

# Challenges in modern management and modern business that Macedonian organizations face in gaining competitive advantage

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## Abstract

The end of XX and early XXI century marks the beginning of a new "dynamic era" of business. Constant rapid change, rapid industrial development and globalization encourage new thinking on the mode of action of organizations and their functions in order to gain competitive advantage. Because the world as a global village, conditions keeping up with the current trends and implementing new, modern concepts, methods and principles by the management of organizations. Modern management and modern business are the basis for building a successful organization that will be competitive on the market. The modern "managerial revolution" that is currently taking place forces managers within organizations to use more modern, contemporary means and methods of management that would face current challenges. Competitive advantage is accomplished by those organizations that are prepared for radical changes and which apply methods and concepts of continuous improvement. Sustainable competitive advantage is achieved by organizations that significantly stand out, in terms of competition, i.e. organizations that are capable of raising their performance comparatively to the competition, applying innovative techniques, developing new superior products and offering services to build a strong brand and positive image applying targeted advertising.

This paper is focused on the analysis of a very important view of modern management and modern business in organizations, for the sake of gaining competitiveness. Namely, the paper examines the impact of contemporary challenges on the overall operation of organizations both in manufacturing and in the services sector, in order to achieve competitive advantage.

**Keywords:** management, modern management, business, contemporary business, competitive advantage

## **1. Introduction**

The trend of globalization, or creating a uniform market dictates the need for the organizations to change their activities, implement new ways, methods, concepts of work and overcome traditional practices. The rise in competition globally on the one hand, and the rapid development of information and communication technologies on the other hand, are forcing the organizations to change the way they operate. The modern business world dictates the pace of operation. All the organizations that wish to be competitive need to follow modern business practices. Such trends give indications to the management of an organizations of all necessities arising from new developments in the overall situation of the organization, and they effectively initiate changes leading to access in international flows of operation.

The dynamic environment and complexity mean hyperchange, hipercompetition, and hyperturbulence. The Digital Revolution, Information Age, the digital economy, the Internet economy, Web economy, knowledge-based economy, knowledge-based society, a time of discontinuity, time of uncertainty; all these are the expressions that characterize modern operations.

The research in this paper is implemented in accordance with contemporary methodology of scientific research. It was conducted on a sample of 38 organizations through anonymous questionnaires. The survey covers organizations belonging to various activities in order to identify organizations with different levels of implementation of modern management operation concepts. This type of population from different organizations makes it possible to compare and determine the differences between them, and also to generalize the results of the research.

## **2. Definition of modern management and modern business**

The management of any organization is responsible for the existence and development of the organization. There is no generally accepted definition of what management or modern management is. However, the most broadly accepted is one that points to the planning, organization, management and control for efficient and effective achievement of organizational goals. Management is a universal tool of the modern industrial world. Every organization must have an appropriate management to effectively achieve the objectives. Modern life and the complex mode of operation implies the necessity of modern leadership, which is in direct correlation with the management. Management has great importance for the efficient functioning and development of any organization, any social system and the society in general. A basic feature of modern management is the managerial approach that is used for efficient operation, functioning and development.

Management makes use of knowledge gathered from many disciplines such as technology, economics, computer science, psychology and so on, and continues to develop new knowledge and new concepts of operation, thus expanding the scope of work in the further development, resisting the challenges of the modern, complex business world. The question is - what is it business? The term business refers to any organization involved in creating a product / service in order to gain a profit. Stephenson defines business as "Regular production, purchase and sale of goods / services in order to make a profit and gain wealth through satisfying human needs"(Lorens et all.)

According to Dicsee, business is a type of activity that is conducted in order to gain profit in favor of those on whose behalf the activity is conducted.

Lewis Henry defines business as "human activity directed towards the production or acquisition of wealth by buying and selling goods / services." (ibid, p.4-7) Thus, the term business means continuous production and distribution of goods and services in order to gain profits in uncertain market conditions. Every organization, regardless of the fact if it is large or small, is part of an immense global business world. The business is part of society, but at the same time, it is an individual entity clearly differentiated from society itself. Business is going through constant exchanges with the external environment through division lines. (ibid, p.4-5) In such way, business incorporates resources and carries out different activities. Business activities are in direct correlation with other social entities and this interdependence is the responsibility of the management within organizations. Business must adapt to changes in the environment. The key to survival of the business often lies in the ability to effectively adapt to the conditions themselves. Consequently, the total responsibility lies in the hands of the management, who conceptualize the relationship between organizations and the environment.

Stoner, Freeman and Gilbert elaborated the following six topics in the theory of management: new organizational environment, new social responsibility and ethics, globalization and management, creation and re-creation of the organization, culture and policulturalism, and quality. Basically, it is necessary to employ dynamic engagement, which means employing new theoretical paradigms, new concepts and approaches to management. Because the world is continuously changing, managers and other employees in organizations must keep functioning in the ever-increasing operative levels. (Baum et all.)

### **3. Challenges of modern management and modern business, and achievement of competitive advantage**

In the last 20 years the rivalry between organizations dramatically increases, regardless whether they compete internally (in the same country) or globally (in foreign countries). Global organizations imposed severe pressure on many organizations to identify better ways of using their resources and improve their performance. Today, managers who try to learn and adapt to changes in the global environment find themselves to be more capable to react than to innovate, so their organizations often become uncompetitive and face failure (Shama). Managers must be more innovative, proactive, flexible and focused on contemporary trends and tendencies.

Professional literature lists the following main challenges to the management of the XXI century (Mashic):

- Accelerated pace of change;
- Increased globalization of operations;
- Variability of technology (especially information technology);
- A diverse workforce;
- Transition from industrial to social knowledge;
- Fluctuations of the market and the economic conditions;
- Quality and innovation become managerial imperatives;
- Number of requests from stakeholders;
- Complex managerial environment.

Today, in modern business, the managers face five major challenges:

- Building a competitive advantage;
- Maintaining ethical standards;
- Managing a diverse workforce (human resources);

- The use of new information systems and technologies;
- Practicing global crisis management.

Modern management is driven by rapid technological progress and rapid development of information and communication technologies, which have contributed to the globalization of the world market. Global business gives the choice of location at which it is expected the best results to be accomplished, i.e. which offers the greatest efficiency and effectiveness. The trend of outsourcing in modern organizations has been noted to go through extremely rapid growth. Modern business is characterized by the absence of barriers, the focus on complementary activities and resources, and globalization. Knowledge and intellectual capital become key resources in operation, and information and communication technologies become a necessity for coordination of work activities. Namely, it is a re-conceptualization of management on how, where and when to undertake their activities.

The features of modern management are (Shama):

- Creation of specialized teams, i.e. small and flexible organizations;
- Networking and coordination of teams with the assistance of information and communication technology;
- Reduction of differences between hierarchical levels and democratization in decision making;
- Increase of the autonomy of staff and their independence in decision making;
- Concentration on primary operations (core business) and key skills;
- Outsourcing of business activities;
- Continuous investment in knowledge and education;
- The creation of partnerships with suppliers and customers;
- Monitoring, evaluation and measurement of intangible resources and intellectual capital;
- Encouraging further innovation and creativity.

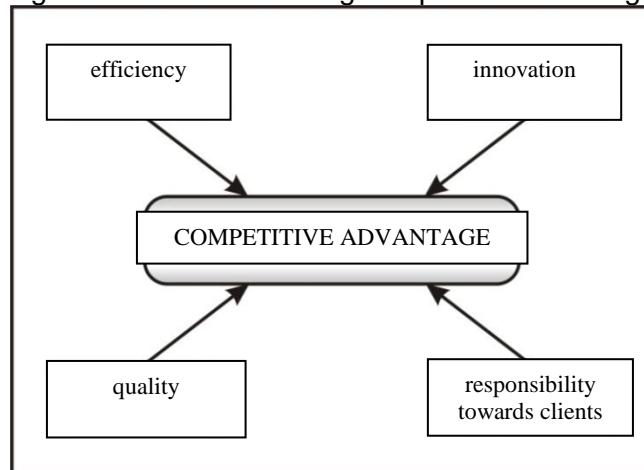
Factors which influence the new management model are (Gareth et al.):

1. Emerging needs;
2. The objectives of development;
3. Innovation in business processes;
4. Development of new products and services;
5. The development of key skills;
6. Development of professional skills.

The major challenge of modern management in the modern business world is gaining competitive advantage which basically means the ability of an organization to exceed another organization because it produces desirable goods and services more efficient and effective than its competitors. There are four specific forms to create competitive advantage, such as:

- Superior efficiency;
- Quality;
- Speed, flexibility and innovation
- Responsiveness to customers (Figure 1).

Figure 1: Forms of building competitive advantage



Source: Gareth R. Jones, Jenifer M. George, "*Modern Management*", Global communications, Skopje, 2008, p. 27

Organizations increase efficiency when reducing the quantities of resources (such as people and materials) that they use to produce specific products / services. Today, the management of modern organizations continuously explores new ways of using resources to increase efficiency. Training to gain new skills and techniques is only a part of the measures for achieving efficiency, which will result in competitive advantage. Implementing new ways of working (self-managed teams) allows organizations to promote and increase productivity. Achieving superior quality means manufacturing products / offering services that have features such as design, style, performance, reliability - that consumers perceive as superior to those who own competing products. Improving quality means introducing techniques to increase the quality.

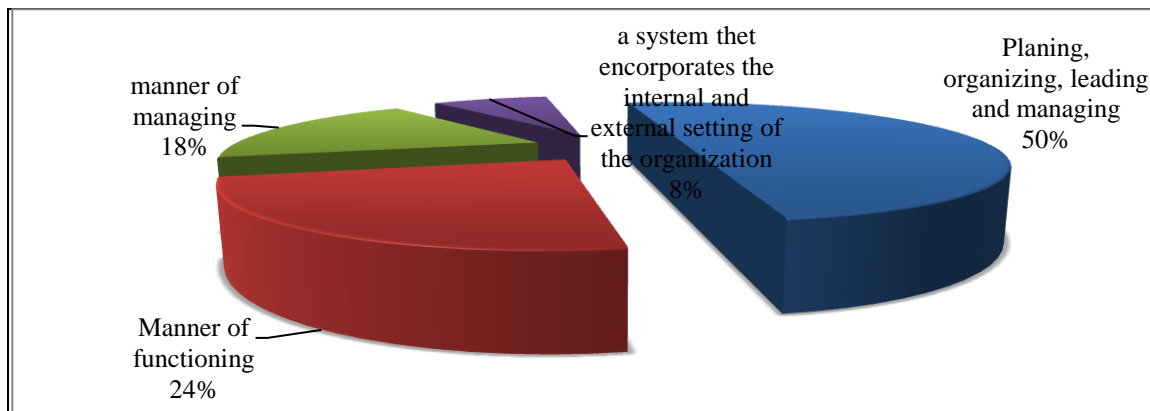
The speed of introducing new products at the market is a factor of great importance as well as flexibility, and it denotes the degree of difficulty with which organizations can change the way they conduct their activities in order to respond to the actions of competitors. Managers of flexible organizations have superior abilities to plan and organize, forward thinking, quick decision-making by mobilizing their resources and ability to respond to the changing environment. Modern management must develop and make innovations. Innovation is the process of creating new or improved products / services that customers want, or developing better ways of production. Successful innovation provide the organization with uniqueness, originality and diversity in relation to products which are produced by competitors. Innovation adds value to products and enables the organization to further differentiate itself from its competitors, to attract customers and be more competitive.

The organization that is responsible towards consumers tries to satisfy their needs, and to give them exactly what they want. Managers can improve accountability to the consumer by providing after-sales service and support, as well as through different modules that help in providing improved products / services in the future. Achieving competitive advantage requires the management to use all the skills and expertise and other resources of the organization to improve efficiency, quality, innovation and responsibility towards customers. The management should pay particular attention to means by which to plan strategies, organize resources and activities, direct and manage people, and everything with the one objective of achieving increased effectiveness and efficiency in their organization.

#### 4. Presentation of the research results obtained through a questionnaire regarding competitiveness in manufacturing and service organizations through modern management and business

The question what the definition of modern management is for the surveyed organizations, 50% of organizations believe that modern management is the planning, organizing, leading and control, 23.68% organizations believe it's a way of functioning, 18.43% think it is manner of managing. Only 7.89% of organizations felt that it is a system which covers the internal and external environment of the organization (Chart 1). It shows that there is great awareness of modern management, and management of organizations attaches great importance to modern forms of functioning. The number of organizations that understood the importance of modern management and modern forms of operation for obtaining competitive advantage was great. Organizations must understand contemporary management and business as a way of working and opportunity to achieve competitive advantage.

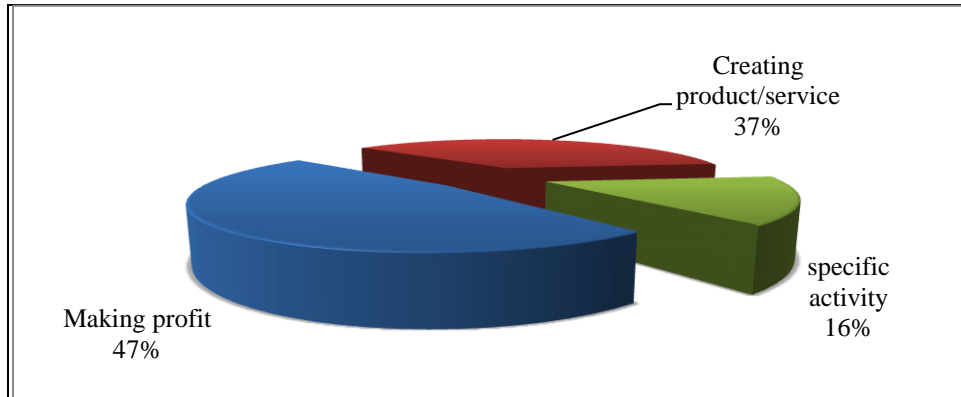
Chart 1: What is the definition of modern management for you?



Source: personal research

The question what the meaning of modern business is for the surveyed organizations, 47.37% of organizations have said it was making profit; 36,84% of organizations think that it is creating a product / service, and 15.79% view modern business as a form of a specific activity (Chart 2). Although the surveyed organizations view contemporary business organizations through different forms, however, it shows that a growing number of organizations are turning to profit, and indirectly become more competitive.

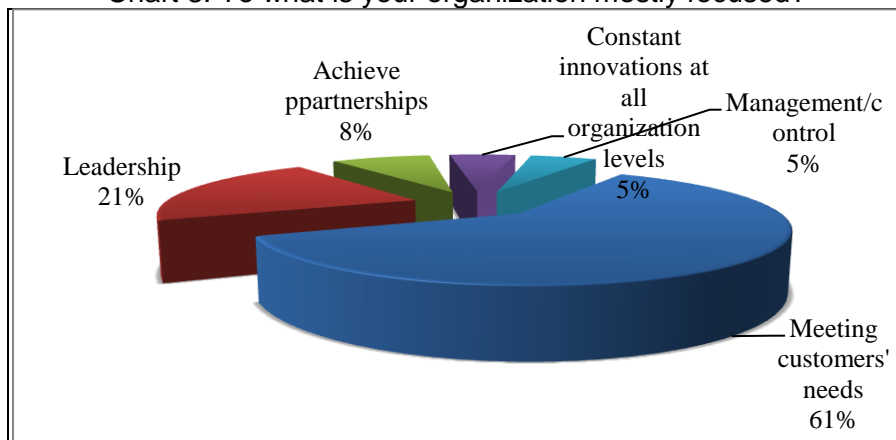
Chart 2: What is the meaning modern business for you?



Source: personal research

To the question "to what is your organisation mostly focused", 60.53% of organizations have said they are aiming to meet consumer's demands and 21% are focused on leadership. 7.89% opted to achieve partnerships, 5.27% tend to constantly promote innovations at all levels in the organization, and two organizations are focused on management and control (Chart 3). Although, the principles of complete quality management were offered as possible answers, the responses show that most organizations are focused on satisfying customers, but also the need to pay more attention to innovation in its operations. Satisfying customers' needs is a key factor in achieving competitive advantage. Organizations that strive to be more competitive must meet the needs and desires of customers, but also must constantly bring innovation to their work. Innovation is an important factor in achieving competitive advantage. Organisations that introduce novelties to their work and who are creative and innovative, reach greater efficiency and effectiveness and thereby accomplish greater competitive advantage.

Chart 3: To what is your organization mostly focused?

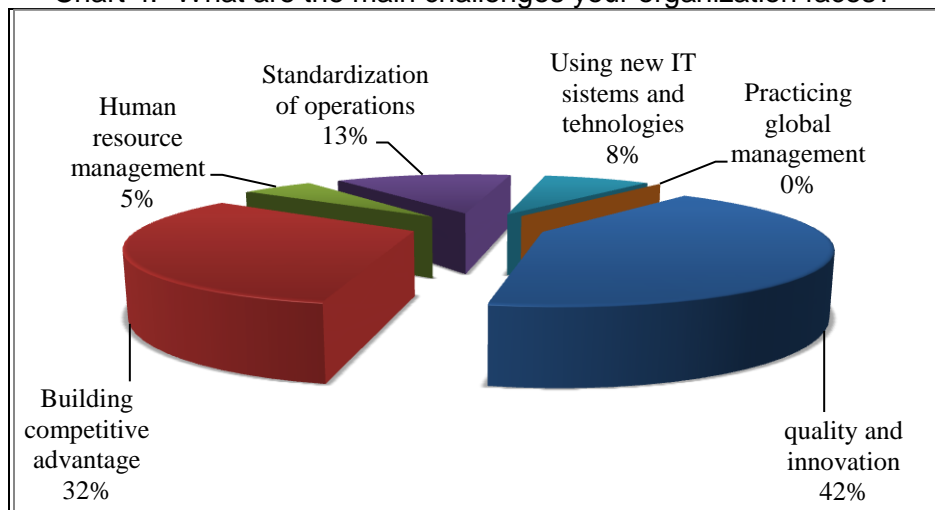


Source: personal research

To the question: "What are the main challenges your organization faces?", 42.11% of organizations have responded that their main challenge is the quality and innovation; 31.57% claim it is to build a competitive advantage; 13.16% said that the main challenge for them is the standardization of operations; for 7.89% it is the use of new information systems and technologies, and only 5.26% claim that their main challenge is the management of human

resources (Chart 4) . For none of the organizations the practice of global management is found to be a major challenge. The results indicate that organizations are focused on achieving high quality which is good for the overall quality management, but neglected human resources management. This indicates the need for greater commitment by management to human resources, because they are a primary factor in the creation of high quality. Also, the graph shows that a large number of organizations list competitive advantage as the main challenge. Organisations wishing to achieve a competitive advantage must have clearly defined goals and clearly defined strategies that allow achieving it. We should not overlook the other possible answers because they are also significant challenges that surveyed organizations have faced. However, if organizations wish to achieve competitive advantage, they must be aim toward facing more challenges, i.e. their strategic goal should be integration of all those challenges.

Chart 4: "What are the main challenges your organization faces?"

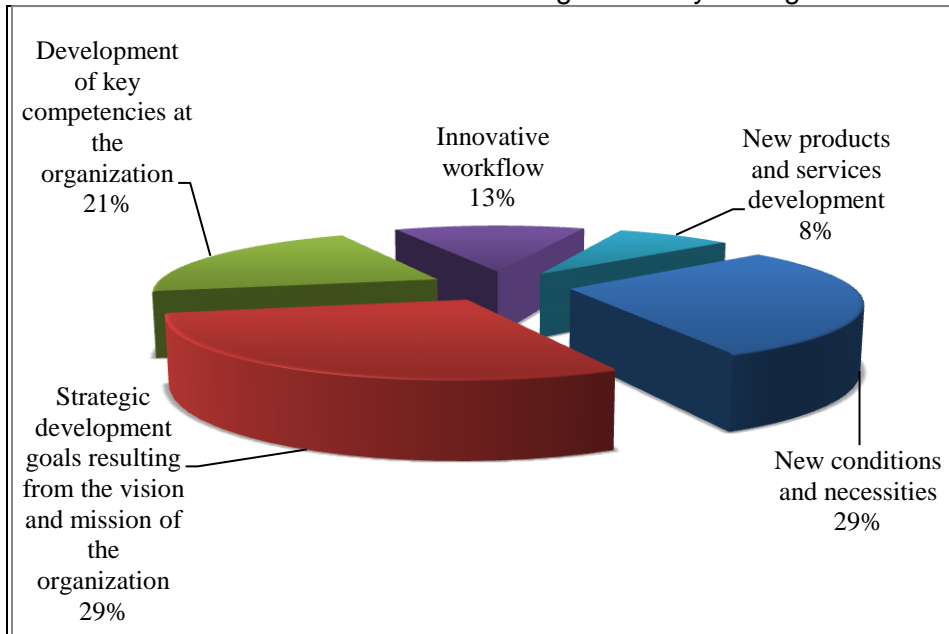


Source: Personal research

To the question: "Which factors most affect management in your organization?", 28.95% of organizations claimed that such factors that affect the management are new conditions and needs, and the same percent of organizations said that those are the strategic goals of development resulting from the vision and mission of the organization. 21.05% believe that the development of key skills mostly affects management, and 13.16% believe that it is innovation in workflows. Only 7.89% stated that the development of new products and services is the most influential factor in mangement (Chart 5). According to the results, managers still need to think of new conditions and necessities, and appropriately refer to them, but also, to follow the strategic goals for development. It contributes to the successful functioning of organizations. Innovative thinking, too, should be encouraged as a factor that influences the management. In order to become competitive, organizations must focus on the factors that affect management. The management of organizations is an important link in achieving competitive advantage. Organizations should put special emphasis on innovation, because only those organizations that manage to follow the world trends by implementing new concepts of operation, and improve operations via new innovative ideas reach greater productivity, and thus become more competitive. Encouraging innovation is an important factor in achieving the efficiency and effectiveness of the overall operation of the organizations, followed by gaining a competitive advantage.



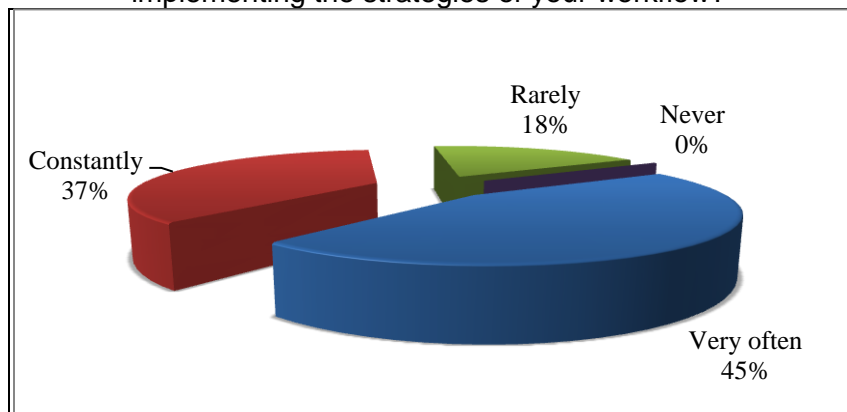
Chart 5: "Which factors most affect management in your organization?"



Source: Personal research

To the question: "Does your organisation utilize modern management concepts in defining and implementing the strategies of your workflow?", 44.74% organizations claimed to often make use of them; 36,84% claim to utilize them constantly, and 18.42% said they rarely use modern management concepts (Chart 6). There is not an organization that does not use modern management concepts. The results show that there are still organizations which should pay more attention to the use of modern management concepts in the definition and implementation of the strategy, because a well-defined strategy means greater operative success. Well-defined strategy means defining all tasks and activities that the staff needs to accomplish in order to achieve the set goals. A clearly defined strategy leads to achieving the objectives. Depending on the objectives that organizations have, they should use appropriate, modern management concepts for defining strategies. When organizations have clearly defined strategies, they achieve the set goals with more ease, and thus become more competitive.

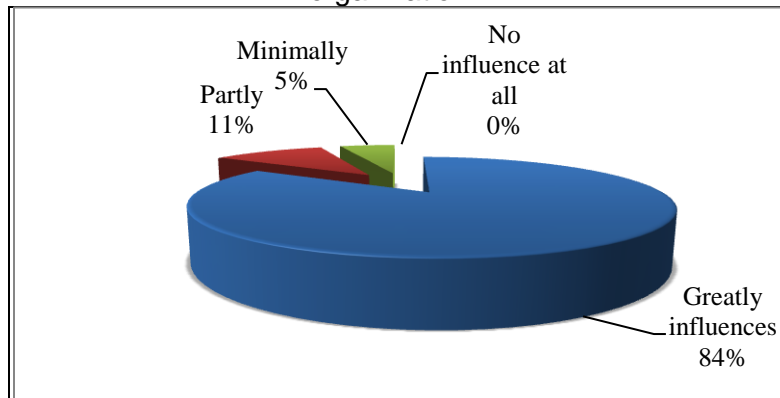
Chart 6: "Does your organisation utilize modern management concepts in defining and implementing the strategies of your workflow?"



Source: Personal research

To the question: "Does the use of modern management concepts affect operating results of the organization?", 84.21% believed that organizations are greatly influenced; 10.72% believe it partly influences operating results, and 5.26% find its influence non-existent. (Chart No. 7). No organization has responded that the use of modern management concepts does not affect operating results at all. This demonstrated that organizations have already realized the benefits of applying modern concepts of work. Hence, it is obvious that there is a growing awareness among the organizations regarding the application of modern concepts of operation.

Chart 7: "Does the use of modern management concepts affect operating results of the organization?"



Source: Personal research

Modern concepts of operation not only increase the effectiveness and efficiency of organizations, but they are also a condition for gaining competitive advantage. Implementing modern management concepts leads to improved performance in the overall operations, brings forth an improvement in all business processes, results in greater productivity and increased quality through cost reduction, and greater satisfaction of employees and customers. Thus, modern concepts affect the performance of organizations in achieving competitive advantage on the market.

## Conclusion

What really presents a growing challenge for small organizations and multinational companies is the improvement of the relative position of the organization in terms of competition, i.e. achieving and maintaining competitive advantage. In the era of globalization, competitive advantage is achieved by organizations that are ready for radical changes and which apply methods and concepts of continuous improvement. Management in the contemporary operating environment is becoming more specialized and complex depending on the scope of activities. Rapid technological development emphasizes the need to use management methods and approaches, namely the use of management as a scientific discipline that addresses the directing of operations and other systems and processes and managing organizational systems in order to improve their efficiency, effectiveness and achieving goals which were set.

Facing new challenges and developments, on the basis of the actual research, it can be concluded that organizations should constantly be active, track changes, to be innovative and dedicated to the promotion of quality in all aspects of operation.

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