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FUNDAMENTALS OF COMPETITIVE ADVANTAGE AND INNOVATIVE DEVELOPMENT: A MODERN VIEW

Voronina Victoriia

Ph.D. Associate Professor

Poltava State Agrarian University

vivoronina1@gmail.com

The advantages of developing an economy through innovation are clear: primary products are being de-emphasized and intellectual assets are growing in importance. Countries such as India, China, Israel and Ireland have succeeded in this direction, focusing on the importance and need for particular innovative development. Innovative businesses find it easier to deal with the competition. Innovativeness is defined as a strategic socio-economic objective of the EU [1].

It is clear that determining the modern sources of competitive advantages of an enterprise is impossible without researching the genesis of approaches to the formation of these advantages and the achievement of each of them, which in their time determined the key directions of development of enterprises around the world. Therefore, this problem is constantly in the focus of scientists, as the peculiarities of the study of this issue determine the thoroughness of strategic decision-making, both at the macro-, meso- and micro-levels.

Analysing the evolution of approaches to the study of the essence of competitive advantages, as well as the specialist literature on the subject, we can conclude that the key categories of competitive advantages were as follows:

- from the 18th to the middle of the 20th century – costs (A. Smith, D. Ricardo, D. Mill, A. Marshall), the scale of production (A. Marshall), factors of production (E. Heckscher, B. Ohlin), requirements of the competitive environment (A. Alchynian, H. Demsetz, T. Egterson), entrepreneurial skill (Y. Kirzner);

- since the 20th century – human factor (A. Drucker), resource efficiency (M. Porter, J.-J. Lambin, A. Oikher), intellectual potential (J. Walter, K. Trabolt, D. Moore), degree of competitiveness (A. Branderburger, A. Oikher).

The study of the evolution and determination of the logic of the formation of enterprise competitive advantages allows us to assert that some of these approaches have grown stale in the competitive environment of the 21st century. In particular, this is concerned with one of the important problems of strategic management of an enterprise – the formation of its competitive advantages, namely, determining the relative importance of internal and external (in relation to enterprise) sources of competitive advantages [2].

The current situation requires the application and adaptation of such an approach

to the study (formation) of specific advantages that will harmonise the enterprise capabilities and resources that form its core competencies, lead to the creation of customer value of goods and services and determine the uniqueness of an enterprise in the competitive environment [3].

The intensification of competition in domestic and foreign markets forces enterprises to look for new sources and ways of gaining competitive advantages, which determine the position of enterprises in the competitive environment.

Having analysed the available interpretations of the notion of “competition”, we have identified the main approaches to defining economic competition: structural, behavioural, system, functional, and within these approaches, the innovative micro-, meso- and macroeconomic approaches should be distinguished.

In addition, we have singled out another important aspect of competition – the implementation of innovation. In the course of the competition, organisations have to find new products and services that are or could be in demand in the market, improve their quality, and use new, more efficient production and management methods. These parameters can be achieved by introducing innovations into the activities of an organisation. As a consequence, competition is a major factor in an organisation’s susceptibility to innovation [4].

It has been found out that, firstly, competition is a self-regulating process; secondly, competition is seen as rivalry in the market to achieve the most favourable conditions for the existence of an organisation and maximise profits; thirdly, competition has a social (consumer) orientation of a competitive struggle.

The rivalry between organisations in the marketplace leads to constant changes in business conditions and the situation on the market, and organisations have to adapt to the prevailing conditions in order to compete adequately. In other words, competition is a system-forming component of the market and market relations, it creates supply and demand, pricing, the economic model of the market, promotes innovation processes, i.e. determines market conditions.

Thus, competition can be seen as a dynamic process in which organisations are forced to use new technologies, attract investment and adapt to changing market conditions.

In addition, it should be noted that in the works of some economists there is a definition of competition characterised by activities aimed at squeezing and getting rid of competitors. However, we do not fully agree with this view. In our opinion, competition implies gaining a certain part of the market, rather than the total displacement of competitors. We define competition as a dynamic system (determinants of competitive advantages) driven by the emergence and loss of competitive advantages at a certain point in time or a certain stage of development.

Thus, to summarise the above, we consider competition as a dynamic process in which its participants compete with each other to realize more favourable conditions of their existence and achieve advantages over competitors, as a result of which innovation processes are intensified, the performance of an organisation is increased and less efficient enterprises are squeezed out.

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