INTERNATIONAL COMPETITIVENESS OF THE ENTERPRISE

Yanton-Drozdovska E.

Department of Economic Sciences,
Adam Mickiewicz University in Poznan,
Faculty of Law and Administration,
Independence avenue, 53, Poznan,
61-714, Poland

Abstract. Competition characterizes the relationships between entities and occurs in the field of economic, social, cultural and artistic relations, and of course sports. Nowadays, competition is most often understood as competition and rivalry between entities striving to achieve the same goal and the same benefits on a global scale. International (global) competition is commonly understood as competition between companies or countries on a global scale and is the most visible dimension of globalization. The emergence of global competition is mainly associated with changes that have taken place in the external environment of enterprises. Success in global competition can only be ensured by an action strategy that is focused on innovation, creates a system of rapid response to emerging opportunities and threats, enables active impact on factors shaping production and demand in the sector, on competitors, and related and supporting sectors. An effective strategy should also take into account the directions of internationalization or globalization of the company's operations, possible strategic alliances and the right location supporting competitive advantage. The globalization of knowledge and technology includes the intensification of international integration in the sphere of research and development and in the sphere of technology implementation, expanding international cooperation between companies from different countries sharing know how, as well as cooperation between governments and academic institutions, and an increase in the use of innovation on a global scale. In the conditions of global competition, people and their knowledge have become a strategic resource. The increase in intellectual capital efficiency depends on the ability and ability to associate it with abundant, and therefore cheap, factors located on the global market. Globalization, leading to the free possibility of production factors across borders, creates such possibilities. External and internal factors (determinants) of the international competitiveness of the enterprise are considered. The most important determinants of the so-called the company's closer environment is found out. These determinants remain in close dependence and interactive relationship with elements of the macroeconomic environment, primarily with economic, social, legal and political factors. They are independent of the enterprise, as they largely depend on the state policy, the degree of market regulation and, in general, the economic situation in a given country and in the global economy. In turn, internal factors determining the competitiveness of an enterprise in an ideal perspective depend on the enterprise itself, its resources and activities. However, one should remember about the interactivity highlighted above for all the determinants of competitiveness. The company has an impact on all of these factors, but their positive impact on improving competitiveness, competitive position and finally achieving the desired competitive advantage is also conditioned by external determinants of competitiveness.

Key words: international competitiveness, enterprise, globalization, competitiveness factors.

Introduction. International competitiveness can be defined in various ways, also as a process of achieving the ability to compete at various levels and achieve increasingly higher ability and competitive position, and as a consequence competitive advantage. Competitiveness is international when its process involves two or more countries [Gorynia 2009a, p. 1; Gorynia 2009 b, pp. 48-66]. In the analysis of international competitiveness,
contemporary importance is attributed to behavioral aspects of the competitive advantage that multicultural transnational corporations can achieve. A properly prepared and implemented company strategy plays an important role here, which can be treated as its resource, in other words part of its competitive potential.

Competitiveness can be analyzed at the level of the enterprise (corporation, company), branch (sector), national economy and region of the world economy (group of countries). The subject of the analysis in this study is the international competitiveness of the company, and the purpose of the study is to attempt to define this category and identify its conditions resulting from the external and internal environment.

Results.

1. International competitiveness of enterprises in the age of knowledge-based economy

   Competitiveness is inseparable from competition. Competition models and concepts developed in economics are not subject to consideration here. It should be emphasized, however, that nowadays, following the development of competition theory, two main analytical approaches to the phenomenon and process of competition are visible [Jankowska, Sulimowska 2009, pp. 43-44]. One of them key issues of macroeconomic balance, i.e. the impact of competition on the entire economy (JM Keynes and postkeynesists), and the other is characterized by a mezo- and microeconomic approach, which means that competition at the sector and enterprise level is analyzed - concepts fit here developed as part of managerial economics (including M. Porter) and resource theory of competition.

   Competition characterizes the relationships between entities and occurs in the field of economic, social, cultural and artistic relations, and of course sports. Nowadays, competition is most often understood as competition and rivalry between entities striving to achieve the same goal and the same benefits on a global scale. International (global) competition is commonly understood as competition between companies or countries on a global scale and is the most visible dimension of globalization. The emergence of global competition is mainly associated with changes that have taken place in the external environment of enterprises [Gierszewska, Wawrzyniak 2001, pp. 23-27]. These changes are primarily associated with economic globalization [Jantoń-Drozdowska 2008, pp. 19-36], which is deepening and expanding, even if there are limitations to this process, such as those associated with the financial and economic crisis of 2007-2009 or the ongoing COVID 19 epidemic.

   The consequences of technological changes mean that international competition is becoming more and more direct and intense. The new criteria for assessing efficiency today are the flexibility of the production system, diversity, quality and responsiveness. Only high-quality products made using low production inputs and delivered on time are relevant. For an enterprise, this means the need to develop new forms of management, organization and continuous improvement of employees' qualifications, as well as the implementation of further innovations.

   Globalization of competition, which is part of economic globalization, also leads to blurred divisions between individual sectors. Globally operating companies want to be successful in as many areas as possible, which results from the belief that good position in many markets is a source of economic strength. M. Porter believes that the only chance to survive in the new conditions the dimension of competition is to make changes in the way of thinking and methods of running an organization [Porter 2001, p. 358]. Success in global competition can only be ensured by an action strategy that is focused on innovation, creates a system of rapid response to emerging opportunities and threats, enables active impact on factors shaping production and demand in the sector, on competitors, and related and supporting sectors. An effective strategy should also take into account the directions of

---

1 This part of the article uses research results published in: [Jantoń-Drozdowska 2019, pp. 15-22].
internationalization or globalization of the company's operations, possible strategic alliances and the right location supporting competitive advantage [Gierszewska, Wawrzyniak 2001, p. 27].

New global competition also forces changes in policies and strategies implemented at the state level [Cyrson 2009, pp. 77-83]. A very important change today is associated with greater openness to the international flow of information and raising national technological capabilities to a level that will allow them to optimally absorb information. Knowledge is becoming a source of advantage and it is necessary for the effective use of constantly emerging new technologies. In such conditions, states must invest much more resources to create new, economically useful knowledge, which for those using it means continuous improvement of access and methods of using new technologies [Bednarski 1998, pp. 48-51].

In modern global competition, knowledge and technology have gained undeniable importance. Until recently, knowledge was mainly identified with the sphere of research and development and treated as the domain of scientists. Globalization causes producers to operate on various markets and their production resources are located in many countries. Knowledge is no longer created or used in only one country. It is now perceived as a driving force of efficiency and economic development, and this leads to the verification, in the light of changes taking place, of the role of information, technology and learning in the implementation of economic tasks.

The globalization of knowledge and technology is a very complex process. It includes the intensification of international integration in the sphere of research and development (R&D) and in the sphere of technology implementation, expanding international cooperation between companies from different countries sharing know how, as well as cooperation between governments and academic institutions, and an increase in the use of innovation on a global scale. The global exploitation of technology is evident in the increase in the international exchange of goods saturated with high technology. It grows faster than exchanging other goods. For example, in 1970 the share of these products in world trade was 9.5%, in 1995 it reached 21.5%, and in the mid-second decade of the 21st century, after the collapse in 2009 (which particularly affected the exchange of these products) approx. 23%. This means that, on the one hand, exports and the competitiveness of companies exporting these products and the entire sector are increasing, and on the other - international trade accelerates the creation and transfer of innovation [The Knowledge-Based Economy 2000, p. 218; OECD 2009, p. 86; Eurostat 2019, p. 1].

Transnational corporations are the main participants in technology competition. As a result of their activities, there is an intensive internationalization of innovative processes, ranging from research and development through production, sales and services. In recent years, corporations are increasingly locating R&D outside their home country, which is largely related to relocating production abroad. In connection with the financial and technical aspects of research and development, companies integrate their research and implementation activities through a system of transnational corporations. By integrating innovative activities, corporations are able to profit from cooperation with other local companies specializing in production corresponding to them and thus strengthen the effects of cooperation resulting from the international division of labor. This allows us to assume that the desire to adapt and take advantage of foreign support are still the main motives for accepting foreign R&D, although the role of domestic companies joining foreign innovation centers is also increasing [World Investment Report, 1999, p. 210].

Technology creation is mainly concentrated in developed countries and is characterized by concentration at the level of regions and enterprises. At the beginning of the 21st century, approximately 41% of global R&D was located in the United States, 17% in Germany, and 12% in Great Britain. Only 1% of all foreign patents were filed outside the Triad countries.
(USA, European Union and EFTA and Japan) and this activity was rather insignificant. In the mid-nineties, the share of research and development carried out outside these main centers accounted for only 8% of R&D conducted worldwide. Research and development is also concentrated at the enterprise level. In the USA, fifty American corporations bear more than half of all R&D expenditure in this country. In turn, only three Swiss companies bear 81% of expenditure on R&D in Switzerland. These are mainly transnational corporations that may bear high risks and costs and have easier access to knowledge [World Investment Report 1999, pp. 199, 201, 209; World Trade Organization 2008, 2015].

Therefore, globalization of knowledge and technology changes the competitive abilities of states and corporations, as well as the possibility of creating competitive advantage both on a global and local scale. Peter Drucker said that knowledge in the new economy will not be another factor of production, such as labor, capital and land, only complementing their traditional significance. On the contrary, knowledge will be a basic factor. This applies not only to available and codified knowledge, but also to the so-called tacit knowledge, hidden knowledge inherent in people's intellectual potential, in their skills, experience and value system. This kind of knowledge can become a source of creating competitive advantage - companies are aware of this and are therefore willing to invest in knowledge and intellectual capital [Nonaka, Takeuchi 2000, p. 23; Jantoń-Drozdowska, Majewska-Bator 2009, pp. 311-324].

In the conditions of global competition, people and their knowledge have become a strategic resource. It is valuable because it allows organizations to generate wealth precisely by using their intellectual or knowledge-based strategic assets [Gierszewska, Wawrzyniak, p. 62]. These assets, both intellectual and knowledge-based, are directly related to people or come from systems, processes and organizational culture. They form, as a whole, selected intellectual capital. The corporate approach to intellectual capital management requires special organizational strategies and structure, including communication systems and personnel policy. It also requires appropriate managerial skills.

Intellectual capital in the modern world is extremely rare. Having this capital and the ability to care for its performance is the basis of long-term competitive advantage. The increase in intellectual capital efficiency depends on the ability and ability to associate it with abundant, and therefore cheap, factors located on the global market. Globalization, leading to the free possibility of production factors across borders, creates such possibilities.

In the context of global competition, global innovation policy is gaining new significance. The concept of innovation is associated primarily with the ability of the organization to constantly search, implement and disseminate innovation. Innovation is a prerequisite for active existence in the global economy and obtaining a privileged position on the market on a global scale. Nowadays, large and successful companies are introducing innovations more and more often not because of market needs and an increase in potential profit, but for fear of losing their competitive position on the market. No organization will survive on the market unless it recognizes the need for change. The essence of innovation can therefore be described as introducing purposeful changes aimed at improving and renewing the entire production process within an enterprise, and seeking new opportunities to better meet social needs, both existing and new [Drucker 2000, p. 73].

In order to achieve a high competitive position of the company on the market, it is necessary for it to maintain a high level of innovation, i.e. the allocation of resources that will be as effective as possible and will allow their optimal use. Rapid changes are crucial in conquering the market and in competitive struggle, which allow enterprises to both maintain their current position on the market and improve it. The main motive for engaging in innovation processes should be the need to gain new markets or the need to improve the quality of existing products. All market novelties, by expanding the production portfolio of a
given company, very often radically change the current market, enriching existing market offers. This is where the legitimacy of companies pursuing a specific innovation policy that stimulates the development and commercialization of new products follows. The determinants of activities in this area are primarily the perceived by the producers changing needs, tastes and preferences of customers, and a kind of pressure that results from the need to adapt to the requirements of global competition [Penc 1998]. Peter Drucker, however, believes that adapting to flowing signals from the environment is not enough for the long-term survival of an economic organization (or any other). No changes can be predicted. In his opinion, the only activity that may prove effective in the long term is an attempt to create the future [Drucker 2000, p. 95]. It requires from enterprises modern activity, i.e. entrepreneurship.

The above considerations show that international competitiveness is closely related to competition, both within the national and international framework, in particular with its modern approach, presented above. Its very essence and factors determining it, as well as the methods of its measurement are understood in the literature quite ambiguously [Porter 1990; Lubiński 1995; Sachwald 1994], especially depending on the level at which it is subject to analysis because as previously said levels of this analysis may be different, but they are always intertwined.

Generalizing different approaches, it can be said that competitiveness, which can be analyzed at various levels, means the ability of enterprises, sectors, regions as well as countries or international groups (such as the European Union) to compete on the international or global market, while achieving the assumed high rate of return on capital employed [Stankiewicz 2005, p. 36; Jantoń-Drozdowska 2009, pp. 49-50].

The concept of competitiveness understood in this way - including enterprises - is associated with such categories as: competitive potential, competitive position, competitive ability and competitive advantage. Competitive potential can be understood as the ability to use existing resources, primarily intangible, to effectively compete and manage competitiveness. The effect of competitive potential are the other three aspects of competitiveness, i.e. position, ability and competitive advantage. Competitive position is most often associated with the company's share in the product market or advanced manufacturing factors. Competitive ability, in turn, is an opportunity to continue sustained growth in conditions of intense competition. On the other hand, an enterprise's competitive advantage should be associated with its unique position in the sector compared to its competitors. This advantage enables the company to achieve higher profits than its competitors.

Specifying the above theoretical considerations regarding the competition and competitiveness of the enterprise will be presented below an analysis of external and internal factors affecting its competitive position.

2. External and internal factors (determinants) of the international competitiveness of the enterprise

The competitiveness of a corporation is inextricably linked to the competitiveness of the economy as a whole: it cannot be an internationally competitive economy (country) in which uncompetitive enterprises operate and, on the other hand - the determinants of the company's competitiveness are in its macro-environment, which is largely determined by the state of the economy. It should be emphasized at this point that all the levels of competitiveness mentioned above are closely related. On the one hand, the competitiveness of the country and the sector depend on the ability of producers (companies) to produce competitive products. On the other hand, the production of competing products by enterprises is only possible in a favorable environment for building a competitive advantage created by both the sector and the country (economy). All levels and determinants of competitiveness should be analyzed comprehensively [Porter 1990].
Enterprise competitiveness factors are external and internal. External factors mainly result from the macroeconomic environment, but also from the market and sectoral environment.

Economic literature allows the identification of macroeconomic determinants of the international competitiveness of corporations, which, due to the previously indicated interactions between different levels of competitiveness, can be simultaneously treated as factors of the sector's competitiveness and the economy [Cherep 2014, p. 48; IMD, World Competitiveness Center 2019, pp. 69-70; Jantoń-Drozdowska 2019, pp. 23-25; Jantoń-Drozdowska 2020, pp. 446-447]. The basic macroeconomic factors of the company's competitiveness are:

- the size and structure of production resources and the efficiency of their use. Natural resources, labor resources, capital and technological resources as well as broadly understood economic infrastructure are most often indicated here.

Natural resources have lost their importance today, although their lack or shortage, especially of strategic raw materials, limit the opportunities for enterprises to build competitiveness. It should be emphasized that natural resources also include favorable climate conditions and access to natural communication routes (rivers, seas and oceans).

In recent decades, the role of labor resources (labor force), especially educated and creative human capital, which has the ability to create and manage other productive resources has grown. Capital resources include both financial capital resources and tangible assets used in the national economy. Capital resources also include intangible assets, often identified with technology, both those used in the production processes of goods and services as well as in management, marketing activities and financial services.

Economic infrastructure is traditionally a transport, communication, energy and water supply system, but nowadays infrastructure elements ensuring an appropriate education system at all levels, proper health protection and modern financial infrastructure (banking system, financial exchanges, used settlement systems, etc.) are listed here;

- socio-economic system, legal conditions and economic policy of the state. These factors determine the manner and degree of use of all resources, also affect the level of satisfaction of society with life in a given country and the construction of social and economic cohesion;

- international economic environment and possibilities of the country's impact on the international environment. The international environment may be conducive to building corporate competitiveness - this happens when effective competition exists on the sector or product market (regional or global). It is also important for the state to participate in creating the right conditions for competing on the international market, e.g. by concluding commercial and economic agreements favorable to companies. The state's international activity is connected with the possibility of its influence on the shape of international economic relations beneficial for the competitiveness of domestic enterprises. The size and economic strength of the country, the size of its export and import as well as technological advantage are also important.

The most important determinants of the so-called the company's closer environment is:

- the intensity of competition in the enterprise's market (markets). According to the findings of M. Porter [Porter 1990, p. 72 et seq.] and his successors, the more intense the competition on a given market, the stronger the cost and innovation pressure are subject to enterprises and as a result, it will be easier for them to cope with competition on the global market;

- the level of regulation of economic processes in a given branch, which today is primarily associated with technical standards (requirements), safety and environmental protection. The higher these requirements and the more variable over time, the more resources
the company must spend on adapting to them, which may limit funding opportunities, e.g. of innovation. On the other hand, however, a company that does not meet or delays the changing requirements of different standards on a global market cannot be competitive;

- regulating or not prices of factors of production used in a given sector. Today, relatively few industries are subject to such regulations and most often this is not a barrier to companies gaining competitive advantage in them.

These determinants remain in close dependence and interactive relationship with elements of the macroeconomic environment, primarily with economic, social, legal and political factors. They are independent of the enterprise, as they largely depend on the state policy, the degree of market regulation and, in general, the economic situation in a given country and in the global economy.

In turn, internal factors determining the competitiveness of an enterprise in an ideal perspective depend on the enterprise itself, its resources and activities. However, one should remember about the interactivity highlighted above for all the determinants of competitiveness. Even the best prepared competitive strategies (also other) companies may not bring the expected results if external conditions - macroeconomic or sectoral - change. Nevertheless, the following competitiveness factors inherent in the enterprise should be indicated [Grzybowska 2013, p. 512; Cherep 2014, p. 52]:

- enterprise resources, both tangible and intangible,
- competitiveness of manufactured goods and services,
- short-term financial situation, i.e. debt to lenders and suppliers, level of receivables and possibilities of negotiating the financial terms of business transactions,
- the value of intellectual capital,
- organization and management of company operations,
- activity in the field of marketing activities,
- innovation in products, processes and technologies,
- the size of the enterprise or its dominance on the market, which usually means the possibility of influencing the development trends of the sector and competition in a given market.

The company has an impact on all of these factors, but their positive impact on improving competitiveness, competitive position and finally achieving the desired competitive advantage is also conditioned by external determinants of competitiveness.

Conclusion. The analysis in the study proves that competitiveness is a complex category, and its levels and determinants should be analyzed comprehensively, taking into account interactions between them. Such a competitiveness test is particularly important in conditions of intense global competition, which sets different competition strategies from those used in the past. The ability of corporations to develop and implement effective competitive strategies, using the resources of the economy and the enterprise itself, as well as the principles of a modern approach to management resulting from behavioral economics, is an important factor in building a competitive advantage based on the proper use of all elements of the business environment.

References