Chapter 3
Competitiveness and Value Creation in the "New Normal"

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ABSTRACT

Whereas firms need to adapt to such changes rapidly, sometimes their efforts remain insufficient in the face of unprecedented environmental changes. The main purpose of this study is to explain the sudden changes to normality that are necessary to overcome the impact of the Covid-19 pandemic on all sectors, enabling competitiveness and value creation. This chapter aims to address the following broad research questions: first, how firms that investigate opportunities can increase their market share in all industries. Second, how firms can ensure sustainability in the new normal. Third, how the change brought about by the pandemic is reflected in the organization and what should be the leaders' role in the adoption of this process. Fourth, how innovation can be implemented that creates value in the new normal. And finally, how the new business model should be designed more competitively and creates more value.

INTRODUCTION

The boundaries between the industries disappear in the new normal; therefore, one cannot clearly distinguish between them. Radical innovation that works in a specific industry may undermine another industry. On the one hand, the new normal has allowed some sectors to be more attractive and developed, doubling their profitability (e.g., logistics, finance, and technology). On the other hand, it has created devastating impacts on some other industries. This chapter touches upon how firms survive, how competition changes, and how the rules of the game are reshaped in new normal periods, such as pandemics, concerning current examples.

The Concept of New Normal

The pandemic has unfortunately brought dramatic changes and boosted uncertainty. The pandemic has not only caused health problems and deaths, but it has also had a deleterious influence on businesses

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and business environments (Zou et al., 2020). This emerging new normal situation has prompted the researchers to investigate diverse solutions to struggle against future pandemics (Agarwal et al., 2022).

The new normal concept refers to that aggressive growth, high earnings, and overvaluation are replaced by normal growth, normal earnings, and normal valuation. In the aftermath of the 2008 financial crisis, many changes to the business world brought about a new normal business environment changing the core practices of managers, strategists, and entrepreneurs (Ahlstrom et al., 2020, p. 411).

Initially, it is needed to explore the concept of competition and the evolution of competitive advantage to be able to mention competitive advantage in the new normal. Porter (1985) defined the concept of competition as the competitive strategies adopted to gain sustainable competitive advantage and initiated the discussions on competition in the strategic management literature. Besides, Kogut (1988) defined competition as an institution-specific superiority. What is noteworthy here is to ensure the continuity of such superiority and make it sustainable. According to Hoffman (2000, p. 1), it is the implementation of some strategies creating value.

Considering the change in competitive strategy in its historical course, the focus was on corporate strategy to gain competitive advantage in the 1970s. These years popularized corporate strategy (Belohlav, 1996, p. 12). Firms adopted a holistic perspective, identified their corporate strategies on which areas they should continue their activities and from which areas they should withdraw, and created various matrices to do this. The essential concepts of this period, where strategic planning was emphasized, are the terms of the matrices, such as market share, growth rate, industry attractiveness, and competitive position. Early research in industry analysis considered both external factors (opportunities and threats) and internal factors (strengths and weaknesses). In this period, successful organizations were shown as those matching their external environment with their internal capabilities and deciding on the appropriate strategy.

In the following years, it was questioned why some firms were always superior to others in competition. In this context, Porter emphasized the structure of the industry in gaining competitive advantage in his books “Competitive Strategy: Techniques for Analyzing Industries and Competitors” (1980) and “Competitive Advantage: Creating and Sustaining Superior Performance” (1985). These studies, introducing the Industrial-Organization Theory, focus on the industry where the firms compete, develop strategies for industries, and explain the performance differences between firms by industry. Although a firm has many advantages and weaknesses compared to its competitors, Porter identifies the strategies that will enable that firm to gain competitive advantage as cost leadership, diversification, and focus strategies (Porter, 1985).

Afterward, focusing on internal factors, the competitive strategy was started to be determined within the framework that the advantage depends on resources and capabilities (Barney, 1991). Then, Barney’s focus on internal resources led to the formation of the Resource-Based Theory; this period emphasizes the significance of internal resources of organizations and managing the firm’s capabilities (Liu & Chan-Olmsted, 2002, p. 48). The theory, which was introduced to complement the Industrial-Organization Theory, turned into a rival for the latter over time. This theory proposes that firms need to focus on their internal factors and compete with them.

On the other hand, it has become even more difficult to gain a competitive advantage in the “new normal.” As firms experience collapses in economic crises, some managers realize the need to change their business cycles, which will lead to the restructuring of the economic order. Some call this period the “new normal” (Chui et al., 2009). In this period, the strategy becomes more complex, each planning stage gets narrower, and it becomes more challenging to reach the expected growth in the future. In this

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