



Time as Absolute Factor of Competitiveness and Economic Efficiency

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Abstract *To generate new knowledge as output of the business processes represents the basis of the most substantial competitive advantages. This transforms the speed of the business processes in the key factor of competitiveness. Time becomes the absolute criterion in the delimitation of the competitive organisations from outsiders. Faster are the business organisations that manage to extract profit rapidly. Their reporting to the profitability threshold may constitute the basis for measuring the businesses’ rhythms.*

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Innovation, the rhythms of the business, organizational agility, cost-effectiveness threshold

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1. Introduction

The fact that in the economics based on knowledge the intellectual resources of the company represent the main generator of economic value has become a truth unanimously accepted. The solidity and the diversity of the organisation’s intellectual capital determine the strength of the competitive advantages held by it. But in order to stick to this assertion is equivalent to saying only half the truth. Knowledge is an economic resource characterized, compared to other types of resources, by a very high fluidity and quasi-boundless plasticity. Considering this specification, the other part of the truth may be summarized as follows: the simple possession of some significant intellectual resources is not enough, at least equally important being the capacity to incorporate this knowledge as rapidly in business processes and, the most important aspect, the organisation’s ability to create as rapidly the new knowledge (Tapscott, 2000).

Knowledge is very perishable. The degree of perishability of knowledge is more accentuated as this knowledge ceases to be a monopoly, being subjected to wider dissemination. Or, precisely the dissemination phenomenon and the associated exponential processes constitute the driving force of the knowledge economy. To create as rapidly new knowledge and valorise it as rapidly from commercial and economic point of view – this is the source of the most powerful and sustainable competitive advantages (Easterbrook, 2003). The renewal of knowledge and of its technological, organisational and commercial applications is called innovation. The results of the innovation process are innovations. The limits of innovation are drawn only by

the organisation’s managers and employees’ imagination. In the most profound and authentic meaning, the economics based on knowledge is an economy based on imagination – the ability to create and discover as rapidly new knowledge and cost-effective solutions to implement it.

2. The Rhythms of the Business Processes

The knowledge economy is characterized by high speeds of functioning of the economic systems. The possibility to rapidly transfer knowledge from one place to another, to organize it and process it rapidly, to take decisions quickly, to combine and recombine rapidly the disparate elements of knowledge in order to find original business solutions etc. transforms time in the main criterion of evaluation of the business’ functionality and reliability. It becomes more obvious the fact that, currently, the business models that function more rapidly are competitive. Competitiveness is achieved by accelerating the rhythms, namely by increasing the speed of the business processes. The business development consists, in fact, of the adoption of some structures and shapes which allow them an increased reactivity and higher speeds of the operations’ cycle. The great battle in business is actually for the most efficient use of time: to be as fast as possible, to be the first, to react before others. The imperative of the frequent generation of innovations makes this stake obvious and stringent.

The rhythms represent the speed of the processes based on which the organisation functions. Within the same organisation there can be found simultaneously uneven rhythms. Each zone or organisational process

has its own rhythm. The nonlinearity in the evolution of the organisation may be explained, to a large extent, through the observed arrhythmias – the lagging or the out of sync between the speeds of the various organisational processes that generate incongruities and functional gaps. Unquestionably, the perfect adjustment of all organisational rhythms is practically impossible but their approach is not only possible, but absolutely essential in order to increase the overall organisational reactivity. The speed of movement of the entire organisation is limited by the slowest process or the slowest part of it.

Any organisation is very similar to a water pot put on to boil. In this pot there are simultaneously layers and areas with different temperatures, respectively with different speeds of movement of the water molecules. As the pot continues to warm up, the homogenization of the internal temperatures takes place, so that, reaching the boiling point, all the water in the pot will have the same temperature. The organisation that develops its competitiveness, in the sense of the acceleration of the functioning processes, tends, like the water pot put on to boil, to “boil” risking in this way “to flow out”. That is why the organisation’s management task is to bring the organisational system to the “boiling point” and maintaining it carefully in this point, to prevent an “explosion”. For this reasons, the management of the organisational speeds is a balance at the edge of chaos (Hamel, 2002).

The speed of the organisational processes expresses the efficiency of the use of the time resource. It is known that the speed of a process may be described with the help of the rhythms of progress of some physical, money, informational or work flows, depending on the particularities of the considered process. Like any speed, the rhythm reflects the ampleness of the change registered by the status of significant variable of the process, the change produced in a unit or a time period. The high speed has the significance of an important change produced in a certain time frame and the low speed means that there has been a minor change. The losses of speed or the rhythm slowdowns represent delays. The accumulation of delays may be considered, in many respects, a fairly accurate image of the process’ efficiency reduction.

3. The Agility or the Reactivity of the Business Organisation

One of the most natural reactions of the business organisations in the future will be the prediction or the forecast: the issue of assumptions concerning the picture of the future. Theoretically, predictions are needed as a basis for planning the measures of anticipated adaptation of the organisations to the alleged future changes of the environment. But the

uncertainties and the turbulences associated with the future developments of the environment may disqualify almost totally the forecasts’ consistency. Another natural organisational response against the unknown is the radical innovation, which, in essence, means the active shaping of the future based on the organisation’s imagination and interests. But the innovation is limited by the mental models and the creativity of the member of the organisation (Hamel and Breen, 2010).

Between prediction and radical innovation is situated the most important form of reaction of the organisation before the future, in the absence of which the first two would not make any sense or simply would not be possible: the spontaneous adaptation by ad-hoc reconfigurations of the processes, products, resources and organisational skills to the environment’s current discontinuities and fluctuations – the agility of the organisation, which represents a more comprehensive quality than flexibility. Thus, flexibility is determined by the range of behavioural options (operational and strategic) which the organisation has, while the agility or reactivity refers to the speed to access the options: $Agility (Reactivity) = Flexibility + reaction\ speed$. The most eloquent expression of agility is the speed of response of the organisation when is confronted suddenly, unexpectedly with a threat or opportunity. It is about the organisation’s ability to operate fast and frequent changes in its business system. Not necessarily scale and magnitude changes, not necessarily changes planned in the finest details, not necessarily perfect changes, but changes made “on the go”, in real time or almost in real time.

Therefore, the organisation has at hand three types of mechanisms to approach the future and the unknown: 1) under low uncertainty conditions, planning based on predictions and oriented to the optimization of the existing system, which admits only minor, incremental innovations; 2) under accentuated uncertainty conditions, radical innovation, with a disruptive, volunteer nature aiming to redefine the rules of the game and 3) under fluctuant uncertainty conditions, the agility or reactivity, consisting of the ability to give quick responses to the unexpected environmental changes. The agility gives flexibility to the plans and represents the prolific source of radical innovations.

The speed of the organisation’s functioning, whose direct expression is agility, may be described directly and concretely by the speed of extracting of the added economic value, respectively the speed of obtaining the profit. In this sense, the organisation is more agile as it manages to secure its profit (Toffler and Toffler, 2006). This time, the time really means money, literally. If the business cycle represents the average time period between the moment from receiving the order from the customer and the moment of cashing the money, the

most competitive business model is the one that functions based on the shortest business cycle. The duration of transformation of the business opportunities in real money represents, in the context of high speed economy, the criterion to separate the competitiveness levels.

4. The Basis of a Matrix of the Operating Speed of the Business Organisation

The business organisation presents a specific mix consisting of two types of processes:

1) Operational or current processes, consisting of well-defined tasks and operations, routine and repetitive. These are oriented towards the increase of efficiency based on optimization, according to the principle "to make things better". In this regard, the operational processes are replicated and reinforced through some negative feedbacks, which tend to stabilize and control their rhythms, keeping them within certain limits that exclude spectacular variations of their rhythms. This type of process owns the biggest share in the organisation's global activity.

2) Entrepreneurship – innovative processes, formed of vaguely defined tasks, non routine and non-recurrent. These are processes oriented towards the increase of the organisational efficiency through active adaptation, change, learning and innovation, according to the principle "Make the good things necessary". That is why they are based on positive feedbacks, which often induce the rhythms acceleration.

Each of these types of processes can be measured and analyzed using specific rhythm (speed) indicators. For example, in the case of the operational processes, some rhythm indicators are: rotation by the turnover of the capital elements or the entire capital; inventory turnover; the average period of cashing the invoices issued to the customers; the average duration of the commercial credit granted to customers; the average duration of payment of the exploitation debts; the deadlines to recuperate the investments; the average deadline to execute the works; the average deadline to deliver the orders; the average duration to recuperate the various categories of current costs; the average duration to solve the complaints received from the customers; the productivity of the hourly, daily, weekly labour etc. In the case of the entrepreneurship – innovative processes, the most common rhythm indicators are: the lifecycle of the manufactured products and technologies used; the number of new products launched in one year; the duration of total renewal of the assortment; the average duration of appearance of the products of a new generation; the growth rate of the expenses with research-development-innovation; the growth rate of investment in new technologies, processes and materials; the

growth rate of expenses with the acquisition and development of the intellectual property; the growth rate of expenses with staff training; the rate of acquisition of new competencies; strategic alliances and concluded partnerships, etc.

The profile of these indicators reveals the fact that the rhythms of the operational (current) processes describe the business' "normal" speed and the rhythms of the entrepreneurship – innovative processes refer to the speed of renewal of the organisational potential. These two dimensions of the organisation's functioning (the current one and the one oriented to renewal) are measured distinctly and evaluated separately, as if it were two completely different organisations, between which there is apparently no connection – one that seems to be stable but moves slowly and another one that may know an accentuated fluctuation of the rhythms. Given these aspects, arises the issue of finding some relevant instruments to measure the "global" speed of the organisation's functioning, to respond to some holistic approach requirements, integrated in the organisation's processes. In other words, it takes speed measurement methods of the business viewed as coherent system, characterized by a unitary structure, even though its elements display a certain functional and typological diversity.

5. Conclusions

The idea that faster and therefore more competitive is the business that succeeds to release profit rapidly may constitute a good starting point in the effort to measure the business' speed. Following this logic line, we argue that the organisation that succeeds to achieve more rapidly its own cost-effectiveness threshold (breakeven) will obtain profit even faster. Therefore, more reactive and faster are the businesses with a lower cost-effectiveness threshold which, by default, may be achieved more easily. Since the discussion is focused on the speed of business processes, we consider not so much a business threshold determined in physical units or sales volume, but rather a cost-effectiveness threshold expressed in days. The fewer days in a year are required to cover the cost-effectiveness threshold, the more days will the organisation work on profit. The cost-effectiveness threshold is subject to the absolute level of the fixed costs, which, at their turn, are influenced by the intensity of the capital, the degree of leverage, the volume of the need of working capital, the existence of some contracts that involve fixed or regular payments etc. Also, the cost-effectiveness threshold is determined by the level of the actual turnover achieved by the organisation. Both variables – fixed costs and actual turnover – fully describe the business model of the organisation, namely the generic process based on which the organisation extracts profit. We admit that the

priority to increase the global speed of functioning of the organisation is not the maximization of the profit's mass, nor the minimization of the total costs, but reducing the level of the cost-effectiveness threshold expressed in days and on this path, the widening of the gap between the actual turnover and the cost-effectiveness threshold (difference expressed in days also). The conditions of acceleration of the business' global rhythm may be summarized therefore as follows: 1) minimization of the cost-effectiveness threshold; 2) maximization of the difference between the real turnover and the cost-effectiveness threshold. Compliance with these conditions is equivalent to multiplying the number of days in a year during which the organisation produces profit. Ultimately, a profit obtained faster means more profit.

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