Chapter 1
The Competitiveness and Strategies in Global Financial System

Hasan Dinçer
Beykent University, Turkey

Ümit Hacıoğlu
Beykent University, Turkey

ABSTRACT
The concept of strategic change in financial systems consists of various internal and external environmental elements. Effective company strategies determine the fate of companies in volatile market conditions. Companies in financial systems have to adopt new technologies and implement new strategies in order to achieve a competitive position in the marketplace. Developing competitive ideas and strategies relies on organizational change. It is shaped by internal and external factors that mostly provide the formation of strategic change. In this regard, market developments and the changing structure of demand are of vital importance. In this chapter, a strategic approach to competitiveness in financial system is developed. Moreover, the fundamentals of competitiveness on financial and economic systems are evaluated, and the interaction between financial development and global competitiveness is assessed.

INTRODUCTION
Individuals or organizations compete to take an advantage over scarce resources. Economists argue that the market is perfectly competitive at the point of minimizing the total and marginal costs with intrinsic efficiency (Kolasky, 2010: 3). The effective company strategies determine the fate of companies in volatile market conditions. Johnson and Scholes’s study (2002) on the strategy statement is one of the most comprehensive studies. The authors describe the strategy as a long-term management gaining an advantage over the organization to meet the expectations of
shareholders and the market in order to ensure the needs of the environment through regulation of resources (Johnson, 2005: 9).

There are many factors that affect the competitiveness of companies. Innovation, technological progress, the effective management of organizational activities, brand, product and service quality and human capital are defined as the main sources of competitiveness for the company. The basic ideas on strategic thinking provide the key elements of competitive advantage for the use and knowledge of the organizational development that is faster than the competitors. At the same time, in terms of increasing global competition, information derived from the external environment through the inter-organizational networks and inter-firm relations have also great importance.

**Figure 1. Foundations of competitiveness**

*Source: Klaus Schwab, the Global Competitiveness Report 2009-2010*
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