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COMPETITIVENESS OF AN ENTERPRISE AS THE BASIS OF COMPETITIVENESS OF A STATE

Summary. The strategy of market development should have an effect due to revealing new market segments, where demand for old products was sufficient for products sales and receipt of the planned income. Some possible variants are as follows: sales on new regional or international markets; expansion of product functions; new application domains for old products; variation of products for the purpose of its adaptation to the requirements of certain market consumer segments.

Keywords: competitiveness, market development, market segmentation.

KONKURENCYJNOŚĆ PRZEDSIĘBIORSTWA JAKO PODSTAWA DO KONKURENCYJNOŚCI KRAJU

Streszczenie. W artykule zaprezentowano analizy dotyczące wpływu konkurencyjności przedsiębiorstwa na konkurencyjność kraju. Skoncentrowano się na wybranych aspektach działań, jakie mogą podejmować organizacje. Możliwe są następujące warianty: sprzedaż na nowych rynkach regionalnych i międzynarodowych, rozszerzenie funkcji produktu, nowe domeny aplikacji dla starych produktów, zróżnicowanie produktów w celu dostosowania do wymogów określonych segmentów konsumenckich na rynku.

Słowa kluczowe: konkurencyjność, rozwój rynku, segmentacja rynkowa.

Competitiveness is a multi-sided economic category and can be examined in several aspects closely related: competitiveness of a country, competitiveness of a commodity producer and competitiveness of products. In the economic theory the concept of an enterprise's competitiveness has a number of definitions; each of them covers some of its aspects or attempts to give it a complex description. Competitiveness as a term can not be examined without its relation to the object. The objects of estimation can be as follows: products, enterprises, industries, regions and countries.

Between the concepts of competitiveness at different levels there is a close internal and external dependence.

On the one hand, state and branch competitiveness of a country and industries depends on capability of definite commodity producers manufacture competitive products. But, on the other hand, competitive products can be manufactured in the conditions created for commodity producers in an industry and in a country on the whole.

To a great extent product competitiveness determines competitiveness of an enterprise, its financial and economic state as well as good will. But it is only possible in case it accounts for most part of receipts and most part of profits in the structure of products sold of a competitive commodity.

A. Fatkhudinov in his work “Competitiveness: economy, strategy, management” [1, p. 22] defined competitiveness of all levels as external factors of competitive advantages of products. According to him, with an increase of competitiveness at a level of a country, industry, region or manufacturer all integral and private characteristics of products competitiveness improve.

In our opinion, all levels of competitiveness are of a two-sided relation (Figure 1). It means that competitiveness of objects of every lower level is a factor of competitiveness of objects of all higher levels. In turn, objects of higher levels make conditions to provide competitiveness of objects at lower levels.

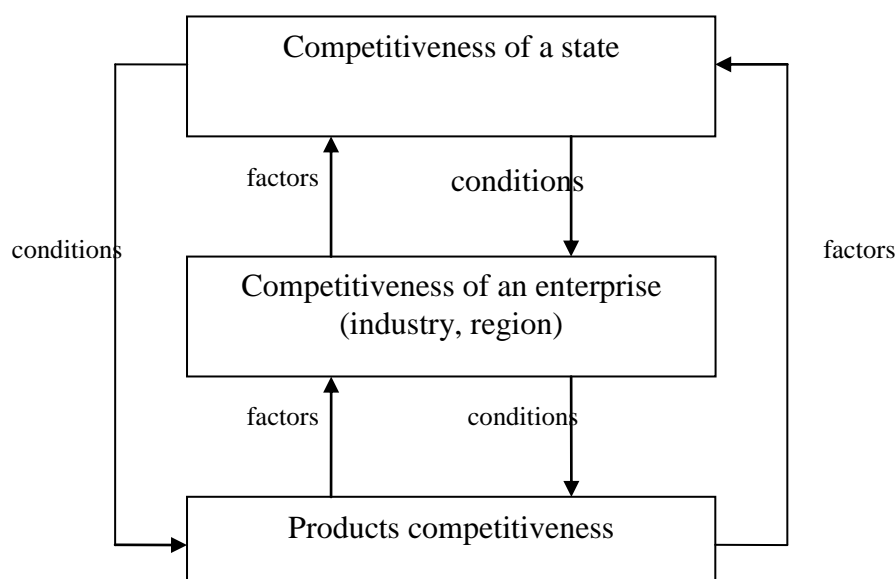


Fig. 1. The chart of competitiveness interrelations at different levels

Rys. 1. Schemat wzajemnych powiązań na różnych poziomach

However, not always an increase in competitiveness of objects of one level promotes an increase in competitiveness of objects of another one. Manufacture of competitive products can be resource-demanding and expensive; in the conditions of a market it will inevitably result in a decline of efficiency, decrease in profits, worsening of an enterprise’s financial state. In this case additional financing is necessary which will result in a decrease of a manufacturer’s competitiveness.

A synthetic index, which combines competitiveness of products, of a commodity producer, branch competitiveness and also characterizes the position of a country on the world market, is the index of competitiveness of a country (Figure 2).

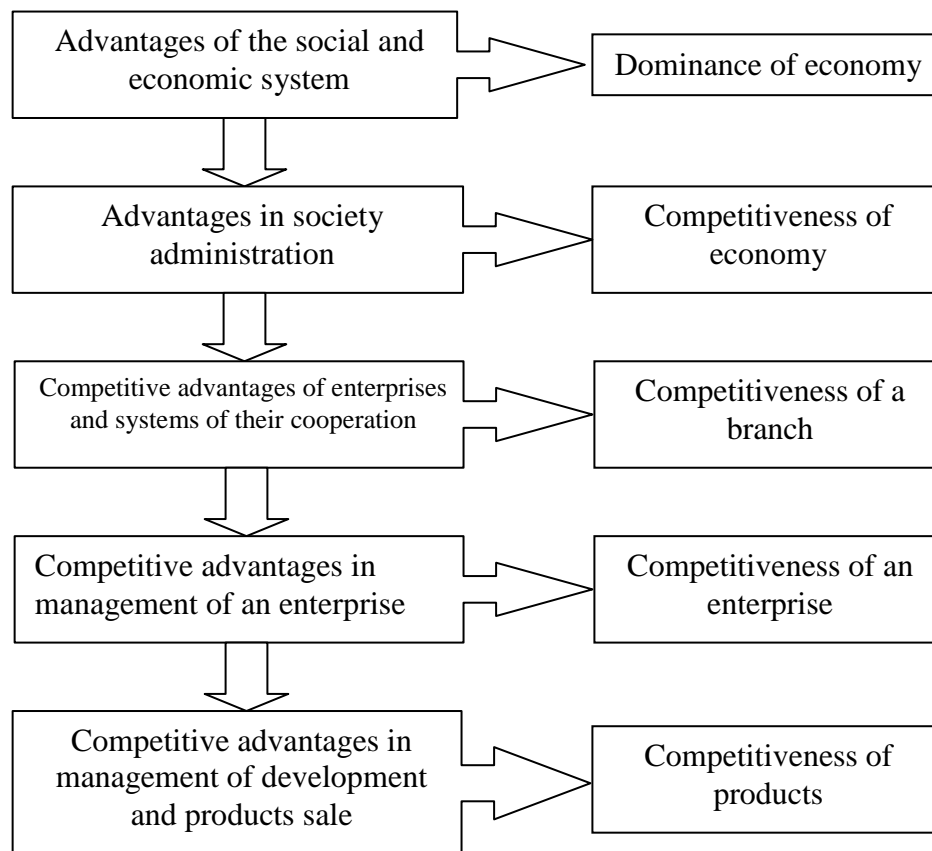


Fig. 2. Competitiveness of a country [2, p. 212]

Rys. 2. Konkurencyjność kraju

In general terms, state competitiveness of a country can be defined as capability of a country under conditions of free competition to manufacture products and provide services, which meet the demands of the world market and the sale of which rises the welfare of a country and of its separate citizens [3, p. 107].

The concept of competitiveness of a country is given in the theory by Michael Porter [4, p. 94]. According to him, it is national competitiveness that determines success or failure in industries and the place a country occupies in the world economy system. National competitiveness is determined by capability of an industry to constantly develop and make innovations. At first, national enterprises try to obtain competitive advantages, changing the ground they compete on. Fast constant improvement of products, manufacture methods and other factors so that competitors cannot overtake and leave them behind allows them to hold the advantage. Competition is not equilibrium but constant changes. Improvement and innovation of an industry is a ceaseless process. Therefore, the explanation of a country's competitive advantage is grounded on the role of a country which consists in stimulation of

innovation and improvement (id est. in stimulation of manufacture innovations). Thus, it appears that the process of gaining and maintaining competitiveness is extraordinarily localized. The differences in the economies of countries, in their culture, population, infrastructure, management, national values and even in histories to some or another extent affect competitiveness of national enterprises. M. Porter shows that despite an increasing significance of globalization, national competitiveness is determined by a set of factors, which depend on certain local terms.

A competitive advantage of a country on the international market determines a set of determinants, a "national diamond", according to the author. It includes four components:

1. Factor conditions, id est. definite factors (for instance, skilled labour force or infrastructure) necessary for successful competition in this industry.
2. Demand conditions, id est. demand for goods or services provided by this industry in an internal market.
3. Related industries, which support presence or absence in the country of related or supporting industries competitive in an international market.
4. Firm strategy, structure and rivalry, id est. conditions in a country, which determine the process of developing an enterprise's management, a competition character in an internal market.

The concept of "factor" goes back to the Latin "factor" – that one who does or produces [5, p. 87], it gives the grounds for defining it as a definite motive force of a process capable of changing one or several indices of its quality.

Nowadays there are plenty of classifications of an enterprise's competitiveness and products' competitiveness (Figure 3).

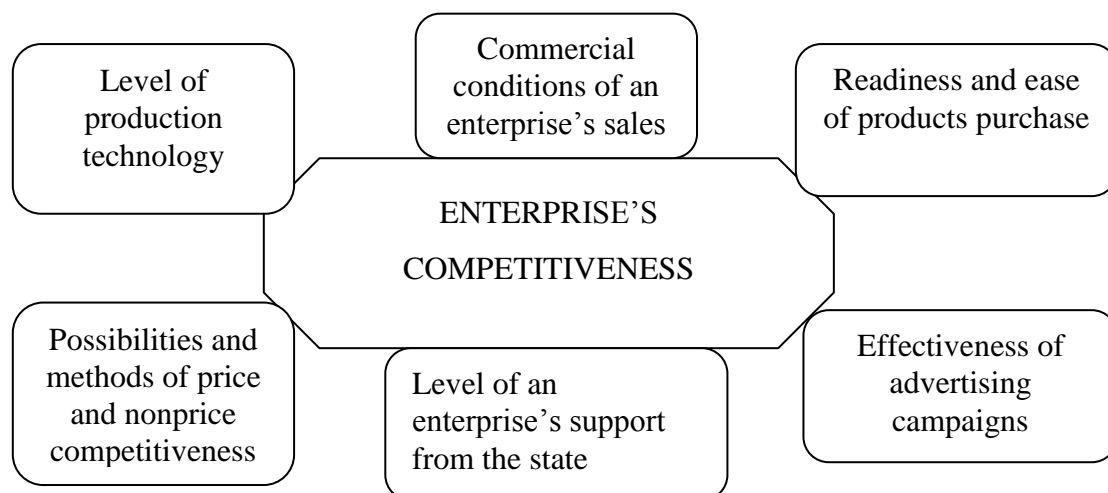


Fig. 3. Major factors affecting the level of an enterprise's competitiveness [6, p. 172]

Rys. 3. Główne czynniki wpływające na konkurencyjność przedsiębiorstwa

The classification by V. L. Dikan' consists in dividing the factors into external and internal [7, p. 66] (Figure 4):

- external factors: institutional factors (political, economic and legal) and determinants including the state of external environment and level of competition in markets, forms and methods of state regulation of economic processes, parameters of relations of aggregate demand and aggregate supply, characteristics of setting prices for production factors;
- internal factors: determined by consumer requirements: price, quality, warranty service and after-sale service.

Classification indices can be presented as quantitative (indices, parameters) and qualitative (signs) characteristics.

Management of an enterprise's competitiveness foresees a necessity of its quantitative estimation.

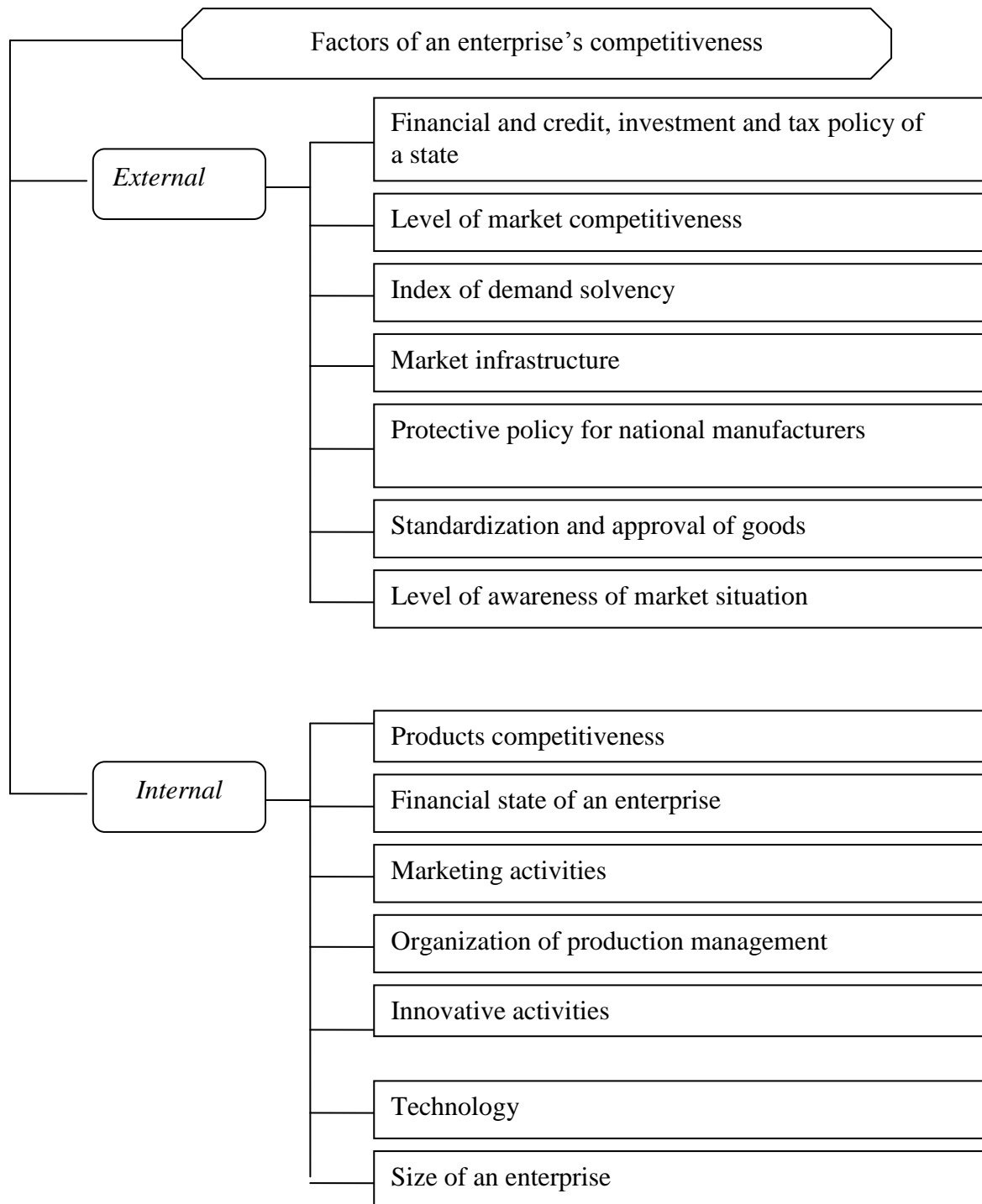


Fig. 4. Factors of an agricultural enterprise's competitiveness
 Rys. 4. Czynniki konkurencyjności przedsiębiorstwa rolnego

The estimation of competitiveness of an enterprise permits it to solve the following crucial issues:

- 1) to determine its position on a specified market;
- 2) to develop strategic and tactical measures of effective management;
- 3) to choose partners for organization of joint products production;

- 4) to attract facilities to prospective production;
- 5) to make programs of an enterprise's entrance into new sales markets, etc.

However, it is only possible in case objective methods of estimation of an enterprise's competitiveness level and effective organizational and economic measures concerning management of competitiveness for the purpose of its increase.

The estimation of competitiveness of an enterprise is made by comparing the parameters of an enterprise under analysis with the parameters of the comparison base. The comparison base can be the following parameters given in Figure 5 [8, p. 50].

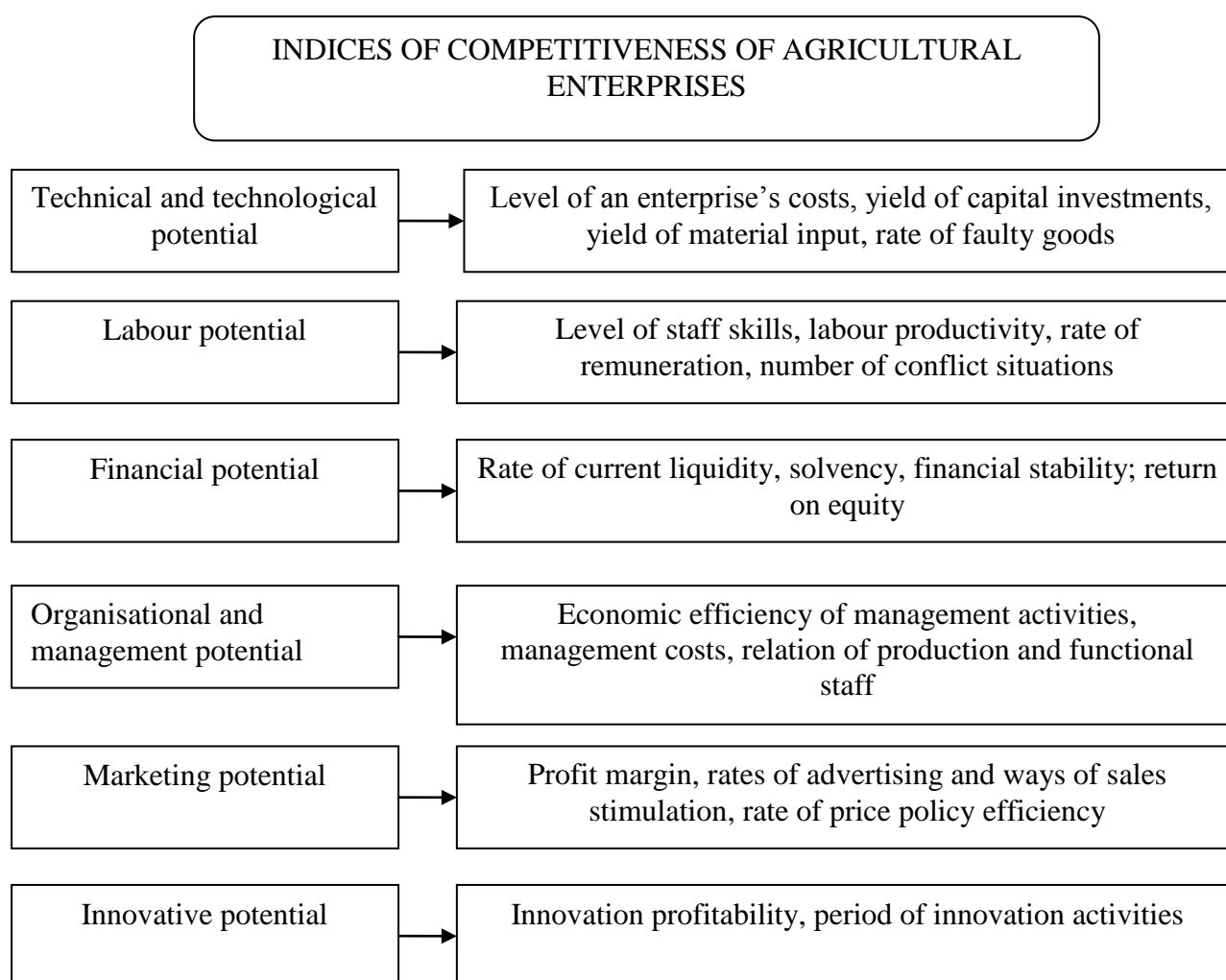


Fig. 5. Indices of competitiveness of agricultural enterprises
Rys. 5. Wskaźniki konkurencyjności przedsiębiorstw rolnych

The initial stage of an enterprise's competitiveness management is setting the research purpose. The cycle of an enterprise's competitiveness management includes the following stages: setting the purpose, planning, organization, motivation and control (Figure 6).

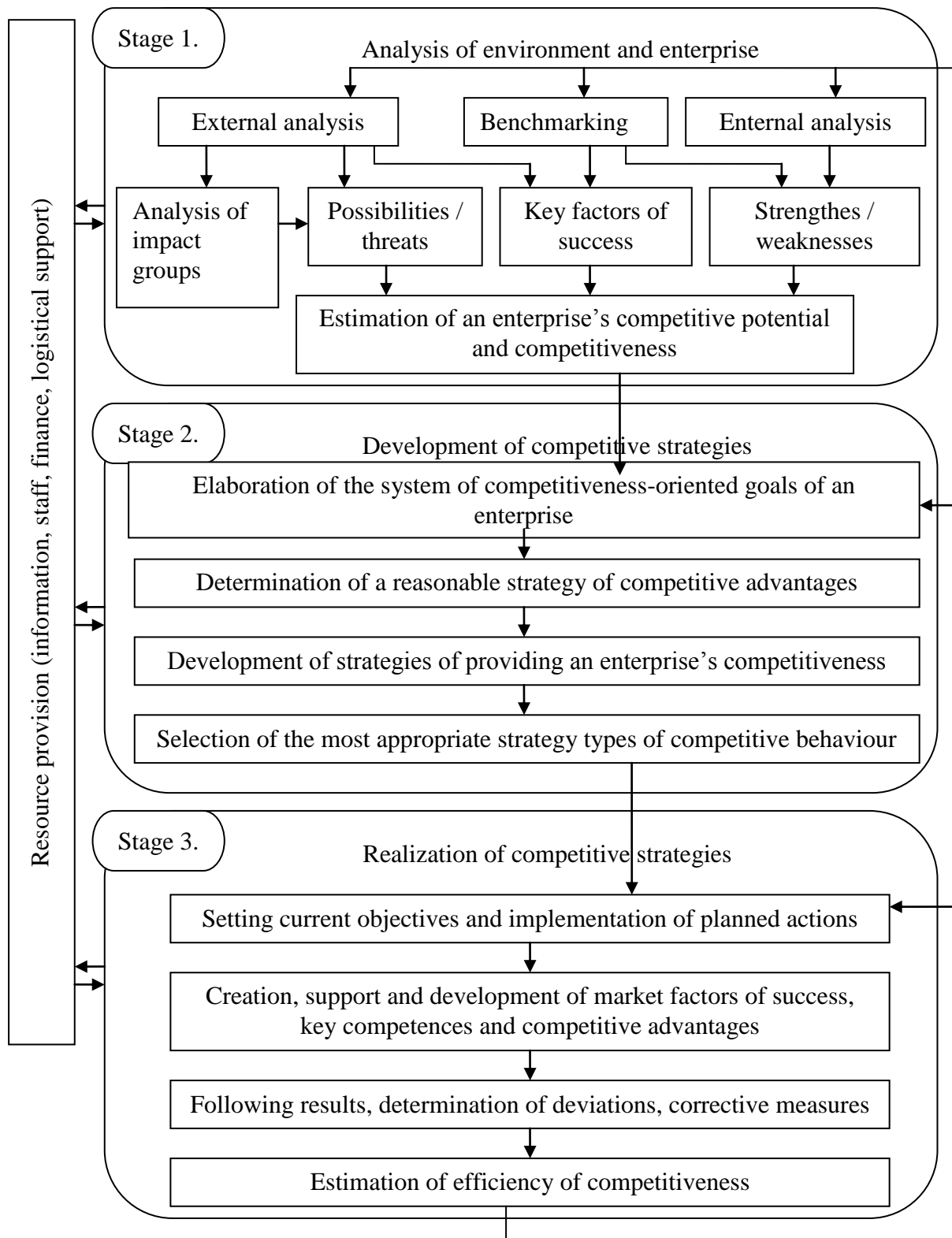


Fig. 6. The system and process of an enterprise's competitiveness management: factors determining the level of an enterprise's competitiveness [9, p. 137]

Rys. 6. System I process zarządzania konkurencyjnością przedsiębiorstwa: czynniki wpływające na konkurencyjność przedsiębiorstwa

In the research oriented to the estimation of prospects of products sales in a specified market, the analysis covers use of information which includes data about changes in the

market situation, products launched to the market, demand dynamics, expected changes in the relevant laws etc. (Figure 7).

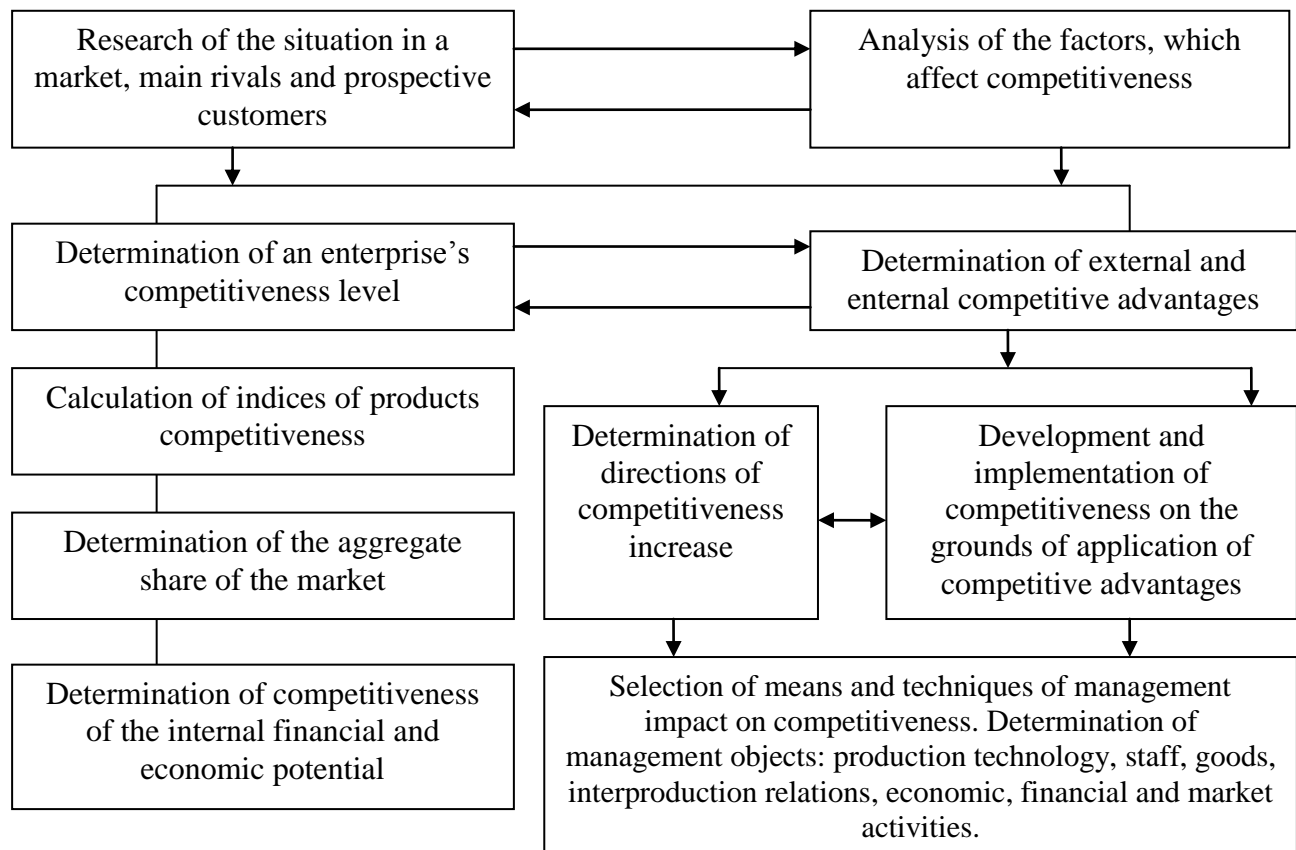


Fig. 7. Administration of management impact on an enterprise's competitiveness formation
Rys. 7. Schemat wpływu zarządzania na kreowanie konkurencyjności przedsiębiorstwa

Thus, the aggregate of qualitative and worth characteristics of an enterprise, promotes creation of this enterprise's competitive advantage over rival enterprises in satisfying a customer's specified needs, permits to estimate its competitiveness in terms of quantity.

In the theoretical and methodical approaches of competitiveness management the fact is not reflected that competitiveness of enterprises can be estimated from two positions: from the point of view of the customer and from the point of view of the rival producer. Thus the customer's position reflects the present, instant current competitiveness. The producer is interested in long-term position of an enterprise determined by prospective, potential competitiveness which depends on a management methodology.

Let us examine the indices of competitiveness of agricultural enterprises. The index of physical gross regional product per one person shows a growing trend up to 2009. In 2009 the index fell down by 17,3% and made up 85,5% for Ukraine; for the region it fell by 22,6% and accounted for 79,4% respectively.

In 2012 the index of the agricultural produce volume in Ukraine accounted for 95,5% compared to 2011; at agricultural enterprises it was 93,5%, at farms of the population – 97,6% respectively (Figure 8).

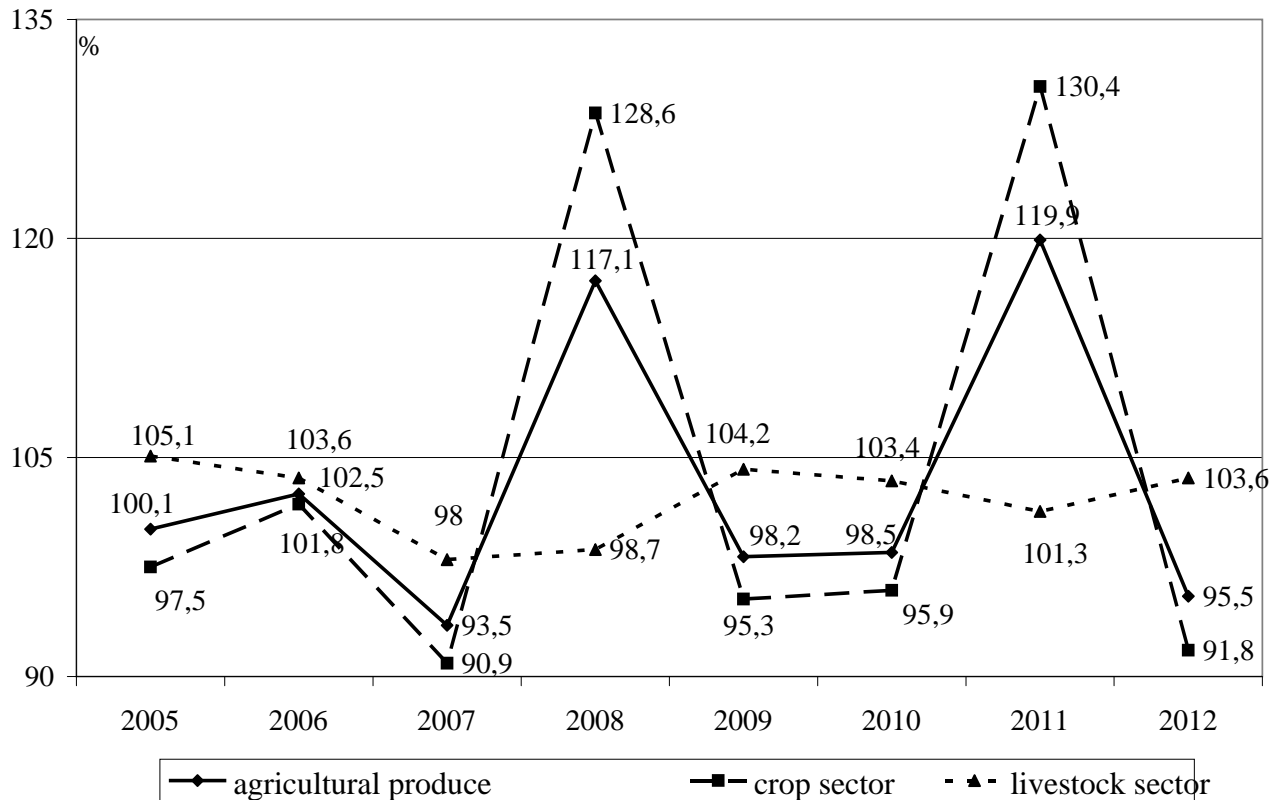


Fig. 8. The dynamics of agricultural production amounts (per cent up to the previous year) [10]

Rys. 8. Dynamika produkcji rolniej (w procentach w porównaniu do roku poprzedniego)

The index of production of the crop sector in 2012 compared to 2011 accounted for 91,8%, including 89,1% at agrarian enterprises, 95,4% at population farms.

Small and medium-sized enterprises, having opportunities to occupy niches in a market, perform a social function of preserving the culture of agrobusiness, cultural and living traditions of development of the countryside, frequently apply more conservative technologies and rarely examine the possibilities of improvement or diversification. It is more difficult for such enterprises to follow the trends of demand on a market and not to invest in new development directions. In connection with the current development of alternative energy in Ukraine the demand for biomass is increasing (for instance, straw). The estimated potential of the biomass market in Ukraine is considerable but search for suppliers is complicated. Conservative agrarians prefer ploughing greater amounts of straw in the soil than recommended or burning it on fields rather than collecting, bundling and selling it.

One of the major problems for agricultural enterprises is inefficiency of the system of state support and non-anticipation of state interventions in production and trade. The crucial problems of this system reformation are reduction of production subsidies, which are unequally distributed, and their replacement by public investments stimulating an increase, namely: investments in applied science and training, in making market information systems, for support of farmer consultative services.

Distortions in the system of functioning of agrarian products markets are also caused by the system of taxation, in particular by the mechanism of VAT compensation. For long in Ukraine there has been permanent debt in VAT compensation to exporters. This problem is crucial not only inside the country but also on the international arena. Every misunderstanding concerning this problem, especially with international companies, do damage to the international reputation of Ukraine. As far as the other aspects of the government regulation are concerned, Ukraine took 145 place out of 181 countries in the rating of the World Bank in 2009 by simplicity of doing business. In June, 2012 it moved to 137 place out of 185 countries of the world [11].

Ukraine has a complicated system of imports regulations (in particular, agricultural equipment and fertilizers) and complicated customs procedures, difficult conditions for setting up and closing up business, weak protection of investors, etc. The most important is that legislative documents are not always followed by state bodies and many actions of the latter are generally carried out de facto. It concerns the recent introduction of the restrictions on grain crops exports from Ukraine before and after the official introduction of the quota. On 19 October the Decree № 938 dated 4 October, 2010 about introduction of the quotas on grain crops exports came into effect [12]. According to the Decree, the quotas are set on wheat and mixture of wheat and rye, on spelt in the amount of 500 thousand tons, on corn – 2 million tons, barley – 200 thousand tons, rye – 1 thousand tons, buckwheat – 1 thousand tons respectively. Previously to the official introduction of the quotas from the mid-summer the exports were unofficially blocked. After the quotas introduction rapid licensing blocked the exports of grains for the second time in 2010

The quota on grain crops exports in Ukraine was imposed for the second time within the last 5 years. The previous quota of 2006-2008 appeared unjustified as the domestic offer of grains was sufficient enough for covering all internal needs as well as for exporting greater amounts compared to the estimations of the Government. In 2010 the situation recurred.

There are some other examples of the state's ineffective policy concerning the support of agriculture. It is a fiscal policy (there is a need of correction of tax avoidance for agricultural holdings and urbanized areas for the purpose of sufficient tax inflow to budgets of rural communities), and uneven distribution of support between different products and enterprises; support schemes, price regulation (establishment of minimum and maximum prices of socially-significant goods), allocation of costs to education and research, providing the system of quality control and safety of food staff.

The essential problems of the countryside are as follows: absence of work motivation, labour migration, unemployment, decline of the social infrastructure, decline of the demographically-reproductive and labour potential of the countryside, extinction of villages. The average wages in agriculture are the lowest among all the economy branches in Ukraine. For overcoming these and other problems of Ukrainian rural territories, the Government is developing a lot of programs and conceptions.

A crucial problem for the development of agriculture in Ukraine is the moratorium on the purchase and sale of lands for agricultural purpose. At first the moratorium was declared by the current Land Code of Ukraine till 1 January, 2005 and then it was prolonged several times. The governmental ground for annual prolongations is absence of the Laws "About the Land Market" and "About the Land Cadastre", which are planned to be developed and approved every prolonged year of the moratorium action. The moratorium on the purchase and sale of lands for agricultural purpose in Ukraine is based not on the economic factors but on the political ones. In terms of economy, the moratorium is rather detrimental. It does not restrain the operations of agricultural lands purchase but generates the shadow market (presently there are several schemes of shadow alienation of this land category in Ukraine). Consequently there are parties that incur losses: peasant land owners whose lands cost considerably lower compared to the open market conditions; the state in the person of local authorities and local budgets suffer from non-payment of taxes for operations with agricultural lands; agricultural producers and agrarian production in general – from impossibility of putting lands into economic turnout and getting mortgage loans; peasant owners of land, who let it on lease and get understated rental fees for land.

The main problems of agricultural enterprises development in Ukraine are the policy and state regulation, which put barriers to an increase in the competitiveness of enterprises of the agro-industrial complex.

In the Zaporizhzhya oblast there was a constant increase in the production of agricultural products within the period from 2000 to 2012 (Table 1).

Table 1

Basic socio-economic indices of the Zaporizhzhya oblast development

Indices	2000	2005	2008	2009	2010	2011	2012
Products of agriculture (invariable prices of 2010.), mln. hrn.	6136,3	7611,0	4010,6	7482,4	7624,5	8737,2	7056,4
Crop sector	4076,3	5538,3	2807,1	5428,0	5542,9	6682,5	4964,6
Livestock sector	2060,0	2072,7	1203,5	2034,4	2099,6	2054,7	2091,8

Source: [13, p. 16-17]

From Table 1 it is clear that the socio-economic performance indicators are of an increasing trend. However, there was a slump in 2009 related to the world financial crisis. Starting from 2010 the indices began to grow again and exceeded the indices of 2004 and 2005 as the economy of the country was in the state of recession. In 2008 the exports of the country went down considerably but the trend observed in 2010 and 2011 obviously testifies about overcoming of the crisis state by the country.

On the basis of deep analysis grounded on the complex approach to estimation of competitiveness of agricultural enterprises we propose the directions of improvement of the process of competitiveness management of agricultural enterprises (Figure 9).

For the purpose of increasing their competitiveness, agricultural enterprises should develop the measures of increasing the efficiency of goods sales organization; in its turn it will have a positive effect on the efficiency of productive activities, indices of financial state and products competitiveness on the whole.

In order to reduce production costs and, on this basis, to increase an enterprise's competitiveness we suggest developing a strategy of deep penetration to the market. This suggestion is recommended, when an enterprise works with quite a known product on the existing market. The possible ways are as follows: to increase consumption (price reduction, increase in a unit amount, etc.); to attract the consumers of competitive products; to intensify the customer needs. An enterprise should search for new more experienced and more active distributors, conduct active advertising campaigns and stimulate sales. The goal is to stabilize or expand the market share or increase its volume.

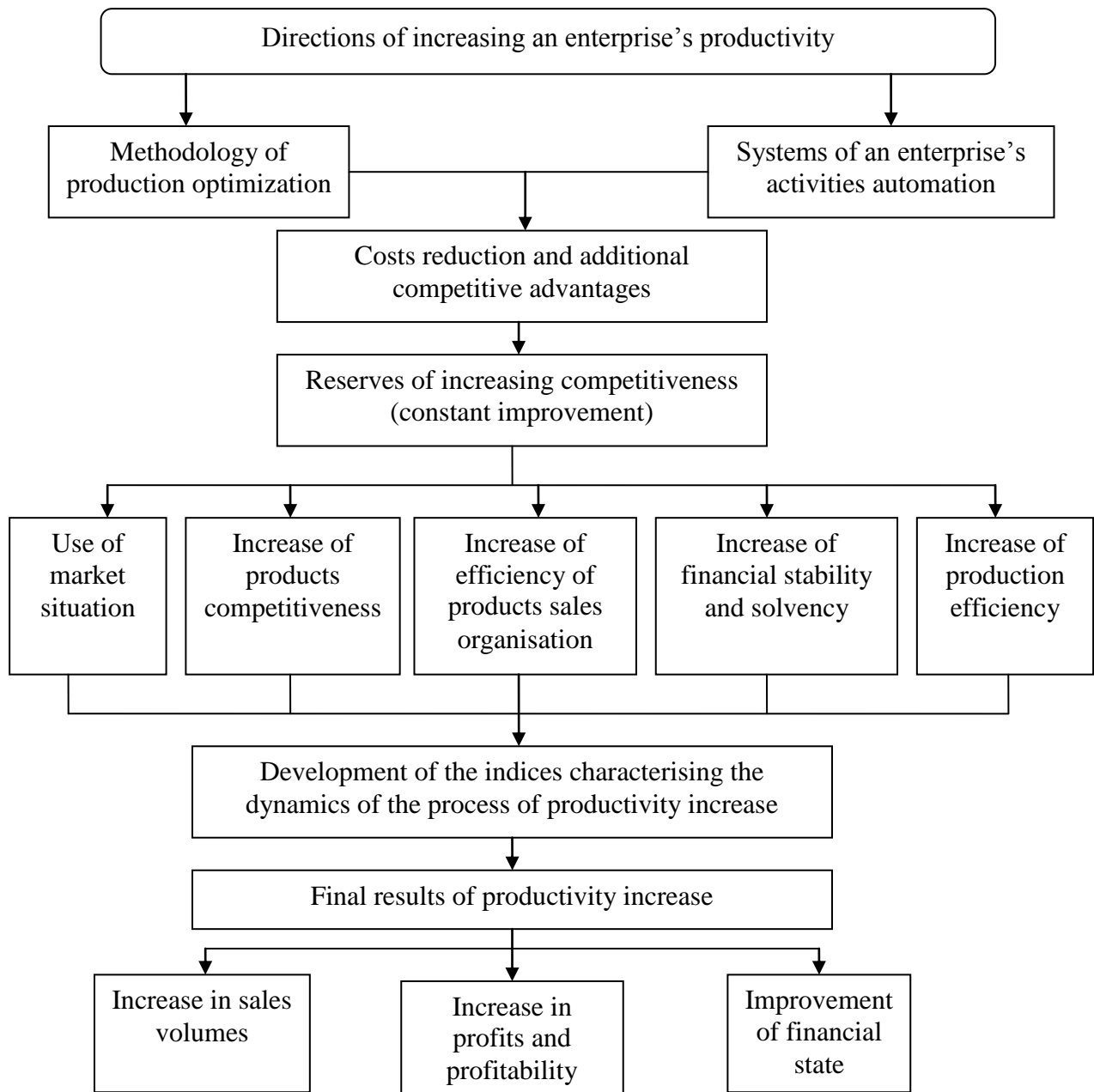


Fig. 9. The directions of improvement of the process of an enterprise's competitiveness management and its impact on its activities results [improved by the author]

Rys. 9. Kierunki poprawy zarządzania konkurencyjnością przedsiębiorstwa i jego wpływ na wyniki [opracowanie autora]

The strategy of goods development is recommended, when an enterprise working in a rather saturated old market, carries out products modernization orienting to the effect of obsolescence products in hands of the customer and his desire to replace old products by new ones. Appearance of new products with high quality features often causes an additional rise in demand but it is necessary to make advertising, organize exhibitions, presentation and apply different methods of sales promotion. Innovations can be represented as real novelties (new in the market), quasi-new products (related to old one), new products only for an enterprise.

The strategy of market development should have an effect due to revealing new market segments, where demand for old products was sufficient for products sales and receipt of the planned income. Some possible variants are as follows: sales on new regional or international markets; expansion of product functions; new application domains for old products; variation of products for the purpose of its adaptation to the requirements of certain market consumer segments.

Diversification means that an enterprise moves away from the initial activity lines and passes to new ones. The reasons are as follows: markets in stagnation, diminishing of risk, financial benefits, insuring of procurement or sale bases. Diversification can be carried out in different forms: either simultaneous production of different products types and orientation to different consumer types or use of different forms of trade and sale, or investments in industries of economy. The main danger of diversification is scattering of forces.

Thus, in the process of an enterprise's competitiveness management, in our point of view, it is necessary to develop the strategy of development, which should be based on the theory of effective competition grounded on the development of the criterion for considering the current level of competition in the industry sufficient for providing high-efficiency economic activities. The estimation of an enterprise's competitiveness level should be started with comparison of products produced by the identity of the need satisfied by it.

Competitive edges of agricultural enterprises are the aggregate of such indices as follows: productive, financial, scientific and technical, staff potential of the organization, its market share, rates and key factors of income increase, state of technology, image, quality of managerial staff and personnel.

For estimation of an enterprise's competitiveness the following indices are used: market position (including market share, distribution network, network of after-sale service), productive possibilities (including economic indices of production, facilities as to the market share, availability of raw materials and materials, ability to change a product), quality of products, possibility of production technology improvement.

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Omówienie

Konkurencyjność państwa jest wypadkową konkurencyjności przedsiębiorstw. W artykule przedstawiono przegląd działań podejmowanych przez przedsiębiorstwa dla podniesienia swojej konkurencyjności w podziale na grupy przedsiębiorstw i działy gospodarki. Podano wiele przykładów odnoszących się do ekonomii Ukrainy, ze szczególnym uwzględnieniem region Zaporozża.