

THEORETICAL APPROACHES TO CONCEPT OF “COMPETITION” AND “COMPETITIVENESS”

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Abstract

The article deals with the theoretical and methodological interpretation of the economic essence of the categories of “competition” and competitiveness. The basic aspects of the categories under investigation are illustrated here. The results of the research are revealed in theoretical terms, making clear the scientific achievement of domestic and foreign scientists, providing a comprehensive analysis of the conceptual structure of basic theoretical issues of competitiveness with the help of the method of analysis and synthesis. And also it forms a comprehensive notion of the concept of differentiation and its derivatives.

Key words: *competition, competitiveness, competitive mechanism.*

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I. INTRODUCTION

Competition is the most effective mechanism for regulating the market processes, which provides economic freedom undertakings and encourages them to increase their competitiveness. The level of competitiveness of enterprise, area, sector, country depends on the development and growth of the economy, increasing the innovation process, standard of living, the importance of the country in world markets, the level of economic security that determines the relevance of this theme.

Scientific and theoretical aspects of competition were introduced and summarized in scientific works by A.Smith, D.Rikardo, J.Robinson, E.Chemberlen, A.Marshall (Marshall, 1993), J.Schumpeter, F.Hayek, and K.Makkonel, S.L.Bryu (McConnell and Bryu, 1992), M.Porter (Porter, 2005), R.Fathutdinov (Fatkhutdinov, 2005), H.Azoyev (Azoev and Chelenkov, 2000), F.Zavyalov (Zavyalov, et. al, 2005), A. Yudanov (Yudanov, 2001) and others. Among Ukrainian scientists who studied the problem of competition and competitiveness should be distinguished Y.Bazylyuk (Zhalilo, et. al, 2005), M.Malik, N.Mazur, A.Mokiy (Mokiy, 2010) I.Li.15, N.Tarnavska (Tarnawska, 2008), P.Sabluk (Sabluk and Kropyvko, 2010), S.Mochernyi (Mochernyi, 2000), I.Piddubnyi (Piddybny and Piddubna, 2007).

The objective of the article under discussion is to determine the essence of the notions “competition” and “competitiveness” as the basic economic phenomena.

II. THE INVESTIGATION RESULTS

The term “competition” has never been used in Soviet economy. That is why the first years of Ukraine’s independence were marked with a rather cautious attitude to the competitive mechanism. However, in the process of formation of Ukrainian national economy this attitude has changed considerably. It is considered now as a basic economic market method. Besides, this period is also marked with a growing interest in the theory of competition and its peculiarities by both domestic economists, and the business entities.

“Competition contains various aspects. Nevertheless its basic function is obvious: efficient competition makes any market economy work without a hitch,” – said V.Shepard (Mazytkina and Panichkina, 2009).

Competition does not let business entities stop at the achieved results, but makes them constantly improve and develop (Cherven and Yevchuk, p.6). Notwithstanding the fact that the notion of competition appeared long ago, the present-day term “competition” comes from the German word “konkurrenz”. The latter is closely connected with the Latin words “concurro/concurrentia”, which denoted different phenomena (merging and

interpenetration on one hand; collision competition rivalry – on the other hand). In other words, they reflected the processes of interaction and were used to denote them (Rubin, 2003, p.23).

According to the Law of Ukraine “On Protection of Economic Competition”, the latter is a contest between the business entities with the aim at attaining advantages over their rivals. As the result of this contest, consumers have an opportunity to choose between a few sellers whereas business entities are not able to determine the conditions of goods circulation at the market (Law of Ukraine “Protection of domestic producers from dumped import”, 1998).

Nowadays, there exist a great number of interpretations of the word “competition”. Economics includes three conceptual approaches to this term depending on the origin of the market and business entity interaction: “behavioural”, structural and functional (Table 1). As an economic notion, the term “competition” means economic contest or rivalry between separate producers of goods and services, and connected with their sale to the same consumer (Klimenko et.al, 2006, p.11).

Table 1. The approaches to understanding competition (Mokiy, 2010, p.20)

| Authors of difinition | Definition of “competition” |
|---|--|
| A. Smith, M. Porter, A.Radyhina (behavioural approach) | - identifying peculiarities and strategies of the business entities’ behaviour in a rivalry for financially efficient demand; - the business entities’ motivating with the aim of providing competitiveness at the market. This approach lies in the consumers’ capital thought the maximum satisfying of their needs; - neglecting the fact that competitive rivalry takes place not only for the most financially efficient demand but also for monopoly over the distribution markets, raw materials sources, achievements of scientific progress, qualified labour force, etc. |
| F. Edzhwarth, A. Cournot, J.Robinson, E.Chemberlain (structural approach) | - the impersonal market mechanism does not depend on the activities of certain individuals and business entities. Only the market structure and the conditions of its functioning are of primer importance; - competition is considered as mechanism of social production regulation which leads to interbranch migration of productive factors; - the competitive market is marked with numerous buyers of similar products. The volume of sales within such a market is so small that it is not able to influence the product price. |
| Y. Schumpeter, F.Hayek (functional approach) | - competition is viewed as a factor of economic growth which is the result of business entities’ being oriented on the introduction of innovative development strategies; - to achieve competition at the market, the business entities have to reduce expenses on production and to offer their consumers new products for satisfying the growing demand. |

The contemporary economists more often stick to another definition of competition: they do not consider it as a process of struggle and rivalry, but rather as a process of economic interaction between the business entities under certain conditions and in certain situation. That is why there arises some terminological confusion on the level of notional perception. Thus, there are the following definitions of competition in modern economic literature:

- the process of economic interaction, interconnection and rivalry between the market enterprises which set the goal of providing better conditions for selling their products and satisfying the consumers’ needs (Azoev and Chelenkov, 2000; Zavyalov et. al, 2005; Rayzberg et. al, 2004);
- a larger amount of independent buyers and sellers at the market, which provides the opportunity to enter and to leave the market without any effort (McConnell and Bryu, 1992);
- a contest between the individuals, particularly in case of buying or selling something (Marshall, 1993);
- economic process of interaction, relationship and struggle between acting on market companies in order to provide better opportunities to market their products to meet different customer needs and getting the highest possible profit (Mokiy, 2010, p.19);

➤ the process of the business entities managing their competitive advantages for achieving their goals in the rivalry with other competitors; the process of satisfying objective and subjective demands within the law or in vivo (Fatkhutdinov, 2005, p.30);

➤ a contest between producers for the most profitable investments segments, markets and raw materials (Klimenko et. al, 2006, p.12);

➤ economic rivalry and contest between private and collective producers and sellers of goods and services for the most favorable conditions of production and sale; for scoring the maximum profits. The proportions of social production are regulated spontaneously within the process (Economic encyclopedia, 2000, p.818);

➤ product competitiveness is the bases of any competition. It is a system of economic, managerial, technical, normative, legal, distributional and ecological factors, which in their turn provide high quality of a product and demand for it at the market in the process of interaction (Kopystko, 2010, p.61).

Consequently, it is possible to come to the conclusion that there exist many approaches to defining economic competition that have numerous aspects and levels. One may distinguish the following features of the present-day competition:

- it functions in the market medium;
- it is the principle method of economy;
- it is marked with the economic processes of interaction, interconnection and contest between the business entities;
- it should contain a legal nature of competitive rivalry;
- it may occur on different system levels (micro-, meso-, macro-, megalevels);
- it is an indicator of economic growth, since it makes the business entities introduce innovative development strategies;
- it appears between the business entities producing similar goods and services, or complementary goods;
- it encourages the producers to look for their competitive advantages and to improve them further on;
- it presupposes some mutual affect of the competitors;
- it allows a few producers at a time to score the necessary results (to achieve success).

It is obvious that all enterprises are eager to satisfy the demands of their consumers to full extent. For this reason they have to achieve some competitive advantages due to the application of various intensive production methods, due to the usage of new distribution policy, etc. The ability to create, to support and to develop the competitive advantages is characterized by the notion of “competitiveness”, the latter getting its importance only in a competitive rivalry.

One can not find the universal interpretation of the category “competitiveness” in the scientific works by economists, since each of them implements his own understanding of this notion, the latter completely depending on the aspects under investigation.

Let’s trace out the etymology of the notion “competitiveness” in order to understand its essence better. The modern word “competitiveness” has two ways of translation: “competitive ability” and “competitiveness”. The former is usually used in Sciences. However, almost all references, made by Ukrainian and Russian economists, touch upon the latter translation (Dictionary Abbyy Lingvo). The verb “to compete”, lying in the bases of the word “competitiveness”, comes from the Latin “competere” (the prefix “com” means “interaction” and the verb “peter” means “to crave for”). In Slavic languages (Ukrainian, Russian, Bulgarian, Belorussian, Polish, Czech, Slovakian, Macedonian, Serbian, Croatian) the stem of the word “competitiveness” comes from another Latin word “concurrere” which consists of the prefix “con” (identical to “com”) and the verb “currere” (“to run”, “to compete when running”) (Etymological dictionary, 1985, p.551).

Competitiveness is the notion presupposing the rivalry of two or more subjects which crave for the same goal.

To get the more profound understanding, of the notion “competitiveness”, let’s have a look at Table 2 which contains the views of economists upon the category under discussion.

Table 2. Scientific views of economists to determine the category competitiveness

| Authors of difinition | Definition of “competition” |
|---|--|
| M.Porter (Porter, 2005, p.209) | The scholar claims that there exist no universal definition of the notion of all subjects and objects of economic activity |
| S.Ozhehov (Klimenko et.al, 2006, p.28) | The ability to stand competition and to resist the competitors |
| R.Fathutdinov (Fatkhutdinov, 2005, p.268) | Competitiveness – a property of an object that is characterized by the degree of actual or potential satisfaction of specific needs in comparison with similar objects represented in this market. Competitiveness determines the ability to compete in comparison with similar objects in this market |
| V.Stivenson (Adler et.al, 1999, p.65) | Competitiveness describes that “how well the company meets customer needs compared with other companies that offer a similar product or service.” |
| V.Hrutskyii, I.Korneeva (Klimenko et.al, 2006, p.28) | Competitiveness – is a stable opportunity to meet the specific needs of customers better than competitors, and thus successfully sell products with acceptable financial results for producers. |
| M.Knysh (Klimenko et.al, 2006, p.28) | The degree of attractiveness of the product, for carrying out the actual purchase of consumer |
| I.Piddubnyy, L.Piddubna (Pidybnny and Piddubna, 2007, p.60) | Competitiveness – an integrated feature of the economic system, which leads to realisations of undoubtedly the purpose and functioning of achievement which are required and adequate for active positioning system in a competitive market space. The authors emphasize the role of systemic competitiveness ability, which is determined by its causal relationships with effective parameters and input-output process in a market system and is imperative factor system of functioning market |
| B.Rayzberh [Rayzberg, 2004) | Competitiveness – is a real and potential possibility for businesses in the existing conditions to design, produce and sell goods with more attractive to consumers price and non-price characteristics than the products of they competitors. |
| T.Harchenko (Kharchenko, 2003, p.71) | Competitiveness – is caused by economic, social and political factors situation of the country or individual producers on domestic and foreign markets |
| S.Mochernyi (Economic encyclopedia, 2000, p.813) | Competitiveness – a consumer properties of goods (services) that distinguish it from competing products in terms of their compliance with specific needs, requirements of the competitive market based on the cost of their satisfaction. |
| V.Pastuschyn (Mokiy, 2010, p.26) | Competitiveness – a measure of the attractiveness of consumer products, determined by a combination of economic, technical and qualitative characteristic. |
| Experts of the International Marketing Group (Zhalilo et al, 2005) | Competitiveness – the ability of the product or enterprise to satisfy a specific need in comparison with similar objects on the market, it determines the ability of an object to withstand competition from similar objects on the market. |

Taking into account the definitions presented in the table, we might distinguish the following peculiarities of the notion of competitiveness:

- there exists no universal definition of this term in Economics. Sometimes it is associated with the competitiveness of some enterprise, firm, company, economic system; or with the competitiveness of goods and services;
- the notion of competitiveness may be applied with concern to different objects on various system, level (micro-, meso-, macro- and megalevels). That is why, it depends on the objects it is applied with;
- this term is determined as the state or the feature of an economic system;
- it may be determined only if compared to the similar object at a scientific, technical, productive, managerial, marketing and other potential of any business entity.

III. CONCLUSIONS

The research concerning the notional perception of competition and competitiveness as well as the generalization of approaches to their essence enabled us to work out some theoretical base for determining competitiveness of enterprise. Besides, they helped determine peculiarities, role and place of competition and competitiveness in the market environment. Each of the approaches views on understanding of the concept of “competition” and “competitiveness” focuses on certain aspects, but is not universal for the theoretical and practical use. Distribution of integration and globalization in the world economy will contribute to the emergence of new theories that will take into account the rapid development of international economic relationship.

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