

THEME: BUILDING SYNERGIES FOR BETTER PERFORMANCE

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SUSTAINING A COMPETITIVE ADVANTAGE

ABSTRACT

Today's business world is characterized by stiff competition and the inevitable dynamic changes in technology, organizations and institutions are continuously striving to sustain themselves in the market. In such situations and circumstances, there arises the need to craft better methods of sustenance. In the modern economy, adopting new competitive methods has been an increasingly popular because organizations cannot always cope with increasingly complex environment such as globalization from internal resources and competence alone. There is need to obtain raw materials, resources and competencies or access markets. In the long run, there is the need of economic integration aimed at exploiting resources and new opportunities. In many occasions, synergies will survive in the market due to the fact that there is control of prices, cost, wider markets, potential development of substitute and compliment products as well as prevention of entry in the market by other smaller firms, creating a monopolistic market structure. There is also creation of a superior value to customers in terms of quality and unique benefits in products leading to retention of customers. This research paper examines how sustaining a competitive advantage can be effected and the possible impacts it will have in a country's' economy, especially in the third world countries which mostly have small and middle sized industries. It is a recommendable approach to assist the economy of a country to uncover business merging more explicitly.

KeyWords: Competitive Priorities; Strategies; Impacts.

INTRODUCTION AND RESEARCH OBJECTIVE

This research paper analyses how effective competition may effect a better economic performance and its relevance especially in third world countries, mostly African countries. Building synergies has become increasingly popular because organizations cannot always cope with increasingly complex environments such as globalization from internal resources and competence alone. There is need to obtain resources, materials and competences or access markets. This is only possible through forming alliances to compete effectively with established firms in order to exploit resources and new opportunities. Partnerships is a form of synergy when two or more individuals/firms temporarily or permanently form a single entity to capitalize on an opportunity by

sharing equally. It helps firms improve on communication and networking to globalise operations, therefore minimising risks as they endeavour to attain sustainable competitive advantage and sustainability in the market.

COMPETITIVE PRIORITIES

The market today is characterized by a stiff competition. Each business enterprise in the market is competing to remain in the market. Competition intensity is high when; firms are of equal size; resources, products and services are standardized; industry growth is slow and exponential. The consequences of high competition include;

- Price wars
- Relentless advertising
- High Frequency of introduction of new products & services
- Free trials
- Low profit margins
- Purchasing incentives
- Switching bonuses
- Financial packages; cheap credit

To ensure that an enterprise overcomes competition, it should effectively compete on cost, flexibility, reliability and quality to achieve the following:

- ✓ Speeding up the time it takes to get new products into production.
- ✓ Developing flexible production systems to enable mass customization of products and services.
- ✓ Managing global production networks.
- ✓ Developing and integrating new production technologies into existing production systems.
- ✓ Achieving high quality quickly and keeping it up in the face of restructuring.
- ✓ Managing a diverse workforce.
- ✓ Conforming to environmental constraints, ethical standards, and government regulations.

Competition on Cost

All business organizations should compete to be the cost leaders in production of goods or services. Cost is very vital in decision making about pricing, which is a competitive advantage. It is therefore very important to understand the cost behavior of a firm. Cost advantage is a cumulative cost which enables firms to operate better than their competitors. Large scale production of goods and services (economies of scale) enable firms to achieve lower product, distribution and marketing costs so that they can charge lower prices than that of their competitors hence winning a large market share. To achieve this strategy, firms should ensure effective value engineering, purchasing and physical distribution of the products.

There is the need to gain the price leadership strategy by looking at the horizontal, forward and backward strategies of cost benefits. However, the benefits must generally be pursued along with differentiation. Firms gain advantage through control of cost

drivers better than that of their competitors, re-configuration of value creation methods such as adopting different methods of designing productions, automation, use of new raw materials and integration. Striving to lower costs is only effective through building economies of scale to lower all production costs and other overheads. It enables underpricing the competitor thereby gaining a bigger market share and sales as they push the competitor out of the market, creating monopolies. Efficient cost control strategies that different firms need to be aware of include:

- ✓ High efficiency.
- ✓ Low overhead costs.
- ✓ Intolerant waste levels.
- ✓ Intensive screening of budget requests.
- ✓ Rewards linked cost containment.
- ✓ Broader employee involvement.
- ✓ General cost control

These control strategies are easily applicable in large organizations. To achieve this in the case of small businesses enterprises, there is the need to merge with others in the same industry to form synergies to ensure that it operates with low costs possible.

Competition on Flexibility and the Focus Strategy

Competing on flexibility enables a firm to be able to satisfy different customer needs at a time. It can be achieved through producing a wide variety of products, introducing new products, modification of existing products and quick respond to customer needs. Flexible workers and processes should be put in place to ensure effective flexibility.

Large firms are able to focus on different competitive priorities to satisfy different customer needs and different classes of customers. Large firms are able to pursue competition on cost, quality, flexibility and other customer special needs. In the process, a particular market segment is served hence building customer loyalty. A firm pursuing this strategy is willing to serve isolated geographical areas to satisfy needs of customers with special financial problems or tailor the product to somewhat unique demand of small and medium-sized customers. This is enabled through establishing **plants within plants (pwp)**. These are different focus strategies of a firm aimed at ensuring that a large variety of customers is served according to their needs. It involves departments that focus on cost, quality, flexibility, e.t.c.

Eg. Figure 1 below shows different strategic areas that a single firm can look in to ensure that a large variety of customers is served according to their different needs.

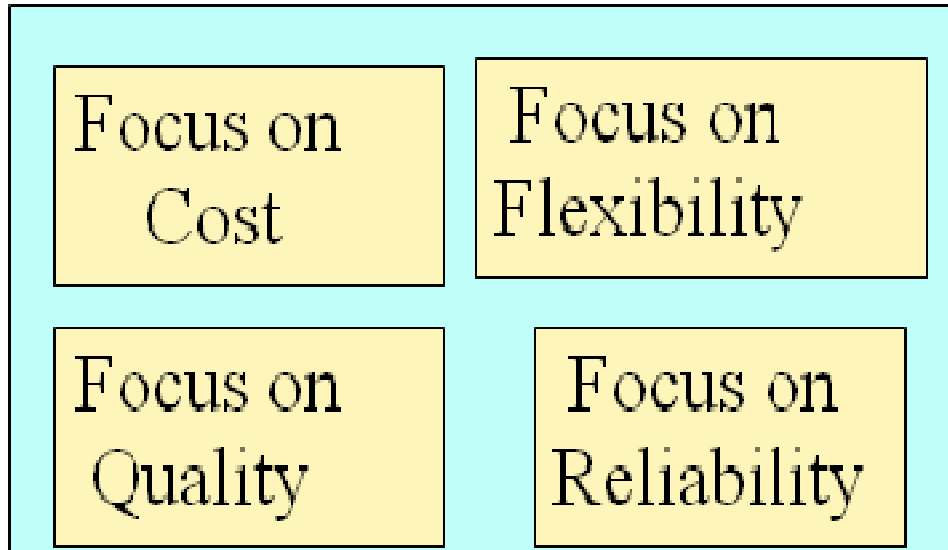


Fig 1: different aspects that a single firm can focus on

The focus strategy is dependent on an industry segment with sufficient size, good growth potential but not crucial to the success of the competitor. Other strategies such as market penetration and market development offer substantial focus advantage. It is only applicable with large organizations which are able to pursue the focus strategy with differentiation or price leadership strategies. In this strategy, a firm focuses on one or more market segments with the ultimate aim to understand and know the segment intimately so as to serve it better according to its needs. It is worth noting that the focus strategy is best applicable when customers have distinctive preference and also when the rival firms are not attempting to specialize in some target segments.

Competition on Quality

Any business enterprise should not compromise on quality of its goods or services given to its customers. To effectively compete on quality with other enterprises, an organization should seek to please its customers to enhance customer loyalty through giving high quality goods and services. It should also seek to understand the customers' attitudes and expectation towards quality.

World-class manufacturers no longer view *cost, quality, speed of delivery*, and even *flexibility* as tradeoffs. They are order qualifiers & order winners.

Order qualifiers

A screening criterion that permits a firm's products to be considered as possible candidates of purchase e.g on time delivery

Order winners

A criterion that differentiates the products or services of one firm from another e.g price, quality & reliability

Competition on Reliability

A business enterprise should compete effectively on delivery speed through ensuring that it reaches its customers faster than its competitors. Competing on delivery time requires that a firm delivers to its customers on the promised time. This builds customer loyalty and draws new customers.

STRATEGIES TO ENHANCE EFFECTIVE COMPETITION

Globalization

Globalization *refers to the process by which local, regional or national phenomena become integrated on a global scale.* The term 'Globalization' is often used to refer to economic integration of countries. In this, national economies are unified into the international economy through trade, foreign investments, capital flows, migration, and the spread of technology. This process is usually recognized as being driven by a combination of economic, technological, socio - cultural, political and biological factors. The term can also refer to the *transnational dissemination of ideas, languages, or popular culture.* A United Nations organ, ESCWA has written that globalization "is a widely-used term that can be defined in a number of different ways. When used in an economic context, ***it refers to the reduction and removal of barriers between national borders in order to facilitate the flow of goods, capital, and services and labour...although considerable barriers remain to the flow of labour...*** Globalization is not a new phenomenon. It began in the late nineteenth century, but its spread slowed during the period from the start of the First World War until the third quarter of the twentieth century. This slowdown can be attributed to the inward looking policies pursued by a number of countries in order to protect their respective industries. However, the pace of globalization picked up rapidly during the fourth quarter of the twentieth century

The entrepreneur can use this emerging trend to his benefit and for the future profitability of the business. By analyzing what other businesses are doing and how they are managing the effects of economic cycles in various countries, he can put himself in context and see to what extent the world economic reality is impacting on his business operation. After the Second World War, nations realized the need to unite in the major areas that affect economic growth. These were countries in Europe that had seen the adverse effects of the World War. The consequences of disagreements among nations can lead to very catastrophic financial distressed as witnessed after the war. This could have been avoided had there been mechanisms to address differences in economic realities in the affected countries. As a means towards unification, several institutions were established to manage and control the flow of economic goods between countries. These institutions include the International Bank for Reconstruction and Development (The World Bank), and the International Monetary Fund (IMF).

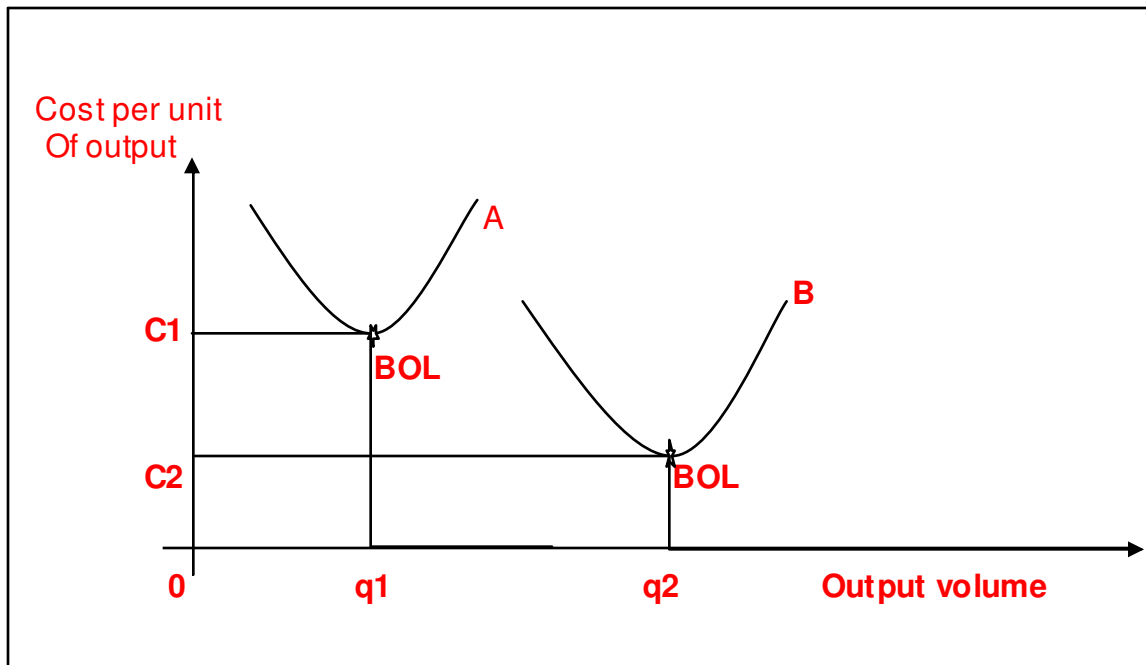
Globalization has also since been facilitated by advances in technology which have reduced the costs of trade, and trade negotiation rounds, originally under the auspices of the General Agreement on Tariffs and Trade (GATT), which led to a series of agreements to remove restrictions on free trade. Since World War II, barriers to international trade have been considerably lowered through international agreements - GATT. Particular initiatives carried out as a result of GATT and the World Trade Organization (WTO), for which GATT is the foundation were aimed at promoting free trade and include:

- ✓ Elimination of tariffs; creation of free trade zones with small or no tariffs
- ✓ Reduced transportation costs, especially resulting from development of containerization for ocean shipping.

- ✓ Reduction or elimination of capital controls
- ✓ Reduction, elimination, or harmonization of subsidies for local businesses
- ✓ Creation of subsidies for global corporations.
- ✓ Harmonization of intellectual property laws across the majority of states, with more restrictions

The Case of Economies of Scale

Economies of scale are the forces causing a firm's long-run average cost to decrease as its output level and size of the plant are increased. When a firm expands/grows in size or two or more firms are merged to operate as a single entity, there is creation of economies of scale in its production. Production cost (fixed cost) becomes low since it is distributed over a larger range of the units produced. This is because fixed cost tends to remain fixed constant for a given range of units produced. The higher the number of units produced, the lower the fixed cost per unit of output. When two firms come together to form a synergy, there is increased output hence low production costs. This can be graphically illustrated as below:

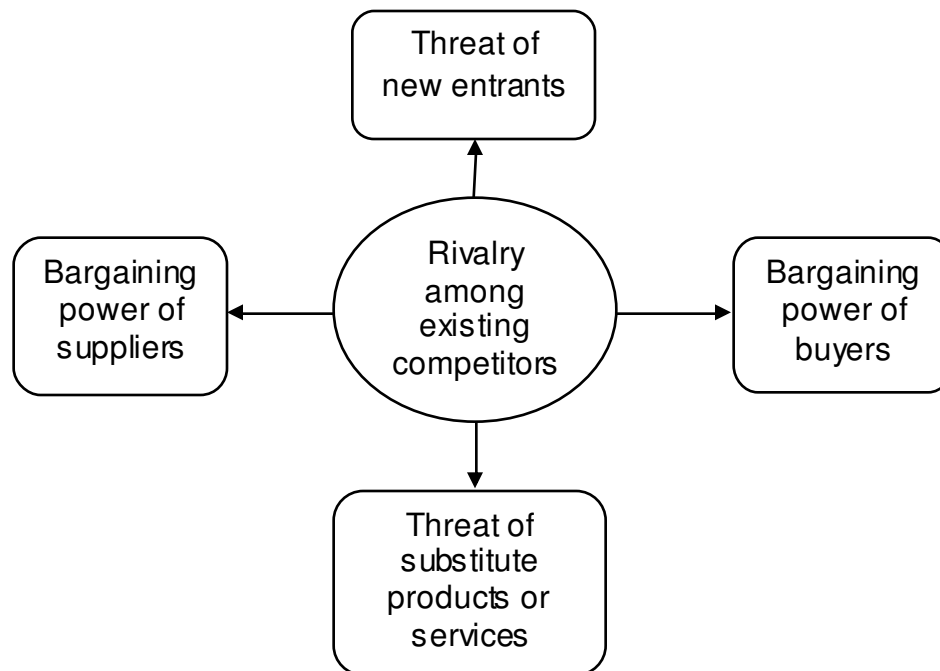


KEY: BOL- best operating level

Figure 2: Relationship between output level and cost of production.

Figure 2 above shows the relationship between costs of production per unit of output to output levels (volume) of two firms in the same industry. The two firms are different in sizes and output. Firm A is smaller while firm B is larger. Firm B may have been larger through forming of synergies (merging with other firms in the same industry to form a bigger entity). The best operating level (BOL), cost of production, of production of A is higher than that of B. This is because in B costs are distributed over a wider range of output units. Most costs, such as advertising costs, distribution costs, marketing costs, research and development costs and manufacturing costs become shared between the

initially different firms, now operating as one. When production costs are low for bigger organizations, there is the tendency to reduce the selling price of the products to suit customers' needs. It enables a firm to survive in the competitive market through retention of customers. Smaller entities which have higher prices are knocked out of the market in the long run. Operating under economies of scale drives out the fear that surrounds different firms as described below:



Economies of scale exist when the expansion of a firm or industry allows the product to be produced at a lower unit cost. Economies of scale are the forces causing a firm's long-run average cost to decrease as its output level and size of the plant are increased; usually thought to be (i) increasing possibilities of division and specialization of labour and (ii) greater possibilities of using more efficient technology, that is, using advanced technological development and/or larger machines.

Returns to scale are the benefits that accrue to a firm from changing the proportions in which factors of production are combined. A rational firm will always seek to maximize profits by minimizing costs: *the least-cost factor combination*. Returns to scale are basically concerned with the physical input and output relationships. If, for example, the input of factors of production were to increase by 100% and output by 150%, increasing returns to scale will be realized. Conversely, if inputs were to be increased by 100% but output increases by less than 100% then a firm would be experiencing decreasing returns to scale.

Increasing returns to scale should lead to decreasing costs. Confusion frequently arises between *economies of scale* and *returns to scale*. Economies of scale reduce the unit cost of production as the scale of production is increased, while returns to scale are largely looked at in terms of the physical input and output relationships in the long-run when all factors of production are variable.

Types of Economies of Scale

There are two types of economies of scale. They include;

- ✓ Internal economies of scale
- ✓ External economies of scale

A). Internal Economies OF Scale

Internal economies of scale are those obtained within the organization as a result of the growth irrespective of what is happening outside. They take the following forms:

Technical Economies

i). Indivisibilities: These may occur when a large firm is able to take advantage of an industrial process which cannot be reproduced on a small scale, for example a blast furnace which cannot be reproduced on a small scale while retaining its efficiency.

ii). Increased Dimension: These occur when it is possible to increase the size of the firm's equipment and hence realize a higher volume of output without necessarily increasing the costs at the same rate. For example, a Matatu and a bus each require one driver and conductor. The output from the bus is much higher than that from the Matatu in any given period of time and although the bus driver and conductor will earn more than their Matatu counterparts, they will not earn by as many times as the bus output exceeds the Matatu output i.e. if the bus output is 3 times the Matatu output the bus driver and conductor will not earn 3 times the earnings of their Matatu counterparts.

iii). Economies of Linked Processes: Technical economies are also sometimes gained by linking processes together, e.g, in the iron and steel industry where iron and steel production is carried out in the same plant, thus saving on both transport and fuel costs.

iv). Specialization: Specialisation of labour and machinery can lead to the production of better quality output and higher volume of output.

v). Research: A large firm will be in a better financial position to devote funds to research and improvement of its product than a small firm.

Marketing Economies

i). The buying advantage: A large-scale organization may buy its materials in bulk and therefore get preferential treatment and buy at a discount more easily than a small firm.

ii). The packaging advantage: It is easier to pack in bulk than in small quantities and although for a large firm the packaging costs will be higher than for small firms, they will be spread over a large volume of output and the cost per unit will be lower.

iii). The selling advantage: A large-scale organization may be able to make fuller use of sales and distribution facilities than a small-scale one. For example, a company with a large transport fleet will probably be able to ensure that they transport mainly full loads, whereas a small business may have to hire transport or dispatch part loads.

Organizational Economies :

As a firm becomes larger, the day-to-day organizations can be delegated to office staff, leaving managers free to concentrate on the important tasks. When a firm is large enough to have a management staff they will be able to specialize in different functions such as accounting, law and market research.

Financial Economies:

A large firm will have more assets than a small firm. Hence, it will find it cheaper and easier to borrow money from financial institutions like commercial banks than a small firm.

Risk-bearing Economies

All firms run risks, but risks taken in large numbers become more predictable. In addition to this, if an organization is so large as to be a monopoly, this considerably reduces its commercial risks.

Overhead Processes:

For some products, very large overhead costs or processes must be undertaken to develop a product, for example an airliner. Clearly, these costs can only be justified if large numbers of units are subsequently produced.

Diversification:

As the firm becomes very large it may be able to safeguard its position by diversifying its products, processes, markets and the location of the production.

B). External Economies of Scale

These are advantages enjoyed by a large size firm when a number of organizations group together in an area irrespective of what is happening within the firm. They include:

Economies of concentration: When a number of firms in the same industry band together in an area they can derive a great deal of mutual advantage from one another. Advantages might include a pool of skilled workers, a better infrastructure (such as transport, specialized warehousing, banking etc) and the stimulation of improvements. The lack of such external economies is a serious handicap to less developed countries.

Economies of information: Under this heading, we could consider the setting up of specialist research facilities and the publication of specialist journals.

Economies of disintegration: This refers to the splitting off or subcontracting of specialist processes. A simple example is to be seen in the high street of most towns where there are specialist photocopying firms.

It should be stressed that what are external economies at one time may be internal at another. To use the last example, small firms may not be able to justify the cost of a sophisticated photocopier but as they expand there may be enough work to allow them to purchase their own machine.

Diseconomies OF Scale:

Diseconomies of scale occur when the size of a business becomes so large that, rather than decreasing; the unit cost of production actually becomes greater. Diseconomies of scale flow from administrative rather than technical problems.

- a). *Bureaucracy:* As an organization becomes larger there is a tendency for it to become more bureaucratic. Decisions can no longer be made quickly at the local levels of management. This may lead to loss of flexibility.
- b). *Loss of control:* Large organizations often find it more difficult to monitor effectively the performance of their workers. Industrial relations can also deteriorate with a large workforce and a management which seems remote and anonymous.

OTHER STRATEGIES

Michael Porter proposed a number of ways through which a competitive advantage can be sustained. When good nurtured, these strategies can enable a business enterprise stand against competition from competitors. They include:

Joint Venture and Partnerships

Joint ventures exist where firms share resources and activities to pursue a strategy. It has become increasingly popular because organizations cannot always cope with increasingly complex environments such as globalization from internal resources and competence alone. There is need to obtain resources, materials and competencies or access markets. This is possible through forming alliances i.e. synergies, aimed at exploiting resources and new opportunities.

Joint ventures are a popular strategy when two or more firms temporarily form partnership to capitalize on an opportunity by sharing profits/losses equally. It enables firms to improve communication and networking to globalize operations, therefore minimizing risks as they endeavour to attain sustainable competitive advantage.

The drawbacks to this strategy include:

- ✓ Partnering firms may not benefit the customers.
- ✓ It may not be fully supported by all parties equally.
- ✓ The venture may begin to compete with one of the partners hence jeopardizing the main goal of long-term survival.
- ✓ There may arise disputes in case of death or bankruptcy of a partner.

Business Outsourcing and Subcontracting

Outsourcing is one of the emerging business opportunities that have arisen in the recent past. It involves a business organization taking out of its hands functions and processes that are not core to its mainstream activities or reason for existence and entrusting these tasks and operations to an entity that has the capabilities and expertise to carry them out more efficiently. Outsourcing can also be defined as the process of subcontracting a process, such as product design or manufacturing, to a third-party company. The decision to outsource is often made in the interest of lowering cost or making better use of time and energy costs, redirecting or conserving energy directed at the competencies of a particular business, or to make more efficient use of land, labor, capital, (information) technology and resources.

Business process outsourcing (BPO) is a form of outsourcing that involves the contracting of the operations and responsibilities of a specific non – core business functions (or processes) to a third-party service provider. The main motive for Business Process Outsourcing is to allow the company to invest more time, money and human resources into core activities and building strategies, which fuel company growth. The entrepreneur, in fact, doesn't need to justify outsourcing. They might even have to justify work done internally, that could easily be outsourced.

The global market today is highly competitive and ever-changing. A business must focus on improving productivity and yet, cut down costs. Therefore, a lot of tasks that use up precious time, resources and energy, are being outsourced. BPOs, or the units to which work is being outsourced, often are flexible, quicker, cheaper and very efficient. Business Process Outsourcing helps free up a firm's capital and reduce costs. The functions or processes being outsourced range from manufacturing to customer service to software development and much more BPO is typically categorized into back office outsourcing - which includes internal business functions such as human resources or finance and accounting, and front office outsourcing -which includes customer-related services such as contact center services.

BPO that is contracted outside a company's country is called offshore outsourcing. BPO that is contracted to a company's neighboring (or nearby) country is called near shore outsourcing.

Mergers and Acquisitions

Mergers are formed when two or more firms of equal size and magnitude unite to form an enterprise while acquisitions occur when a large organization acquires/buys a small organization. These are ways of building synergies to improve on the performance of small organizations. The forces which lead to this strategy include deregulation, technological changes, excess capacity and inability to utilize depressed stock markets to gain economies of scale. The benefits of mergers and acquisitions which enhance high performance include:

- ✓ Improved capacity utilization.
- ✓ Making better use of existing sales.
- ✓ Gaining opportunities for economies of large scale.
- ✓ Smoothing out seasonal trends in sales.
- ✓ Gaining access to new customers.
- ✓ Gaining new technology especially for small firms.
- ✓ Reduction of tax liability.

Formation of Cartels

Cartels are formed by firms with the same business objectives. The main aim of their formation is to establish favorable trade terms with suppliers so that when the goods reach the final consumer, sufficient profit margins have been made. This helps the many small individual firms that perhaps could not have had the same bargaining power as they do when in a cartel. In a way it fortifies the relationships between the various businesses and contributes towards healthy competition. The smaller firms eventually grow and play important roles in the economy as well. It makes it easy to control prices

through formation of monopolies for the product in production. New firms find it hard to enter to the market. There is stability of prices hence profits are maximized.

ADVANTAGES/ IMPACTS SUSTAINING A COMPETITIVE ADVANTAGE

Economic integration has impacted so much on economic growth of many countries. Integrating many industries to work together has been a popular trend and it has led to sustaining competitive advantage and major economic improvements over the time. Some of the impacts and advantages of embracing the different competitive priorities include:

Case of Service and Manufacturing Firms

There has been an increasing rate of integration between service sector firms and manufacturing sector firms in the recent past. Manufacturing firms have incorporated service industries in their production activities. This is because the service industry is also a major key factor in the running of the manufacturing industry. This simply means that the manufacturing industry cannot run itself effectively without the incorporation of services. Feketekuty (1987), in his book, *The Service Economy*, wrote that service activities in the manufacturing sector facilitate all economic transactions not only by providing essential inputs to manufacturing but also allowing linkages to the development of growth poles (p. 29). Services hold the economy together. The role of manufacturing industry to the economy is supported and enabled by the service sector. Services such as energy, telecommunications and transport are important to all sectors of the economy; financial services facilitates transactions and investment; health and education services contribute to a fit and well-trained workforce; the legal and accountancy services allow institutional framework required to run a successful market economy. Bailly and Maillat (1991) says that we still frequently find many manufacturing industries where the fabrication of goods incorporates growing quantities of service activities (p. 57). This aims at maximizing their profits or output and it is aided by the service activities. In his book, Vandemerwe (1988) said that products today have a higher service component than in the past (p. 104). He describes this as servitization of products. Virtually, every product today has a service to it. Many products are being transformed in to services. The old difference between services and products has been replaced by a service-product continuum. Rather than receiving a single payment for manufacturing equipment, many manufacturers are now receiving steady revenues from services offered within them. Production output has gone up, revenues has increased as well as the overall economic performance of many manufacturing firms.

Supply Chain Management

This is a complex management process of being able to offer customers goods and services they require and when they need them (competing on reliability). It is a total system approach of managing the entire flow of information, materials and services through production, warehousing, distribution, merchandising and retailing to the end user-the customer. It ensures excellence in producing the right quantity and finally to the right customers. Supply A good supply chain management strategy stripes away time and costs from the products and services delivery cycle to increasing cost effectiveness

and customer satisfaction. Effective supply chain management systems are critical for competitive success especially in emerging markets, as they increasingly become part of the global marketing system.

Restructuring

Restructuring involves divesting some business and acquiring others to put a whole new face on the company's line up. It entails reducing divisions and hierarchies or downsizing number of employees. Organizations use this approach as a means of implementing strategic change aimed at improving performance. This is in view of unseen changes such as technological changes which may render a company's products obsolete, worldwide recession, need to reduce high operating costs and shifts in consumer demand. Building of synergies enables restructuring in that many small businesses may merge together to form a big one which is easy to run in terms of costs. For instance, employee's number is reduced hence reducing salaries expenses and also other operating costs. High level work positions such as the managerial positions are eliminated as the new organization can be led by a single top manager.

Innovation

Innovation is a process by which firms use their skills and resources to create new technology, goods and services in order to change and respond better to the needs of customers. If organizations are to avoid being left behind in the competition race of producing new goods and services, they must take steps to introduce new and better products or develop technology to produce those products reliably at low cost. Competition enable innovation in the sense that the bigger organizations usually has a big capital investments to use in research. They have good bases of research and development departments which may facilitate development of new products and services to cater for the growing and changing needs of different customers. The bigger organizations are also led by highly qualified personnel compared to the initial small organizations. These managers are able to initiate developments of new products through their earned knowledge.

All these contribute sustainability. It enables the initial small businesses to remain in the market even though in the form of synergies. However, the approach suffers from some risks which include:

- ✓ Lost outcomes of research and development.
- ✓ The research activities are often uncertain, its trial and error.
- ✓ Investment in research require large amounts of funds, this is avoided by formation of synergies.
- ✓ While technology can lead a firm to where it wants to be, it can also usher in undesirable changes such as inefficient technology and products that customers may not want.

Diversification

Diversification, as a strategy, takes organizations away from their current markets or products or competencies. Philip Kotler in his book "Marketing Management" also asserts that diversification growth makes sense when good opportunities can be found outside the present business. A good opportunity is one in which the organization is

highly attracted and has the right mix of business strengths and portfolios to be successful. These include seeking new products which have technological or marketing synergy with existing product lines and searching for new products appealing to the customer. The ultimate goal of these is enhancing positioning and competitive edge for the firm.

E-Commerce

Sustaining competition will also encompass the development of e-commerce in the organization. E-commerce is a vital tool of strategic management. Many companies gain competitive advantage by embracing the use of internet for selling and communication with suppliers, customers, partners, shareholders and competitors who may be dispersed globally. Since large organizations have large capital bases, they are able to invest in technology. They can buy computers and also install internet devices to facilitate e-commerce. E-commerce enables firms to sell products, advertise, track inventory, eliminate paper work and share information cost effectively. Firms which embrace this strategy minimise expenses and inconveniences of time, distance and speed in doing business thus yielding better service delivery, greater efficiency, improved product efficiency and high profitability. Just in time (JIT) deliveries are based on e-commerce whereby the suppliers are connected to the organization in a way that they are able to know the stock level and are able to deliver as it gets replenished. This saves on storage/holding costs as only the required amount of stock delivered. It also ensures that stock is delivered at the right time to avoid customer embarrassment.

Total quality management (TQM)

Total quality management is a philosophy of managing a set of business practices which emphasizes on continuous improvement in all phases of operation, accuracy in performing tasks, involvement and empowerment of employees, team based work design, benchmarking and total customer satisfaction. This strategy aims at production of quality goods to satisfy customers' expectations, continuous improvement of business philosophy, instilling enthusiasm and commitment to doing things right from top to the bottom of the organization. This is facilitated by stiff competition and building synergies in that it is easy to control the business operations for businesses under a centralized form of authority. Synergies mould workers to adapting to the required work plan.

Business process re-engineering (BPR)

Business process re-engineering is a management approach aimed at improvements by means of elevating efficiency and effectiveness of processes of which exist within and across organizations. BPR is one of the approaches used to boost competitiveness of businesses through reducing operating costs, differentiating products and countering threats of new entrants. Strategic managers using this strategy must completely rethink as their organization go about their business. *A business process is any activity such as order processing and inventory control which is critical in delivering goods and services to the customer quickly as it promotes high quality but at low costs.* This strategy alters the way a firm organizes its value creation and links them to improve its performance.

Seasonality of Markets

Markets for most products and services are seasonal. Their demand is high during certain periods of the year and low during others. This leads to very low profits during the periods when demand is low or even loss. Diversification (competing on flexibility) may counteract this in a number of ways. Through diversification, the organization is able to produce different products or offer different services at a time. This ensures that there is a consistent flow of income at all periods of the year. It increases profitability since products which are not on season can be complimented with other products or services which are on high demand during that particular period.

In terms of location, an organization can establish different branches to reach many customers in different geographical areas. In this case, the organization ensures profitability throughout the year since its products are in demand at different areas in different time periods. Example, for an organization that makes clothes, thick clothes may be in low demand in geographical areas where the weather is very high but at the same time, demand is high in areas where the weather is cold. In the real world, this is the true case that an item may be in demand at different periods at different areas. Seasonal markets are mainly determined by changes in weather, economic cycles, tastes and preferences, fashion trends and other natural phenomena.

Obtaining Raw Materials and Marketing

Natural raw materials used in most manufacturing industries are becoming depleted at a very high rate. They are becoming scarce and more scarce every other day. This is due to the increased rate of usage due to increased number of users. Their demand is very high compared to supply. This has led to closure of some firms since they cannot operate without raw materials or some operating at a loss. To prevent closure of most of these firms, they can agree to come together to operate as a single entity with those which are in geographical areas still with some raw materials. Those that do not have the raw materials become distributing and marketing points while the other firm becomes the producer. This has been done in the case that international companies has formed synergies with some local Kenyan firms that only embark on marketing their products in the Kenyan local markets. Both of the firms benefit from this agreement.

On the other hand, this has led to economic growth due to the fact that workers in the firms which would otherwise have been closed due to lack of raw materials still remain in their jobs. This has leads to higher standards of living as well as economic growth.

SUMMARY AND CONCLUSIONS

This paper seeks to show some of the ways in which a business can compete in to remain in the market today and also the impacts that promoting competition will have on economic growth and development. The current state of depletion of resources is irreversible and it is threatening the closure of many industries. Adopting new competitive and operating methods will ensure continuity of many firms. It will ensure that there as provision of good jobs for the ever growing work force through preventing retrenchment of many workers as the they firms they work for are closed down.

There are also a number of strategies that firms should focus on in its operations to ensure effectiveness and efficiency. Firms should focus on their production costs as a leadership strategy in its operation. Production costs affect the operations of a firm in so many ways. Costs affect prices yet prices are the customer drawing focus of any firm. High costs mean prices to be high hence few customers are motivated to buy the product. Building synergies will ensure that firms operate under economies of scale hence bringing the cost of production as well as prices low to levels which customers can be attracted to buy the firms products.

Competing on flexibility in manufacturing and service sector firms ensure higher productivity because the products have a service component in them which acts as a customer enticing tool as well as a valid higher price can be charged for it.

Sustaining a competitive advantage is the future of many firms. It will dictate which firms will be left in the market and which will leave the market.

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