

COMPETITIVENESS OF FIRM IN THE CONDITIONS OF MARKET ECONOMY

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Abstract: This article is about importance of competitiveness nowadays. Term competitiveness and competitiveness's evaluation methods were considered and also different competitive strategies of firms were explored.

Keywords: competitiveness, strategy, analysis.

The main objective of any firm in a market economy is to maintain and expand its position in the market (or segment), growth or, at least, stable profitability. This is only possible when targeting at profits maximizing by means of ensuring high competitiveness (Булатов, 2005).

Competitiveness is a multidimensional concept. It can be looked at from three different levels: country, industry, and firm level. Competitiveness originated from the Latin word - *competer*, which means involvement in a business rivalry for markets. It has become common to describe economic strength of an entity with respect to its competitors in the global market economy in which goods, services, people, skills, and ideas move freely across geographical borders (Murths, 1998).

Firm competitiveness level can be defined as the ability of a firm to design, produce and or sell products of superior quality to those offered by competitors, considering the price and non-price qualities.

The company's competitiveness can only be assessed within a group of companies belonging to the same industry, or companies that produce similar goods (services). Competitiveness can be detected only by comparing each of these firms, in the whole country or on the scale of the global market.

The competitiveness of each company formed under the influence of various factors of production and economic activity. The quality of products, the level of the technique used and the technology, production, labor and management, the development of the social environment plays a major role in it.

Evaluation of the company's competitiveness is inextricably linked with solving the problem of competitive growth, because conclusions about the degree of competitiveness of the business entity can be made only on the basis of such evaluation. This evaluation is the starting point for the development of measures to improve the competitiveness of the company and at the same time it is efficiency criterion of these measures.

Analysis of the economic literature on the subject allowed identifying several methods for solving the above problem (Мазилкин, 2009).

Matrix methods

Group of methods is based on the evaluation of marketing strategy, constructing a matrix of competitive strategies. The methodology is based on analysis of competitiveness in consideration of the product life cycle. Essence of the evaluation is to analyze the matrix constructed on the principle of the coordinate system: across - growth (reduction) in sales; vertically - relative enterprise market share.

Methods based on the evaluation of the competitiveness of enterprises' goods

This group of methods is based on the proposition that a company's competitiveness is as higher as higher is the competitiveness of its products. To determine the competitiveness of products various marketing techniques are used, most of which are based on finding the cost /quality ratio.

Methods based on the theory of effective competition.

The main idea of approach is to score the ability of the enterprise to be competitive. Each of the abilities of enterprises to achieve competitive advantage, which has been identified during the preliminary analysis, is evaluated by experts in terms of available resources. Evaluation allows

constructing a polygon of competitiveness. Representing polygons of competitiveness of different companies on the same picture, it is easy to analyze the level of competitiveness in different factors.

Complex methods

Evaluation of competitiveness of enterprises in the framework of such methods is based on the allocation of the current and potential competitiveness of the company. In most cases, the current competitiveness is determined by the evaluation of the competitiveness of goods, potential - similar to the methods based on the theory of effective competition.

Review classification of strategies for promotion competitiveness of companies demonstrated the importance of the classification proposed by M. Porter (more common variants) and A. Yudanov.

Porter called the generic strategies "Cost Leadership" (no frills), "Differentiation" (creating uniquely desirable products and services) and "Focus" (offering a specialized service in a niche market) (Поптер, 1993).

The Cost Leadership Strategy

The goal of Cost Leadership Strategy is to offer products or services at the lowest cost in the industry. The challenge of this strategy is to earn a suitable profit for the company, rather than operating at a loss and draining profitability from all market players. Companies such as Walmart succeed with this strategy by featuring low prices on key items on which customers are price-aware, while selling other merchandise at less aggressive discounts. Products are to be created at the lowest cost in the industry. For example, using of space in stores for sales and not for storing excess product.

The Differentiation Strategy

The goal of Differentiation Strategy is to provide a variety of products, services, or features to consumers that competitors are not yet offering or are unable to offer. This gives a direct advantage to the company which is able to provide a unique product or service that none of its competitors is able to offer. An example is Dell which launched mass-customizations on computers to fit consumers' needs. This allows the company to make its first product to be the star of its sales.

The Focus Strategy

Companies that use Focus strategies concentrate on particular niche markets and, by understanding the dynamics of that market and the unique needs of customers within it, develop uniquely low cost or well-specified products for the market. Because they serve customers in their market uniquely well, they tend to build strong brand loyalty amongst their customers. This makes their particular market segment less attractive to competitors.

Porter then subdivided the Focus strategy into two parts: "Cost Focus" and "Differentiation Focus".

The terms "Cost Focus" and "Differentiation Focus" can be a little confusing, as they could be interpreted as meaning "A focus on cost" or "A focus on differentiation". Remember that Cost Focus means emphasizing cost-minimization within a focused market, and Differentiation Focus means pursuing strategic differentiation within a focused market.

According to Yudanov there are four basic strategies that take into account two main factors: the degree of standardization the business and its scale. They characterize the different position of the company in the market and the competitive advantages which they have in this position.

These strategies are called violent, explorant, commutant, patient (Юданов, 2001).

violent - is focused on reducing production costs through economies of scale, mass production of moderate quality at low prices;

explerent – is focused on radical innovation, creating new or converting old markets/commodities;

kommutant – is focused on satisfying the small (local) requirements of the market, super high-quality, product differentiation and exclusivity;

patient – is focused on the production of a limited number of highly specialized products, the production and placing on the market a limited number of expensive specialized products of high quality, which most often refers to the category of luxury.

In this way, the described strategies of competition cover the wide range of situations which modern companies can face. As the situation in each particular market is unique, each company has to

develop an individual strategy for themselves, based on the analysis of existing opportunities and risks. The main conclusion can be summarized as follows: there are no bad or good strategies; there are strategies that are relevant to the specific conditions of the competitive environment.

The history of company Apple visually illustrates the influence of the correctness of the chosen strategy. Having changed its strategy from patient on experient Apple made the right decision by releasing eventually many revolutionary products, and now its trademark is recognized as the most expensive brand in the world. It confirms that switching on correctly formulated purposes, such as development of innovative products and technologies, will allow the companies to win the lost positions in the market.

As for the analysis of competitiveness in Russia, today for the domestic enterprises the problem of increase of competitiveness of products becomes especially actual as negative consequences of the economic reforms that carried out in the 90th years substantially weakened their positions in the domestic and foreign markets.

Among the Russian companies real international competitiveness possess companies which are occupied in export-oriented raw sector, production of military equipment and arms (Чайникова, 2007).

As for the internal competitiveness, we can say that domestic producers dominate at the markets of foodstuff, foreign producers dominate at of non-food markets.

In conclusion, on the basis of the conducted research it is possible to tell that ensuring competitiveness is the main strategic objective of any enterprise, and level of competitiveness is defined by a large number of factors which are allocated in the various directions in the solution of this task.

We came to a conclusion that it is impossible to allocate the general strategy which is suitable for all firms. Situation on each market is different, so each company must develop an individual strategy for itself, based on analysis of opportunities and risks. The biggest mistake of the companies is trying to use all competitive strategy at the same time or not to use strategy at all. The main conclusion can be stated as: there are no bad or good strategies; there are the strategies which actual for specific conditions of the competitive environment.

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