

The Essence and Factors Determining the Competitive Capacity of an Enterprise

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Abstract: In the modern conditions of competition and unprecedented acceleration of the technical progress organizations experience steady pressure of competitors forcing them to continuously optimize the manufacturing and administrative processes. Therefore, today the issue of managing the competitive capacity of an enterprise is especially acute. Interest of enterprises in their performance enhances the necessity of improving competitiveness of the products made which requires improvement of operation of all services and units of an economic entity. Competitiveness is an important factor of assuring the security of an entity that is survival thereof in the severe conditions of reality and its further effective development. Thus by managing such important characteristic as competitiveness efficiently one may achieve significant results in the sales system, since competitive capacity is the determining factor of achieving success at the market. However in order to investigate, the structure of the system of managing the competitive capacity of an enterprise one shall have the complete idea of the competitiveness of his product. The knowledge of the product position at the market will help the company to develop the adequate managerial solutions aimed at strengthening of the existing competitive advantages and management of the shortcomings. There are rare attempts to consider the competitiveness of a product on the basis of properties of the potential consumers thereof. This aspect is crucial in terms of selection of the effective competitive strategy. This is why, special attention shall be paid to analysis of the consumer properties that are relevant from the perspective of the product competitiveness at the market. Identification of the main characteristics of these properties allows allocating the portion of information that shall be collected and processed as the result of performance of marketing surveys.

Key words: Region, management, regional management, competition, competitiveness, enterprise, competitive capacity of an enterprise, competitiveness of a region

INTRODUCTION

At the current stage of development of the Russian economy the distinctive feature of formation of the trend of its progressive dynamics is the significant influence of the behavior of the global raw materials market the trends of which currently cause the disproportionality of the economic development of the subsystems of the national economic system which preconditions decrease in the business activity within the industrial sector. This in its turn, determines formation of tending to reduced competitiveness of the Russian economy which is not consistent with the goals of the long-term development declared in the Strategy of Development of the Russian Federation until 2020. It shall be noted that the risks caused by the development of the 'Dutch disease' will gradually increase along with the growth of the impact of the World Trade Organization in the national economic system which necessitates the

design and implementation of the modern improved mechanisms of managing the competitive capacity of industrial enterprises which will allow forming the stable basis for the mid and long-term development of the national economy. Management of this process shall be coordinated at the regional level which will allow taking into consideration the peculiarities of development of the territorial subdivisions which in its turn will promote to achievement of the maximum efficiency of the region development and reduction in the differentiation degree.

The solution of the task set suggests formation of the scientifically substantiated mechanism of the regional management of the competitive capacity of industrial enterprises that shall be implemented with the use of the socio-economic policy which will allow exerting the balanced influence on different elements of the meso-scale. Improving competitiveness of industrial enterprises suggests improvement of the processes of

regulation of their activity at the meso-level on the basis of implementation of principles of indirect and parametric control of the social-economic systems which will allow improving the efficiency of the regional management measures. Implementation of such approach shall be based on implementation of the system of managing the competitive capacity of the regional industrial enterprises within the framework of pursuance of the social-economic policy and under due consideration of interests of the state, business community and households and observance of the Pareto principle optimality by formation of sets of administrative actions. Thus, upon the rational organization of the regional management of the competitive capacity of industrial enterprises there shall be created the most favorable conditions for development of the industrial companies at the meso-level which in its turn will allow assuring the formation of the stable basis for the long-development of the regions.

The specified circumstances prove that the sustainable management of the competitive capacity of industrial enterprises within the frameworks of implementation of the social-economic policy suggests formation of the scientifically substantiated system of managing the relevant processes at the meso-level.

The concept 'competitiveness' entered the Russian economy along with the development of the market relations having substituted the concept 'socialist competition' used in the centrally planned economy for description of the competitive activity process. One of the first books concerning the competitive capacity was the book 'Competitiveness of the Russian Industry' issued by the Expert Institute and the Chamber of Commerce and Industry of the Russian Federation in 1996. Since, then the word 'competitiveness' may be seen and heard every day in the mass media at conferences, symposia, meetings.

During the process of development of the world economy, flooding of the market and increase in competition between the manufacturers of products and services the term 'competitiveness' became one of the fundamental ones in the business, administrative, economic and political life. Providing competitiveness is the strategic goal of each industrial enterprise. In order to solve this task enterprises need to develop their own concept of management of the enterprise competitiveness that will serve as the guarantor of the successful business activity district.

Competitiveness is a complex and multi-dimensional property ensuring transformation of the product of labor into products and services consumed by the population and profiting the manufacturers and sellers. The demand for products and services plays an important role in the

market economy conditions. It assures the sustainable economic development of enterprises and allows them existing and developing.

Let's consider the essence of the terms 'competitive capacity of enterprises' and the products manufactured by them.

The term 'competitiveness' itself translated from the Latin means 'competition', 'collision' and represents a form of the mutual competition of the market economy entities. The term 'competitive capacity' is derived from the words 'competitor' and 'capacity' and may be interpreted as 'to be able for competition'. In general terms, the competitive capacity may be understood as featuring properties creating advantages for the economic entities.

According to the definition accepted in the Organization for Economic Co-operation and Development (OECD), the competitive capacity is the capacity of companies, industries, regions and nations to create a relatively high income and wages level remaining open to the international competition. The competitive capacity may be defined as the property indicating the level of the entity attractiveness to a consumer.

Today the issue of managing the competitive capacity of an enterprise is especially, acute as in the conditions of the financial crisis the formation of a competitive environment and competitive capacity of the national manufacturers as one of the key trends of activity aimed at overcoming the crisis in the Russian economy and the food industry in particular gains in importance.

Today, the severe competition for the public resources and revenues between the market sectors results in the separation of the productive capital from the financial one, the capital flow to the most profitable spheres of the intermediate trade and financial transactions. The internal macroeconomic conditions in which the Russian product manufacturers and in particular, the food enterprises, operate, undercut along with the severe pressure on the Russian market on the part of the Foreign exporters the positions of the national enterprises at the domestic markets.

Internationalization of economy, increase of the import pressure, the demand according to the conditions of the competitive market set before the national industrial enterprises the task of the detailed analysis of the factors and conditions under which their competitive edges are formed. Today, it determines the increased interest in the scientific research in the area of management of the competitive capacity of industrial enterprises.

Interest of enterprises in their performance enhances the necessity of improving competitiveness of the products made which requires improvement of operation

of all services and units of an economic entity. Competitiveness is an important factor of assuring the security of an entity that is survival thereof in the severe conditions of reality and its further effective development.

Thus by managing such important characteristic as competitiveness efficiently one may achieve significant results in the sales system since competitive capacity is the determining factor of achieving success at the market.

In order to investigate the structure of the system of managing the competitive capacity of an enterprise one shall have the complete idea of the competitiveness of his product.

The knowledge of the product position at the market will help the company to develop the adequate managerial solutions aimed at strengthening of the existing competitive advantages and management of the shortcomings.

There are plenty a lot of research works dedicated to the issues of the competitive capacity and analysis thereof that were published both in the national and foreign printed media. The variety of publications represents the objective complexity of the subject of the scientific research.

PROCEDURE

The analysis of the research studies dedicated to this problem and the results thereof showed that such a crucial aspect determining the competitive capacity of a product as properties of consumers of this product remained to be almost unexplored. Emphasizing the significance of evaluation of the consumer properties of a product researches almost do not develop this aspect. In most of the studies, the main emphasis is laid on the characteristics of the product and the competing products.

There are rare attempts to consider the competitiveness of a product on the basis of properties of the potential consumers thereof. This aspect is crucial in terms of selection of the effective competitive strategy. This is why, special attention shall be paid to analysis of the consumer properties that are relevant from the perspective of the product competitiveness at the market. Identification of the main characteristics of these properties allows allocating the portion of information that shall be collected and processed as the result of performance of marketing surveys.

However, it shall be noted that today the researchers do not share a single opinion as to approaches to assessment of the competitive capacity of different market

economy entities. It is also difficult to apply the theoretical results obtained by the examples of the specific entities in the other spheres in practice. Thus, the results of most of the studies in the area of assessment of the competitive capacity are focused on the particular branch of production (or services) and do not feature the universal nature which makes it difficult to use them in the other areas.

Although, the issues of the effective management of the competitive capacity are the subject of research of many Foreign and national researchers most of them focused their attention on the analysis of the competitive capacity at the international market. As to the competitive capacity of particular branches and enterprises at the regional level the issue is almost unexplored as the number of studies taking into account the effect of the regional factors on formation of the market environment is not sufficient.

Before starting considering the effective system of management of the competitive capacity of an enterprise let's analyze the theoretical prerequisites taking as the basis for investigation of this issue. In this regard, the most important theoretical-methodological aspects are the essence and factors determining the competitive capacity, the role and place thereof in the enterprise management mechanism, methodological approaches to assessment of the competitive capacity of an enterprise.

The competitive capacity of an enterprise in conditions of an economic crisis is one of the main indicators of its efficient operation.

The modern market economy requires from an enterprise to improve the efficiency of its operation on the basis of implementation of achievements of the scientific and technological progress, effective business and production management patterns, activation of the business activity.

The analysis of the research papers and publications dedicated to the issues of the competitive capacity showed that in terms of understanding the competitive capacity as an economic category the specialists have developed the seven fundamental principles (Eriashvili, 2008):

- The competitive capacity may be expressed at the free market only
- The competitive capacity refers both to the object (product, service) and subject (product manufacturer, purchaser) of the market relations
- The main factor determining the competitive capacity of an enterprise is the quality of the product (service) both on the part of the manufacturer and purchaser
- The level of the competitive capacity is determined with due account for the level of the consumer's cash income at the particular goods market

- The competitive capacity of a manufacturer is determined by the economic, technological and other parameters as well as the share at the free market
- The competitive capacity of product and services features a dynamic continuously adjustable status
- The competitive capacity is regulated only by the competition established at one or another free market

These are the fundamental provisions from the perspective of which we will consider approaches of different researches in the area of management of the competitive capacity of enterprises.

The performed analysis of the theoretical prerequisites showed the variety of the existing opinions of particular researchers concerning the definition of the competitive capacity of an enterprise and the presence of a great number of contradictions which speaks of the extreme significance and complexity of the issue and necessitates the selection of the most relevant among them.

Let's provide the definitions that in our opinion reveal the essence of the competitive capacity of an enterprise to the fullest extent possible.

In the studies of the American researcher Porter (2006), the competitive capacity is defined as the quality of a product, service and entity of the market relations to act at the market on equal terms with the existing similar products, services or competing entities of the market relations.

According to Fatkhutdinov (2008), the competitive capacity is the ability of a company to produce the competitive products, its advantage against the other companies in this area within the country and beyond it.

This researcher also emphasized that the competitive capacity of a company may be assessed only within a group of companies belonging to the same industry or the companies producing the like products.

Titova and Kozhayev (2008) defines the competitive capacity of an enterprise (firm, company) as the ability to perform the profitable activity in the conditions of a competitive market. According to this author the competitive capacity is provided by the reasonable use by an enterprise of the organizational-administrative, scientific-technical, economic, productive, marketing and other means of conduct of the efficient economic activity.

According to Adayeva (2009) the competitive capacity of an enterprise is the ability of an enterprise to manufacture the competitive products as well as the competitive resistance of an enterprise and ability to adapt to changeable conditions of the competition.

Zabelin (2008) defines the competitive capacity as the ability of an enterprise to bring the return on the capital employed within the short-term period at the rate not lower than the specified profitability.

According to Yershova (2006), the competitive capacity of an enterprise is the ability of an enterprise to manufacture the marketable products upon the efficient use of the production, staff and financial potentials.

In the studies by Pichurin (2007), the competitive capacity is characterized by the actual and potential capacity of an enterprise as well as by the existing capabilities to design, manufacture and sell the products that by their price and non-price characteristics as a whole are more attractive to consumers than the competing products.

Thus, the variety of opinions concerning the essence of the competitive capacity of an enterprise allows formulating the following definition of the 'competitive capacity' concept.

The competitive capacity is the set of capabilities of an enterprise to form and maintain its competitive edges allowing to most efficiently satisfy the actual and potential needs of the target markets.

Within the set of capabilities constituting the competitive capacity of an enterprise the following factors are the most relevant ones (Misakov, 2009):

- The quality of products and services
- Profitable economic activity
- Availability of the sources of financing
- Presence of the effective marketing strategy
- Level of the staff skills and the management system
- Technology level of production

The degree of strengthening of the market positions at the external markets of a single enterprise increasingly shifts from the level of the competitive capacity of products (of an enterprise) to the levels of the competitive capacity of a state (region, industry).

The steady position of an enterprise at the external markets, the level of its investment attractiveness to the strategic partners and the degree of loyalty (confidence) of consumers is to a large extent determined by the level of the competitive capacity of a state (region, industry) as the guarantor of creation of the attractive conditions for the business activity and capital investment.

The analysis of the various opinions of the national and Foreign researchers defining the competitive capacity of an enterprise allowed us specifying the main negative issues requiring improvement and systematization (Azoyev, 2007):

- The concept of a competitive capacity is modified depending on the tasks and purposes of researchers, requirements of the market relations participants (consumers, competitors, investors, partners) and the scale of activity (internal, external markets)
- The concepts of a competitive capacity are most frequently oriented towards evaluation of the level as of the current date without regard to the factors determining the potential of increase in the competitive capacity
- The concepts of a competitive capacity do not feature a strict hierarchy by the level of management (enterprise, industry, region, state) due to disconnectedness of the studies and lack of understanding of the significance of the competitive capacity of the market participants of higher management levels to the lower management levels in terms of solution of the tasks of strengthening the market positions at the external markets
- The concept of the competitive capacity for particular market entities is not consistent with the procedures of evaluation thereof which results in the inconsistency of parameters and criteria misrepresenting the actual level of the competitive capacity

The variety of the methodological approaches of the authors to analysis of the competitive capacity as well as the isolated investigation of one or another object without regard to the position in the concept hierarchy and allocation of the reference level of the competitive capacity determining all the other levels do not allow developing the system of the standard tactic and strategic managerial solutions by the socio-economic systems of a higher level (industry, region, state) in order to increase the level and building up the competitive capacity of the enterprise, products.

It also appears to be difficult to coordinate the mechanisms of interaction between different market participants by formation of the competitive edges and strengthening the positions at different kinds of markets (regional, inter-regional, international).

In this regard in our opinion for the purpose of coordination of actions of different manufacturers and different management levels by development and adoption of managerial decisions concerning the mechanisms of the economic growth there shall be formed the single conceptual and methodological framework allowing assessing the competitive capacity of each market participant on the one part separately from each other, on the other part within the system of the management level hierarchy.

At the same time, the parameters of assessment of the lower level of the competitive capacity shall be incorporated as the reference variables in the parameters of assessment of the higher hierarchy level (enterprise, industry, region, cluster, state).

MAIN PART

Today within the economic literature the disputes concerning the selection of the basic concept and the basic level of a competitive capacity are still being held. Along with that the unambiguous interpretation of the basic level of the competitive capacity determines the exact differentiation of the parameters of evaluation of the competitive edges and the competitive capacity (Fatkhutdinov, 2006).

In our opinion, depending on the level of the competitive capacity there can be observed the transition from the category of the competitive capacity of items (products, services), objects (demand, market, factors of production) to the category of the competitive edges factors (external or internal) by the management levels. Thus, by assessment of the competitive capacity of a state the presence of the competitive products is the internal competitive edge of a state. By assessment of the competitive capacity of products the presence of the competitive state is the external competition edge for an enterprise.

It is reasonable that within the hierarchy of the competitive capacity concepts the basic one is the competitive capacity of products that may be considered in terms of different products (of the production-engineering, consumer purpose, services, information, etc.).

The main manufacturers of products are enterprises, industries, regions, states entering the competition for consumers, for markets (commodities, industrial, territorial); for the factors of production (earthy-raw, production-engineering, labor, and financial resources); for investments. The basis for the level of the product competitive capacity is the level of an enterprise.

The analysis of the competitive capacity of enterprises proposed by different researchers allowed us drawing in the conclusion that most frequently the competitive capacity of an enterprise is reduced to the capability of an enterprise to manufacture a competitive product.

However, taking into account that today enterprises may manufacture different kinds of products and simultaneously operate at different (goods, industrial) markets within the frameworks of diversification strategies

at each moment the level of the competitive capacity of an enterprise and that of the products manufactured by it do not match.

First of all, it shall be noted that as the basis for comparison of the level of the enterprise competitive capacity the figures by the competing enterprises and not by the products manufactured are used.

Along with that by comparing a particular enterprise with the competing enterprises the different categories of competitors shall be taken into account: direct competitors (manufacturing the same products), indirect competitors (manufacturing the substitute products), potential competitors (manufacturing products or providing services that allow satisfying the specific need in another way) that may refer to different branches or areas of activity (Tulynin, 2007).

Selection of some or other kinds of competitors for the enterprise under consideration depends on the tasks and objectives of a researcher which in its turn determines the use as the basis for comparison either of different kinds of products (the reference product, the substitute product, the service that allows satisfying the specific need in another way) or different branches featuring their own specifics of development of the competition and market relations.

The concept 'competitive capacity' is also affected by the fact that the enterprise itself may act as:

- The product with the market value at the stock markets (equity price, market capitalization)
- The product having the investment value (value of investments in the existing business and diversification thereof)

The variety of requirements imposed on the enterprise by the market participants: consumers, competitors, investors, management structures of a higher level (industry, region, cluster, state) also changes the list of indicators used for assessment of the competitive capacity level which in turn shall be represented within the conceptual framework.

As a rule, analysis of the competitive capacity of an industry is based on the definition by Porter (2006) who focuses on specifying the criteria of evaluation of the competitive capacity level within the world economy system. Due to the absence of the exact definition the competitive industries are quite often misrepresented as the 'branches of specialization' (including international one) or the 'dominant branches' (featuring the high relative share within the structure of the economy (Karetnikova, 2007).

Along with that according to the author at the world markets there is the competition not between the branches (industries) but the products based on the macro-technologies (technologies that allow manufacturing large-scale products characterized by significant capital intensity which in its turn is determined by the research and material intensity).

The same products within a single industry may feature different level of the competitive capacity in one or another region depending on the functional tasks set. According to the researchers, building up the regionalization (regional integration) in the world economy necessitates providing the exact definition of the concept 'competitive capacity of a region'.

Despite the large number of the economic literature concerning the regional economy today the competitive capacity of a region remains one of the most under-explored concepts which on one hand results in the absence of the uniform evaluation procedure, the set of indicators and criteria for assessment of the competitive capacity level; on the other hand the absence of the consistent approaches to design of the standard managerial solutions and measures aimed at increasing the current level of the competitive capacity and the potential growth.

SUMMARY

Thus, the competitive capacity of an enterprise is determined on the one hand by the factors of the competitive environment on the other hand by the local factors. All of these factors feature, a quite complex composition and structure, are closely interrelated and subject to mutual interference.

The competitive capacity of a product is the determining factor of the commercial success of an enterprise at the developed competitive market (Tsvetkov, 2008). This is the multi-aspect concept suggesting the product compliance with the market conditions, particular requirements of consumers not only in terms of its quality, engineering, economic, aesthetic properties also by the commercial and other marketing terms.

The competitive paucity of a product to a large extent determines the competitive capacity of an enterprise as the product is the result of its activity.

The most important factors determining the competitive capacity of an industrial enterprise include the following: the enterprise capability to design and manufacture the fundamentally pioneer products; the capability of an enterprise to arrange an efficient distribution network and product maintenance; pricing efficiency and sales promotion; the quality and original

properties of the products (Mikheeva, 2008); efficient cooperation with consumers; stable and wide range of products (Konysheva, 2007). The competitive capacity of an enterprise is to the fullest extent represented by the factors based on the specification of the particular functions (production, sales, marketing, management, finances, etc.).

Therefore, the subsystem of managing the competitive capacity of an enterprise includes the analysis of each factor of the competitive capacity by the specific features. However, the number of indicators characterizing the internal factors of the competitive capacity of enterprises in different industries is quite various and differs significantly.

CONCLUSION

The comparative analysis of the concepts of the regional competitive capacity performed by us allows stating that the competitive capacity of the region is most frequently considered as “the capability to create conditions at the internal and external markets” (Abramov, 2008; Golubkov, 2007; Kurenkov and Popov, 2010) or “efficiency of the use of resources” (Aniskin, 2006).

However in our opinion, the methodological approaches to formulation of the concept of the regional competitive capacity based on the efficiency of use of the regional resources only allows recording the rate of utilization of the available regional resources as of the current period and the ability of these resources to ensure the progress.

Along with that the rate of changes in the world economy and changes in the significance of factors affecting the economic growth (from the factors of production to the innovative factors) require clarifying the concept of the regional competitive capacity on the basis of the three reference aspects:

- From among all kinds of the regional resources (potential) ensuring the economic growth the most relevant to the level of competitive capacity of the region according to the trends of development of the world economy (hyper-competition) are the innovative, intellectual and investment assets
- The presence and rate of utilization of available regional resources, ability to increase in the macroeconomic indicators, namely, ability to build up the regional potential on the basis of knowledge-intensive high-tech industries and high value-added industries
- The rate of building up the regional potentials shall ensure the stable rates of the GRP-growth and the quality of life at the world level

ACKNOWLEDGEMENTS

The research is performed according to the Russian Government Program of Competitive Growth of Kazan Federal University. The research was performed at the cost of the grant provided within the frameworks of the government support of the Kazan (Privolzhsky) Federal University for the purpose of enhancement of its competitive capacity among the leading international research educational centers.

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