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Application of "Ricardian Rivalry Actions" (RRA) to the Zimbabwean Business Industry

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ABSTRACT
Application of the Ricardian Rivalry Actions have been used in this research to share academic knowledge with the Zimbabwean business community on some of the strategies applicable in a highly competitive and dynamic environment. A simple random sampling technique was used to collect secondary qualitative data, using desk research from a sample of 12 business organizations operation in Harare, the capital of Zimbabwe. Allusion and salutations were made to previous literature about competitive actions that can be exploited by companies in dynamic economies for survival. The study recommends numerous actions for companies to fully exploit market potential, amongst which include leveraging on a cost-leadership position, exploiting unique resource availability, and integrating both cost and differential advantages as a way to out-do competition.
Key terms: Ricardian Actions, Zimbabwean Business Industry, Rivalry Actions.

1.0 INTRODUCTION

This study introduces the application of Ricardian Rivalry Action (RRA) to the retailing and manufacturing sectors of the economy of Zimbabwe as a way to leverage these industries from the harsh economic conditions bedeviling that country.

2.0 LITERATURE REVIEW

2.1THE RICARDIAN RIVALRY ACTIONS (RRA)

According to Grimm and Smith (1997), "Ricardian Rivalry Actions" are deliberate outcomes of plans designed to exploit unique resource positions. These action plans involve focusing on exploiting cost advantages or differentiation and products improvement with other firms integrating both to gain advantage. This is opposed to entrepreneurial actions, which are spontaneous, based on opportunities created from market disequilibrium. Credit for (RRA) belong to the owner of resources, while that for entrepreneurial actions goes to the discoverer whose alertness perceived the opportunity. (RRA) are derived from resources that are already possessed and can be predicted while the discovery process is uncertain and difficult to predict.

(RRA) basically involve the exploitation of the resource position of a firm in order to create and sustain its competitive advantage. Focus is not on how to build endowment of resources but rather how such an endowment can be used against competitors. Endowment alone is not enough if it is not followed with action. It is action that yields an advantage. This view is in line with that espoused by Michael Porter (2008) who contended that firms with low-cost advantage should engage in lower-price actions while those with differential advantages should act to differentiate themselves in ways that create value for the customer.

2.1.1 Exploiting ownership of superior resources

As put forward by (Grimm and Smith, 1997; Mathews, 2006), firms in this group have superior resources compared to their competitors and engage in Ricardian action this derived from Ricardo's analogy of advantages derived by farmers with fertile land compared to competitors with less fertile land. (RRA) are competitive actions and can be used to create advantage for firms that are endowed with resources that others do not have. Ownership of scarce resources yields rent to the owner, wages to workers and profit to capitalists (Obloj, & Capron, 2011).

2.1.2 Low-cost resource advantages

These enable companies to engage in low-price actions. Firms pursuing these actions succeed because rivals with high cost erode their profits in attempts to match the behavior of low-cost firms to the extent that they eventually are eliminated. Low-cost resources include economies-of-scale, economies-of-learning and efficiency in capacity utilization, product design and input costs. (Krause, 2018).

2.1.3 Low cost inputs

These derive from low labour rates, ownership or contracts with low cost suppliers, special relationship with suppliers. Vertical integration requires significant capital and first-mover advantage. A case in point is the establishment of mega-pack by Delta Beverages Zimbabwe for plastic bottles as well as their huge investment in Zimbabwe Glass Industries Ltd. This has placed competitors at disadvantage. The same can also be said of lacking up of suppliers by long-term contracts. Again Delta Beverages Zimbabwe provides an interesting example and so as the Cotton Company of Zimbabwe Limited (Ltd) and Dairibord Zimbabwe Private Limited (DZPL). The undertakings firms take to secure resources are important competitive actions. Ultimately, the resource must be used to take actions that rivals cannot easily cumulate if it is to provide value. Generally the Ricardian Rivalry Actions to exploit low-cost resource advantage can be examined through game-theory model as alluded in the study by Charilas and Panagopoulos, (2010).

2.1.4 Economies of scale

This involves increasing production of a good or service resulting in a fall in costs per unit. This is particularly true when such increase in production is followed by improvements in productivity in the input to output ratio. These can also be realized through investment in plant and equipment, standardizing products and services or implementing innovations in products and processes. Similar gains can also be realized by marking specific improvements to activities of the value chain of the organization such as purchasing, marketing, distribution as well as research and development. The retailing and manufacturing sectors in Zimbabwe are cases in point. Prices of retail chains are today better than those offered by wholesalers and this is a result of merging of quantities purchased by individual outlets yielding scale economies for participating retailers. The introduction of Choppies Zimbabwe in the retailing industry has seen stiff pricing competition in the fast-moving-consumer-goods (FMCGs) market. Establishment of distribution centers has also yielded similar results for Delta Beverages. Financial capital and first-mover advantages are often important in achieving economies of scale. Investment in centralized warehouses and distribution require huge investment as well as trucks to be used in distribution. For a firm's competitors to wash away the advantages so created, it means that they also invest heavily to achieve low-cost position.

2.1.5 Economies of learning

Economies of learning derive from cost reduction through repetition. This is achieved through reductions in time needed to complete a task and increasing overall coordination. Efficiencies through learning can linked to organizational structure that maximizes coordination between functions and to human resource policies that promote stability and productivity. This naturally calls for lower levels of labour turnover to benefit from learning. Typical measures of learning are cumulative investment in a particular activity (Bondio, Shahnazari, and McHugh, 2018). This also calls revision of basis of salary adjustments. This requires that such adjustments be based on productivity and quality of the output product not merely generalized on annual reviews like what is the case in most Zimbabwean companies at the moment. Currently very few, if any, organizations in Zimbabwe base salary increments on productivity improvements and quality. This anomaly is a result of the social structure that was implemented soon after independence and this is epitomized by recent calls by Trade Unions to base minimum wage to poverty datum line and have salary reviews perennially. Achieving economies of learning requires standardization, repetition and volume.

Economies of learning depend on first-mover advantage. Initially production or service volume is low and costs high in relation to other products, services or technologies. The costs of learning are therefore very steep at first and viewed by competitors as risky to initiate. The result is that the first-movers' initially steep learning costs level off and decline. As volume increases, know-how expands and costs decline further. A firm beginning to descend the learning curve will be at a cost disadvantage in relation to a competitor which has already moved down the learning curve.

2.1.6 Efficient utilization of capacity

According to Styhre, (2009), the ability to adjust and manage capacity to meet variations in demand can provide a major cost advantage for firms. Achieving in flexible technologies, processes, structures and procedures, as well as management talent that are responsive to changes in demand and this is particularly true in situations where variations in demand are substantial. However, Styhre alludes to the fact that flexibility is nonetheless achieved at the expense of efficiency and economies of production. The technology that yielded such, become a liability through high fixed costs.

2.1.7 Specialized assets

Fan, Jian, and Yeh, (2008) highlights that specialized assets includes modern plant and equipment designed for the production of a special product or ownership of special input and these serve as source of differentiation. Specialized assets can be obtained in two ways which are acquiring them on the open market or developing them internally (organic growth).

2.1.8 Efficient product design

Hinckeldeyn, Dekkers and Kreutzfeldt, (2015) referred to efficiency of product design as scheming a good or service to exploit new technology in such a way as to yield significant increases in productivity resulting in lower costs per unit. This, however, in most manufacturing concerns requires substantial capital investments in research and development then crafting efficient production plants. Most innovation require investment research and development as well as acquisition of property rights to the resultant innovative good or service. There are basically four types of property rights and they include patents, copyrights, trademarks, and trade secrets.

- Patents are an exclusive right to a new product or service and are a result of inventive activity that is both new and useful.
- Copyrights provide exclusive production and marketing rights to the creators of artistic works. This, pertain to intellectual property.
- Trademarks are words, symbols, or other indications used to distinguish a firm's goods or services. They are the basis of brand recognition.
- Trade secrets of ten relate to formulas, recipes, and processes and their protection from copy is less well defined. These are proprietary information used to gain an advantage in manufacture or commercialization of products or services. Because this is available to employees as they carry out their work it is often difficult to protect. These, however involve huge front-end protection costs for the firm.

2.1.9 Differentiation resource advantage

According to Michael Porter, "A firm differentiates itself from its competitors whom it provides something unique that is valuable to buyers beyond simply offering a low price". It often yields premium price for the first-mover. For a resource to be basis of differential advantage, it must be scarce and such resources include among other; innovation, marketing, and ownership of specialized assets.

2.2. RICARDIAN RIVALRY ACTIONS TO EXPLOIT DIFFERENTIAL RESOURCE ADVANTAGE

2.2.1 Predicting competitive reactions

Ownership of scarce resources and exploitation of (RRA) create the opportunity for high profit and improved market position for the acting firm. This, however create incentives for reactions from competitors (Gatignon, Anderson, & Helsen, 1989). A number of factors can be considered in trying to predict competitor reactions and some of them include; relative resource imbalance between the firm and potential responders, the degree to which action threatens one or more competitors, and the degree to which competitors are interdependent for the same customer and resources.

2.2.2 Degree of resource imbalance

The greater, the degree of resource imbalance, between the acting firm and potential responder, the greater the delay in response. The firm endowed with differential resources has capacity to undertake more radical (RRA) generating slower response from competitors without them. A case in point is Adam Bede in furniture industry it offers longer warrantees and guarantees for its furniture and these have been difficult to match for competitors. This position is derived from their equipment and the wood it is capable of processing. As the radicalism of innovativeness of (RRA) increases, the speed of competitive response was reduced. The OK Zimbabwe Limited Grand Challenge is to this end a case in point. The size of promotion and prizes offered has grown over decades making it difficult, if, not impossible for rivals to match such a high level of promotional efforts. Generally however, in today's competitive environment, there appears to be no perfectly safe ground for competition in the Zimbabwean market space.

2.2.3 Degree of threat

(RRA) provoke a response even a significant resource disadvantage regardless of it appropriateness or effectiveness a case in point is TM Supermarkets' response to OK Zimbabwe Limited promotions. For players, which are resource poor, it is recommended that they can exploit uncertainty and blind spots. The negative growth of SPAR on the retailing sector being replaced by Choppies Zimbabwe is a case in point.

2.2.4 Degree of competitor interdependence

Interdependence is defined as the extent to which the actions of one firm directly affect or influence the behavior of its rivals, TM Supermarkets and OK Zimbabwe Limited and of late Choppies Zimbabwe. In some markets, interdependence is very high and for the reason any action is bound to provoke a response from rivals. The greater the interdependence between rivals, the greater the likelihood of competitor reaction regardless of resource imbalance between rivals or threat of the action to rivals (Zajac and Bazerman, 1991). Interdependence is influenced by two factors: growth in customer demand and number of competitors. Customer demand can be measured by the growth in industry sales. If demand is high, interdependence tends to be low but as growth slows down, interdependence tends to grow. Developments, in the clothing retail sector being the case in point. Products or facilities have been developed yielding imitations immediately and some of these include deduction of installments at source as well as funeral policies for account holders. This is particularly true of the relationship between Truworths Zimbabwe and Edgars Zimbabwe and other players in general. The mobile telecommunications sector is a sector still growing and competitive actions do not generally yield response rates as those that characterize the clothing retail sector.

The number of competitors also influences the degree of interdependence. As the number of competitors increases, the degree of interdependence also increases. Recently Econet Zimbabwe Private Limited. has embarked on a strategy to build its portfolio of intermediaries and the aim is to make its services readily accessible and as close to the customer as possible. This high distribution network, regardless of the number of operators, builds pressure in the sector provoking the necessity of response. However, despite the advantages of RRA, managers must be cognizant of how their actions will affect and be reacted to by rivals.

2.3 VALUE CHAIN POSITION AND RICARDIAN RIVALRY ACTIONS

The mere holding of resource advantage does not confer any special value to the firm. For resources to have value, they must be exploited by taking market action. There is a relationship between the level or degree of resource advantage, the scale of action and exploiting advantage. To this point, the greater the scope of a firm's advantages across the value chain, the greater the potential for alternative types of actions. A firm with multiple resource advantages, can engage rivals, in multiple areas thus, must be ready to offer counter strikes in case an enemy attacks.

2.4 MARKETING

2.4.1 Better warrantees, guarantees than competitors

Effective communication with the customer is meant to improve customer value through efficient service delivery. In applying this strategy the firm seeking to be different must therefore find some credible way of signaling the product's superior features and this can be done through offering warranties, developing a reputation for quality through effective advertising or word of mouth, offering money-back guarantees or providing a high quality environment where the service is offered. Market signaling and reputation are very important for services and products in which quality is difficult to measure even after purchase. It is also important for products or services that can be experienced after purchase. Extensive advertising and reputation building through packaging and other symbols or signals yield high band recognition. Effective brand names inform customers of performance characteristics associated with the good or service.

3.0 METHODOLOGY

A sample of 12 participating companies was used. These companies were mainly from the retailing and manufacturing sectors of the Zimbabwean economy with a resounding experience curve of more than 10 years. A desk research study was conducted.

4.0 CONCLUSION AND RECOMMENDATIONS

The key findings unearthed by this study show the failure to fully exploit the competitive advantages by some business entities in Zimbabwe. The study recommended the application of the "(RRA)" to Zimbabwean companies to leverage themselves from the harsh economic conditions bedeviling the country. Some of the highlighted competitive strategies include amongst others; leveraging on a cost-leadership position; exploiting unique resource availability; integrating both cost and differential advantages; offering better warrantees and guarantees than competitors and efficient utilization of capacity as a way to out-do competition.

5.0 SUGGESTIONS FOR FUTURE RESEARCH

This study's concentration was on exploitation of the (RRA) to retailing and the manufacturing sector in Zimbabwe. Suggestions for future researches are put forth to explore its application to the trade of the economy as a whole with other countries.

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