

## PRINCIPLES AND FEATURES OF ENTERPRISE COMPETITIVENESS MANAGEMENT

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**Abstract:** This article presents ideas and considerations about the principles and features of enterprise competitiveness management.

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

### Introduction

Differences in economists' approaches to defining the nature of competition are also reflected in the consideration of the category of competitiveness. The main task of every researcher studying enterprise competitiveness is to determine competitiveness criteria, as well as factors and sources. However, here there are huge connotative entanglements, vagueness of concepts and terms. Ambiguities are identified at the conceptual hardware level. For example, the following descriptions of enterprise competitiveness can be found in economic literature:

the enterprise's ability to produce competitive products, as well as the enterprise's tolerance for competition and its ability to adapt to changing competitive conditions;

the enterprise's ability to bring profit to the invested capital in the short-term period not lower than the standard of profitability;

the ability of the enterprise to produce products in high demand in the effective use of production, personnel and financial potential;

the real and potential ability of the enterprise, as well as the possibilities of designing, manufacturing and selling goods that are more attractive to consumers than the goods of competitors in terms of price and non-price characteristics available to it;

feature of market relations subject's equal participation with competing market relations subjects existing in the market;

comparative advantage of the enterprise in relation to the enterprises of this sector in the scale of the national economy and beyond.

The above-mentioned connotative ambiguity, in our opinion, is based on the fact that enterprise competitiveness is one of the economic categories whose essence cannot be objectively expressed. Competitiveness is not considered to be an immanent (internal), objective characteristic of an object. With its existence, it should be grateful to the science of economics, which introduced the considered category into circulation. In other words, competitiveness is a very subjective concept and cannot exist as such. Therefore, in the absence of a universal definition, its content and essence can be interpreted differently based on the imagination of one or another subject. Accordingly, the differences in the views of economists noted in the review of the state of competition are also reflected in the definition of the concept of enterprise competitiveness.

As for the essence of the presented definitions, it should be noted here that each of them pays special attention to one or another aspect of competitiveness, but does not give a complete picture of the competitiveness of an economic entity. For this reason, none of the presented definitions can be recognized as acceptable, although its absence deprives the consideration of the economic category

under study from the grounds for continuing. According to the author, the need to develop a definition of enterprise competitiveness that fully meets the goals and objectives of this work is based on this.

When expressing the concept of enterprise competitiveness, we should proceed from the content and essence of the competition phenomenon. Also, it is clearly visible that the competitiveness of the enterprise should be defined according to the achievement of the goals justified by the competition phenomenon. In other words, the more successfully an enterprise performs its activities from the point of view of competition, the more competitive it is, and vice versa.

Thus, within the framework of this work, competition is defined as a competitive struggle between economic units interested in achieving the same goal in conditions of limited resources. If we clarify this goal from the point of view of the market economy, market competition is the struggle of economic entities for profit.

In the conditions of the market economy, the main way of making a profit is manifested in the sale of the product and the added value included in it. In this case, product production and/or sale is carried out using limited economic resources. It follows that profit in the market economy is expressed through the efficiency of using economic resources or the ratio of the result obtained and the costs incurred to achieve it. Therefore, the essence of market competition is the struggle for maximum profit through the maximum efficient use of economic resources.

The level of efficiency in the use of economic resources of the enterprise is determined by the achieved level of social production of the development of production forces and, naturally, in relation to production and other relations, in relation to the efficiency of the use of resources by competitors. Thus, the competitiveness of the enterprise in the conditions of the market economy is a generalized description of the activity of the economic entity and reflects the level of efficiency of the economic entity's use of economic resources compared to the efficiency of the use of economic resources by competitors.

The analysis of economic literature shows that enterprise competitiveness as an economic category is not sufficiently developed in the works of economists. In doing so, most researchers focus their attention either on product competitiveness or on the international level of competitiveness of enterprises located in different countries.

It can be agreed that product competitiveness has a significant impact on the competitiveness of an economic entity. However, enterprise competitiveness is considered a broader concept and includes many aspects of activity in addition to the manufactured product: management, marketing, financial policy, operational efficiency, etc. For this reason, in our opinion, it is wrong to associate the competitiveness of the enterprise only with the competitiveness of its products.

The same can be said about international competitiveness. Macroeconomic conditions in the country where the enterprise is located have a strong influence on the competitiveness of the enterprise at the international level, but do not always completely determine the competitiveness of the economic entity. Macroeconomic conditions only create the basis for achieving competitive advantages. Implementation of the conditions for a specific enterprise to achieve high competitiveness depends on many other factors. Otherwise, almost all enterprises located in countries with optimal macroeconomic conditions would be absolutely competitive. Based on the theory of international competitiveness, it is impossible to determine what is the reason for differences in the competitiveness of enterprises located in one country. Therefore, the theory of international competitiveness does not answer the question about the reasons for the competitiveness of certain enterprises, and for this reason it cannot be used for the purposes of microeconomic analysis of the

activity of a certain economic entity. In fairness, it should be noted that researchers of international competitiveness do not set themselves such a task.

At the same time, it is necessary to emphasize that the approach of international competitiveness researchers to determine the sources and factors of competitiveness of the subjects of competition is considered sufficient and it can be used as a basis for the purposes of this work. Essentially, production industries and enterprises in different countries compete on a global scale and appear as elementary subjects of economic activity in the process of international competition. Naturally, the analysis of an economic category, such as enterprise competitiveness, justifies the need to consider competition not only in international, but also in local markets, and to make corrections and additions to the theory of international competitiveness when considering enterprise competitiveness itself. However, in our opinion, the application of general principles and concepts of international competitiveness during the analysis of the competitiveness of individual enterprises is sufficiently justified for the purposes of the research. Thus, since the competitiveness of the enterprise as an independent economic entity is not sufficiently developed in the economic literature, the main concepts and principles of international competitiveness will be considered in the future in order to adapt them at the enterprise level.

Competitive advantages of enterprises of one or another country in international trade were analyzed for the first time by A. Smith. He attributed the countries' competitive advantages to lower costs. According to him, a country could export goods that cost less to produce than the importing country. If, for example, Sweden, which has iron ore, can produce iron products at a lower cost than France, which has to import these products from somewhere, then Sweden could profit greatly from selling metal products to these countries. France, on the other hand, was able to grow grapes at low cost due to its excellent climatic conditions, and could supply wine to the same Sweden itself in exchange for metal products. In general, A. Smith viewed international trade as an exchange between ordinary enterprises: the exchange is useful in cases where the buyer pays more for its preparation than the amount paid in this exchange. D. Ricardo developed the ideas of A. Smith regarding competitive advantages. He agreed with A. Smith's opinion about lower costs, but considered this condition insufficient to determine the subject of export. D. Ricardo believed that the country should not export any goods, but goods that ensure the most efficient use of resources in its sale. For example, France grew wheat and grapes at a lower cost than the rest of Europe, and thus was able to sell both types of products at a profit for itself. However, the difference between its costs of growing grapes and the European average was greater than the difference between the costs of growing wheat. Therefore, by concentrating all its resources on the cultivation of grapes alone, France could have gained more than if they had devoted them to the cultivation of both wheat and grapes. Therefore, D. Ricardo said, he had to direct his resources to the cultivation and processing of grapes, where the sale of this product would bring maximum profit.

Currently, a number of new theories of international competitiveness have appeared, and their analysis allows us to conclude that the main focus of these theories is on a single factor of competition - technology, resources, cost level, etc. In our opinion, it is unjustified to focus on such a broad economic category, such as competitiveness. There are many examples that both confirm and refute this approach. The whole point is that the competitiveness of the enterprise is not determined by any single indicator, but represents the result of the interaction of many factors that are specific to each specific situation. In a number of cases, one or another factor may be decisive, but this cannot be the

basis for raising it to the position of general importance, because the decisive importance shown can often be achieved only in this harmony of all other factors and indicators.

Taking into account the above, we think M. Porter's theory is the most stable theory of international competitiveness. In addition, the choice in favor of M. Porter's concept is based on the fact that it comes from the most important (main) principle that competitiveness reflects the efficiency of resource use. This principle is fair both at the level of the economy of the whole country and at the level of an individual enterprise, and it allows M. Porter's theory of competitiveness to be adapted to the objectives of this work.

Considering such factors as the availability of labor force, the abundance of natural resources, the protectionist policy of the government, and the differences in the management practices of enterprises, M. Porter concluded that none of these factors, taken separately, allow to sufficiently convincingly answer the question of what exactly determines the competitiveness of the enterprise. .

M. Porter analyzed in detail various approaches to explaining the reasons for the company's competitiveness during international trade and came to the conclusion that the competitive advantages of the company both in the domestic market and in the foreign market largely depend on the factors formed in the country where the company is located.

The English economist presented a list of numerous factors that determine international competitiveness. Factors are divided into four large groups, each of which shapes the competitiveness of enterprises of a particular country.

Factors of production conditions. A nation's positions in factors of production, such as infrastructure or skilled labor, necessary for its ability to compete in a given industry.

Demand conditions. The nature of internal demand for products or services of a particular industry.

Companion or supporting networks. Whether or not there are supplier or companion industries in foreign markets with which they are also competitive.

Enterprise strategy, structure and competition. Conditions of the competitive environment formed by the state, in which enterprises are established, managed and compete in the domestic market.

According to M. Porter, two additional factors play an important role in the national system of competitive advantage: chance and government. Random events such as major inventions, advances in fundamental technologies, wars, developments in world politics, and major changes in the demand of world markets affect changes in competitive advantages in one or another industry and the entire economy. Although its role in a country's competitive advantage is fairly limited, the main role of government is to influence four main groups of factors. "If a nation's competitive advantage turns out to be the only resource, government policy is bound to fail."

Having reviewed the approaches available in the economic literature to determine the sources and factors of international competitiveness, we will move on to adapt the material analyzed at the level of the enterprise.

As mentioned above, the reason why it is not possible to directly transfer the theory of international competitiveness in researching the competitiveness of a particular enterprise is that the internal competition of enterprises located in one country is not taken into account within the

mentioned theory. This is due to the fact that the consideration of competition within the framework of the theory of international competitiveness is carried out on a global scale and justifies the need to consider the global participants of international competition. In other words, the breadth of the scope of the competition review allows conclusions to be drawn only at the level of an enterprise located in a particular country, but not with regard to a specific enterprise. In addition, the theory of international competitiveness ignores the influence of the conditions of the competitive environment: not the superposition of competitive forces analyzed in the first paragraph of this work, but only the nature and intensity of local competition is taken into account. This can be explained by the fact that the consideration of competition on a global scale involves the analysis of the general global market, from which it follows that the conditions of the competitive environment are the same for all participants. As a result, as mentioned above, the theory of international competitiveness focuses on considering competitiveness in terms of the conditions in which the research object is located. At the same time, there is no doubt that the conditions of the competitive environment and the appropriate strategic positioning of the enterprise have a significant impact on its level of competitiveness.

In this way, the essence of the carried out adaptation goes back to the application of the general principles and approaches of the theory of international competitiveness at the level of competition carried out by individual enterprises, taking into account the influence of the factors of the competitive environment.

Thus, the level of competitiveness of the enterprise depends on many factors, which can be grouped into two blocks: competitive environment and location factors.

The essence and nature of the influence of the factors of the competitive environment can be expressed in the form of five competitive force models (discussed in detail in the first paragraph of this work). The result of the influence of the mentioned block of factors is the appropriate strategic positioning of the enterprise, the level of which corresponds to the competitive balance, which is directly related to the competitiveness of the enterprise.

Narrowing the focus, we note that the category "provision of production factors" itself consists of five components:

human resources - the number, qualifications and value of the workforce;

natural resources - climatic conditions, geographical location, land areas, water bodies, minerals, forests, quantity, quality and availability of energy sources;

knowledge resources - gathering knowledge and information in data banks and statistical services or opening a way to connect to information collected in social institutions;

capital resources - the amount of capital that the enterprise can attract;

infrastructure - transport system, communication system, housing fund, health system, education system and cultural institutions.

Despite the fact that the provision of basic production factors has a serious effect on the competitiveness of the enterprise, favorable basic factors do not always serve to increase the competitiveness of the enterprise. Basic factors such as labor resources or local natural resources cannot ensure superiority in knowledge-intensive industries. In complex industries, which form the basis of any developed economy, special factors of production, such as qualified labor force or the scientific and technical base of production, are of the greatest importance. The factors mentioned here



are not inherited but created. It should be noted that the set of factors that the enterprise has for a certain period of time is less important than the speed and efficiency of their creation and updating.

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