larger force as the premise of effective activity under conditions of high fixed costs of their competitors.

Related to variable costs, we can say that they are normally controlled by technology. Therefore, the search of competitive advantage must in this case to target the choice of right technology. The decision-making process must, however, target that not every time most advanced technology is the most favorable acquiring competitive advantage. Thus, technological system should not be considered within the strict limits of the company, but must be appreciated in light of upstream and downstream connections of technical system.

The product quality is their capacity to produce benefits announced by the company in consumption. The ability to achieve high quality products represents an important competitive advantage. In connection with the use quality as an instrument for achieving competitive advantage must be made clear that due to frequent use of the binomial price - quality in explaining buying criteria is widespread idea that if a firm chooses a strategy of low price or choose low-income customers, quality may be poor. This assumption is fundamentally wrong, as evidenced systematically all the studies undertaken so far. In fact, in this case, the buyer compares the value that he attributes of product primarily to the price, while the quality remains in the background. The buyer acquires a combination of benefits offered by the product and, in the measure that he cannot afford or doesn't want a "maximum set" benefits, he buys a product that has strictly necessary benefits. Meanwhile, the quality assurance implies an average cost quite low, approximately 12% of the turnover of the company, but has a major contribution in achieving and maintaining a significant market share. [7]

It was also found that the firms which can offer high quality products registered a higher substantially rentability of investment compared to those providing lower quality products.

Innovation can be defined as an original or new solution. It is found in all aspects of economic and social life and should not necessarily be the material nature or in any way related to a product. Furthermore, innovation is not a revolution, but a state of mind that allows exploitation of an opportunity to change something in the normal way that things are going. And when it is successful, innovation gives the company a competitive advantage because it provides for a period of time, a monopoly position in the explotation of unique trait obtained in this way. In addition, systematic innovation is perhaps the only indispensable tool for a sustainable competitive advantage. Like the quality assurance, innovation involves costs whose recovery is possible when innovation leads to the result of a priority recognized within the industry and market.

In economic theory and practice is widely accepted that not all innovations that bring genuine improvements will be recognized. [2] Thus, between competing innovative solutions will be remembered only that which will satisfy largely perceived needs. There are risks that are not negligible, on the recognition and valorisation of successful innovation in practice. Therefore, we believe that entrepreneurs should focus on the transfer opportunities form areas with low productivity to high productivity areas. In this economic pattern must not overlook any risk of failure. Despite all systemic risk it is important to note that earned income will be more than sufficient to offset any threat and vulnerability. In this context, we consider that entrepreneurial system is much less risky than optimization. It is known that innovation is risky but not innovating is more risky. All these converge to the obvious determination of company policy size: success in business requires the adoption, irrevocably, a winning mentality, the condition of leaving the platoon is innovation, and the prize beeing the considerable reduction of restrictions imposed on the company and threats that have to face it.

Adapting to customers is another major concern for companies in general so that, from this perspective we must emphasize the necessity for companies to be sensitive to customer needs respond promptly to changes that occur in the pattern of demand and customer requirements. [3] In economic practice, however, the level of activity of companies encountering numerous difficulties in responding satisfactorily to the diversified needs of customers. Sometimes this situation is determined by the management and staff confidence, in their capacity as economic specialists, wrongly appreciated they would know better the benefits that customers want than themselves. In other cases, the resources and skills of company can not follow the rapid pace of change requirements and demands of customers.

Depending on the speed of the company to respond of changes in consumers demand and their requirements, the firms can obtain a competitive advantage or rather a disadvantage. From this perspective, we believe that the main criteria by which one can appreciate the ability to adapt to a company's customers are: how much a company's product provides the expected benefits of the customer?; how the product can be customized according to particular requirements of different customer groups (or even of an individual client)?; promptness in the client relationship - both individual consumers and industrial customers offer more and more value of time and therefore they are willing to pay for saving time?

In the case of Romanian enterprises, European Single Market gives them the possibility to compete directly with other companies from European Union. But thanks to this competitive market, foreign companies can conquer through quality products and services, the Romanian market, as it is happening today. [8]

Therefore the open competitive pressure and the market forces within the European Union will also have important consequences on sector of Romanian economy under the "local sunset", especially those that require considerable expenditures on research and development. The overall result of these trends will be a substantial change in the general physiognomy and the sectorial structure of the Romanian economy, which will become gradually a part of integrated European economy. The suppression of the total protection of domestic production against competition from EU suppliers facilitates inevitably EU export growth on Romanian market. The elimination of customs protection is a key factor in the stimulation of Romanian exports, which intensifie the competitive pressure of imports expansion on domestic production. [1]

On the other hand, it is obvious that the total liberalization of imports from EU is affecting Romanian enterprises, which are not sufficiently prepared for increased competition on European market. Under the circumstances, we consider that in particular Romanian "SME" are not yet ready to compete on the single European market, because of their low levels of productivity, their poor competitiveness, lack of managerial skills, the difficult access to finance, still unsuitable to EU regulations and quality standards of the majority of these enterprises, etc. There is no doubt that the liberalization of imports from the EU offer at the same time, offer some notable benefits, among which: the supply enlargement of high quality goods and services on the Romanian market; duty-free import of goods with favorable consequences for producer enterprises , the stimulation of domestic producers in order to become more efficient under the competitive pressure of imports; the acceleration of products specialization to which there is a competitive advantage; reduction of inflation curve, due to import prices, which should be generally cheaper. [4]

3. Concluding Remarks

The huge EU market is extremely important and attractive for Romanian companies. At the same time, we believe that EU internal market potential is still underexploited by Romanian companies. Thus, for the most part of products, the position of Romanian enterprises in the "extra-EU import and export is still insignificant. Simultaneously it is important to emphasize that the constant concern for Romanian economic agents must remain the increase of exports share in European Union and parallel to qualitative of improvement of of its structure. Also, it is important to note that to resist to open competitive pressure, and EU market forces are necessary for Romanian companies the considerable costs in the matter of reserach and development in order to increase the productivity level and internationally competitiveness. Therefore, we believe that obtaining sustainable competitive advantage for Romanian companies on EU market must be a strategic objective in the medium and long term that could bring huge benefits in terms of economic performance.

On short-term the benefit of large series production primarily it can be noted in sectors that have competitive advantage, respectivelly those with intensive work or relatively abundant material resources. In this category are the sectors which have already proved their competitiveness on the European market, namely light industry (textiles, footwear, etc.), wood industry, ferrous and nonferrous metals, plus production "Sun Rise" from various parts of machinery and some complex equipment, such as ships.

On the medium term the Romanian agriculture will make felt more and more its presence in the European economy, especially in the cereals and oilseeds sector and processed products with local specific.

Finally, on long term, it is anticipated a decline in the economy sectors with intensive work in favor of capital-intensive sectors, research and knowledge, particularly ITC sector. Also, for concretization of these benefits becomes essential the quality of marketing and management activities at company level and in terms of the authorities' the quality of national and regional development policies that can favor a healthy competitive business climate, based on values of strategic trade, knowledge and sustainable development.

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