Jaroslava Dědková, Michal Folprecht

Technical University of Liberec, Faculty of Economics, Department of Marketing
Studentská 2, 46117 Liberec 1, Czech Republic
email: jaroslava.dedkova@tul.cz, michal.folprecht@tul.cz

The Competitiveness and Competitive Strategies of Companies in the Czech Part of Euroregion Nisa

Abstract
This paper was written as part of a specific research project at the Technical University of Liberec, Faculty of Economics. It deals with part of the aim of the project: the use of competitive strategies and competitive advantages among companies in the Czech part of Euroregion Nisa. Methodological approaches to the topics of competitive strategies and the competitive environment from the perspective of experts on the matter are presented in the introduction to the paper. The main aim of the paper is to identify competitive strategies, primarily from the perspective of individual branches of industry and the size of a company, because it cannot be said that there is one and the same strategy for all types of company. It is in the interests of each and every company to determine what its best competitive advantage is in light of the situation on the market, the aims it has set for itself or its opportunities and resources. A well-chosen competitive strategy provides the chance to place a product on the market in the best way possible in relation to what other companies have to offer. The authors of the paper deal with the issue of the main competitive strategies that companies now use and in what lies their competitive advantage. Results and discussion are found in an evaluation of primary research undertaken among 170 companies in the Czech part of Euroregion Nisa. A detailed investigation confirmed that competitive advantage and competitive strategies need to be understood as multi-dimensional and multi-factored. It can be contended that successful companies need to produce differentiated products at low cost and have to be flexible.

Key Words
competition, competitive strategy, research, competitiveness, investigative competitive strategy, competitive environment

JEL Classification: M31

Introduction

Competition is fierce in the 21st century, even fiercer in fact that before due to faster transformation. The market situation is chaotic and not overly transparent as a result of incoming companies, a situation that forces some companies with a long tradition to close and leave the market. Another factor to affect the 21st century is the changing way in which customers think and the changing requirements they have. Customers have ever greater and more exacting demands on products. The basic task for the company, then, is to identify these individual customer requirements, to continually monitor events on the market, to have the chance and be able to respond operatively, to produce and offer a wide range of quality products, to try and shorten innovation cycles and mainly to shorten delivery times. Companies apply these principles in an attempt to be
This brings us to the first question that companies have to deal with at all times and under all conditions: **What precisely is competitiveness?** [1]

There are many opinions of what competitiveness really is and many definitions. As Suchánek and Špalek write in their article [2], “We draw on the fact that competitiveness can be defined as a quality that allows a business entity to succeed in competition with other business entities. It is clear that market success can only be achieved by whoever knows how to apply a particular competitive advantage in the right way and is able to achieve ascendancy over his competitors by doing so. The question is, how do we judge competitiveness? Given that the competitiveness of a company is related to its vision of the future and that a business strategy emerges from this vision, there exists the possibility of ascertaining competitiveness from the value or size of the value which the company creates. From this perspective, competitiveness is conditional on performance and it should stand that a company which is competitive also performs well”.

1. **Competitive strategies**

Competitiveness is based on the competitive strategy that a company sets out in the best possible way. It is through this that the company prepares itself for competitive battle and operation in a particular branch. Although the given environment in which a company wants to operate is very broad and includes social and economic influences, the significant and fundamental aspect of the environment is the branch in which the company operates and carries out its activity. The independent structure of the branch has a considerable influence on determining the basic competitive rules of the game. [3, p. 3]

Whenever a company is able to identify its main rivals, it must also create such a competitive strategy that provides it with the possibility of placing its product on the market as best possible in relation to what other companies can offer. Under no circumstances can we say that there is a best strategy for all types of company. It is in the company’s interests to determine what its best competitive advantage is in light of the situation on the market, the aims it has set for itself or the opportunities and resources it has at its disposal. [5, p. 578]

The strength of the competition in industry rises continually and in some cases far outstrips how current competitors behave. The level of competition in a branch depends on the 5 basic competitive forces (suppliers, substitutes, customers, potential new competition and competition in the branch). The overall effect of these forces determines the potential for final profit in a branch, whereby the relevant potential for profit is measured from the perspective of the long-term returnability of invested capital. All branches, however, are not characterised by the same potential for end profit. This profit differs significantly, owing, for example, to the different overall operation of competitive forces. [3, p. 3]

Companies that compete with each other on the target market differ at any given moment from the perspective of their objectives and resources. Some companies might
be big, others small. Some companies have considerable resources, while others struggle to find money. Another perspective is that some companies are old and established and others are entirely new. Some companies are keen on a fast start-up and expansion, others are more interested in long-term profit. We can infer from this that all companies are structured differently and that a different type of competitive strategy is used for each and every one depending on the characteristics of the company. These companies will make efforts to occupy a certain competitive position on the relevant market. [5, p. 578]

Michael E. Porter suggests [3, p. 35] that, “There are three potentially successful general strategies to outmatch other companies in a sector when mastering the five competitive forces.

1. **Cost leadership** - Here the company tries to keep its production and distribution costs as low as possible so that it is able to set a lower price than competing companies and thus win a greater market share. [5, p. 578]

2. **Differentiation.** In this case the company tries to concentrate on being able to create a highly differentiated product or range of products and marketing programmes in such a way as to act as the leading company in the relevant sector. Thanks to this, the majority of customer will prefer this brand on the condition that the price is not too high. [5, p. 579]

3. **Focus.** This strategy is based on the principle that the company focuses only on certain market segments instead of concentrating on and trying to win over the market as a whole. [5, p. 579]

A company that concentrates on one of these strategies is very likely to succeed. However, a whole range of factors have an influence on companies (a change of environment and business cycle, the exchange rate, inflation, state regulation etc.) and we should therefore remember that the methodology which Porter recommends is fine for the present, but is static and lacks a view into the future. According to Mintzberg, low price is the decisive factor and not low costs. Pressure on costs stems from prices. A price might be low with regard to the high utility which the product provides, while focusing on operating at low costs also leads to the risky truncation of the company. [4]. Mintzberg adopts a position on the demand side, his strategy draws on the needs and wants of the consumer and introduced far greater flexibility to the discipline.

### 1.1 Market position as a competitive strategy

All companies maintain their position on the market by way of competitive moves. These moves are used to attack competing companies or to defend against threats that they might face from other companies. Individual moves change mainly in relation to the position that the company occupies on the market (leader, challenger, follower or looking for market micro-segments) [4, p. 580].
1.1.1 The strategy of the market leader

Many branches have an acknowledged market leader. Such a company has the largest share of the market and usually influences other companies in terms of changing prices and introducing new products to the market. Other companies respect the company occupying this position. Nonetheless, this position means that the company is continually under competitive attack by other companies. In the event that a company wants to become the market leader, it must be prepared to operate on several fronts at the same time. [5, p. 580]

1.1.2 The strategy of the challenger

Companies that occupy the second, third etc. position in the relevant branch might still be large companies and can use one of two competitive strategies. In the challenger strategy, the company must first define its strategic aims. All companies try to increase their own profit and this they do by increasing their market share. It is up to the company alone which competitors will be strategic and which it will attack. It might even attack the market leader, which carries a certain risk to counteract the considerable profits possible. This strategy works well if the market leader is not ideal for the given market. For an attack to be successful and the market leader to be overcome, the company must have a significant competitive advantage over the leader. This advantage takes the form of low costs, which allow prices to be reduced or higher quality provided at a higher price. Another option in this strategy is that the company can attack companies of the same size or smaller companies. Smaller companies are more likely to be under-financed and are unable to serve their customers well. [5, p. 590, 591]

1.1.3 The strategy of the follower

Companies occupying second position do not always want to take the market leader on. The market leader is never happy about someone trying to take its customers from it. If a challenger begins attracting customers with lower prices, better services or new products, it might happen that the leader is able to copy this move very quickly in order to fend off the attack. A battle with the leader might end with both companies being worse off than they were beforehand, meaning that the challenger needs to properly think over each and every move in advance. That is why most companies are happier to follow the leader. By using this strategy, a follower has the chance to enjoy a number of advantages. The market leader is expected to frequently have to deal with the high costs associated with the development and innovation of new products. The reward for this risk is that it occupies the position of market leader. A follower has the opportunity to learn from how the leader proceeds and copy its tactics, or indeed improve on its products. Even though a follower does not occupy the position of leader, it can still achieve the same level of profit. [5, p. 595]
1.1.4 The strategy of micro-segmentation

There are entities in almost all branches that specialise in serving micro-segments. In this case, the company does not focus on the market as a whole or on large segments, instead tending to concentrate on gaps in the market. This is mainly the case for smaller companies with limited resources. What is fundamental, however, is that even companies with a low share of the market as a whole are able to achieve very decent profits by intelligently using gaps. The question remains as to why the use of such gaps on the market is so profitable? The reason is that the company concentrating on microsegments knows the target group of customers so well that it is able to satisfy their needs better and with greater intensity than companies which casually sell their products to this segment. [5, p. 596]

1.2 A new approach to competitive strategies - investigative competitive strategies

The new concept of offensive strategies differs greatly from definitions of competitive strategies according to Michael E. Porter and from competitive strategies according to Philip Kotler. [5]. František Bartes [6] provides the following definition: "An investigative competitive strategy is a strategy for achieving an advantageous strategic position in a competitive environment that allows the objectives set out to be achieved without any direct, long-term conflict with a rival. Essentially, this means that this competitive strategy looks to ensure victory (the achievement of objectives) even before entering the battlefield”.

A direct battle with a competing company need not always end in victory. If two similarly powerful companies with similar available resources clash with each other, it might end up that both companies are weakened and that another (third) company assumes the position of leader on the market as a whole. The aim of the new approach is to look for new opportunities, to create new demand or new market segments or brand new markets. As part of this approach, the company needs to create value, primarily for the customer.

Possible forms of investigative competitive strategies:

- **Satisfying the “hidden” needs of the customer** – The sort of need that the customer does not even know about, nor does the competition. The customer is very happy when a company is able to satisfy him. That means that this company is the first to come on to the market and offer the customer a premium discount and that its product finds itself within a competition-free environment, at least for a time. [6]

- **Strategic partnership.** It is possible in the world of business, and sometimes even desirable, for a company to have a competition strategy in the form of a strategic partnership, a phenomenon which has recently become very widespread. Such strategic partnerships are mainly designed to reduce competitive clashes and share the activity and resources of a competing partner. It can therefore be said that
strategic partnerships are a good way of dealing with relations with a competitor without conflict. [6]

- **The rational respect of the “status quo”**. Certain market structures can themselves determine a form of cooperation that could benefit companies. One appropriate example is the homogenous oligopolistic market, where there are fewer suppliers, selling similar products that are indistinguishable. We can say that sales and company profits within this structure are very sensitive to changes of price. For this reason it pays to cooperate and not disrupt the status quo of the market price. [6]

- **Direct clash** (short-term). We have seen that a direct clash can be very risky and if alternatives do present themselves, it is better to use these and take steps to avoid such conflict. However, there is an approach in the investigative competitive strategy that does not rule out a direct clash, but only if this is as quick and possible, meaning that we achieve the required objective in a very short space of time. [6]

- **Transfer to pre-prepared positions**. In the event that a company is unable to achieve the objectives it requires in the given branch or competing with a stronger competing company would be of considerable danger to it, there is the option of leaving that branch and moving into another, the aim being to ensure the company’s prosperity. [6]

Bartes describes term “Competitive Intelligence” has been introduced by way of definition, since the Czech equivalent had not been used in a uniform way. There is a Czech term “Konkurencí zpravodajství”, [7]

### 2. Results and discussion

This section examines and evaluates the quantitative information taken from a questionnaire survey. It is divided into two smaller parts, the first characterising the profile of respondents and the second concentrating on an analysis of competitive strategies. A total of 170 companies from the Czech part of Euroregion Nisa completed the questionnaire. This Euroregion Neisse – Nisa– Nysa lies in the border areas of three countries – the Czech Republic, Germany and Poland. Euroregion has established in 1991. All three parts of the region are united by many common issues and interests arising from similar system transformations and many years of common history. The River Nisa which forms the border between Germany and Poland is unifying element of the area as a whole and the traditional symbol of mutual cooperation.

The Czech part of Euroregion Nisa encompasses Česká Lípa, Jablonec nad Nisou, Liberec, Semily and the northern part of the Děčín district (around Šluknov) and covers around 4.5 % of the area of the Czech Republic. This part of the Euroregion is home to 135 municipalities (figure taken from 2011) and concentrates mainly on glassmaking, engineering, metallurgy, textiles, clothing, building and the food industry. Emphasis is placed on strengthening competitiveness and regional economic bases by way of cooperation, with special consideration for interaction between small and medium-sized businesses and in support of developing new business opportunities. [8]
2.1 Methodological procedure of marketing survey

The methodology used in the empirical investigation of the competitive strategies of companies is based on the definitions, expectations and principles set out in the introduction to the paper. A quantitative form of collecting data in a written questionnaire was chosen as the method of obtaining the information we required, this questionnaire taking the shape of an electronic survey created using the tools available at Google.com. The survey was carried out in January and February 2013 in the Czech part of Euroregion Nisa and was anonymous.

A uniform, standardised, structured questionnaire was used to gather data in which the wording and order of questions were precisely set out. Closed-ended, multiple-choice questions were mainly used in the questionnaire, although open-ended questions were employed to ascertain competitive strategies. We expected the respondents to confirm the views of the authors regarding the unambiguity of using competitive strategies.

2.2 The structure of respondents

For the purposes of considering the economic base, the Czech part of the region was divided into the districts of Liberec, Jablonec nad Nisou, Česká Lípa and Semily. A database was created of 250 companies active in the districts of Euroregion Nisa in question. These companies were contacted by telephone and subsequently sent an electronic link to the questionnaire in the Google.com system. One hundred and seventy questionnaires were subsequently processed.

The opening questions 1 to 5 in the questionnaire were designed to identify the sample of respondents. The first question was used to identify the location of the company within Euroregion Nisa. Ninety respondents came from the Liberec district, around 53 %, 23 respondents from Jablonec nad Nisou (almost 14 %), 23 respondents from Česká Lípa (around 14 %) and 34 respondents from Semily (20 %). This spread of companies corresponds to the size of the districts in question. Approximately 14 % have less than 10 employees, 11 % of respondents gave an answer of between 10 and 20, the same number of companies have 21 to 50 employees, 41 companies (24 %) employ between 51 and 100 members of staff, 23 companies (14 %) have between 101 and 200 employees and 46 (27 %) have more than 200 employees. Of the 170 companies questioned, 29 % were joint stock companies (49 respondents), 2 were associations (1 %), 5 were natural persons (10 respondents), 6 were state enterprises (4 %) and 103 were limited liability companies (61 %). One hundred and nineteen companies, meaning a full 70 %, were identified as having no foreign capital. Another 4 companies have a share of foreign capital of up to 24 %, 9 companies a share of foreign capital of between 25 and 50 %, 11 companies between 51 and 76 % and 27 companies, around 16 %, have a share of foreign capital in the company of more than 76 %. Core business activities differed greatly and were divided into the categories of industry, services, trade and transport and other to help us process the information. Eighty-nine companies were classified under industry (building, engineering, glassmaking, food production, textile
industry), meaning 52%, 77 were classified under services, trade and transport (45%) and the rest, almost 3%, are part of another branch.

2.2.1 Perception of the competitive environment

As shown in Figure 1, 51% of all companies see their (competitive) environment as being very strong, 40% of companies perceive it as moderately strong and only 9% thought that the competition in their area was weak. It ensued from a more detailed investigation that the most competitive environment was among companies with up to 10 employees, almost 67%, whilst only 51% of large companies said the same. The most competitive environment from the perspective of the branch was the engineering and electronic engineering industry, with a figure of 64%. By contrast, only 20% of the respondents from the motor industry consider the competitive environment to be strong.

![Fig. 1 Perception of the competitive environment](image)

Source: compiled by the authors

All branches try to monitor the competition. Companies are most inclined to monitor their competitive environments themselves, 75% of respondents doing so (see Figure 2). Around 15% of respondents said that they sometimes monitor the competitive environment. Some 10% of respondents stated that they use the services of an outside consultancy service. Mostly this issue is handled by the marketing department, analytical department, commercial department or sales representatives. However some companies did also mention headquarters abroad. This wide range of answers stems from the different sizes of the companies and what they focus on. Non-parametric statistical testing proved that there is no difference in the efforts made to break clear of the competition between Czech companies and companies with a predominance of foreign capital.

![Fig. 2 Dealing with breaking clear of the competition](image)

Source: compiled by the authors
This paper deals with the use of competitive strategies and so Figure 3 that follows shows the use of competitive strategies among the companies in the Czech part of Euroregion Nisa. Nineteen per cent of the respondents chose a price strategy as their clear strategy. Around 30% stated a non-price strategy. Almost half of the respondents mentioned a price strategy and a non-price strategy, which was at odds with our expectation of the unambiguity of competitive strategies. Among the main non-price competitive strategies which respondents mentioned were short delivery terms, the quality and standard of services or servicing, flexibility, an individual approach and personal dealings, the name of the company, unique services, product innovation, top-class products and a wide range of applicability. One respondent stated that the company is the market leader and that it would rather lose customers than reduce its price. A more detailed investigation showed that industrial companies choose price competitive strategies and non-price strategies. Non-price strategies predominate among companies in the services/trade sector.

As far as Czech companies are concerned, 32% of the respondents choose a price strategy, whereas only 15% of companies with more than 76% foreign capital do so. We therefore note a predominance of using this competitive strategy among Czech companies. The results of research into the use of competitive strategies allow us to say that more companies choose a strategy of differentiation as their competitive strategy and that this strategy predominates among companies having access to the consumer market and among purely Czech companies.

The competitive advantages serving as the basis of competitiveness that were stated included experience, more up-to-date technology, comprehensive services, the company having a stable background, trained and well-qualified staff, the quality of products, patents, tradition and the knowledge of employees. Respondents saw the competitive advantage of competitors in, for example, better communication strategies, a low price at the expense of quality, better sophistication in targeting clients and innovations.

**Fig. 3 The use of competitive strategies**

![Pie chart showing the use of competitive strategies](image)

*Source: compiled by the authors*

## Conclusion

Competitive advantage and competitive strategies must be understood as multi-dimensional and companies need to create an integrated product that represents a
certain configuration of services, values and the assurances of sellers within a modern concept. The term competitive advantage is a multi-faceted term as well. [9] Most companies stated a number of factors that they use in putting together their competitive strategy. From the research results it is evident that using the differentiation as the competitive strategy prevails.

These are not easy times for Czech companies. Ensuring prosperity in the ever more demanding conditions of the world and domestic market economy requires them to come to terms with a number of obstacles. For a company to be able to survive in the face of this competition, it needs to ensure continual growth in its work productivity and support for innovative activity, secure financing etc.

Successful companies differ from unsuccessful ones in the fact that they are diametrically opposite in terms of their internal organisation and management. They apply “world-class production techniques”. Their priority is to maintain and further increase their competitiveness, not just in terms of their own production, but in relation to a whole range of other processes at the company as well. Porter’s concept of a competitive strategy stresses that companies need to decide on only one competitive strategy to ensure that company objectives are achieved over the long-term.[10] This could be debated, of course, because under certain circumstances it is possible for a company to concentrate on a cost strategy and at the same time implement certain elements of a strategy of differentiation (for example adapting products to the requirements of the customer). Porter’s strategies also lack the dynamic aspects of adapting a strategy in relation to changes in conditions on the market.

We believe that only one company can succeed in a given branch by operating at low costs, but that several companies can be successful using differentiation, each concentrating on something different, a fact the customer appreciates.

It can be said that there is no single competitive strategy that would apply to all companies. All companies must take their size and position in the branch into account and compare this to the competition. We can say that successful companies produce differentiated products at low cost and have to be flexible. This means combining price and non-price competitive strategies. However, comprehensive knowledge of individual strategies is required to be able to properly use their advantages. [11]

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