

Economic and Financial Indicators Used in the Analysis of the Competitive Environment of an Entity

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Abstract: The paper revealed the importance of the methods used by some specialist like; Michael Porter and Francis Bidault to establish viable future strategies, in case of crises, which can be applied in any type of economy or competitive environment. The elaboration of managerial strategies have always been based on competitive comparative studies realised by a careful prospecting of the market and a thorough analysis of all data concerning the market's intentions: the launch of new products, the probable quantities that will be offered on the market, the increase of the production capacities etc. As soon as the main economic characteristics of the external environment where the company operates appear, there can be established the paths to follow for the development of the company. So as not to be caught unguarded on a continuously-changing market, each organisation should carefully analyse not only the general economic trends or the competitive environment where it will operate, but also the possibilities it will dispose of for a certain period of time. The difference between the company's objectives and what appears as a market evolution trend represents its strategic area.

Competitive analysis is one of the key forms of strategic analysis, used to know at some point, market position relative to competition, with the aim of establishing viable future strategies. When we talk about competition we should think about that organization or company, as appropriate, enter into competition not only on the buyers, but also the suppliers or procurement, capital, technology and labour. Analysis of the competitive environment is desirable as identifying opportunities and threats that must confront the organization, and assesses its strengths and weaknesses. Literature describing

the classification of a "competitive environment", the most important being: typology Michael Porter, Boston Consulting Group and Francis Bidault¹.

Typology of Michael Porter, uses three criteria leading to nine types of competitive environments. (Table. 1)

Tabel nr.1

Competitive environments in vision Michael Porter

Type	Concentration		Degree of globalization
	Fragmentation	Concentration	
Emerging	1	2	3
Maturation	4	5	6
Decline	7	8	9

Typology Boston Consulting Group is the number of sources of differentiation and the number and importance of sources of competitive advantage. Thus, there result four types of competitive environments. (Table 2)

Tabel nr.2.

Typology Boston Consulting Group

Sources of differentiation	Multiple	"Fragmented"	"Specialized"
	low	"Impasse"	"Table"
		low	strong
		Sources of advantage	

Francis Bidault typology proposes a grouping of the competitive environment which is close to the Romanian approach, going on an appreciation of classical evaluation criteria on economic and technical, and a politicized power generated by public involvement. Classical types of category contain the competitive environments:

1. Media fragmented specific SME characterized by
 - Many competitors;
 - Low growth rate;
 - Bargaining power reduced.
2. Emerging Media, which operates companies in the IT field
 - Need for innovation;
 - Intense market, always change;
 - High yield;
 - High risk created by the difference.
3. Media passage to adulthood
 - A good experience consumer;
 - Image created in the market;
 - Strong competition.
4. Average decline
 - Production has a tendency irreversible decline;
 - Offer reduced;
 - Loyalty to the brand.
5. Global average
 - Competitive firm is estimate at World;
 - Degree of decentralization strong, active

¹ Carstea G., The Strategic competitive environment, Economic Publishing House, Bucharest, 2002, pag.26.

more markets with a diverse portfolio of activities;

Regardless of the type or characteristics of the competitive environment most economic entities evaluate their work both from the internal and external, depending on a number of economic and financial indicators specific.

From the outside, if we are interested in market share (Ci) that has a firm x, we can use the following formula:

$$Ci = \frac{Vi}{C} \times 100,$$

$$Ci = \frac{Oi}{C} \times 100, \text{ where } A - \text{ the volume of supply;}$$

i - number firms;
C - the application.
V - volume of sales.

Relative market share calculated using the formula, where Ci* - market share of the most powerful competitor, may give him the status of the entity:

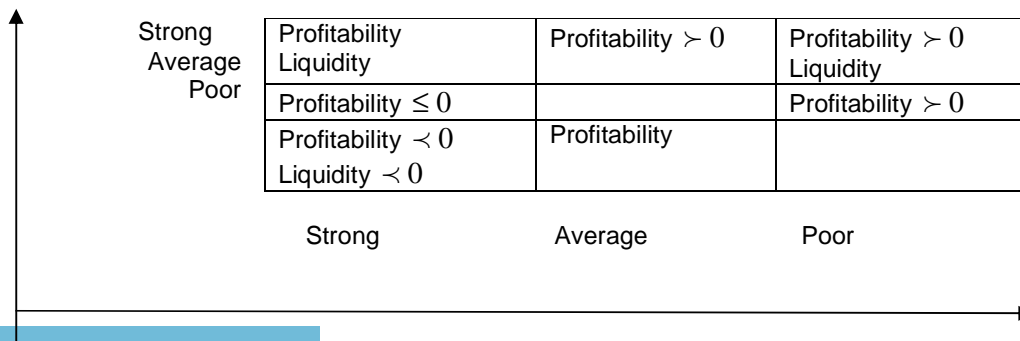
- Leader only if $Ri > 1$;
- If collider $Ri \rightarrow 1$;
- Challenger, $Ri < 1$, but takes second place;
- Outsider $Ri < 1 \rightarrow 0$;
- specialist $Ri < 1$, but has a particular niche of activity.

Another set of indicators used on the assessment of the entity, emphasising stability, financial strength, investment grade and recovery, development and technologisation in relation to competitors. One of the challenges of recent economic crisis is specific to the efficient use of resources, reducing costs and allowances to maintain properly. Efficiency of resources, human and financial information is expressed by means of yield rate costs, $Rc = \frac{Pb}{Cp} \times 100$, where Pb is Cp gross profit and Cp, production costs.

Commercial rate of return, expresses the efficiency of marketing products in relation to influences on the market, $Rv = \frac{Pb}{Ca} \times 100$, where Ca is the turnover. Depending on the results obtained from the calculation of indicators of yield and liquidity of the competitive firm can be found in one of the following situations. (fig. no. 1) where Pn - net profit and Cp - equity.

Overall liquidity can be calculated by the formula $Lg = \frac{Ac}{Dc}$, where Ac represents - current assets and Dc liabilities. Profitability, through the financial profitability ratio is represented by $Rrf = \frac{Pn}{Cp} \times 100$, where Pn - net profit and Cp - equity.

Attraction



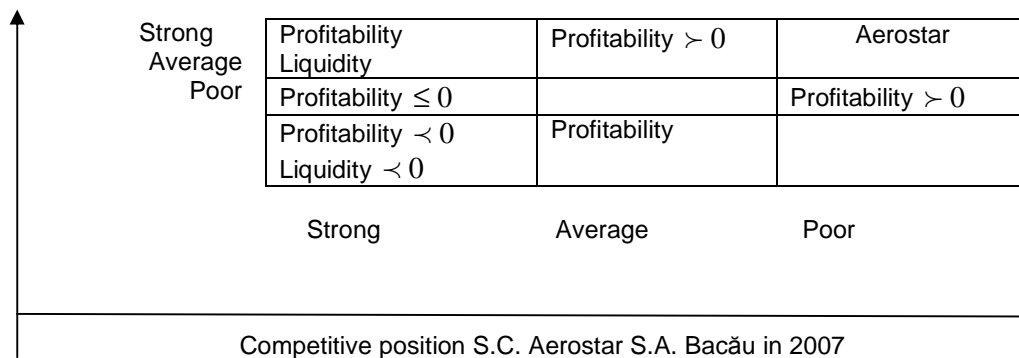
Competitive position
Fig. no. 1 Portfolio competitive position

Example of calculation of two indicators in S.C. Aerostar S.A. Bacău

Indicators	2007	2006	Specification	2007	2006
Liquidity	2,22	2,43	Assets	54.987.181	68.937.272
			Current liabilities	24.671.948	28.355.332
Profitability	15,25 (0,15)	20,12 (0,20)	Net profit	10.146.868	13.450.668
			Equity	66.532.144	66.823.961

(data from financial statements of S.C. Aerostar S.A. at 31.12.2008)

Attraction



According to two indicators, Aerostar is an attractive economic entity, occupying a strong competitive position. At this moment occupies a leadership position, having a presence on the market for military products 76.54% and 23.46%, civil products. Competitive positions rankings Romanian firms, most often in terms of turnover, employment and financial results.

In the specialty literature there are several methods of diagnosis and evaluation of the company. Grid Diagnostic School of Harvard is one of the classical methods and modern strategic diagnosis, according to its author's teachers Learned, Christensen, Andrews and Guth. Harvard School conceive that a business strategy is resolutely determined by three factors:

- enterprise potential;
- environment that is integrated undertaking;
- the people which decide the firm strategy .

To identify issues and features that will be the basis for the formulation of economic strategy for the next period, each factor will be subject to a specific analysis. Analysis of the potential subject to internal strategic diagnosis. It aims to identify strengths and weaknesses of the business enterprise. But as I stated, the analysis is compared with other potential competitors engaged in the same sector, aiming at determining the relative position of the company in the field approached.

According to the authors suggest diagnostic scale, competitive environment analysis involves the study of activity that is implanted under the two essential aspects: supply and demand of products on the relevant markets

Based on the specimen, analyzing the application relates mainly to the following issues:

- The nature of the application types of buyers, buying motivation, negotiating power of customers;
- Application development: analysis curve of life of the product offered, the study of complementary and substitutable products, investigating the changes produced in the lifestyle and the technologies used, the elasticity of demand depending on price prospects for new uses, the possibilities of a new products and markets, etc..

- The means and capacities of payment: payment arrangements prevailing in the sector, the solvency of customers, credit arrangements agreed to

In the same model of diagnosis, analysis of supply includes, in particular the following issues:

- The nature of competition: the number and size of enterprises in the sector, the nature and cause economic dominance in the competition policy used marketing trends manifested in the evolution of competition, etc.;

- Technological developments and prospects for cost reductions to be expected;
 - Entry barriers in the sector: the importance of economies of scale, minimum size in order to implant, the degree of product differentiation, the size of fixed costs, etc.;
 - Organization and how employees of State intervention in the sector;
 - Structure of production costs: the costs of purchasing the equipment, labor costs (including wage scale sector specific), the cost of raw materials and energy trends in their evolution.
- Conclusions from the analysis will allow the company to establish lines of action in the future to maximize the opportunities arising avoidance and threats that may affect its business development.

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