
The improvement of economic business management – competitiveness growth factor

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By 2000 two things have become clear. First, the roots of international competitiveness lie in the microeconomic fundamentals of an economy. Macro-economic factors play a role in creating the environment for competitiveness but are not sufficient to enhance prosperity. Second, international competitiveness results from firm level choices that produce distinctiveness, not from replicating the choices of other firms, regions or nations. Now more than ever we live in a world that moves at a bewildering speed. Innovation is an important topic in the 21st century. Innovation management has become a compulsory path to sustained enterprise growth. In today's society, intellectual capital has replaced the more traditional meaning of the capital needed for success in business or in life. Knowledge management is now recognized as the management of the 21st century, therefore understanding knowledge management processes and factors leading to its success or failure is an important key to help managers identify and understand what is required to make knowledge management work.

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Despite the fact that the interest in and concern with human activities' scientific management and at the same time aiming at providing their rational character have been present since long in the past, manage-

ment as a science became clear quite recently, in the 19th century and developed and improved in the 20th century by world-wide specialists' efforts. One can certainly state that management is not a new notion. Napoleon used to practice management when dealing with his armies. Old Egyptians applied management when building pyramids. The gardeners that built the famous Babilon Suspended Gardens did not dig or seed at random, as they thought it was good. They had a plan.

The term "management" is taken from the English language, yet its source is the Latin word "*manus*" which means "hand" and involves handling, the concept having become famous in social-economic sciences to the same extent that the practice of organizations' scientific leadership has become known in social life. One can assume that the occurrence of the term "management" was mainly in US schools, the term being taken in many European languages as such. The emergence of management as a science of leading is historically connected to a set of phenomena, namely:

- the partial separation of capital administration from its property and, in this context, the increase in specialists' role in managing economic-social activities;
- production concentration and centralization;
- technical-scientific progress that is rapidly taking place;
- the expansion of production specialization and cooperation both at national and international level.

Management has emerged, developed and improved especially in the economic field, but it has gradually imposed itself in other fields of activity, too, such as: politics, administration, culture, education, due to the fact that an economy's performance level and size are significantly influenced by leadership quality. The concept of "management" is seen both as a practical activity with direct reference to an entity's leadership and as a science of leading for conveying the theory of that field. There are several definitions in specialized literature, of which:

⇒ management is the function by means of which things can be accomplished by others;

⇒ management is the set of means by which goals are reached by organizations;

⇒ management is the conscious process by which a man's or a group's actions are coordinated for achieving organizational goals;

⇒ management is the process that pursues the accomplishment of organizational objectives by efficiently coordinating the supply, allocation and use of organizational human and physical resources and maintaining the organization in a dynamic balance with its environment;

⇒ management means work with and by other people with a view to meeting organizational goals efficiently, using limited resources in the context of changing environment;

⇒ management is the process to meet organizational goals with and by people as well as other organizational resources;

⇒ according to Larousse French encyclopaedia, management is the science of an enterprise's leading techniques;

⇒ as a science, management means studying the leading process with a view to systemizing and generalizing certain concepts, laws, principles, rules, setting certain management systems, methods and techniques in order that they lead to increasing the activities' efficiency with certain objectives

⇒ the purpose of management as a science is to explain management nature and traits as a process, practical activity, with a view to drafting a structured knowledge set on that activity, in order to train managers and orient their activity.

By comparing the above definitions, one can assert that there is a wide acceptance of the fact that management has three main characteristics, namely:

- it represents a process or a series of ongoing or interrelated activities;
- it focuses on achieving organizational goals;
- goals are met by working with and by means of people.

As a conclusion, management is a set of activities developed with a view to ensuring the normal and efficient functionality of economic systems by one or several people, those activities rendering science. Management emerges as a "bordering" economic science that uses methods and techniques typical of other sciences and adjusts them to its own character.

The world economy has entered an era of total competition. Competitiveness, the challenge of the third millennium, has become a central preoccupation of both advanced and developing countries in an increasingly open and integrated world economy. The OECD has defined competitiveness as "the degree of which a company can, under free and fair market conditions, produce goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term". Competitiveness is a multidimensional concept. It can be looked at from three different levels: country, industry, and firm level. At the firm level, competitiveness is the ability to provide products and services more effectively and efficiently than relevant competitors. This means sustained success in international markets without protection or subsidies. Measures of competitiveness at the firm level include firm profitability and measures of cost and quality, the exports or foreign sales of the company divided by output, and regional or global market share. Performance in the international marketplace provides a direct measure of the competitiveness of the firm. At the industry level, competitiveness is the ability of the nation's firms to achieve sustained success versus foreign competitors, without protection or subsidies. Measures of competitiveness at the industry level include the overall profitability of the nation's firms in the industrial sector, the

trade balance in the industry, the balance of outbound and inbound foreign direct investment, and direct measures of cost and quality at industry level. At the national level, competitiveness means citizens' ability to achieve a high, and constantly rising, standard of living. In most countries, the standard of living is determined by productivity, which deploys national resources and the output of the economy per unit of labor and/or capital employed. A high and rising standard of living for all nationals can be sustained only by the continuous improvement of productivity, either through achieving higher productivity in existing businesses or through successful entry into higher productivity businesses.

The term competitiveness refers to the capacity of enterprises to adapt quickly to change, exploit their innovation potential and develop high-quality products. Enterprises are no doubt the main engines of a country's competitiveness. In an era of increasing globalization and trade and investment liberalization, economic business continues to be a key actor in the diffusion of managerial, technological, and financial resources which provide and foster positive economic, social and environmental benefits, wherever it operates. More importantly, successful and competitive economic businesses have learned that good management is good business.

In modern society whose dominant and irreversible trend is globalization, management is and will be a highly interesting and important field with the following main coordinates:

- *global, integrating vision to solve problems*, according to which solving managerial issues should be done in two ways, on one hand within the organization, among its constitutive subsystems, departments and activities, and on the other between an organization and its external environment where it develops its activities;
- *interdiscipline*, as management is a field that continually attracts new elements from other sciences, adjusting and using them

according to the requirements of social-economic entities' leading activity;

- *provisional feature*, which means the need to set up and define further action directions, taking account of the changes that might occur in the external environment where an entity functions, and the main goals that must be met;
- *the growth of managerial dynamism* rendered by a significant increase in change occurrence mainly due to rapid technical and scientific progress;
- *enhancing the purpose character of managerial actions*, as all managerial fields must have a logical purpose, thus ensuring the achievement of organizational general objectives;
- *management universalness* which means there are several types of management: agricultural management, building management, banking management, financial management, insurance management and, very frequent lately, educational management, as there is a permanent transfer of managerial concepts, principles, techniques and instruments from the industrial field to all the other fields of life and human activities;
- *professionalizing the manager function* as at world level there are numerous schools, institutions, training and coaching centers for leading people, famous business schools where they train the managerial elite of the future.

All that is to be found in what P. Drucker calls « the new traits of management » that clearly define contemporary management: management generalness, as it is present in all fields of social-economic life; innovation development as an essential feature of modern management; management orientation to the ongoing increase in the productivity of intellectual and physical labour; management pursuit of the cultural, political and social traditions of every country, of countries' growth conditions.

In modern society, management is the main factor that helps increase the efficiency of developed activities, becoming a leading force of economic growth that mainly relies on the enterprising and innovation spirit, intellectual capital replacing the traditional meaning of the capital needed for life or business success.

The term “knowledge management” was first used publicly in late 80’s. A few years later, after 1995, the sector of knowledge-based management recorded a major recovery, which is now recognized as 21st-century management, therefore knowing the factors and processes that lead to its success or failure is the key which helps managers identify what it takes to make it work. Society’s fast and complex growth illustrates more than enough that technological, social or economic changes largely depend on both the quality of information and the ability to manage it correctly and efficiently. The idea that high efficiency and greater success may come from knowledge-based management, that it opens the way to performance and competition for organizations has made knowledge-based management a key-concept in the development of organizations, an essential strategic issue in their survival in modern society. In a society that depends on information, as well as on the numeric growth of organizations (as the result of increased communication and social relations complexity), knowledge seems to be the only power that guarantees social, economic and democratic progress that does not fade away in time. To many organizations, the orientation towards capturing and acquiring knowledge means the confirmation of certain functional maturity complying with the essence of the informational society they are related to. The need to manage knowledge seems to be a natural issue as a result of long discussions about the role and importance of the intellectual capital valuation process in post-capitalist society. In this context, knowledge-based management includes the identification and localization of intellectual values within an organization, the generation of new knowledge in order to emphasize competitive advantages, the entire access to corporate information, the dissemination of positive

practices and the access to technologies that code and use information. *Knowledge* is generally defined as *the power to understand and perceive the essence of facts, the valuation of certainties and information* acquired in the form of experiments or teachings. In such organizations' functioning, the basis is rendered by the generically set processes, namely *innovation* (creating new knowledge), *learning* (acquiring new knowledge) and *partnership interactivity* regarding knowledge¹. Being a relatively new management field, knowledge-based management is concerned with managing processes and resources, regarding not only production relations, but also the ratio between people and the purpose of their work oriented to the creation, dissemination and assessment of knowledge needed to achieve an organization's development strategies. Yet, many public organizations and companies have been relying on old-fashioned concepts and techniques. Knowledge-based management, as a subdiscipline of the new concept of "knowledge economics", is a new management method that pursues changing the good points of an organization's personnel into a superior competitive strength as compared to other similar organizations. Focusing upon using the intellectual professional potential in activities that use individual and external knowledge, knowledge-based management gives value to organizations, makes them special, increases their individual value. Exceeding the mere collection and handling of data in order to get information, knowledge-based management process refers to the acquisition, creation, preservation and implementation or re-utilization of knowledge, its fundamental objective being the valuation of an organization's knowledge resources and ability in order to give it the opportunity to learn and adapt to its ever-changing environment.

Knowledge-based management pursues the exploitation of organizational members' intellectual resources with a view to meeting the organization's goals and objectives. In this respect, Lewis Platt, the former CEO of Hewlett Packard, stated that "in the torment of world economy, knowledge is the convertible currency of large enterprises",

thinking that "only the companies that succeed in capturing, storing and implementing what their employees know will be successful". Knowledge-based management is nowadays a vast field meant to ensure that the right information should reach the people who need it in order to make good decisions, as intelligence and creation, innovating ideas and information flow rapidness represent a significant competitive advantage. Among the most popular practices of knowledge-based management are the following:

- setting up data bases made up of : positive practices, expertise managers, customers' profiles, market evolutions, organization processes, legislative changes, business histories etc.;
- knowledge mapping by information structuring and organization according to a certain rule/informative tree or specialized data bases;
- making up teams to gather new knowledge, a good one including as many reference disciplines as possible, information managers/librarians, informatics specialists, intranet specialists, documents and information lists managers, human resources specialists;
- the active management of knowledge process which involves gathering, classifying, storing and disseminating information ;
- developing « knowledge centers » that aim at disseminating and transmitting positive practices needed to increase the outcome of acquired information;
- installing collaborative technology : intranet or groupware in order to improve the rapid access to information, including the one by interpersonal communication ;
- assigning a person in charge of managing knowledge initiative. There is a popular practice of assigning such a responsible person within large organizations, called Chief Knowledge Officer, whereas in small companies such a person might be appointed from among the people holding positions in the Boards of Directors.

Knowledge-based management aims at: the improvement of decision making; the reintegration of corporate experience; the increase in innovations number; the transformation of information into knowledge; the acquisition of new knowledge. It supports organizations' efficiency growth for social and economic development up to the level where that factor becomes the essential element in producing added value and also the overall prosperity of world economy.

In modern society, under the impact of the continuously fast rate of scientific, technological, educational, cultural and last but not least economic and managerial changes, the three concepts – management - knowledge-based management – competitiveness – have acquired new meanings and have increasingly become one of the invisible forces that economic practices should take into account in order to achieve organizations' efficiency, development and upgrading, involving the economy in general, aiming at the material and spiritual progress of society.

Globalization and changes in the world economy over the last years have raised new challenges for firms, industries and countries. The popularity of the concept of competitiveness is clearly demonstrated by the fact that there is an increasing interest around the issue of competitiveness benchmarking at the country level as well as the policies through which governments can enhance national industrial competitiveness. Competitiveness has become a key term in economic theory, in the last decades. Management is perhaps the key variable among the many that influence enterprise competitiveness. It is management that is responsible for creating competitiveness through the ability to produce ever-higher quality at lower cost.

Globalization of the economy has radically altered the nature of competition-both domestic and international. Economic growth and international competitiveness are increasingly dependent on the generation and transfer of knowledge and technology. Knowledge management has become a source of sustainable competitiveness into the knowl-

edge based society. In the landscape of modern business, companies are persistently striving to create mechanisms for differentiating themselves from their competitors within given markets. Firms must be able to deliver high quality goods and services on time and in the correct quantities – all at competitive prices. Developments in trade during the last decade have brought the concept of “international competitiveness” to the attention of policy makers and technical cooperation agencies. The notion of international competitiveness denotes the capacity of a country, region, economic sector, business enterprise or a single product to maintain its market position despite of the presence of other suppliers. European business needs to respond to the urgent challenge of raising productivity and generating more added-value in the context of increasing international competition. The international competitiveness of modern economies is linked increasingly to their ability to generate, adapt and use new knowledge. Science and technology are considered to be key factors contributing to achieving sustainable development, prosperity and economic growth. In the contemporary global economy, driven as it is by technological innovations, European Union identifies competitiveness with high levels and rapid growth of productivity, along with high levels of employment. The prosperity and viability of nations and firms now appear to be intricately linked to their ability to achieve and sustain international competitiveness.

Whether for a micro-enterprise, a small business or a medium or large enterprise, "management" has always been and always will be a key factor in ensuring its viability and competitiveness. Today's environment is dynamic and complex. The importance of advanced and new technologies in enhancing productivity, and in improving quality and competitiveness, is widely accepted. The pressure to manufacture high-quality products or provide high-quality services that meet the specifications and demands of consumers has led to a systemic approach to the management of technology. Many companies today rely

on advanced technologies to achieve high precision, maintain tolerance, and provide high value-ended services and products.

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