

Introduction of Competitive Strategy in Joint-Stock Companies

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Abstract: In this article, competition in joint-stock companies theoretical bases and principles of strategy development, competition stages of strategy development and implementation, shareholding foreign experience in the development of the corporate finance strategy of their societies.

Key words: shareholder society, strategy, competition, strategy.

Competition is one of the main factors of the external environment that the enterprise plans its marketing activity taking into account. Competition is the competition and struggle of legal entities and individuals to achieve advantages and advantages over other economic entities in the conditions of market relations and the application of anti-monopoly legislation. Competition as a phenomenon in the market exists in the form of competitive actions (struggle) of enterprises.

Competitive activity is a set of offensive and defensive actions aimed at gaining and maintaining the best position in the market for the enterprise. It is the best for the firm, not for the market, because not all firms strive for leadership and cannot be leaders. But they can choose a more profitable and stable position for themselves compared to competitors. In order to operate stably in the market, the enterprise must be competitive.

Competitiveness of the firm is its ability to sell goods in competitive conditions, to resist the actions of competitors, and to influence competitors and the competitive environment. A firm's competitiveness is based not only on its marketing activities, but also on several factors, as shown in Figure 8.1. From the buyer's point of view, goods compete. But behind this is the competition of manufacturers and sellers. Product competitiveness is a manifestation of firm competitiveness.

Thus, companies compete in the joint stock companies, and marketing is a means of activity. In a narrow sense, the subject of competition is the goods that competing firms try to sell to consumers. In a broad sense, the subject of competition is the need of customers, which firms fight to satisfy.

There can be great differences between the abilities of firms to succeed – there are fundamental inequalities between most competitors. This contrasts with the conventional economics textbook view of perfect competition that holds that firms are essentially similar, if not the same, and that over time their performances will converge on a minimum rate of return on capital. Less efficient firms will be obliged to exit and the more efficient firms will be subject to imitation. The competitive strategy view of the firm is that understanding and manipulating the factors that cause these inequalities, so as to give the firm a sustainable competitive advantage, largely govern long-term business success. These factors vary widely. Different businesses, even within the same industry, often need to be doing different things. Thus, there are many strategies open to firms. The usual starting point is to recognize that strategy is the outcome of the resolution of several different, conflicting forces.

These are summarized in Figure 1. Society has expectations of its joint stock companies. Owners, managers, and other implementers of strategy have their own personal values and ambitions. The joint stock companies has strengths and weaknesses, and the industry context offers opportunities and threats. The traditional, top-down view of strategy is encapsulated in the strategic planning view. This involves deciding on long-term objectives and strategic direction, eliminating or minimizing weaknesses, avoiding threats, building on and defending strengths, and taking advantage of opportunities

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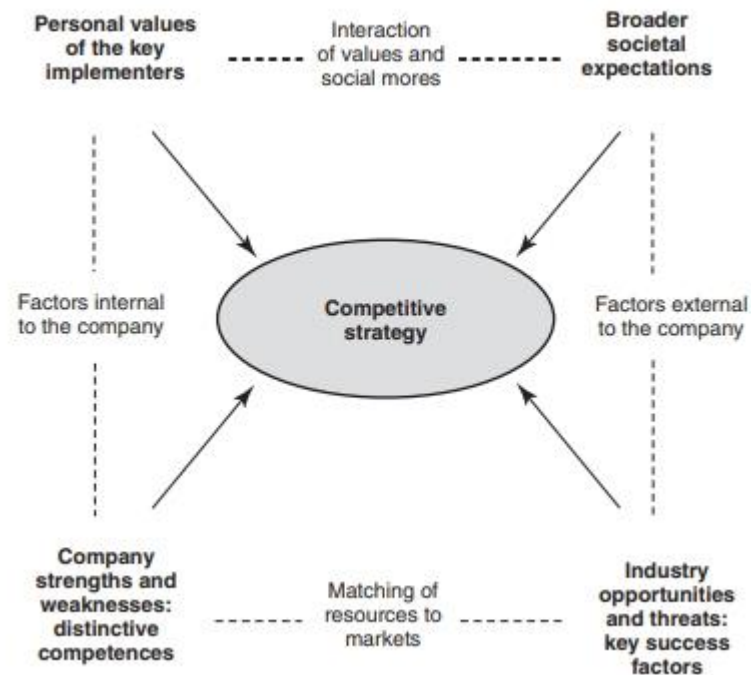


Figure 1

One of the tasks of planning for an enterprise is to find ways to create competitive advantages in order to successfully operate in adverse external conditions.

Competitive strategy is the general plans of the enterprise's behavior in the market, taking into account its capabilities and the strength of competitors.

The basic competitive strategy represents the basis of the company's competitive behavior and describes the scheme of securing an advantage over competitors. It consists in determining the long-term orientation of the firm to any type of production activity and the planned situation in the market. The company's competitive strategy is determined based on the study of its internal perspectives and external environment, taking into account unexpected market situations.

Competitive advantages that determine the company's position in the market are divided into two types:

- low prices compared to competitors;
- differentiation of goods.

While the quality of the goods is the same, lower prices are more attractive to the buyer.

Differentiation is offering customers a greater and unique value than competitors in the form of higher product quality, unique consumer characteristics, sales or after-sales service. Differentiation allows a firm to set higher prices, which results in greater profits at the same costs as competitors.

A cost advantage strategy directs the enterprise (more precisely, its strategic business unit) to minimize production and sales costs, which allows to set a lower price compared to competitors. As a rule, such a strategy can be used by large enterprises. Average costs decrease as the size of the enterprise increases. This is served not only by technological reasons, but also by the benefits of co-production and specialization in the form of savings in fixed costs.

The second reason why a large firm is more efficient is the nature of demand. Research shows that 60% of the demand for goods falls within a narrow range of quality specifications. Therefore, if the products are of the same type, it is more profitable to produce them on the conveyor. The fact that the



price and quality requests of the mass consumer are averaged creates an objective basis for large-scale production.

It follows that in the field of mass and series production, a large manufacturer/seller has an advantage.

The implementation of such a strategy is complicated by a number of features:

- inflation that devalues the received profit;
- lack of a clear connection between the decrease in costs and the increase in the scope of activity;
- due to the inertia of mass production, it is not possible to quickly redirect it;
- that the strategy can be copied relatively quickly by competitors.

Accordingly, following one of three basic competitive strategies can lead to success in a competitive environment:

- a) cost advantage strategy;
- b) differentiation strategy;
- c) segment leadership strategy.

F. Kotler distinguishes 4 types of competitive strategy based on the company's market share 65:

1. Leader strategy.
2. "Challenge" strategy.
3. "Following the leader" strategy.
4. Expert strategy

Competitive advantages differ in how long they can be sustained. Substantial advantages: cheap labor and raw materials, economies of scale of production are achieved much faster by competing firms and cease to be an advantage. Higher-order advantages can be maintained for a longer period of time, but they are associated with greater investment and risk (unique technologies, techniques and market experience, know-how).

A general weakness of the competitive strategy development process is a lack of personal orientation. Often, the strategy is directed against competing companies and takes less into account the behavioral characteristics of its management. Their business approaches, experience, skills, and other personal characteristics largely determine their expected reactions to market changes. The competitive strategy should be considered not only by the enterprise, but also by its management apparatus, along with its unique leadership style, which allows it to respond more accurately and correctly to possible countermeasures.

In addition, it should not be forgotten that the fight against competitors is ultimately carried out at the expense of the consumer's budget. For this reason, the meaning of competitive struggle is to acquire consumers who use more competitors' goods and services than to act against rival companies.

The object of competition is the buyer or consumer. The separation of the subject and the object shows that there are two spheres of influence in the competition: the product (subject) and the consumer (object).

Elements of marketing complex - product (goods),

- price,
- sales system and
- marketing communications are competitive tools.



Goods. Product features, product set, packaging, brand marks, offered assortment, innovations are competitive tools. Commodity policy and every element of the commodity is simultaneously a means of competition and a "field" of competition.

Price. Price increase or decrease, price differentiation, discounts are considered competitive tools. It is a flexible and fast-acting competitive tool because prices can change quickly depending on demand, costs or competition. However, price movements are quickly and easily copied by competitors. In addition, the state can regulate prices.

Sales system. Places and methods of selling products, rendering of trade services, terms of formalization of transactions, terms of payment, art of sales staff, company ethics are considered means of competition. Currently, the sale of goods on credit is considered a powerful means of competition in our country. The morale of sales staff is currently a weak point in most companies.

Marketing communications. Advertising, public relations, promotional measures, personal selling are the means of competition

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