

## BOOK REVIEWS

Vladimir Radivojević

### **THE ROLE OF COMPETITION POLICY IN MANAGING THE DETERMINANTS OF THE FIRM'S COMPETITIVE ADVANTAGE**

Society of Economists „Ekonomika“, Niš  
(Monograph), 2018

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### **УЛОГА ПОЛИТИКЕ ЗАШТИТЕ КОНКУРЕНЦИЈЕ У УПРАВЉАЊУ ДЕТЕРМИНАНТАМА КОНКУРЕНТСКЕ ПРЕДНОСТИ ПРЕДУЗЕЋА**

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The Society of Economists „Ekonomika“ from Niš published the monograph of national importance under the title „The Role of Competition Policy in Managing the Determinants of the Firm's Competitive Advantage“, written by Vladimir Radivojević.<sup>1</sup> The monograph is the result of many years researching and studying various aspects of competition policy by the author. The study deals with the importance and the role of competition policy in the process of gaining and maintaining the firm's competitive advantage. The author succeeded in putting the issue of competition policy in a wider context, through considering its individual and social dimension of impact.

The monograph is based on a modern approach of studying key phenomena that deal with competition policy and have significant impact on the market competition and positioning of market participants. Although, it is a complex matter, which has been given considerable attention in domestic and foreign economic literature in recent years, the author has managed to highlight the key problems and to process them in a scientifically and professionally original way.

The monograph contains five rounded and mutually consistent entities (chapters). The first chapter „The Competitive Advantage of Firms“ deals with the key theoretical determinants of competitive advantage and the importance of favorable competitive position of the firm in its long-term market survival. The author has managed to point out the complexity of the process of finding and using potential sources of competitive advantage in the conditions of rough global competition and slow economic growth. Also, the elaboration of a structural and resource-based approaches in the understanding of sustainable competitive advantage, as well as Porter's generic business strategies, represent particularly important part of this chapter.

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<sup>1</sup> The content of the monograph and the author's preface are available on the official website of the „Ekonomika“ library: <http://www.ekonomika.org.rs/sr/biblioteka.html>

The second chapter „The Intensity of Competition in the Market as a Determinant of the Firm's Competitive Advantage“ begins with the overview of the key contributions of some schools of economics that have left a deep trace in the competition theory: Classical political economy, Neoclassical theory of perfect competition, Theory of monopolistic competition, and the Harvard and Chicago school of economics. Examining the contributions of these schools of economics served as a good introduction to the conceptual determination of competition and the assaying of its importance in the economic development of a country. The influence of competition on economic efficiency and social welfare is thoughtfully analysed through theoretical observation of monopoly and perfect competition as two extreme forms of market structure. In order to analyse this influence in conditions that dominate real markets, which can not be classified in any of the two extreme forms of market structure (monopoly and perfect competition), the author also elaborates the meaning and existence of market power and the dominant position of the firm in the contemporary business conditions.

The third chapter „Violation of Competition and Its Institutional Protection“ examines the key concepts of the policy of establishing and protecting the effective competition among market participants. The author extensively analyses the role and mechanisms of competition policy in the economic and social development of the economy. After presenting the evolution of competition law from its appearance to present day, this chapter deals with three basic forms of distortion of market competition: restrictive agreements, abuse of dominant position, and (excessive) market concentration. Since modern competition law recognizes state aid as one of the potential sources of distortion of competition between market participants, the author has dealt with this field as well. An important segment of the third chapter is the presentation and analysis of the results of competition policy in the European Union and Serbia, including a comparative analysis of the fines imposed to participants in restrictive agreements in these economies.

The fourth chapter „Instruments of Competition Policy in the Function of Improving the Firm's Competitive Advantage“ is dedicated to the instruments used in the structural market analysis and the identification of market behavior, structures, and restrictions that distort competition. First, the author deals in detail with the hypothetical monopolist test and price correlation test as two dominant techniques for determining the relevant market. After that, the author elaborates the following indicators used to measure the degree of market concentration: Herfindahl-Hirschman index, Entropy index and Relative entropy index, Lorenz curve, Gini coefficient, Horvath index, Hannah-Kay index, Hall-Tideman index, and Rosenbluth index. The influence of potential competition and barriers to entry onto the structural characteristics of the market is the research subject in the next segment of this chapter. Finally, the author analyses the unannounced inspection and leniency policy as key instruments for detecting and proving the existence of a violation of competition.

The fifth chapter consists of three case studies in the field of competition policy. Two case studies refer to antimonopoly procedures conducted in the United States (against DuPont company) and the European Union (against United Brands company), while the third study relates to the analysis of competition intensity in the mobile telecommunications market in Serbia. Each case study has been processed through analytical steps that are theoretically elaborated in the previous chapters, and the findings of the studies can serve as a good didactic tool in the development of analytical skills

required for conducting theoretical and empirical research of competition policy issues. The author has clearly demonstrated the practical application of theoretically processed instruments of structural analysis, i.e. point out the influence of the selected antimonopoly procedures on the analytical development of key concepts in determining the relevant market and identifying the abuse of dominant position.

The monograph „The Role of Competition Policy in Managing the Determinants of the Firm's Competitive Advantage“ represents a significant contribution to domestic economic literature and useful guidebook for the scientific and professional staff interested in the field of competition policy and competitive advantage. The author successfully put this problem in the context of contemporary business conditions which are characterized by increasing market concentration and dynamism of the business environment. Although written at an enviable professional level, the text did not lose the quality of good textbook literature, which was greatly influenced by the case studies presented in the last chapter, as well as the tables and other graphic attachments presented in the previous chapters. Having in mind the content and the way of presentation, the monograph can be successfully used in working with students at faculties, as well as in the work of regulatory bodies for the protection of competition.

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