Fundamental Ingredients Underpinning the Success of Business Organizations Towards Sustainable Competitiveness: A Theoretical Review

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Abstract
With myriad opportunities and threats in the current dynamic business environment, organizations are competing to outdo each other and secure leading positions in their respective industries. This paper made an attempt to bring out common fundamental characteristics of top organizations in various industries that endow them with a competitive edge above other players in their respective industries. This review presents theoretical and empirical findings as documented by various management scholars and researchers in peer reviewed journals and other scholarly publications in strategic management. From the theoretical and empirical literature gathered, the paper concludes that in the contemporary business environment, successful and leading business organizations have invested substantially in technological innovation, human resource development and participation, new product development, winning marketing strategies and corporate social responsibility.

Keywords
Business Success, Sustainable Competitiveness, Industry

I. Introduction
All forms of organizations in both public and private sector have been face multiple challenges emanating globalization, liberalization, technological advancements, and changing customers’ technological-driven expectations (Das, 1995; Kotler and Armstrong, 2010; Letangulle and Letting, 2012). Organizations operate in a dynamic business environment that is technologically driven, globally unbounded, and customer oriented. These challenges, among others, call for extensive search and adoption of suitable strategies that can not only ensure growth and survival in the turbulent environment but also position business organizations above competitors in the industry.

Environmental forces largely influence competition within an industry especially those related to technology, economic forces social cultural values, market dynamics, products, political and legal. Business competition become even stiffer and complex if the style of business is almost rigid, thereby giving the players a little chance to diversify and play differently (Stalk et al.; Das, 1995).

With the advent of liberalization, and entry into the industry of new players, competition among the various players has become so stiff that only those companies with the best strategies are able to survive and position themselves competitively in the industry. This paper, is an attempt to review and gather the various common attributes that define best performing business organizations. The paper contends that Leading organizations in most business industries are those that have invested in among other factors; technological innovation, human resource development and participation, new product development, winning marketing strategies and corporate social responsibility

II. Guiding Theory and Model
This review is guided by the Resource-based theory (RBT) in its analysis of fundamental ingredients underpinning the success of business organizations towards sustainable competitiveness. The RBT distinguishes organizations in terms of their strategic and resource endowments and stresses the uniqueness of every organization. This approach assumes that an organization can use superior resources and capabilities to modify the industry structure and or change the rules of a competitive game (Peteraf, 1993). According to Stalk, et al. (1992) the key to success is no longer where a company chooses to compete but how its unique resources and capabilities dictate strategy and lead to success. The RBT focuses on the internal resources, capabilities and core competencies of an organization (Barney, 1991). The theory advocates for building strategies on competitiveness and uniqueness of an organization (Peteraf, 1993).

Barney (1991) argues that a resource is strategic and therefore likely to give a company a competitive edge if it contains given specific characteristics which include; valubility meaning the capacity to increase the organizations’ effectiveness and efficiency, when the resource is rare and in high demand, inimitability and substitutability (not readily substituted). From the RBT perspective, an organization endowed with or that acquires resource(s) of the stated features stand a high chance to position itself as a leader in its industry of operation and it is most likely to succeed. RBT theory classifies resources into three basic types which include; the tangible resources, intangible resources and organizational capabilities which Day (1994) defines as a complex bundle of skills and collective learning, exercised through organizational processes that ensure superior coordination of functional activities for instance the human capital. All these resources combined when inherent in an organization form the unique capabilities that underpin success and competitiveness for any business organization.

II. Porter’s Five Forces Models
Strickland, et all (2010) postulate that the five forces hold the state of competition in an industry to be a composite of competitive pressures operating in key areas of the overall market. The five forces include; Pressures associated with the market maneuvering for customer patronage that goes on among rival sellers in the industry, Pressures associated with the threats of new entrants, Pressures from the attempts of companies in other industries to win buyers over to their own substitute products, Pressures stemming from supplier bargaining power and suppliers seller collaboration and finally, Pressures stemming from seller-buyer bargaining power and seller-buyer collaboration.

With a clear understanding of where power lies, an organization can take advantage of a situation of strength, improve a situation of weakness, and avoid making wrong moves that may work against a business organization or disadvantage it against its competitors. Porter’s five forces model can be an important guide in the planning
by top management especially those playing in a competitive industry. The five forces framework provides useful insights into the forces at work within an industry or market environment of a company and could inform the nature of strategies to be adopted in order to navigate the competitive environment so as to have an edge over rivals.

III. Technological Innovation

Global Technological development has had a huge impact in the way businesses are conducted. Multiple business strategies have been victims of the rapid emergence of what Hill (2010) terms as technological paradigm shifts. Business organizations have had difficult times coping with the rapid emergence of technologically related paradigm shifts, both in terms of strategy formulation and execution, mainly due to the rapid base at which these shifts occur. This implies that any organization that aspires to secure a leading position in such a turbulent market environment must have a clear technological innovation strategy.

Technological paradigm shifts occur when new technologies come along that revolutionize the structure of the industry, dramatically alters the nature of competition, and require companies to adopt new strategies to survive (Hill 2010; Kim and Mauborn, 1999). For instance, in Kenya, technological advancements in the mobile financial services have revolutionized not only the telecommunication industry but also the banking sector. Banks and financial institutions that have been slow in embracing mobile money transfer technology have found themselves at a disadvantaged end while first movers gained immensely by adopting mobile money transfer technology.

Hill (2010) observes that technological paradigm shifts appear to be more likely to occur in an industry where one, or both, of the following conditions are in place. One, when the established technology in the industry is mature and approaching or at its “natural limit” and second, when “disruptive technology” has entered the market place and is taking root in niches that are poorly served. Technology is a major determinant in the ability to innovate and is viewed both as a major source of competitive advantage and of new product innovation (Gunasekeran at al., 1996).

Organizations that are able to combine customer value and technological innovation are highly likely to enjoy sustainable growth and profitability (Kim and Mauborn, 1999) and therefore the variations in performance among players in an industry may be explained by the variation on the extent of adoption and deployment of innovative technologically driven products. Utterback and Abernathy, (2005) contend that the primary motivation of technological innovation is to assure the survival of the entity and achieving sustainable competitive performance.

According to Adam and Farber, (2000), technological innovation in the organizational context, may be linked to performance and growth through improvement in efficiency, productivity, quality, competitive positioning and market share among others. These features fit to describe top organizations that have been known to be leaders in their industries.

IV. Human Resource Development and Participation

Storey (2001) refers to human resource development as an approach to employment management which seeks to achieve competitive advantage through strategic development of a highly capable workforce. Reilly and Pfeffer (2000) contend that the quality of human resource is one of the most essential determinants of organizational success that need to be taken into consideration. Quality in this case refers to sum total of skills, attitudes, capabilities, experiences and other characteristics of the people required by a specific task or position (Peng & Litteljohn, 2001). These scholars, further note that we do live in a world in which knowledge, intellectual capital, rather than physical capital is increasingly important and we need smart people who can do great things to increase productivity, build new products and services and do so even more quickly.

Leading business organizations in various industries are those that have strongly subscribed to human resource empowerment and talent management. For instance, effectiveness of strategy implementation is, at least in part, affected by the quality of people involved in the process of crafting and deployment of the strategy (Govindarajan, 1989). If an organization’s workforce has limited capacity, then the chance of success of such an organization are slim. Such a workforce will not take the lead in developing and nurturing an innovation culture, establishing innovation process and pushing the alignment between innovation strategy and business strategy.

Harrington (2006) observes that a high level in total organizational involvement by all cadres of management during strategy implementation has a positive effect on the level of implementation success. The “who” of strategy implementation at different hierarchical levels will for instance include top level management, middle level management, and the lower level management all of whose participation determine the success level of strategy implementation (Herculeous, 2000). Poloski and Vidovic (2007) in asserting the strategic role of human resource in an organization he notes that HRM in a modern organization has two main interrelated roles which include; to foster the performance of an organization, and to act as a support for achieving competitiveness through people. It is therefore imperative that a leading organization must have invested in human resource and development and accorded them space for participation and talent exploitation hence a competitive advantage over other industry players.

V. New Product Development

New product development is the introduction of original products or product improvement or modification, through an organization’s research and development initiatives (Cooper 2001; Kotler and Armstrong 2010). According to Cooper (2001), new product development is one of the most critical strategies in any competitive industry. In the current business environment, organizations have to deal with a dynamic environment within which innovation and creativity are vital competencies. Organizations need to keep a constant flow of new ideas in order to enjoy competitive advantage and sustain customer patronage (Mathisen and Einarsen, 2004).

In emphasizing the role of product development as a source of survival and competitive advantage in an industry, Hoyer, et al. (2010) narrates that to grow, it has become necessary for organizations to evolve new products that reflect their customer or target market.

Today’s customer is highly informed and more demanding than before. Responsiveness and agility to customer need and change of market conditions have become key determinants of an organization’s success and call for enhanced capacity for an organization to introduce new products often (Robertson and Yu, 2003). The already stated development of mobile money transfer in Kenya illustrates a typical example of new product development in which the Mpesa mobile money transfer product of Safaricom Company received immense popularity in the Kenyan market such that its spread and influence radically changed the rules of the. This development has led to the introduction of more new
products around the mobile money transfer that has kept Safaricom Company ahead of its peers.

VI. Winning Marketing Strategy
Robson (1997) defines marketing strategy as a pattern of resource allocation or decisions made throughout an organization which relate to the customer or customer groups to attract and enhance their loyalty to the company. A proper marketing strategy emanates from an extensive analysis of the market and its environment, customer buying behavior, competitive activities, and the abilities of the marketing intermediaries (Robson, 1997). According to Robert (2012), organizations are focused on designing various marketing strategies that can be used in conquering a heavily competitive market in order to attain a leadership in the industry. Companies are increasingly turning to their customers as a means of securing their competitive edge. Therefore, CRM has become the mantra for success and developing close and sustainable relationship is important for any organization the dreams of a leading position in an industry. Some of the main marketing strategies adopted by leading industry players in different industries in Kenya include, ingenious product innovation, product mix, product line advertising, promotion, pricing among others. Belch and Belch (1997), also contend that any organization that wants to exchange its products or services in the market place successfully should have a strategic marketing plan to guide resource allocation and enable it compete favorably. They further emphasize that an important aspect of marketing strategy development is the search for a competitive advantage which can only be attained through having quality products that command a premium price, providing superior services, having the lowest production cost and dominating channels of distribution. Customer sustainability is the bloodstream that nourishes every business and leading organizations have mastered the art and invested significantly in the management of customer. According to Agrawal (2003), service markets need to build up long-term relationships with their customers by understating the cause behind their problems and provide products that provide solutions to them. With fierce competition in almost every industry, business players must find ways of reducing prices, attract new customers while jealously guarding the existing one from existing to other players and find ways of increasing their profits for growth and survival.

VII. Corporate Social Responsibility
CSR is a concept in which companies integrate social and environmental concerns in their businesses operations and in their interaction with their stakeholders on a voluntary basis (European Commission’s Directorate – General for Employment and Social Affairs). Carroll (1979), views CSR as encompassing the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time. There has been a strong debate if CSR has any long term added value to business organizations or if it erodes gain made by business organizations to the disadvantage of its stockholder. Antagonists to CSR mainly argue on the basis that the “business of business is business”. However, the main weakness of some of these arguments against CSR is that they all focus on the tension between business and society rather than on their interdependence and complimentarily.

Many organizations according to Porter (2006) cannot make a close link between their core strategy and the CSR activities. This according to Porter results to a hodgepodge of uncoordinated CSR and philanthropic activities disconnected from the company’s strategy that neither make any meaningful social impact nor strengthen the firms’ long-term competitiveness. Galbreath (2006), argues that most company strategists address what the firms might and can do as well as what the firm wants to do but they fail to focus on what a firm oath to do. The oath to do is what should entail CSR. By targeting CSR towards specific stakeholders, the goal is to increase long-term value creation for these stakeholders as well as for a firms’ financial and reputation position in the market and in the long run accord the company the desired competitive advantage within the industry and beyond. Proponents of CSR have used four arguments to make their case; moral obligation, sustainability, license to operate and reputation. Porter (2006) summarizes that business organizations should operate in ways that secure long-term economic performance by avoiding short term behavior that might be socially detrimental or environmentally wasteful. An influential opinion advanced by Clarkson (1995) argues that the economic and social purpose of the corporation is to create and distribute increased wealth and value to all its primary stakeholders groups, without favoring one group at the expense of the others. Top organizations that have succeeded are those that have adequately addressed and aligned their strategy on what the firm might and can do with what the firm oath to do.

VIII. Discussion and Conclusion
This paper has focused in presenting some of the top ‘trending’ fundamental ingredients underpinning the success and competitiveness of leading business players. The paper begun by appreciating innumerable inherent opportunities and threats that drive and define the current business environment that is dynamic and turbulent. The paper aimed at analyzing important elements that characterize top organizations in various sectors and what makes these organizations to be above other players in their industries. From the discussion presented, it emerged that key elements that constitute the basis of competitive advantage of leading organizations are; technological innovation, human resource development and participation, new product development, winning marketing strategy and investing in corporate social responsibility. These elements, according to this review are the key ingredients that endow top performing organizations with not only success and a competitive advantage but also leading positions in their industries. The paper concludes that the recipe for Successful Business organization and leading position in an Industry constitute; Technological Innovation + Human Resource Development + Participation + New Product Development + Winning Marketing Strategies + Corporate Social Responsibility.

References


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