# THE CONCEPT OF ENTERPRISE COMPETITION IN THE CONTEXT OF MODERNIZATION AND ITS ESSENCE

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**Abstract:** This article presents ideas and opinions about the concept of enterprise competition and its essence in the context of modernization.

**Key words:** business competition, supply and demand, market, services, resources.

## Introduction

English economist A. Marshall, who is one of the founders of the neoclassical version of the behavioral interpretation of competition, connects it with the struggle for rare (rare) economic benefits, and of course, for the consumer's money that can buy them. The logic of this approach is that most goods (goods, services, resources) are rare in the sense that their quantity is less than the potential need of society. Therefore, the owners of blessings will have the opportunity to distribute them according to their own benefit. They specify conditions or criteria (required price level, quality, etc.) and, depending on the fulfillment of these conditions, make decisions about who to give favors and who not. "Competition is an attempt to satisfy the mezzotints of having rare goods as best as possible," believes P. Heine, a modern American economist.

Dissatisfaction with the existing model of perfect competition is explained by its excessive emphasis on only one type (price competition) and its inability to reveal competitive activity. When it comes to perfect competition, Y. Schumpeter noted the following opinion: "... This is not a type of competition that can be attributed to existing goods, but this type of competition is especially about new goods, new technology, new resources or a new type of organization. F. Hayek expressed a more specific opinion: "... It should be noted that the state system does not already exist ... and the competition process is taking place in the existing system. If the model of perfect competition existed in any real country at any time, there would be no restrictions in all spheres of activity. However, this is not possible in practice, because restrictions by the state are vital."

Critics of the perfect competition model point to elements of monopoly that are embedded in the economy and are not reflected in the existing concept of competition. Later, F.I. Edgeworth (mathematical description), A.L. Lerner (monopoly government and its assessment), K. Wicksell (competition and price discrimination), Y. Schumpeter, F. Hayek and others were added to the theoretical models of oligopoly and monopoly. made a worthy contribution.

In this way, by the middle of the 20th century, general ideas about the nature of competition and its main driving forces were formed. The four classical models of market competition can be stated as a priori accepted without proof: perfect competition, monopolistic competition, oligopoly and pure monopoly. The positions of this group of factors in modern Western economics are so strong that the term "competition" itself is often used from a structural point of view. If it is necessary to emphasize the behavioral aspects of competition, another word - "rivalry" is often used.

In the structural approach, the main focus shifts from the struggle of competitors to the analysis of the market structure, the conditions prevailing in it. For example, according to the works of K. R. McConnell and S. L. Brew, "competition is the existence of a large number of independent buyers and sellers in the market, the opportunity for buyers and sellers to freely enter and exit the market."

The same idea can be expressed in a different way: the focus is on the competition of economic entities in price setting, not to determine who wins and for what purpose, but to determine the state of existence (or not) of the principle possibility of an individual economic entity to influence the general price level in the market takes place. If such influence is not possible, it is a perfect competition market, otherwise - one of the types of imperfect competition.

The third approach to determining the nature of competition can be characterized as a functional approach. It examines the role competition plays in the economy. In particular, Y. Schumpeter defined competition as a rivalry between the old and the new within the framework of his theory of economic development. Innovations are viewed with skepticism by the market, but if the innovator succeeds in implementing them, the competitive mechanism will push the company using outdated technologies out of the market.

F. Hayek considered competition as an "opening process". According to him, hidden things in the market become public only because of competition. For example, under conditions of lack of information typical of a real market, several possible courses of action of a firm may appear equally attractive. Only competition really reveals which ones are right and which ones lead to dead ends.

Looking at the described approaches to the description of competition, we can see a number of opinions and considerations expressed by economists of our country regarding competition and increasing competitiveness. Among the economists of our country, M.R. Boltaboev defined competitiveness in his scientific research works as follows: "Competitiveness is a feature that determines the level of satisfaction of a specific need of an object compared to the best objects brought to this market. Competitiveness is the ability of an object to withstand competition with similar goods in certain market conditions." Sh.Sh. Shodmonov said about competition: "Competition between independent producers (enterprises) is to produce goods under favorable conditions and sell them at a good profit-making price, to strengthen their position in the economy as a whole. In doing so, they also struggle to purchase the necessary means of production, raw materials and materials, and hire labor. Competition between producers is ultimately a struggle for consumers. "Competition consists of the clash of economic interests of market subjects, which means the struggle between them to have higher profit and more utility" - they emphasized. At the same time, R.O. Alimov, A.F. Rasulev expressed their opinion about the competitiveness of the national economy and stated as follows: "The competitiveness of the national economy is a comparative description that includes a comprehensive assessment of the state of important indicators of the economy in relation to external parameters, therefore the competitiveness of the national economy is manifested in international competition." A.E. Ishmukhamedov and L.A. Sidikova defines the competition as follows: "In general, according to economists, competition means the following: the presence of different, desired specific products and resources on the market, who freely sell and buy them; that sellers and buyers can freely participate in any market or economic network or leave the network at will". Sh.N. Zaynitdinov and G'. Khojiakhmedovs created textbooks on product quality management for competitiveness and focused on improving product quality.

From the above points, we can see that each of these scientists took into account one or another aspect of the concept of "Competitiveness" and "Enterprise competitiveness". However, in our opinion, the behavioral approach fully reflects the nature of competition as an economic phenomenon that determines the activity of certain economic entities in the market. Thus, for the purposes of this work, competition can be characterized as a competitive struggle between economic entities interested in achieving the same goal under conditions of limited resources serving to achieve this goal. If we clarify the goal from the point of view of the market economy, then market competition is the struggle of economic entities for profit. In the conditions of the market economy, the main method of making a profit is the sale of the product and the added value placed on it (here and hereinafter the product means any manufactured and/or sold goods, performed works or rendered services). In this case, the activities of economic entities are carried out in conditions where the resources necessary for the production of products and the demand for this product by consumers are limited.

The essence of competition and driving forces are considered in detail in the works of the English economist M. Porter. He came to the conclusion that only direct applicants will participate in the competition. Competition and competing forces in the industry at the core of the economy are likely to be much more widespread than in a particular branch of industry. Consumers, suppliers, potential entrants, and substitutes are all competitors that affect the industry to one degree or another.

The concept of five forces of competition, developed as a result of M. Porter's research, allows determining the determinants that have the greatest impact on business entities in the conditions of market competition. According to the aforementioned concept, the state of competition in a given market can be characterized as a result of the interaction of five competitive forces (Figure 1):

- risk of invasion of new competitors;
- risk of emergence of substitute products;
- economic potential of suppliers;
- economic potential of buyers;
- rivalry between these existing competitors.

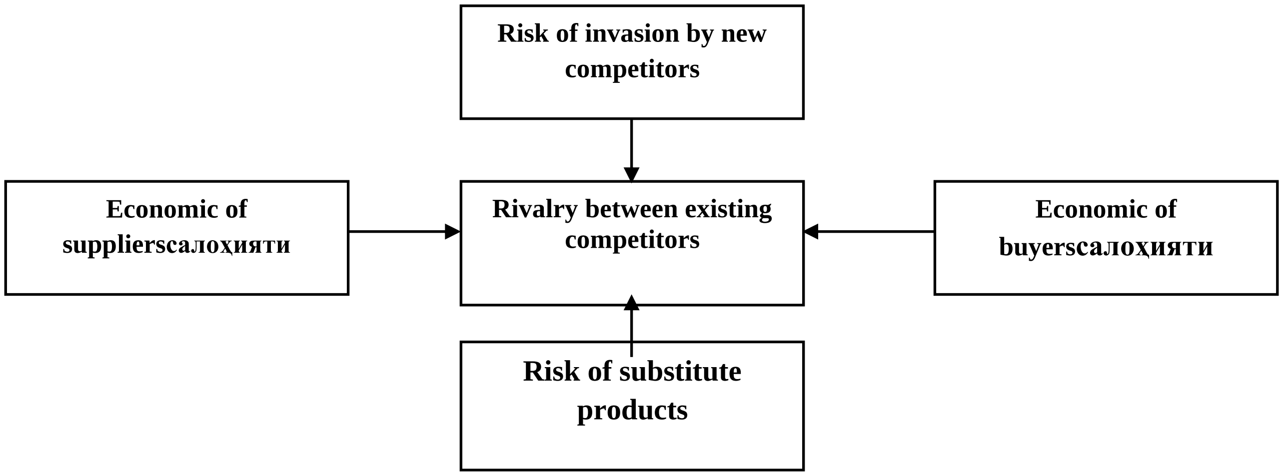


**Figure 1. Forces governing competition in the network**

These forces ultimately shape the conditions under which a particular market and its component entities operate. The state of each force and their combined effect determine the company's competitive capabilities and its competitive potential. On the other hand, the importance of each of the five forces is determined by the network structure, its production, technological,


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economic and other characteristics.

Let's take a brief look at each of the above-mentioned forces.

Risk of invasion by new competitors.

New competitors introduce new production capacity into the market to gain access to the market, gain market share, and acquire existing resources. How serious the threat of new competitors will be depends on the barriers to entry and the reaction of existing competitors. If these barriers are high and challengers face strong competition from entrenched competitors in the industry, there is no doubt that new entrants do not pose a serious threat of market penetration.

M. Porter identified six main conditions that create barriers to market entry:

economizing (saving) based on the increase in the scale of production. Companies belonging to this category prevent competitors from entering the market by forcing them to enter the network on a large production scale or to agree in advance to inflated costs and, accordingly, low profitability.

Product differentiation. Consumer perception of the brand as identical to the manufacturer is a serious barrier to entry, as new companies must overcome consumer loyalty to existing brands.

Need for capital. The greater the investment required to ensure successful market penetration, especially if the investment involves sunk costs such as initial advertising or research and development, the less likely the number of entrants will be willing to enter the market.

A cost advantage that is not related to the scale of production. This preference is for the experience curve; to use advanced technologies, especially if they are protected by patents; access to the best sources of raw materials; to state subsidies; may be based on convenient location and a number of other factors.

Openness of distribution channels. The more limited the product sales channels and the more entrenched competitors are in them, the more difficult it is to penetrate this network.

Government policy. Governments can limit or prevent access to the grid through methods such as licensing and restrictions on the availability of raw materials, as well as through controls over environmental pollution standards and other safety regulations.

Predictions about the reaction of existing competitors in the network can also inform the decision to enter the network. Anticipated hostility from competitors with a privileged position in the network, as well as the following motives, can serve as extremely valid concerns:

existing competitors have real potential for resistance, including excess free cash, large sources of non-committed financing, production capacity, and the ability to exert strong influence over distribution channels;

enterprises operating in the network will be ready to lower prices in order to keep the market share in their hands;

the growth of the network occurs at a slow pace, the possibility of accepting new competitors decreases, because such a situation has a negative effect on the financial efficiency of all market participants.

Monopolistic competition is characterized by a large number of firms selling a differentiated product, which allows them to exercise some control over the selling price. A characteristic feature of the market is a large number of large and small enterprises, none of which occupies a leading position in the market due to a small share of sales. In contrast to pure competition, price-related methods of competition are used here. Market entry is not made as difficult by barriers as in monopoly or oligopoly, but is not as easy as in perfect competition.

Oligopolistic competition is characterized by the presence of several very large enterprises that compete with each other, controlling the majority of production and sales. In such a structure, the share of each market participant is significant, which allows to influence the market price. In an oligopoly, the products of enterprises can be both standardized and differentiated. Each of the participants of the oligopoly market conducts an independent market policy, but it depends on the competitors and is forced to reckon with them, mainly non-price methods of competition are used. Oligopolists seek to gain an advantage at the expense of undermining competitors, which causes competitive "wars" to occur frequently. However, practice shows that, as a result of the agreement, oligopolistic enterprises often operate as a general pure monopoly and try to come to an agreement on pricing and market sharing. There are major barriers to entry into the network.

A pure monopoly - the most extreme form of imperfect competition - can be characterized as a market in which there is a single seller of a good with no close substitutes. A monopolist acts alone in the market by controlling output and prices, which allows him to earn monopoly profits. Pure monopoly is characterized by the size of barriers to entry (as a rule, artificial in nature).

However, the main conclusion that can be drawn based on M. Porter's research is that market competition is a complex and very complex phenomenon. In competitive conditions, the enterprise is affected by several groups of factors at once, its activity forms and regularly changes the competitive environment. The situation is complicated by the fact that each of the above-mentioned groups, in turn, consists of many elements, and the composition and structure of the elements is unique for each particular enterprise.

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