

# Economic Growth by Increasing the Competitive Advantage

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## **Abstract:**

*The paper highlights the fact that studies, analyses, and researches are necessary in order to ensure long term economic growth and development; thus new ways to promote economic activities are discovered, by promoting products, works and services which take into account the increasing concern for the environment, for the personnel of the companies involved and for society in general. As a consequence, companies that are aware of the need for social and environmental reporting should be encouraged. Companies can develop a valuable resource by social and environmental reporting, which in turn increases their reputability. Therefore, environmentally sensitive companies negatively influence society and the environment at the operational level and are considered dangerous by society. Now, these companies can strategically change this perception to their advantage by social and environmental reporting.*

**Keywords:** competitive advantage, economic growth, reputability

**JEL classification:** O25, O32, O35

*Without the striving for infinity there is no life, no development, and no progress.*

**Vissarion Belinski**

(Russian philosopher and literary critic, founder of Realism  
in Russian literature, born 1811 – died 1848)

## **Introduction**

Economic operators must develop closer relationships with those who supply them with raw materials, consumables and equipment (the connection between suppliers and customers) in order to operate in the economic environment. In other words, manufacturers and suppliers must create and maintain harmonious relationships during the process of supplying both with those who provide the necessary supplies for the production processes and with those who receive their products, works and services obtained in the activity carried out respectively customers or consumers.

As we are well aware, performing an activity entails interacting with the constantly expanding global markets; increased competition is expected in these circumstances. Therefore in terms of goods, works and services requested by customers, economic operators must be aware and pay increasing attention to the area raw materials and consumables come from and also to the way in which products, works and services are designed and manufactured. Increased attention must also be given to the transport of these economic goods, to the way in which their own goods, works and services are obtained, but also to the distribution network to clients, including the study of what clients and consumers really want.

Of course, the supply architecture implies a successful flow of raw materials and consumables in order to keep costs under control so that products, works and services are obtained at competitive prices which also satisfy customers or consumers' needs.

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There are specialists (Lynch, 2006) according to which one must consider the fact that the supply of the chain management is one of the most complex aspects, and many inherent risks arise in this process.

It also shows that all the elements included in the strategy of an organization are very important because the future actions of the organization are influenced by the way in which decisions are taken; they determine its purpose, the resources to be used and also the mutual conditioning with partners in the operating area (Lynch, 2006).

One must also consider that a corporate strategy which produces very good effects must take into account the importance of the supply chain activities both inside and outside the company (Johnsen, Howard, Miemczyk, 2004). According to professionals in the field (Glatzel and Rohren, 2014) the supply chain requires careful evaluation and a sound judgment, irrespective of the market position of the company as it depends on the increasing competition and the shrinking markets. In order to meet properly the requirements and to accomplish the clients' needs, scientific methods must be used, respectively a system to produce the desired effects, namely a chain of values by an efficient flow of materials (Jacobs, 2017).

Other researchers (Johnston, Heinrich, 2013) have shown the importance of analysing the value chain because it is used in the current activity in order to have a clear idea about the socio-economic and power behaviour within the production chain, starting from the initial material to the final product. Some authors (Christopher, 2016) have shown based on scientific demonstrations that the management of the supply chain requires special attention given to the activity of managing relations between all parties involved in order to have very good achievements for all those involved in the supply chain.

Marketing specialists (Kotler, Armstrong, 2017), show the importance of distribution channels; their consequences are very important in terms of the measures taken within the processes in the supply chain. According to other marketing professionals (Palmatier, Stern, EL-Ansary, 2015) each company adopts strategic measures in order to define how to distribute its products, works and services to final consumers. The identification of potential sources plays a major role in the procurement process, as an inadequate measure may require a great deal of effort concerning quality, product, work, service but also delivery in order to be fulfilled (Mena, Christopher, van Hoek 2014 ).

## **1. The social function of companies: social and environmental reporting**

The importance of the research must be acknowledged especially because solutions may be identified; recognized experiences and analyses provide answers to the challenges caused by globalization which nowadays manufacturers and consumers are facing.

There are researchers who point out that it is important to take into account the realities of today's society, respectively the challenges of increased social inequalities and the emergence of global ecological problems. This reality emphasizes a phenomenon where companies are under intense pressure, especially in terms of taking responsibility for the impact on the society and environment they operate in (Waddock, 2008).

Many companies are perceived as tools that draw consumers' resources for the sole purpose of making a profit, with no minimum concern for the environment they operate in, or minimal interest in somehow returning part of what they have achieved. According to such behaviour, consumers seem a large mass useful for corporate profits only. After making profits in such areas, companies are concerned how to outsource their profits with the lowest costs possible. Methods and ways that can ensure a fast and low cost transfer are sought. This is often the step towards inappropriate, animal-like behaviour. Solutions are being sought to ensure the best transfer in areas where profits are not taxable. The decision makers from the jurisdictions where the profits are made are often required to facilitate such transfers. They are political factors from the legislative or governmental area who can issue and implement special rules, special normative acts which have nothing in common with fair competition.

Being aware of this reality, some authors (Frag, Qing, Mallin, 2015) propose another way of approaching business - the goal of doing business should not aim at maximizing profitability only. They propose a way in which companies' care for both workers and consumers is increased.

Companies should be concerned about the return of profit to those who participated in obtaining it; this would be the proof of ethical behaviour and of supporting the consumers and that company. Actions must be consistent, be distinguishable in that jurisdiction, not occasional and random, and not targeted only for advertising purposes to make future profits. The involvement of companies in such projects must bring important results visible to the general public, thus creating the premises for maintaining a competitive advantage in the respective markets.

However, we need to keep in mind that the parties involved need to be informed about the effect of the actions of companies, especially on people and environment; they are also concerned about economic issues (Ho, Taylor, 2007). Besides, it is believed that if a company procures its resources from society, it will have to return something in exchange (Ho, Taylor, 2007). Therefore, it seems important that companies should be concerned in social and environmental activities and this should be made known to the public.

This concern shows an increasingly stronger relationship with the members of society and thus the social, human element is emphasized. Companies must have this approach in order to gain the respect of the society they operate in, proving this way that they also contribute to the general social well-being, not only to their own welfare.

There are varied concerns and debates of many intellectuals (Ingham, Havard 2017; Sitnikov, Bocean, 2017; Ching, Gerab, Toste, 2017; Allen, 2016; Barnett, 2007; McWilliams, Siegel, Wright, 2006; Porter, Kramer, 2006; Murray, Sinclair, Power, Gray, 2006; Maignan, Ferrell, 2000; Margolis, Walsh, 2003; Orlitzky, Schmidt, Rynes, 2003) regarding the involvement of companies in social and environmental reporting, especially on the type and degree of corporate responsibility to those involved, the financial consequences of this responsibility and its major role for the company. These concerns also include the fact that social and environmental reporting often entails significant costs.

Such involvement may include providing hospitals with high-quality medical equipment, for example fully equipping a hospital department. Costs must be known so that one is aware of the set up costs or the equipment costs for a specialized hospital department. This is of major importance because the focus is on costs and the charitable action; at the same time, the other market participants are informed and a good example of social engagement is set. By highlighting costs, signals are sent to the state authorities regarding the costs of such an action and to control how public procurement is made for similar activities. State controls can be made at public institutions which have done this, but at much higher costs, thus being able to assess the efficiency of how public funds allocated to these public institutions have been spent. Hospital managers can be chosen from the managers in the private system, especially those who are able to make investments at such costs which are suitable for an increased efficiency in using public funds.

Therefore, there are several research studies concerning the lack of relevant causality between social and environmental reporting and the economic benefits of corporations (Ching, Gerab, Toste, 2017; Murray, Sinclair, Power, Gray, 2006). Moreover, it has not been possible to fully clarify whether investments in social and environmental reporting generate higher incomes than costs (Margolis, Walsh, 2003; Orlitzky, Schmidt, Rynes, 2003). Other opinions criticize social and environmental reporting for the evasive advantage on the market by commitment to resources; then, such investments turned into a luxury (Doane, 2005; Norman, MacDonald, 2004).

On the other hand, there are also researchers who support social and environmental responsibility and reporting (Porter, Kramer, 2006; Maignan, Ferrell, 2000). According to their opinions on social and environmental reporting, it represents a way in which organizations can improve their image, value and reputation; then they become a centre for corporate marketing and product differentiation.

## **2. Economic growth can be sustained by maintaining the competitive advantage**

Some authors (Chopra, Meindl, 2015) have argued that the supply chain must constitute the management of relations concerning the obtaining of raw materials and processing the relations with suppliers and clients in order to offer higher value to the customers. Some analysts have warned that the supply chain, in any form, may present risks associated with the challenges of quality, compliance and safety (Dittmann, 2014).

The nature of a business environment in terms of network complexity may be an influential factor in exposing an organization's supply chain to risk. Other researchers have indicated that, regardless of the industry in which a company operates, it is certain that some of its main operational concerns are supply chain disruption and associated costs (Coyle, Langley, Novack, Gibson, 2016). Some scholars argue that supply chain managers must face unexpected challenges in the day-to-day operations of an organization (Bandyopadhyay, 2015).

It is important to study this supply chain of an organization because some costs may be adjusted or eliminated. An example could be that of the costs incurred by a public social welfare institution for social assistance services provided to the beneficiaries. These costs are established according to the minimum needs scientifically identified for a beneficiary per day / month / year time unit. These costs are settled by public budgets at a standard cost per person / time unit. Such activity can be done similarly as an experiment by a private company within a social and environmental responsibility activity by identifying the same needs for a beneficiary / time unit. This activity and the related costs are promoted in order to inform the public regarding social responsibility activities. Thus both the costs incurred by a public institution and those incurred by a private company for the same beneficiary / time unit can be analysed in terms of costs which can be settled by public budgets and by a private company. After such research, state controls on public expenditure efficiency of the social welfare institutions may be carried out, but also on the involvement of managers from the private system acting in public institutions, who have proven able to perform effective activities.

At the same time, it is claimed that companies face increasing challenges in managing the supply chain of their products and services due to political, environmental, economic and technological uncertainties (Mikkola, Skjott-Larsen, Kotzab, 2015). It has been shown that the possibility of disruptions in the supply chain includes poor planning and execution, an intense competitive environment and increased complexity of operations; the focus is on efficiency, outsourcing and unique supply (Manners-Bell, 2014). It is also emphasized that the success of the supply chain management depends to a large extent on the knowledge of the management team on risk management and on the management team's application of the appropriate risk mitigation techniques (Wisner, Tan, Leong, 2015). Other authors consider that any sound risk system should have an action plan able to determine how and what risks need to be addressed (Giunipero, Monczka, Giunipero, 2014).

It seems that managing the supply chain interruption requires identifying the risk source, assessing it and identifying how it will be mitigated. Other authors argue that risk mitigation must have an organizational perspective which must extend beyond the company to the supplier (Schlegel, Trent, 2014). At the same time, according to another researcher, whenever measures are taken to reduce or eliminate risks, the risk profile of the organization will be certainly affected, which will have a direct influence on other parts of the supply chain network (Wisner, 2016).

## **3. Conclusions and proposals**

Therefore the impact on society and the environment in which economic operators perform has an important role. Thus there should be a concern for social and environmental activities at the company level and the public should be informed; this proves a beneficial behaviour for society and environment. This way, companies will be concerned not only about having the highest profit, but also about social and ecological activity. Companies that succeed in including these components in their portfolio will create a competitive advantage in the market and customers will increase the

consumption of goods, products and services offered by these companies based on their concern for social and environmental activities that contribute to improving the quality of life.

Therefore, I propose research of some fields and branches of activity in economy in which guide lines for social and environmental activities for companies are developed, as well as the involvement of companies to implement them and promoting these activities as good practices in order to diversify them. Research can be started among companies which provide medicines, medical equipment, and social assistance.

As for education I propose research and comparisons between the costs for pupils and students settled in the public system by public budgets and the costs for pupils and students in the private system in order to show:

- the standard cost per pupil / pre-schoolers necessary to establish the basic financing funds of the state pre-university education system which influences the expenses incurred by the public budgets,

- the cost per student respectively the necessary cost for establishing the public funding of financing state universities, for Bachelor and Master studies which influences the expenses incurred by the public budgets.

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