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CUSTOMER FOCUS AND CORE COMPETENCIES ARE CRITICAL TRAITS IN NEW ECONOMIC (IMPACT)

Critical traits in new economy

Khandwalla P. N. claims that companies that focus on delivering value added to their customers and nurturing their core competencies, will have a clear advantage in the current economic recovery [see: Tselani, 2003, pp. 1-4]. A willingness to invest in essential IT infrastructure to achieve greater alignment with strategic corporate objectives also appears critical, according to a recent survey created by BetterManagement, the foremost international online resource for business management information. "The great value of this survey is that it reminds businesses of the essential characteristics needed to take advantage of the economic upturn," said Dr. Dominic Swords and Professor Bill Weinstein, both directors of the Henley Centre for Value Improvement at Henley Management College. This study was conducted online in August 2003 to provide a current management perspective. The findings and interpretation were first presented to attendees at the BetterManagement LIVE Business Conference 2003 in Las Vegas, USA. A total of 350 decision makers from 33 countries participated in the survey. A broad range of industries was represented, spanning small to large organizations. After two years of recession resulting in widespread staff reductions, shifting initiatives, IT budget cuts, and continuous anticipation of recovery followed by weak indicators, respondents were asked to provide opinions on their organizational readiness to deal with the changing priorities resulting from an upturn [Khandwalla, 1993].

Dr. Swords and Professor Weinstein with Henley Centre for Value Improvement (UK) noted that companies focusing on preparing for the economic upturn, share many of the following general characteristics:

1. Concentrating on improving their ability to deliver value added to their customers.
2. Attending to core skills and competencies, instead of simply cutting back. Focusing on core markets and core customers.

3. „Smartening up” business processes, and using IT to create a more flexible and responsive company. This concern is echoed under supply chain issues, where joint venturing is mentioned.
4. Making IT a priority and making certain that IT is aligned effectively with business strategy. Many still perceive IT investment as a route to cost cutting, rather than a strategy for generating growth.
5. Preparing for growth through marketing research, with an eye towards entering new markets. There is a real sense among such enterprises that they want to be keyed up when the starting gun is fired for "go for growth". This is not about retrenchment, but the need to keep the pipeline for new markets flowing.
6. Exploring opportunities for partners, including some enterprises out to buy companies selectively, especially as they may be cheap now. Building networks is perceived as a relatively inexpensive way to build critical mass without risking investment too far ahead of the growth curve. It is probable that smaller firms are seeking expansion by these means.
7. Keeping and perhaps recruiting key personnel as the required platform for successful growth responses.

Dr. Swords and Professor Weinstein emphasize that these are the very positive and generic signs of businesses that wish to be poised to take advantage of the economic upturn. This is a matter of leadership and corporate mentality, and is not confined to, or more marked in, businesses of one product type or sector, or relative size or nationality.

Impact

The Impact of Change

Written comments by managers who took the survey suggest that organizations feel vulnerable to traditional competitors in the areas of price competition, attracting and retaining staff, speed to market and innovation. Additional pressures will come from new market entrants and a struggle for talented resources. Organizations are split on the posture they have taken during the current economic downturn. Just over half (55%) indicate that they have taken a defensive posture, while the other 45% believe they are in an offensive mode. Company size does not seem to have a bearing on the position taken by the company during economic trials. Among those who have adopted a defensive posture, one-third be-

lieve their organizations will be somewhat slow in moving to an actively expansionary position. Just under half (48%) report their organizations will be swift in re-posturing. Again, smaller companies seem to have an edge on the larger companies, with more companies of 250 or fewer employees indicating they will be able to move quickly. Some of the issues surrounding a slower response to expansion include corporate inertia and the time it takes to get geared back up. This relates, again, to corporate size, as smaller companies seem to be more nimble, with fewer employees and resources to realign. Some companies will also take a “wait and see” approach to be sure that the economy is truly in recovery mode. Companies that are swift on the rebound cite good planning as the foundation of their agility. The overall impact is not that markets are about to rebound in cyclical predictability, but that market advantage may be passing to those who have already invested wisely, strategically aligning IT infrastructure, human capital management, and full maximization of supply chain relationships. One respondent claims a fundamental and permanent economic change has occurred. “I think a permanent structural change is happening to the U.S. economy [Kanter, Stein, Jick, 1992]. You don't permanently lose 3 million jobs with no consequence”.

The Impact on Resources

Once the economy turns around, many companies surveyed plan to add new staff and upgrade IT, in that order [Kapp, 1999]. Staff and IT projects were casualties of the latest economic recession for many of the survey respondents. More than half (54%) of the companies reported having experienced reductions in staff due to the current economy. An even greater percentage (59%) delayed or cancelled IT expenditures (although cancellations were only reported by 1% of the survey participants). A significant number, (70%), were concerned about losing experienced people to competitors as the recovery gains momentum. 25% very concerned. Several respondents cited these critical challenges [Jennings, Faratin, Johnson, Norman, O'Brien, Wiegand, 1996]:

1. „The biggest issue is that we might lose professional staff during the recovery because there would be more lucrative positions elsewhere”.
2. „We will not be able to get the quality or quantity of people needed to handle the amount of business required to recover effectively”.
3. Experience levels of personnel in key positions have also declined in 40% of the participating companies.

4. Retention of qualified staff is critical as other companies win employees from organizations that had to tighten belts during the economic downturn.
5. While 48% anticipate skill shortages, 54% are considering outsourcing to countries with lower labor costs as part of their staffing strategy.
6. There are clear intentions to hire first as recovery takes hold – 66% plan to hire or transfer staff first.
7. IT purchases rank first among 33% as primary need and runs a strong second to hiring.

The Value of Agility

While 64% of participants indicated their companies were at least somewhat prepared, only one in ten businesses feels “very prepared” for an economic recovery. Just over half (55%) indicate that they have taken a defensive posture, while the other 45% believe they are in an offensive mode [Nevis, 2000]. Company size does not seem to have a bearing on the position taken by the company during economic trials. Just under half (48%) report their organizations will be swift in re-posturing. Again, smaller companies seem to have an edge on the larger companies. Some of the issues surrounding a slower response to expansion include corporate inertia and the time it takes to get geared back up. Some companies will also take a “wait and see” approach to be sure that the economy is truly in recovery mode. Companies more swift on the rebound cite good planning as the foundation of their agility [see: Jennings, Wooldrige, 1998].

The Value of Partnering

According to most participants, supply chain structures will become more global and innovation will be critical in the selection of supply chain partners. Over eight in ten (87%) of the respondents indicated that innovation will be an important factor in selecting new supply chain partners. Comments include:

- “I am expecting that supplier relationship investment made with the most important suppliers will start to show results.”
- “Partnering will allow us to improve our efficiency in our shared services.”

The Impact of Competition

August Wilhelm Scheer from IDS speaks: robust risk management framework and nature of competition will affect an organization's ability to act effectively [Scheer, 2000]. Assumptions are that competition will come mostly from traditional industry leaders (64%). However, 59% anticipate that new opportunities, non traditional markets, products and channels will be most important. New opportunities versus traditional markets will provide the primary areas for growth, according to 60% of the participants. A number of these companies indicated that during the downturn, they have explored new markets seeking additional revenue sources [Seybold, 1990]. Respondent comments on competition include:

- “Some percentage of our market has disappeared forever.”
- “Our vulnerability is the entry of new competitors, i.e. changing external environment. Traditional competitors face the same challenges.”
- Issues cited include: “Stepping up to customer expectations and dealing with completion in the new economy.”

The Impact of Government

Nearly half (49%) of the respondents view the government's involvement as helpful, with another quarter (26%) saying it will make no difference. The final 25% believe the government's role will be a hindrance in economic recovery. Tax policy (30%) and budget policy (29%) rank as the two most important issues in government economic policy during a recovery, according to respondents [Tselani, (http)].

Dr. Swords and Professor Weinstein reached several conclusions based on the survey. “We think it is important for businesses in general to take note of the key characteristics of firms that want to get a head-start into the economic recovery - such as their focus on delivering value added to customers, nurturing their core customers and competencies, investing in IT to gain greater alignment with strategic intentions as well as greater flexibility and responsiveness to change. It appears clear that firms have a positive medium term view – it is not about whether a recovery is in prospect but when it will achieve critical mass. And the ability to be prepared for that start will be crucial to success”.

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Summary

New economy relations differ from inter-regional economic new global relations (i.e., the economic new relations among different parts of the same nations), thus requiring somewhat different tools of analysis and justifying new economy as a distinct branch of economics. That is, nations usually impose some restrictions on the flow of goods, services, and factors across their borders while generally imposing no such restrictions internally. In addition, global flows are to some extent hampered by differences in language, customs, and laws. Future, international global

flows of goods, services and resources give rise to payments and receipts in foreign currencies, which change in value over time.

Kompetencje i preferencje klientów głównymi determinantami nowej ekonomii

Streszczenie

W dobie globalizacji i w czasie funkcjonowania instrumentów nowej ekonomii agresywna rywalizacja o klienta determinuje rozwiązania we wszystkich podmiotach zorganizowanych. Można wyróżnić listę krytycznych przedsięwzięć koniecznych do akceptacji w operatywnym działaniu tych podmiotów oraz zestaw instrumentów, których zastosowanie może pozwolić firmom na „ucieczkę do przodu”.

