Section: *international economics*

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STRATEGY OF PROVIDING INTERNATIONAL COMPETITIVENESS OF DOMESTIC ENTERPRISES IN THE CONTEXT OF NATIONAL DEVELOPMENT PRIORITIES

Nowadays competition is the driving force for company's existence and development in the market economy. Moreover, it is the source of the vitality for enterprises. Companies make a product, and people buy it based upon their opinion that it is the best price for the best quality they can get. If a company makes a product at a price which is too high, other companies will seek a way to undercut them and, as a result, steal their customers away. It sounds like it is not very nice, but, and this is a big but, that is the real world. This is the "arena" of international competitiveness in the early years of the new millennium.

The issue of firms' competitiveness is greatly debated today among managers, politicians as well as academics.

D. Depperu and D. Cerrato in their paper "Analyzing international competitiveness at the firm level: concepts and measures" clearly demonstrate increasing interest around the issue of competitiveness at the world level. According to the authors, international competitiveness is a firm's capability to achieve higher performance than its competitors in foreign markets and preserve the conditions that sustain its higher performance. They also outline that a firm's international competitiveness may diverge from its competitiveness in the home country. As a matter of fact, a firm might be profitable in its country with a large domestic market share, but it might show low international competitiveness in case the domestic market is protected by barriers to international trade. In this case the present competitiveness would be compromised if domestic market were opened to trade. In addition, some firms may sacrifice competitiveness in the home market for a greater penetration in foreign markets [2].

The different dimensions of competitiveness are strongly interrelated. For example, D. Depperu argues that a country's competitiveness factors are determinants of its firms' international competitiveness. On the other hand, the most evident aspect of a country's international competitiveness is represented by its firms' competitiveness in comparison to other countries' firms.

Thus, authors identify some determinants of international competitiveness, which are as follows [2]:

– price relative to competitors;
– productivity - output per worker;
– unit costs;
– state of technology;
– investment in capital equipment;
– technology;
– quality;
– reliability.

On the other hand, the measure of international competitiveness could rely on the following factors:

1) Quality of international customers - such indicator could be measured in terms of dimension, notoriety, reputation and rate of fidelity of foreign customers;

2) Brand recognition in international markets - such indicator measures an intangible resource which is increasingly considered as a key determinant of a firm's competitive potential;

3) Listing in foreign stock exchange - such parameter is a proxy of the capability of attracting financial resources at the international level;

4) Number of international patents and trademarks.

Recent research by D. Depperu and D. Cerrato shows that international competitiveness refers to the ability of a firm to provide goods and services which provide better value than their overseas rivals. Practically, a competitive company has a unique selling proposition that is truly unique in price, quality or innovation, in a way that really matters to its customers. In other words, this is competitive advantage but on an international scale [2].

D. Ball in his book "International Business. The Challenge of Global Competition" focuses on a firm's international competitiveness. The author advocates the idea that is necessary to move from the distinction between internationalization and international competitiveness. In his view, international competitiveness is a broader construct than the degree of internationalization. A higher degree of internationalization, for example in terms of foreign sales, cannot fully capture a firm's competitiveness abroad if such information is not integrated by information about how a foreign expansion affects a firm's profitability. In other terms, the degree of internationalization expresses the firm's presence abroad, while competitiveness refers to how such presence is gained and sustained [4].

The truth of the matter is it is essential for business to strive to improve competitiveness. It's not a secret that every business has a competitive strategy.

The topic of competitive strategies is discussed by professors of Business Administration at Harvard Business School. They strongly claim that the purpose of its competitive strategy is to build a sustainable competitive advantage over the organization's rivals. It defines the fundamental decisions that guide the organization's marketing, financial management and operating strategies. In other words, competitive strategy answers the main question: how do we define our business today and how will we define it tomorrow? Consequently, strategy is to be understood as long-term direction of development which is determined on the basis of internal possibilities and position in the environment and which leads the subject to the objectives. H. Ansoff defines strategy as the summarizing model of the activities required for the achievement of the objectives through coordinating and allocating available resources [5]. A. Strickland considers strategy as a system of priorities which includes creation and withholding of competitive advantages [1]. According to M. Porter, strategy is the optimum selection of activities. It is a system of priorities which includes creation and withholding of competitive advantages [3].

Surveys show that development of competitive strategy solves the task of determining strategic business area. It allows creating, strengthening and realizing the company's competitive advantage. The use of various international marketing competitive strategies supported by the system of strategic, operational and tactical decisions concerning international economic activities helps any company to find their own market position in international competitive environment.

In the paper "Industry structure and competitive strategy: keys to profitability" M. Porter pointes out that choosing a variant of international strategy, it is necessary to evaluate the coincidence of key success factors of the industry, market and company. The key success factors are referred to as sets of skills and resources which affect most significantly the competitive advantages and functioning indexes of a particular market. With references to M. Porter, a company acquires a steady competitive advantage when its key competences coincide with the key success factors of the industry and the markets the company competes on. The key competences are formulated on the basis of enterprise's strengths and weaknesses evaluation. They can be considered as competitive advantages which are difficult for copying. Therefore M. Porter concludes that companies can increase their international competitiveness by:

– rationalization output to get rid of high cost plants;
– relocating to places where labor costs are lower;

– process innovation;
– product innovation;
– incorporating the latest technology into investment;
– sourcing from abroad where appropriate;
– seeking out new market opportunities;
– improving relationships with suppliers and customer;
– government's role to improve international competitiveness [3].

Finally, it's needed to mention that competitiveness is a dynamic concept. To be competitive means that a firm has sustainable competitive advantages. The issue of sustainability makes it necessary to analyze those advantages as ongoing processes rather than as a static process.

Generally, competitiveness is considered synonymous to success. In very simple terms, success can be intended as achievement of company objectives.

Industrial enterprises all over the world face ever increasing competition. Due to globalization and the dominance of the market economy this has become a reality for companies in developing countries. They face new demands of increased productivity, quality and client orientation. Consequently, promoting competitive advantages becomes one of the most important issues for the continued development of enterprises. In today's volatile business environment, competitive advantages of firms are temporary. Top managements do not, and cannot, have all the answers to increasingly complex and rapidly changing problem situations their firms are facing.

Without a well-defined strategy, organizations will be driven by current operational issues rather than by a planned future vision. Competitive strategy as a theoretical model will contribute to strengthening the competitive edge of enterprises within the global dynamics of knowledge.

References

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