

COMPETITION AND COMPETITIVENESS AS ECONOMIC CATEGORIES AND THEIR ROLE IN ENTREPRENEURSHIP

KONKURENCIJA I KONKURENTNOST KAO EKONOMSKE KATEGORIJE I NJIHOVA ULOGA U PREDUZETNIŠTVU

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Abstract: *The article considers competition as a main driving force that coordinates the activity of market participants, regulating proportions of public production, making possibilities of meeting the needs in the best way and utilizing resources by society. Severe competition has its own criterion – competitiveness – to assess the success of functioning of the economic subjects. Competitiveness possesses the ability to keep high economic effectiveness of the activity in terms of competitive struggle.*

Key words: *competition, competitiveness, entrepreneurship, globalization, enterprise*

Sadržaj: *U radu se analizira konkurencija kao glavna pokretačka sila koja koordinira aktivnosti učesnika na tržištu, reguliše razmere javne proizvodnje, pokušavajući da zadovolji potrebe potrošača na najbolji način uz korišćenje resursa od strane društva. Ozbiljna konkurencija ima i svoje kriterije - konkurentnost - da proceni uspeh funkcionisanja privrednih subjekata. Konkurentnost poseduje sposobnost da zadrži visoku ekonomsku efikasnost aktivnosti u smislu konkurentne borbe.*

Ključne reči: *konkurencija, konkurentnost, preduzetništvo, globalizacija, preduzeća*

Competition as an economic category has already been attracting attention of economists and researchers for some centuries. This phenomenon has become especially important since setting trade relations between countries. Transformation of economic mechanisms of European countries towards market relations has influenced it considerably. Nowadays in terms of globalization, the meaning of competitiveness is hard to overestimate. The fact that competition is the basis of market economy and its driving force is universally recognized. The problems of providing competitiveness are key problems of functioning economic objects at all levels. It specially concerns manufacturing and service enterprises.

Integration and globalization intensify existing tendencies and make big demands on the quality of working out competitive strategies, the rate of increasing competitive advantages and some other questions of competitive struggle.

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To understand the categories “competition” and “competitiveness” completely it is necessary to study the essence of these notions as main economic categories, their structures and mechanisms. These points require special attention despite the fact that scholars study such notions as “competition” and “competitiveness” very thoroughly. In table 1 one can see various classifications of the notion “competition” represented by famous Russian and European scholars.

<i>Scholars</i>	<i>Definition of competition</i>
A. Smith	A classical variant of behavioral definition of competition; fair rivalry.
D. Ricardo	A mechanism of market price regulation.
A. Marshall	A neoclassical variant of behavioral definition of competition; struggle for rare economic goods.
K. Marx	Competition is a struggle for more favorable conditions of product production and distribution, for getting higher profits
J. Robinson	The founder of the notion “imperfect competition”; the law regulating prices, wages and rent.
A. Cournot E. Chamberlin	A structural approach to understanding competition; a principle possibility of controlling the market by its participants
K. McConnell, S. Brue	Competition is a great amount of independent sellers and buyers in the market; a possibility for market participants enter and leave it easily
J. Schumpeter	Competition is a rivalry between old and innovative products
F. Hayek	Competition opens a real way of behavior in the market, enables to understand if potential profit of the enterprise justifies inconveniences and risks connected with it
G. Azoev	Competition is a rivalry between participants for gaining the target
E. Ivanova	Competition is an independent rivalry in the open and free competitive system between participants that can be compared
R. Fathutdinov	Competition is a process of regulating competitive advantages by economic subjects
A. Udanov	Competition is a struggle between companies for the limited volume of consumers’ solvent demand
M. Porter	Competition is a dynamic and developing process regularly changing the landscape where new products, new ways of marketing, new productive processes and new market segments constantly emerge

Table 1: The essence of the notion “competition” offered by European and Russian scholars [1]

The table shows that each concept of competition implies its own cognitive target. Thus, working out a universal theory of competition, reflecting the whole variety of approaches for its understanding is a problem that is hard to solve nowadays.

It is also necessary to consider competition as a phenomenon resulting from market economy and developing with the evolution of the economic system. A retrospective analysis of the competition theory helps researchers to realize the reasons of its emerging, mechanisms of actions, its connection with other economic phenomena and evolution of the economic system.

Preconditions to researching “competition” and its economic relations began to emerge in principal books on economy more than two centuries ago. To be more exact, the first scientific approach to understanding the notion “competition” appeared at the end of the eighteenth century. Adam Smith is considered to be a founder of classical political economy. According to his opinion, competition is a phenomenon that is typical for market economy. He identified it as an “invisible hand”. He also defined some conditions that were necessary for existing “free competition” within the limits of which it could be restricted only by subjective reasons. A. Smith compared competition to rivalry that could influence prices. Moreover, he offered some positions of a “free competition” model [2].

Continuing to analyze the concept of free competition D. Ricardo formed its theoretical model and emphasized its role in fixing a price balance. He also made known mechanisms of influencing “free competition” on profit rate and wages changing [3].

Thus, in the eighteenth century, scholars formed a behavioral approach to understanding competition based on knowledge of market relations. Later this approach became a foundation of a contemporary theory of “competition”.

Considering the notion “competition” researchers of political economy school concluded the following: competition is the only force regulating market relations. Thus, they put the main accent on studying mechanisms of fixing market prices.

The representatives of neoclassical school (A. Cournot, F. Knight, etc.) worked out a theory of perfect competition, developing A. Smith’s theory of “free competition”. Having built a model of ideal competition, they set main conditions of existing this theory, defined more precisely the influence of competition on the price [4]. Further

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transformation of economic concepts resulted in evolution of the competition theory.

The accelerating development of society and monopolization of markets revealed disparity of theoretical theses in economic practice. Developing and adding the theory of “perfect competition” A. Marshall criticized this theory and laid the foundation of the monopolistic model of competition [5].

Studying the inner organization of competition as a phenomenon, representatives of neoclassical school began to adhere to a structural approach of defying it. The peculiarity of the given way is the priority of market analysis and conditions of studying companies’ struggle with each other. The aim of the approach is to offer companies a possibility to influence the price level rather than a reason of gaining in competitive struggle.

New considerations of approaches to realizing the notion “competition” and expanding a scope of problems, which were studied from the viewpoint of their influencing competitive forces, became possible due to changing the notion essence of competition.

At the beginning of the twentieth century serious economic crises made scholars reconsider the theory of “perfect competition” that did not correspond to realities from their point of view.

The theory of monopolistic competition offered by E. Chamberlin and the theory of “imperfect competition” suggested by J. Robinson filled the gaps, which emerged in methodology [6,7].

The absence of conditions of “perfect competition” made researchers reconsider market mechanism, and the next approach, that studied competition as an economic phenomenon, was structural. A fundamental theoretical base was adjusted to market models of monopolistic competition, monopoly and oligopoly.

The middle of the twentieth century enriched the theory of competition by a new approach to its understanding – functional. According to it, J. Schumpeter considered competition as rivalry between old and innovative products; F. Hayek interpreted competition as “the procedure of opening a real way of behavior in the market” [8, 9]. The supporters of the given approach focused special attention on the concrete peculiarities of competition and the consequences of the competitive struggle.

The majority of economists consider competition to be a process. E.g., D. Armentano wrote that competition is a constant process of rivalry between sellers for making potential clients to become regular ones. The main accent was focused on strategies that defined price policy, product differentiation, advertisement, service, research and development, technological innovation and many other factors directed to sales and followed by profits. Competition is not mere mechanical optimization with definite limitations; it is a constant search and application of possibilities of getting profit in uncertain conditions. The distribution of resources is effective if competing producers are involved in the searching process and react adequately to constantly changing market conditions [10].

Some Russian scholars shared D. Armentano’s opinion. One of them is A. Mokronosov who also declared that competition is a part of the market environment that changes the market itself and the companies existing there. Understanding the dynamic character of competition

enabled him to admit the correlation between competition and monopolies as competition between producers of differentiated products and price discrimination [11].

To V. Krivorotov's mind, market competition is a struggle for stable and increasing consumers' recognition that results in getting profit. The activity of economic subjects occurs in conditions of resources limitation that are necessary both for the production process and consumers' demand for this production [1].

Competition is a universal phenomenon and this fact enabled scholars to suggest the following approaches to defining "competition" in dependence on the purpose of research (table 2).

<i>Purpose of research</i>	<i>Approaches to defining "competition"</i>				
	<i>Behavioral</i>	<i>Structural</i>	<i>Functional</i>	<i>Complex</i>	<i>Dynamic</i>
Purpose of interpretation	Show methods of competitive struggle, principles of choice of the behavioral strategy of enterprises in the market	Define the market structure	Show the role of competition in economy	Systematize and give a complex evaluation of the notion "competition"	Admit the diversity of correlation between competition and monopolies
Basic researchers	A.Smith, D.Ricardo, A. Marshall, P. Heine, M. Porter etc.	A.Cournot, J. Robinson, E.Chamberlin etc.	J. Schumpeter, F. Hayek, Yu.Korobov, G. Azoev etc.	V. Krivorotov, A. Kalina, S.Erypalov, etc.	A. Mokronosov, I. Mavrina, etc.

Essence of the approach	Competition is a force that characterizes the interaction of supply and demand, provides a functioning mechanism of market pricing and regulates proportions of mass production	Competition is a principal possibility or impossibility of influencing some economic subjects on general level of prices in the market (if this influence is impossible – competition is perfect, otherwise – competitions is imperfect)	Competition is an active process of rivaling interaction and an indispensable market attribute	Competition is a complex of economic relations resulting from market rivalry of economic subjects that are interested in gaining the same target in conditions of resources limitation that enable to gain the same target	Competition is a multi-level phenomenon that emerges on different economic levels (macroeconomic, mezo-economic and microeconomic) and in different aspects (the way of coordinating economic active ity, mechanism of interacting market agents, the way of gaining economic targets, the way of achieving competitive advantages)
The approach accent	Struggle between companies	Analysis of the market structure and conditions dominating there	The role of competition in economics	Economic character of competition that defines the activity of the economic subjects existing in the market	Process of the market development

Table 2: Approaches to defying the notion “competition”

Thus, having analyzed the views of representatives of different approaches to understanding the notion “competition” enables us to conclude the following:

- the concept “competition” implies a cognitive function, being a means of achieving other economic phenomena and processes; necessary attention was not paid to its own value;
- different views at the competition essence and its driving forces is a process accompanying the development of the economic system;

- working out the theory of contemporary competition should be realized using various approaches.

Being an economic phenomenon competition cannot be realized by itself. This process is done through competitive struggle of economic subjects and their ability to hold their market share. In this connection, such a category as “competitiveness” took a strong position in economics.

Competitiveness is an ability to keep high economic effectiveness in terms of competitive struggle. Nowadays the notion “competitiveness” is used for categories of different levels: competitiveness of products, companies, branches, regions and countries. Branch and country competitiveness finally depend on the ability of definite producers to produce competitive products.

On the one hand, there is a close correlation and interdependence between notions of “competitiveness” on different levels. But on the other hand, notions “competitiveness of the country” and “competitiveness of the branch” are differentiated in the following:

1. target functions of these objects are different;
2. the target direction can considerably differ, it depends on historic traditions and traditions of people living there;
3. all countries differ greatly in scales, their role in world history, economic and geopolitical potential.

Competitiveness is a universal indicator that can be used in many spheres of life and activity. It is an economic category by its essence. The majority of scholars confirm that the notion “competitiveness” should be applied to economics more rather than other sciences.

The whole variety of competitive relations occurring in economy is divided into three levels:

- micro level (concrete products, production, enterprises) – characteristics reflecting quality and price of products;
- mezo level (branches, groups of enterprises) – characteristics providing sustainable improvement of indicators of effectiveness of industrial resources branches;
- macro level (economic complexes, countries, associations of countries) – characteristics reflecting a general state of economic systems, their balance and investment climate.

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Hence, a macro level defines main conditions of competitiveness of the whole economic system. A mezo level of competitiveness forms perspectives of the development of branches and corporations that comprise a group of enterprises. On a micro level competitiveness gets its final completed form such as competitiveness of enterprises, products etc. that is expressed in correlation between price and quality. This correlation depends on conditions formed on previous two levels, on personnel of enterprises, their abilities to apply both their resources and national economic and branch advantages.

Alongside, this multi-level character, competitiveness has a whole number of other peculiarities. Economy can be analyzed from the point of view of external and internal competitiveness. While considering external economic competitiveness one implies a share of branches in export or, talking about products and services, an ability to sell products and services in global markets is meant. Enough quantity of products and services in the export structure provides a stable solvent balance of the country.

Consideration of a multi-level character of competitiveness enables us to make a hierarchy of the notion “competitiveness” of market subjects (table 3).

<i>The level of hierarchy</i>	<i>Definition of competitiveness</i>
country competitiveness	The ability of the country to produce products and services corresponding to the demands of global markets and making conditions for increasing state resources at the rate that allows to provide sustainable growth rate of GDP and the quality of population’s life corresponding to the world level

region competitiveness	The ability of the region to produce products and services corresponding to the demand of internal and global markets, making conditions for increasing regional resources for providing the growth of potential competitiveness of economic subjects at the rate that allows to provide sustainable growth rate of GDP and the quality of population's life in the region corresponding to the global level
branch competitiveness	The ability of the branch to produce products and services corresponding to the demands of internal and global markets and making conditions for increasing the potential of competitiveness of branches enterprises on the basis of basic macro o technologies
enterprises competitiveness	A relative characteristic that shows a difference in the development of a particular organization and the development of a competitive organization through the rate of meeting people's needs with its products and through the effectiveness of the productive activity
production competitiveness	A combination of qualitative and pricing characteristics of the products that meets concrete needs of consumers and profitably differs from rivalry products

Table 3: The hierarchy of the notion "competitiveness of market subjects"

One of the characteristics of competitiveness is the necessity of its quantitative assessment. Its absence results in subjective character of maintaining the level of competitiveness and its increase. In this connection, one can confirm that competitiveness has a multi-aspect character. This category can be classified as assessed that implies the presence of the assessment subject (a person who does it), a target (criterion) of competitiveness assessment. Subjects of competitiveness assessment can be government, organizations, investors, consumers etc.

The objects of this assessment are the objects and subjects of competitiveness. The targets (criteria) of assessment can be a market position, rates of development, returning borrowed funds etc. Products, work and services are traditionally referred to objects. Besides, production, legal documents, research and development papers, technology, personnel, securities, information, infrastructure can be considered as objects of competitiveness [12].

Competitiveness possesses a relative character and can be seen only while comparing the analyzed object (subject) with objects (subjects) competing with it. This comparison should meet complete and definite needs. The exceptions are rare cases having an "absolute" character of competitiveness, such as products, possessing unique characteristics that do not have substitutes, monopolistic enterprises.

Competitiveness has such an important characteristic as concreteness, i.e. one implies concrete conditions, concrete market and concrete time. Moreover, competitiveness possesses a dynamic character. It changes with time and it depends on the life cycle of the subject (object) of competitiveness. It also changes in the internal and external environment and some other conditions.

Besides, one of the most important peculiarities of competitiveness is its possibility to be influenced, i.e. to be regulated as one of the most important parameters of strategic development. Competitiveness also possesses such a characteristic as contradiction that combines interests of consumers and producers.

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