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Metodología para optimizar procesos de negocio basado en base a los parámetros de diferenciación

Methodology for optimizing business processes based on the parameters of differentiation

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Resumen

La relevancia del estudio se debe a la importancia de desarrollar y probar un enfoque metodológico para optimizar los procesos comerciales de la empresa de la industria del cuero de la República del Iraq sobre la base de una serie de pasos secuenciales, que incluyen tanto la evaluación de los parámetros individuales de la diferenciación del competitivo estrategia e identificación de áreas problemáticas para configurar aún más los procesos comerciales. Los resultados del estudio se expresan en la forma de desarrollar un algoritmo de autor para identificar parámetros de competitividad de acuerdo con el tipo de estrategia competitiva, así como en la forma de desarrollar una matriz para determinar una estrategia competitiva. Al resumir la investigación científica, los autores presentaron para consideración científica los principales parámetros de diferenciación del modelo de negocio de los productos de cuero, así como el esquema analítico de análisis de costos en relación a su objeto de investigación. La metodología presentada en este trabajo se puede utilizar tanto para construir un sistema efectivo de medidas de apoyo estatal, como puede ser utilizada en el proceso educativo de las instituciones de educación superior como material didáctico y práctico.

Palabras clave: análisis de parámetros de diferenciación, parámetros de competitividad, gestión estratégica, estrategia competitiva, enfoque de procesos, optimización de procesos de negocio.

Abstract

The purpose of this study was to develop and test a methodological approach to optimizing the business processes of the leather industry company of the Republic of Iraq on the basis of a series of sequential steps, including both assessing the individual parameters of the differentiation of the

competitive strategy and identifying problem areas for further setting up business processes. The results of the study are expressed in the form of developing an author's algorithm for identifying competitiveness parameters in accordance with the type of competitive strategy, as well as in the form of developing a matrix for determining a competitive strategy. By summarizing the scientific research, the authors presented for scientific consideration the main parameters of differentiation of the business model of leather products, as well as the analytical scheme of cost analysis in relation to their research object. The methodology presented in this work can be used both to build an effective system of state support measures, and can be used in the educational process of higher educational institutions as didactic and practical material.

Keywords: Differentiation parameters analysis, competitiveness parameters, strategic management, competitive strategy, process approach, business-processes optimization

Introduction

A significant amount of research has been devoted to the strategic management of companies' competitiveness. Among the authors Porter (1980) should be noted, according to which the development of a competitive strategy consists, essentially, in finding a clear statement of how the enterprise will compete, what its goals should be and what means and actions will be needed to achieve these goals. Companies achieve competitiveness through one or more of three combinations approaches: differentiation, cost minimization or focusing.” It is important to emphasize that competitiveness in the implementation of these strategies will be reflected in various parameters. Companies that use the differentiation strategy achieve competitiveness by highlighting their products or services compared to competitors, making them unique.

A study of Addae-Korankye (2013) noted that, companies using a cost-minimization strategy compete effectively on a price basis. In this case, competitiveness parameters include the ability to reduce costs, efficiency, tight cost control, increase production to obtain economies of scale.” In that work, it was also noted that: “a company using a focusing strategy forms competitiveness by concentrating efforts on a specific regional market or a group of customers.

As numerous studies show, over the course of several years there has been an active scientific discussion about the sources of sustainable competitiveness of companies with the identification and contrasting, primarily of two main approaches: positioning and resource theory. At the same time, in our opinion, it is important to take advantage of both approaches, but it is necessary to start, first, from building a competent internal system of links between the developed competitive strategy and key business processes, which should be regulated and adapted on an ongoing basis in accordance with the adjustment of strategic competitiveness parameters company.

Thus, the implementation of a sustainable competitive strategy should involve regular analysis and adjustment of differentiation parameters that consider changes in the external and internal environment.

Theoretical aspects of the study

According to Barney (1991): if a firm implements a value creation strategy that cannot be realized by any current or potential competitors, that firm has a competitive advantage. In addition, a competitive advantage is described as an advantage that one firm has relative to competing firms. In other words, a competitive advantage exists when a company can provide the same advantages as competitors, but at a lower cost (the advantage of minimizing costs) or provide benefits that exceed the benefits of competing products (the advantage of differentiation).

Resource theory believes that the basis of competitiveness is the availability of rare, valuable, incapable of transferring and copying resources. Also, according to Dirisu et al. (2013), the diversity of resources and the barriers to their movement are the basis for differences in the companies' strategies. In other words, differences in attracted resources lead to differences in business models, predetermining them for a long time. If a company with limited resources can create value, and its resources either cannot be copied by its competitors or easily replaced by other resources, then such a company occupies a dominant position and, therefore, obtains conditions that ensure its achievement of sustainable competitiveness and excess profit.

Over the past years, many criticisms have been made regarding the positioning approach, which as a result has led to the emergence of a resource approach based on the well-known views of a number of authors, such as (Wernerfelt 1989; Stalk et al., 1992). Resource theory suggests that competitiveness is achieved through the proper use of rare resources in the long run. Despite a slight difference, there is a consensus on how resources define capabilities that create competencies that are difficult to copy for competitors.

The ideologists of the resource approach suggested that the starting point for the sources of competitiveness is inside the company and does not begin with a consideration of the problems associated with the market structure. Moreover, any strategy can be considered successful, only if it is positively evaluated by consumers. This fact returns us to the provisions of the school of positioning.

Thus, it can be concluded that both approaches are applicable in combination with a deeper understanding of the nature and sources of competitiveness. The use of resources and their

respective competencies does not in any way refute the positional conditions in the market, which in turn can be caused by these factors. In addition to attracting rare resources and forming distinctive competencies on their basis, measures to capture a market position are also important for the company, which corresponds to three directions of M. Porter's competitive strategy.

The ability of a firm to acquire and maintain competitiveness is closely related to the market structure, as it can help companies achieve unexpectedly high levels of profit. At the same time, the key parameters of competitiveness can be expressed in a certain list of characteristics, such as focusing on customer needs; founding on the core competencies of the company; creating a system for continuous improvement of the strategy; the formation of appropriate strategies for events and settings at the operational level and specific key business-processes.

In continuation of the ideas presented, a theory of dynamic abilities arose, whose representatives believed that the company's prospects are determined by primacy not in modern, but in future markets. It is assumed that future markets do not even exist yet, but they must be represented now and strive to form them.

Thus, Prahalad & Hamel (1997) abandoned the traditional principles of strategic planning and coined the terms “strategic intentions” and “strategic architecture”, which mean clarifying the contours of a future industry as it is created. In their opinion, to gain a place in the markets of the future, one should not limit strategic goals to the resources available today but move the goals away from resources as far as possible. If the direction is chosen correctly and all structural units move towards the goal in a coordinated manner, then the necessary resources should be increased as we move towards the goal.

This approach allows to take a fresh look at the problem of forming a company's competitiveness. So, according to the views of this school, we can confidently say that ensuring competitiveness is achieved by various unique combinations of its differentiation parameters, while generating several options for the development of competitiveness in the future.

The approach also allows us to draw some parallel with the concept of partnerships, the center of which is the so-called strategic partnership, aimed at mutually beneficial creation and distribution of value Porter & Siggelkow (2008). In turn, this served as the basis for the emergence of new scientific trends that relate to the formation of a new global market and global value chains

that led to a more complex and dynamic form of competition, thanks to dynamic capabilities and the so-called hyper-competition Eisenhardt & Tabrizi (1995).

In this case, hyper competition is essentially a consequence of the development of the theory of strategic management in the context of the emergence of global and innovative competitors. In the terms of rapidly growing competition in a turbulent and unpredictable business environment, we can safely assume that competitiveness cannot always be sustained. In conditions of hyper competition, the key parameter of competitiveness is the speed of the company's adaptation to changing environmental conditions, that is, quick and continuous adjustment of strategies faster than that of competitors to create a continuous stream of innovative advantages Rindova & Kotha (2001).

According to the theory of dynamic abilities, all competitiveness parameters that effectively use the market structure are temporary, therefore, to maintain excellent performance, companies need to concentrate on appropriate adaptation tools Economou & Chatzikonstantinou (2009) that determine the parameters of the main business processes.

At the beginning of the XXI century, resource theory was transformed into a more dynamic concept of the knowledge economy, characterized by achieving competitiveness by forming the core competencies of the company (Dunning, 2002; Powell & Snellman, 2004; Hajar, 2016). This concept, as well as the theory of dynamic abilities, is characterized by the idea that the competitive dynamics of supply and demand gradually eliminates any possible competitive advantages. Therefore, strategic management should focus on the formation of competitiveness parameters based on intangible assets or knowledge, such activity parameters as the presence of strong leadership, the presence of adaptive organizational culture, the creation of personnel development systems, etc. come to the fore.

In the theory of knowledge economics, the main carrier of competitiveness is a creative employee, and ignoring the development of an employee leads to the production of imperfect company products. Thus, competitiveness is achieved through the skills, mental abilities, organizational values that create sustainable benefits for the company. At the same time, points of view have recently emerged that indicate the industry specifics of competitiveness. Industrial organizations are increasingly committed to the approach outlined in positioning theory. Proponents of this point of view believe that the company's performance is largely determined by the structure of the industry, since production activities require significant capital investments and

cannot function, solely relying on the creativity and adaptability of employees, as is possible in-service organizations.

Methodology

From a methodological point of view, the implementation of the above approaches to the development of a competitive strategy is currently being implemented using a fairly wide range of management tools, including network and stakeholder models, a balanced scorecard, AGILE and SCRUM technologies, quick response management, and working principles that fit into methodology of business process management (BPM) and business process reengineering (BPR), including also those based on the ideology of lean manufacturing.

The methodological basis of the process approach is presented by the works of such authors as (Bordens & Abbott, 2002; Grover, et al., 1995; Zairi & Sinclair, 1995; Hammer, 2015; Vergidis, et al., 2008; Gröger, et al., 2014), who consider the problems of improving business processes from general theoretical and logical-structural positions. Business process reengineering is used by companies to develop new ways to increase competitiveness; however, in the methodology of the process approach, there is nevertheless a gap between the target orientation of reengineering and the company's competitive strategy. Schematically, the image of any process can be represented as a logical sequence of steps or operations for converting “inputs” to “outputs”, as well as the corresponding relationships between individual elements.

In this case, process management includes the precise definition and documentation of the procedures for each step of the process. At the same time, specific methods that are used to control and improve processes are statistical methods of process control, analysis of the failure mode effects, error checking, sampling, and verification, etc.

In our opinion, the implementation of the process approach in strategic competitiveness management should include the identification of business processes that should be evaluated and further modified in accordance with the selected competitive strategy. In this regard, several questions arise regarding the subject of evaluation and analysis, as well as the methodological aspects of these procedures, including the need to form a list of measurable indicators of business

processes, the frequency of analysis and regulation procedures, and take into account organizational aspects. The following key steps of our developed methodology are proposed:

1. Determining the position of the company in terms of price position and costs. These characteristics are complementary and reflect the whole range of factors affecting the company and included in the business model of the company.
2. Construction of a competitive strategy identification matrix. Strategic reactions within the framework of the proposed matrix should be streamlined based on the nature of the competitiveness parameters of participants in a market, based on the unique distinctive properties of the business model.

These distinctive properties should be so valuable to the consumer that he is willing to pay a price that exceeds the average price for the relevant market. Companies that are able to compete with price values above the coefficient of one should use a differentiation strategy, transforming the business model according to parameters that are significant for the consumer: product quality, payment methods, delivery conditions, etc. The position of such a participant will be measured by the relative value of the overpricing, since the company forces the market to pay the price due to the special parameters of differentiating the business model. For companies of this type, those business processes that allow to control and improve quality, create customer switching costs, and configure service processes will be a priority.

As a result of the proposed algorithm, a list of differentiation parameters of the company within consumer segments should be formulated. The illustration below allows to reflect the perception by individual segments of consumers of the differentiation parameters based on the analysis of the perception of product attributes, see Figure 1.

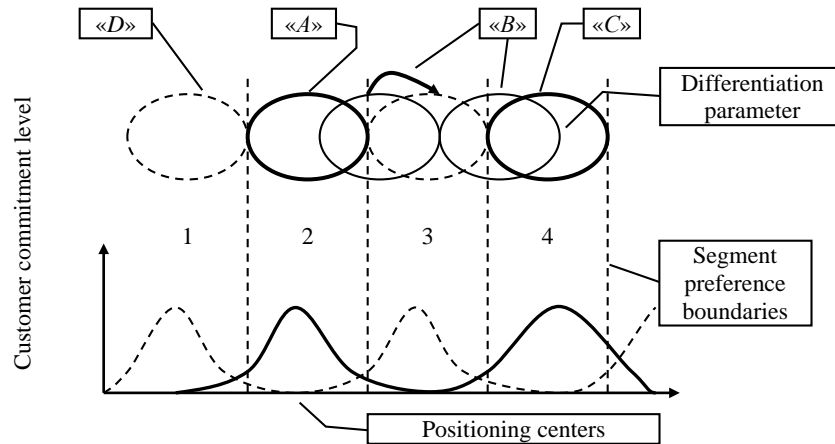


Figure 1. Differentiation parameters of a business model

It is believed that the business model is well differentiated if the commitment curves have a small “zone of indifference”. In this zone, consumers do not care what kind of product to buy. If there is a market segment whose preference center lies in the middle of the resulting zone of indifference, then its consumers will not be satisfied.

Correctly differentiated companies’ “A” and “C”, indicated by solid bold lines in the Figure, most accurately cover the requirements of consumers in the corresponding segment. The thin line companies should review the business model to formulate clear differentiation parameters within consumer segments. As noted above, the study of the differentiation parameters of a business model must be supplemented by consumer assessments, which will allow adapting business-processes for more significant differentiation parameters.

To do this, one can use the Voice of the customer methodology (Griffin & Hauser, 1993; Aguwa, et al., 2012; Jaworski & Kohli, 2014; Plakhin, et al., 2020; Plakhin, et al., 2020a) which allows to identify the basic parameters of a business model that are recognizable and appreciated by customers. Another parameter of competitiveness is the ability to form a cost price below the market average. This advantage can result from the features of attracting resources, various effects due to the technology of organizing business-processes, institutional and infrastructural conditions, etc. This competitive advantage allows to keep the price lower than the average for the manufacturers of this market and is implemented as part of a strategy to minimize costs. To summarize and analyze the link between the competitiveness parameters and the company's

business-processes with the basic cost-minimization strategy, one can use the tools of functional-cost analysis as well as the value chain analysis.

In addition, as parameters of competitiveness, can be identified the opportunities to attract investment resources to scale an effective business model, which is characterized by prices higher than industry average and costs lower than industry average, as well as other factors, including determining the rate of exit from a business provided that it is unprofitable, or a business model is revised using value chain analysis techniques.

The next step of the proposed algorithm requires establishing a link between the parameters of competitiveness and the company's business-processes. This study should be carried out using regression analysis, which will test the hypothesis that the effective configuration of individual business processes has a positive effect on competitiveness parameters. The model used is a multiple linear regression that associates competitive advantage variables with estimates of the implementation of the business-process. As a result of the proposed model, four different options are tested (see Figure 2).

Based on the results of the analysis, competitive advantages and competitive backlogs should be determined. Comparison of indicators can be carried out by the competitive profile method, when the best indicator is highlighted and connected by a line, which facilitates the analysis process. Analysis can also be performed using the classic competitive polygon.

Using the presented methodology allows to interconnect the competitive strategy of the company and the corresponding competitive advantages, and business processes of the company, within the framework of the general methodology of the process approach in strategic management of the company's competitiveness.

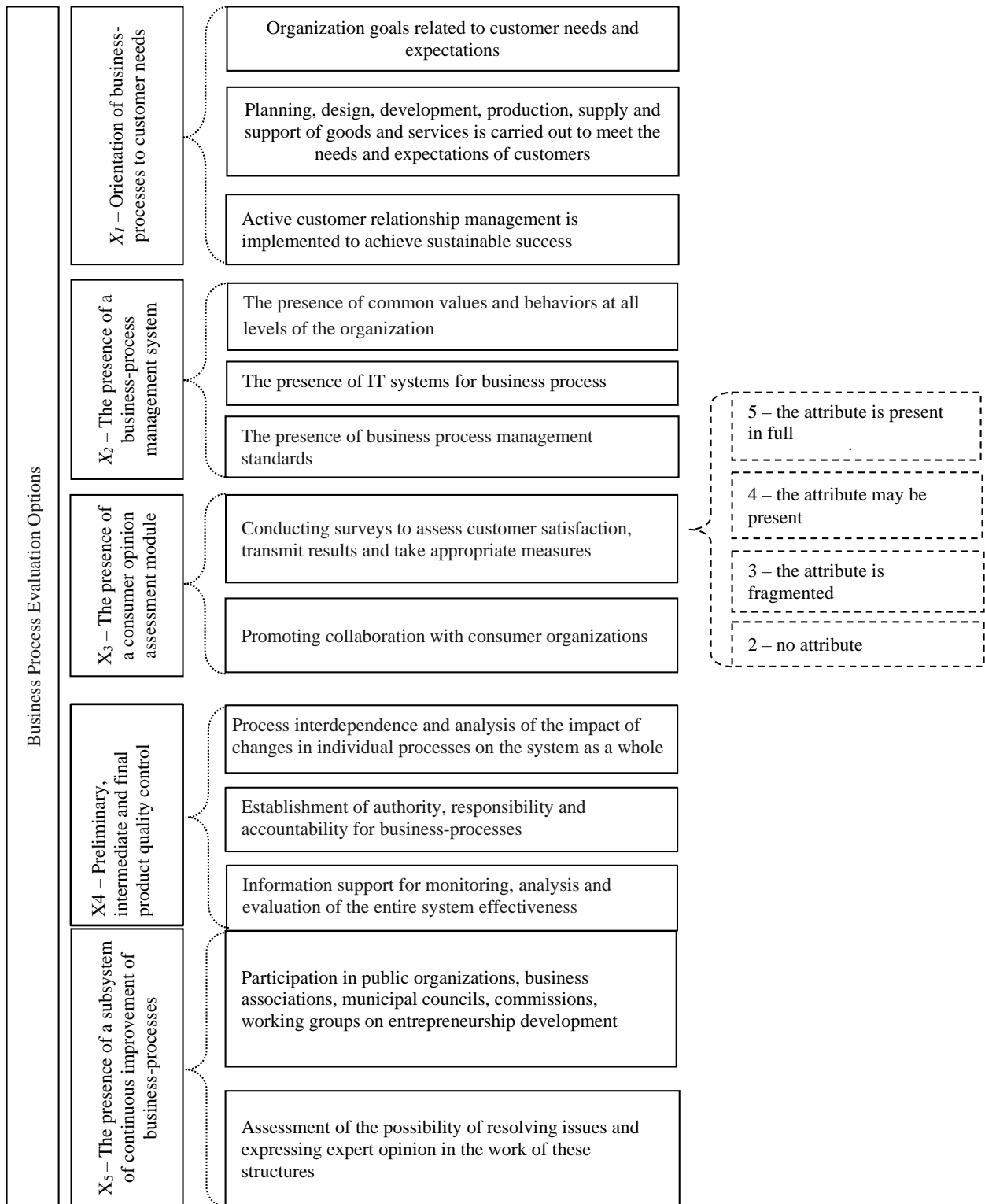


Figure 2. Parameters for evaluating the company's business-processes

Results

The developed methodology was tested on the example of the leather industry of the Republic of Iraq. The main companies that form the leather goods sales market in the Republic of Iraq are represented by two types of importers: manufacturers from China, manufacturers from Turkey, and one domestic producer, the State Company for Leather Industries, which is the subject of this study. As a result of using the proposed algorithm, the positioning of the market participants in the leather goods of the Republic of Iraq was carried out based on the matrix for determining the competitive strategy, the data for the construction of which are presented in table 1.

Table 1

Parameters for the formation of a matrix of competitive strategy

Matrix construction options	Chinese manufacturers	Turkish manufacturers	State Company for Leather Industries
Cost-To-Market Ratio	0,7-0,8	0,9-1	1,2-1,3
Price-To-Market Ratio	0,9	1,1	1,2-1,3

As a result of the study, we can conclude that the State Company for Leather Industries operates within the framework of a differentiation strategy, that is, it uses competitive advantages by creating distinctive characteristics of the product, switching costs, etc. Next, we determine the differentiation parameters of State Company for Leather Industries products using the survey tools.

The study was conducted by the marketing department of the State Company for Leather Industries in Baghdad at the 2017-2018 National Clothing and Textile Exhibition. More than 100 respondents took part in the survey, a five-point scale was used to evaluate the answers (5) - excellent; (4) - good; (3) - satisfactory (mostly consistent); (2) - not satisfactory (partially consistent); (1) - poor (did not meet expectations). The table below provides ranking data on the differentiation parameters of companies in the market for leather products from the Republic of Iraq.

Table 2

The ranking of the differentiation parameters of companies in the sale market of leather products of the Republic of Iraq

Product differentiation options	rating is excellent	rating is good	rating is satisfactory	rating is not satisfactory	rating is poor	$\sum f_{ixi}$	Weighted average rating	Relative weight, %	Rank
	5	4	3	2	1				
Leather quality	67	33	0	0	0	467	4.67	17.4	3
Product material (natural, synthetic)	77	21	2	0	0	475	4.75	17.8	1
Product model and design	79	12	9	0	0	470	4.70	17.5	2
Sewing quality	44	52	4	0	0	440	4.40	16.4	4
Interior decoration (lining)	46	44	8	2	0	434	4.34	16.2	5
Price	16	64	16	4	0	392	3.92	14.7	6
Total						2678		100%	

As can be seen from table 2, the differentiation parameter “Product Material” is the most important for the consumer (17.8%), since it ensures the durability and reliability of the product. The second most important parameter is “Product Model and Design”, which is of relative importance (17.5%), it explains the client’s orientation towards style and design, reflecting personal preferences. The following is the requirement for “Leather Quality” with relative importance (17.4%), which reflects the client’s interest in the leather quality used and the level of costs to ensure the required durability. The parameter “Sewing quality” is of relative importance (16.4%), which confirms the customer’s orientation on the product's compliance with technical requirements for tailoring leather products and the absence of defects. The parameter “Interior decoration (lining)” is important (16.2%). Finally, the “Price” parameter (14.7%) indicates that the customer prefers a product whose price is as high as possible with quality.

A ranking of customer preferences confirms the conclusion that the State Company for Leather Industries uses a differentiation strategy. Customers put the quality parameters of the product in first place, and the price parameter is considered last. Next, we conduct a competitive analysis of the product from the point of view of customers. The comparison results allow to position the product on the market, as well as evaluate customer satisfaction. For each product, customers give from 1 to 5 ratings against each requirement, from “excellent” to “poor”, namely:

(5) - excellent; (4) - good; (3) - satisfactory (mostly consistent); (2) - not satisfactory (partially consistent); (1) - poor (did not meet expectations). Let us present a comparative assessment of the differentiation parameters of leather products made in Iraq (State Company for Leather Industries in Baghdad), Turkey and China, tables 3-5.

Table 3

The results of the assessment of differentiation parameters for State Company for Leather Industries

Product differentiation options	rating is excellent	rating is good	rating is satisfactory	rating is not satisfactory	rating is poor	$\sum f_{ixi}$	Weighted average rating	Relative weight, %	Rank
	5	4	3	2	1				
Leather quality	40	42	12	6	0	416	4.16	18.1	2
Product material (natural, synthetic)	38	50	8	4	0	422	4.22	18.3	1
Product model and design	14	40	38	4	4	356	3.56	15.4	6
Sewing quality	20	42	28	8	2	370	3.70	16.1	4
Interior decoration (lining)	16	50	32	2	0	380	3.80	16.5	3
Price	18	32	44	4	2	360	3.60	15.6	5
Total						2304		100%	

Table 4

The results of the assessment of differentiation parameters for Chinese manufacturers products

Product differentiation options	rating is excellent	rating is good	rating is satisfactory	rating is not satisfactory	rating is poor	$\sum f_{ixi}$	Weighted average rating	Relative weight, %	Rank
	5	4	3	2	1				
Leather quality	12	24	50	10	4	330	3.30	15.2	6
Product material (natural, synthetic)	10	38	36	8	8	334	3.34	15.4	5
Product model and design	30	42	26	2	0	400	4.00	18.4	1
Sewing quality	28	32	36	2	2	382	3.82	17.7	2
Interior decoration (lining)	22	26	42	10	0	360	3.60	16.7	3
Price	20	32	38	6	4	358	3.58	16.6	4
Total						2164		100%	

Table 5

The results of the assessment of differentiation parameters for Turkish manufacturers products

Product differentiation options	rating is excellent	rating is good	rating is satisfactory	rating is not satisfactory	rating is poor	\sum <i>f_{ixi}</i>	Weighted average rating	Relative weight, %	Rank
	5	4	3	2	1				
Leather quality	12	24	50	10	4	275	2.75	14.30	5
Product material (natural, synthetic)	10	38	36	8	8	362	3.62	18.82	2
Product model and design	30	42	26	2	0	217	2.17	11.28	6
Sewing quality	28	32	36	2	2	344	3.44	17.89	4
Interior decoration (lining)	22	26	42	10	0	380	3.80	19.76	1
Price	20	32	38	6	4	345	3.45	17.94	3
Total						1923		100%	

Based on the results of a consumer survey regarding the differentiation parameters of State Company for Leather Industries products and its main competitors in the Iraq leather goods market, the following conclusions can be drawn: State Company for Leather Industries products significantly exceed Chinese and Turkish products in terms of material characteristics - dressing, softness and leather durability. Baghdad mainly produces men's jackets made of genuine leather, which meets the needs of consumers who prefer genuine leather to synthetic. In other parameters of differentiation, Turkish and Chinese manufacturers are ahead of the State Company for Leather Industries. At the same time, product design parameters were most appreciated by consumers for Chinese-made products, the leather factory in Baghdad is slowly updating its lineup, has a narrow assortment of men's jackets and does not sufficiently take into account the requirements of modern fashion.

Consumers noted a higher quality of sewing jackets by Turkish manufacturers compared to the quality of State Company for Leather Industries. The reason is the use of technologically obsolete sewing machines in the production process and the lack of regular maintenance, as well as the relatively low level of staff qualifications. Consequently, competing companies use more modern sewing machines and have efficient staff.

Also, products of competing companies are characterized by higher quality interior decoration and lining, the use of natural fabrics. The reason for the lag of the State Company for

Leather Industries in this parameter is the lack of a wide selection of fabrics for sewing the lining of jackets. In addition to the above, consumers noted the relatively high prices of Iraq-made men's leather jackets. A comparative analysis of the differentiation parameters considered is shown in Figure 4, the data of which allow to indicate the direction of change in the main business-processes of the State Company for Leather Industries based on the existing competitive strategy.

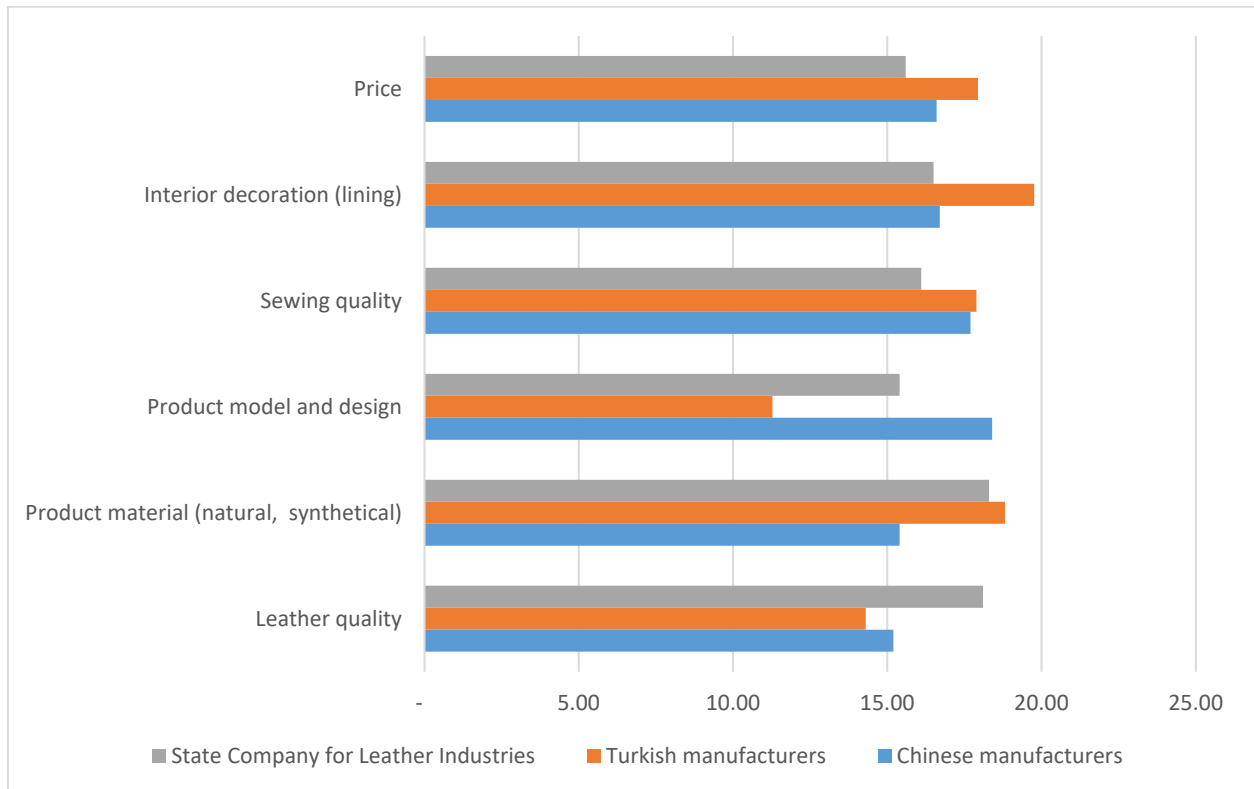


Figure 3. Comparative analysis of the differentiation parameters of companies in the leather goods market of the Republic of Iraq

The conducted research shows, overall, that the State Company for Leather Industries lags its competitors in terms of product design, sewing quality and interior decoration. The company must consider these deviations caused by non-compliance with customer requirements by modifying its key business-processes. The problems of manufacturing enterprises in Iraq in recent years are due to changes in customer preferences and increased competition from importers. Consumer preferences change significantly under increasing competitive pressure, which forces

the State Company for Leather Industries to adapt its products to meet the needs of potential customers.

Discussion

The results of the study can be used to modify provisions of the Business-process Management methodology based on the identified competitiveness parameters in accordance with a certain type of competitive strategy. Compared with other approaches (de Morais et al, 2014, Trkman, P., 2010, Ravesteyn, P. and Batenburg, R., 2010, Weske, M., 2007), the methodology of which is based on a set of qualitative criteria, analysis their hierarchical structure and distribution of roles, the proposals presented by us somewhat expand the concept of Business-process Management, prioritizing the market conditions for the functioning of the company, and not only the internal structure of building business processes.

The presented methodology is intended, first of all, to assess the general competitiveness parameters used at the company level with the subsequent alignment of the organization's strategy with operational decisions. Overcoming the limitations of the existing structure of business-processes allows making decisions adequate to the current market situation that maintain a common vector throughout the entire management hierarchy, pushing operational methods such as 6 Sigma or Lean Manufacturing to the background. In this study, based on the example of a manufacturing enterprise, the Business-process Improvement is directly related to general, strategically oriented approaches, which ensure the consistency of the organization's actions. Thus, the system for evaluating management decisions within the context of the Business-process Management concept is formed in accordance with the company's competitive strategy. In the near future, we plan to expand the empirical base of the study and present the results obtained.

Conclusion

These conclusions are quite consistent with the provisions of Porter's concept of competitive advantage. The novelty of the authors' work lies in the development of the concept of the relationship between competitiveness and the improvement of business processes, the presence of which was confirmed in this study. If a company needs to improve its position in the market, to increase its competitiveness, then it is necessary to look for modern ways to improve business processes. With the help of reengineering, it is possible to achieve an increase in added value,

improve the quality of products or services, reduce costs, respectively, thereby ensuring an increase in profits, and a reduction in production time. In fact, the business process management concept is responsible for the operational level of the competitive strategy implementation. At the same time, to a greater extent, the concept of improving business processes corresponds to the competence-based approach in the strategic management of the company.

The proposed methodological approach and the analysis carried out determine the further tasks of optimizing the company's business-processes to form the necessary competitive advantages in accordance with the basic competitive strategy – differentiation. To improve the market position of the State Company for Leather Industries, it is necessary to look for modern ways to improve their business-processes.

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