COMPETITIVENESS THEORY

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ABSTRACT

The objectives of this paper is to assess the basis of competitiveness theory. It also discusses the origin of the concept of competitiveness. The term 'competitiveness' is an interesting term, and numerous definitions and explanations have been implemented in research. This categorization can be in the form of personal competitiveness by individual companies, at the microeconomic level where economic sectors and industries view with each other, and at the level of macroeconomics where national economies compete. The term relates generally to market economic matters, but it can also be considered to comprise three distinct divisions, which are the competitiveness of companies (microeconomic level), competitiveness of industries (mezzo-economic level), and competitiveness of national economies (macroeconomic level). According to unit of analysis of competitiveness, there are Nation State Competitiveness, Firm Competitiveness and Individual Competitiveness. There are also world competitiveness and SMEs Competitiveness. The last part review small and medium enterprise competitiveness, globalization, and the link between entrepreneurship and competitiveness.

Keywords: World Competitiveness, Nation State Competitiveness, Firm Competitiveness, Individual Competitiveness, SMEs Competitiveness.

BACKGROUND

The 21st century is here and predictions about the future are being realized. Nowhere have our predictions been more optimistic than in our discussions of global competitiveness. Competitiveness is, by definition, inextricably linked to globalization, because it is assessed for nations (as well as for firms) in a global context. While the benchmarks for national competitive advantage would be other nations, business competitiveness is assessed in the context of competitors in a global industry. Given recent trends in the global food and agribusiness sector, it is not surprising that agribusiness competitiveness has become a topic of much interest in both the popular press and in academic literature. This is evidenced by initiatives set forth by the Western Regional Coordinating Committee (WRCC-72) on Agribusiness Research Emphasizing Competitiveness, and the International Agricultural Trade Research Consortium's recent symposium entitled "Competitiveness in International Food Markets".

Despite the emphasis placed on evaluating the competitiveness of agricultural industries, the term "competitiveness" has not been clearly defined. Nor has a consensus been reached as to its proper measure. Some definitions focus on the underlying sources of competitiveness. For example, competitiveness has been defined as the ability to profitably crate and deliver value through cost leadership or product differentiation. This definition implies that competitiveness is directly related to factors that influence a firm's cost and demand structure. Other definitions place greater emphasis on the indicators of competitiveness. For instance, competitiveness may be defined as the sustained ability to profitably gain and maintain market share. Much of the diversity of concepts and measures of competitiveness emanates from the variety of perspectives and objectives of the relevant research.

For example, researchers interested in evaluating a nation's competitiveness have defined it as the ability to sustain an acceptable growth rate and real standard of living for its citizens while efficiently providing employment without reducing the growth potential and standard of living for future generations. This definition is linked to a nation's employment and, consequently, the standard of living of its citizens. Related to national competitiveness is the neoclassical economic concept of comparative advantage. The theory of comparative advantage predicts that trade flows occur as a result of relative cost differentials between countries. This implies that countries are competitive in goods and services in which they have a relative cost advantage. Barkema, et al. (1991) maintains that this theory does not apply to a world with market-distorting government policies. They assert that competitiveness takes a more realistic view of the world. Their definition, similar to that above, views competitiveness from a national perspective. It also implies that government policies affect competitiveness.

Porter (1980) has argued that firms compete with one another in international markets rather than as nations. When considering competitiveness, the emphasis must not be placed on the economy as a whole but on specific industries and industry segments. Competitive advantage (or competitiveness) results from the difference between the value a firm is able to create for its buyers and the cost of creating that value. Superior value results from offering lower prices than competitors for equivalent benefits, or by providing unique benefits that more than offset a higher price.

Firm-level definitions of competitiveness have been put forward by various economists. They assert that competitiveness is the ability to deliver goods and services as the time, place, and form sought by buyers at prices as good as or better than other suppliers while earning at least opportunity costs on resources employed. Still other economists define competitiveness as the sustained ability to profitably gain and maintain market share in domestic and/or foreign markets. These definitions are suggestive of the differing approaches used to analyze competitiveness. The strategic management school defines competitiveness as the ability to profitably create and deliver value through cost leadership and/or product differentiation. This approach implies that competitiveness is directly related to the factors that influence a firm’s cost and demand structure.

WHAT IS COMPETITIVENESS?

The term ‘competitiveness’ is an interesting term, and numerous definitions and explanations have been implemented in research. This categorization, as suggested by Nelson (1992), can be in the form of personal competitiveness by individual companies, at the microeconomic level where economic sectors and industries view with each other, and at the level of macroeconomics where national economies compete. There is an outline proposed by Waheeduzzaman and Ryans (1996), which states that the nature of competitiveness consists of numerous fields of study. Those fields of study can refer to the outcomes that are derived from the comparative advantage and/or the price competitiveness perspective, the strategy and management perspective, and the historical and socio-cultural perspectives.

Besides, the term ‘competitiveness’ is often applied in research into aspects of the economy and the business sector. Considering a view proposed by Bellendorf (1993), the word is often used to explain the capacity of firms and industries to survive in competitive situations, and it also depicts their ability to fight and to improve their respective market positions against rivals. As a result, according to Beck (1990), it is possible to explain the term ‘competitiveness” as the capability of companies to adapt and to transform in response to changing conditions around them. The term relates generally to market economic matters, but it can also be considered to comprise three distinct divisions, which are the competitiveness of companies (microeconomic level), competitiveness of industries (mezzo- economic level), and competitiveness of national economies (macroeconomic level) (Drescher & Maurer, 1999).

Competitiveness must be examined within the context of the economic environment, and to assess levels of competitiveness it is essential to have knowledge of the overall economy, of the particular industry, and of rival enterprises. This is explained in a model suggested by Oral (1986) to illustrate the competitiveness of firms functioning in the manufacturing sector. He explained that competitiveness is a function of a firm’s mastery of its particular industry, its cost superiority, and the political-economic environment around it, implying a need for both external and internal considerations of competitiveness. According to Feurer and Chaharbaghi (1994) competitiveness can be defined as the connection between the level of customer and shareholder values through matching and improving the organization’s capabilities, offerings and potential, as well as the organization’s ability to act and react through its financial strength. Considering that reality, Corbett and Wassenhove (1993) suggested that there are several other elements to be accounted for in evaluating the competitiveness of a firm, and they include price, place, and product scopes. Consequently, competitiveness should be considered a multidimensional concept.

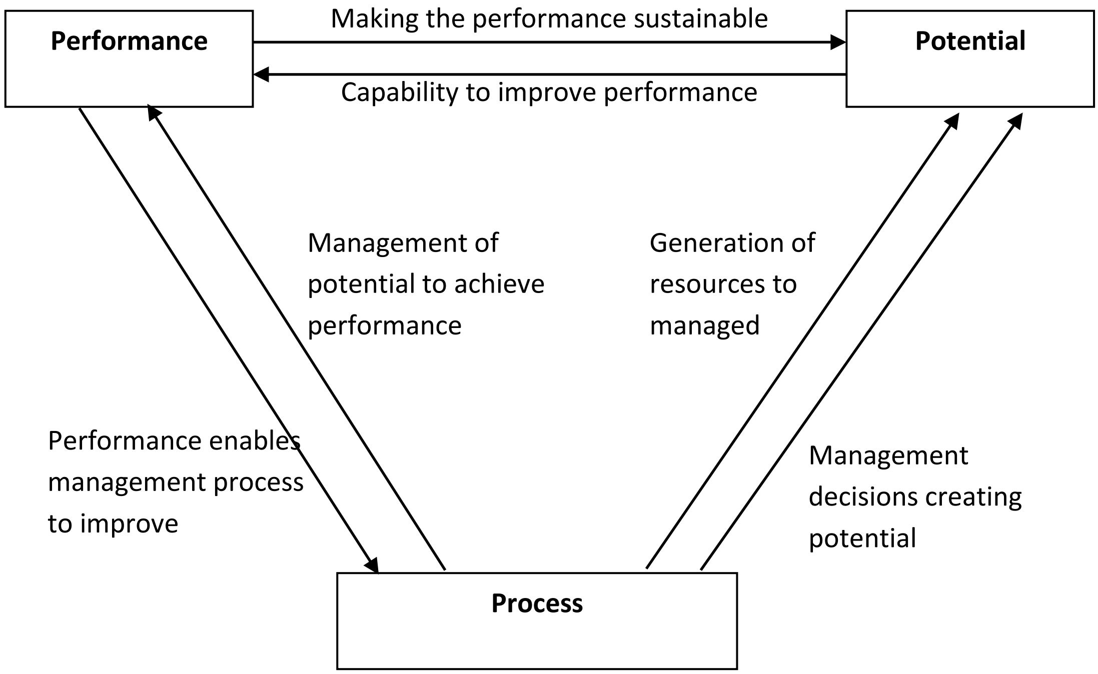
Competitiveness is usually connected to the long-term performance of big companies and the economic sectors. One of the strategies explores the competency approach which is a way of studying individual characteristics leading to the accomplishment of a job role and hence to the ability of a corporation to achieve its goals. Boyatzis (1982) has encouraged the application of the competency approach to the roles and characteristics of company management. The previously mentioned study is continuously and widely applied to identify the entrepreneurial performance achieved by managers in a company. An overview of the several entrepreneurial competencies, which is found in this research, will assist in developing a thesis on the nature of Indonesian agribusiness competition.

It has been stated that it is necessary to implement several methods to identify competitiveness in term of competitive potential, competitive performance, and management process (Buckley et al., 1988). The framework suggested by these writers focuses on how the three factors are connected. Another type of framework is called the World Competitiveness Report (Institute of Management Development and World Economic Forum, 1993). It clearly explains the rules and strategies for identifying a “world competitiveness formula” and assessing “world competitiveness”, the terms used in these discussions. This is illustrated in Figures 1 and 2, below.

There are four aspects underlying competitiveness. First, competitiveness should be long-term orientated, and a company should not concentrate only on short-term scenario. Competitiveness entails focusing on long-term performance rather than the possession of a temporary competitive advantage. Ramasamy (1995) has defined competitiveness as the whole effort made by a company with the aim of developing market share, profit and growth, and staying competitive for a long duration.

FIGURE 1

THE MODEL OF BUCKLEY et.al (1988)



Source: Buckley et al., 1988, "Measures of international competitiveness: a critical survey', *Journal of Marketing Management*.

FIGURE 2

THE WORLD COMPETITIVENESS FORMULA (1993)

Competitive Assets		**Competitive Process**		**World Competitiveness**
Infrastructure Finance Technology People	X	Quality Speed Customization Service	=	Market share Profit Growth Duration

Source: *Institute of Management Development and World Economic Forum*, 1993, "The World Competitiveness Report 1993", Switzerland.

Second, competitiveness should be controllable, which refers to the various resources and capabilities of a firm rather than simply the temporary favorable external conditions leading to superior performance. This situation relates to company background and performance. People are accustomed to the above mentioned perspective which is particularly popular among the assessments of the competitiveness of resource-based firms (Barney, 1991; Grant, 1991; Prahalad and Hamel, 1990; Ulrich, 1993). Ghemawat and Porter (1990, 1980, 1985) claimed that competitiveness can also be viewed from a different point of view. Competitiveness is also a relative concept in that it explains the way in which a company competes with others. Feurer and Chaharbaghi (1994) suggest a model of competitive position mapping, while Oral (1986) has focused on a firm's industrial competitiveness. The last characteristic is concerned with its dynamic nature, which involves the dynamic transformation of competitive potential into actual outcomes. This feature, which is in line with the framework outlined by Buckley et al. (1988), refers to constant changes in companies that are performance-based, enabling such firms to reach goals and profit by the results.

Moreover, there is a tendency to study competitiveness in more than one level of investigation. Regrettably, discussions of competitiveness do not always take note of the different meanings and corresponding implications of competitiveness when viewed at different levels. Veliyath and Zahra (2002:2), suggested that to get a clearer understanding of the point, competitiveness can be defined as being based on three stages of the investigation that can be seen in Table 1 which highlights the positive factors.

TABLE 1

ANALYTICAL FRAMEWORK FOR EXAMINING COMPETITIVENESS

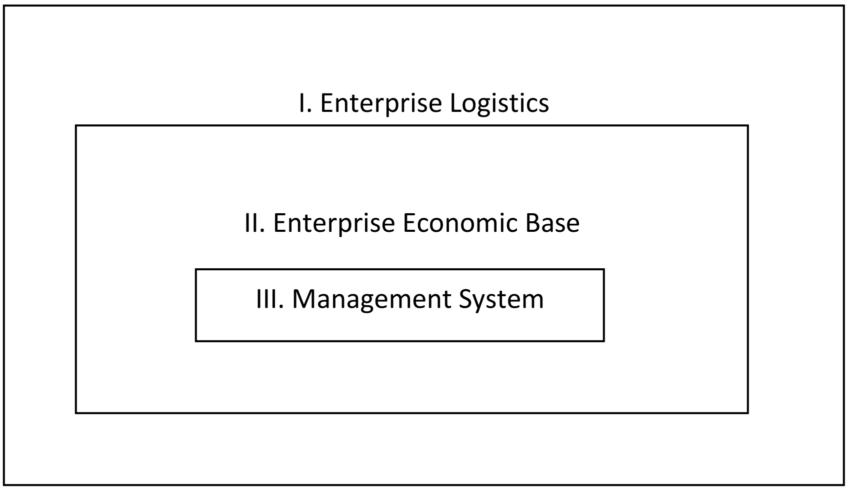
Unit Of Analysis	Defining Concepts	Dimensions of Competitiveness	Factors Influencing Competitiveness	Benefit	Downsides
Nation State	Sovereignty, Culture, Social Values, Human Development, Living Standards	Balance of Trade, GNP/ Capita, Income/ Capita, Foreign Exchange Reserves, Employment (%), Inflation (%), Saving Rate (%) Investment Inflows, Value Added Economic Sectors	Size, Extent of state intervention Pace of change, Starting state, Nature of developmental process, location, Labor market flexibility (minimal exit barriers), Market Openness (minimal entry)	Greater investment inflows, Greater employment, Increased reserves, Higher economic growth rates, Stronger currency, More value-added economic activity	Greater economic/ politic & security concerns, geographic advantages neutralized, labor market dislocation & unemployment, cultural / social value erosion, cyber crime, Political/institutional erosion.
Firm	Hierarchy, Structural architecture, Capabilities, Competencies, Resources, Strategy	Relative market share, CGS/ unit, Stock price, Market capitalization, Efficiency, economic value-added.	Ownership/type of firm, Size, Economic Sector, Ability to harness intellectual capital, global economies of scale & process integration, Flexibility, Innovativeness.	Reduced costs, antipodal commerce, increase strategic choices, competitive intelligence from World-wide web	Erosion of location advantages, Short-term unsustainable advantage, increased threat of new entrants, need to constantly rejigger business models, upgrade capabilities; decreased Reaction times; piracy, disintermediation.
Individuals	Living standards, functional well-being, personal growth, Increased human Capital, Personal Freedom, Physical safety.	Income, Net Worth, Productivity, Job Opportunities, Education.	Ability, Skills, Motivation, Effort	Instant Choice, Greater choice, Increased mobility, More entrepreneurial opportunities, Increased learning	Relentless pressure, intrusion into privacy, Compressed Competency/capabilit y spans, Disconnect from social interactions.

Source : Veliyath and Zahra (2000)

A study conducted by Yamashita (1998), suggested that the organization of the competitiveness in a company covers three levels. The first, and highest, level can be described as Enterprise Logistics. The next level is called the Enterprise Economic Base, and it serves as the provider for the next tier which comprises the Management System. This level is placed in the centre of the Three-Layer Structure and at the centre of the competitiveness of the company. Furthermore, the factors behind the competitiveness of the company can be seen in the table and figure below:

FIGURE 3

THREE-LAYER STRUCTURE OF ENTERPRISE COMPETITIVENESS



Sources: Yamashita (1998)

TABLE 2

ELEMENTS OF ENTERPRISE COMPETITIVENESS

I. Enterprise Logistic

- Enterprise ethos
  Ethos originated in the early days of an enterprise maintained.

  Every member is willing to grapple with any situation without hesitation and without worrying about failure.

  People in the workplace freely exchange their views and opinions.

- Enhancement of initiative
  There is teamwork among personnel.

  Personnel have pride and confidence in upholding their enterprise's competitiveness.

  Personnel have a sense of representing their enterprise.

  Diligence and positive activities of personnel.

  Pride and confidence in employee's own work.

  Self-reforming abilities.

- Provision of norms
  Law (company regulations, etc.).

  Spirit of the Anti-Monopoly Act.

  Ethics of relations between management and workers.

  Abolishment of practices restricting competition.

- Preparation of investment conditions
  Allows a sufficiently long time frame for management.

  Promotion of R&D and production-process R & D.

  Constraints on speculative purchases of enterprises.

- Enterprise ethics
- Education

II. Enterprise Economic Base

- Infrastructure
  Physical assets: Facilities, machinery, network.

  Human resources: Executives, scientists, engineers-skilled workers,

  employment of human resources and procurement of physical assets to build and stabilize infrastructure.

  High investment in the training of personnel (build-up of human resources).

  Education on practical business.

- Environmental improvement and conservation
  Conservation of natural environment.

  Cooperation with and participation in a community and its activities.

  Concern with cultural activities (serving a community, etc).

  Improvement of physical environment of the workplace.

  Attention and care to human relations in the workplace.

- Diffusion of new ideas, planning and others
  To create smooth communication.

  Managers make it a practice to talk to workers about policies and the state of affairs of their enterprise.

  New ideas, reform, improvement, and intelligence on new products are diffused smoothly both within and without the organization.

III. Management System

A. Effectiveness

- Maintain a free market principle throughout an enterprise
- Encouraging competitive spirit
- Improve cost, quality and delivery terms simultaneously
- Development, introduction and use of technology in gaining strategic predominance
- Commercializing technology
- Activating communication throughout

B. Tense balance between effectiveness and ethics

- Having close relationship with customers
- Having intimate contact with suppliers
- Organizing techniques
- Organization whose workers are barely conscious of organizational stratum
- Recognition of quality as the end result of overall production
- The more alternatives there are in a decision-making process, the better
- Demand and expect personnel to do their best
- Have the capacity to flexibly cope with problems
- Education and training, the development of personnel's abilities, continual learning
- Long-term employment guarantee

C. Ethics

- Every member is a leading actor
- A view on work in which diligence is highly esteemed
- Improvement of ethics in quality
- Fair employment
- Appropriate transfer of personnel from one post to another
- Secure just and fair promotion of personnel

Sources : Yamashita (1998)

Meanwhile, according to Buckley et al. (1988), the implementation of the three levels of assessment of competitiveness consists of competitive performance, competitive potential, and management process. The diagram shows the connections of the three areas of investigations. Furthermore, a similar illustration can bee seen in the World Competitiveness Report (1993). Based on the procedures applied to analyze world competitiveness, the competitiveness of the world becomes a combination of assets (which are inherited or created) as well as processes, which transform assets into economic results.

The concept of competitiveness has four characteristics. First, competitiveness is long-term oriented, focusing on long-term performance rather than the possession of temporary competitive advantage only. For example, Ramasamy (1995) defined competitiveness as the ability to increase market share, profit and growth in value-added and to stay competitive for along duration.

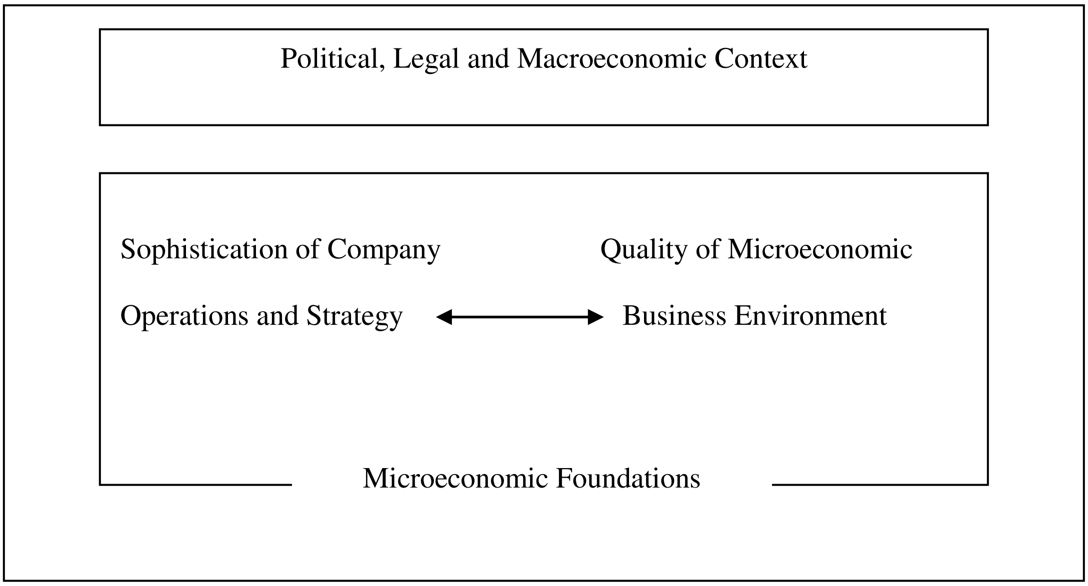
Second, competitiveness in controllable and relates to the various resources and capabilities of a firm rather than simply the favorable external conditions leading to superior performance. This view is particularly popular from the resource-based perspective of studying a firm's competitiveness (Barney, 1991; Grant, 1991; Prahalad and Hamel, 1990; Ulrich, 1993). On the other hand, emphazing the competitive strategy approach (Ghemawat, 1990; Porter, 1980, 1985), competitiveness can also be considered a relative concept, concerned with how competitive a firm is when compared to the rest of the industry. This is also illustrated in Feurer and Chaharbaghi's (1994) model of competitive position mapping, and Oral's (1986) account of a firm's industrial competitiveness. The last characteristic is concerned with its dynamic nature, which involves the dynamic transformation of competitive potentials through the competitive process into outcomes, corresponding to the framework.

THE MICROECONOMIC FOUNDATIONS OF PROSPERITY

Porter (2000, 41) suggested that the standard of living in a country can be seen from the ability of the economic field to generate better outcomes, and this will be able to be detected by the significance of the products and services yielded per unit of the nation's human assets and natural resources of the country. The focus of the discussion concerning economic development is the way of encouraging development program. The political and legal conditions of a country influence the macroeconomic regulations and hence the welfare of whole the country. The advancement and development of a country is basically shaped at the microeconomic level and it is this that determines the capability of a company to generate better products and services. Good microeconomic policies can benefit individual companies and it can encourage better use and control of the nation's assets. Governments, and government agencies which shape microeconomic policies, can influence productivity and growth of all sectors of the economy, and the factors which contribute to this are illustrated in Figure 4 below:

FIGURE 4

THE DETERMINATS OF PRODUCTIVITY AND PRODUCTIVITY GROWTH



Sources : Porter (2000)

From this figure, and also that suggested by Porter (2000, 42), it can be seen that the microeconomic fundamental which generate result can be explained using two connected factors: (1) the sophistication with which companies or subsidiaries based in the country compete and (2) the quality of the microeconomic business environment. National productivity is ultimately set by the productivity of a nation's companies. An economy cannot be competitive unless companies operating there are competitive; it does not matter if the firm belongs to the country or established by companies from abroad. The performance of individual firms, on the other hand, is related to the conditions prevailing in the country. The best conditions required by business wishing to remain competitive entails the employment of educated and qualified people, the use of the best technology, and the availability of efficient transportation facilities, sound organizational structures and government support.

To assist a nation's prosperity, firms have to constantly develop their strategies for facing competition. The types of competitive advantages a nation's companies enjoy must shift from comparative advantages (low-cost labor or natural resources) to competitive advantages due to more productive and distinctive products and processes. The transitions in goals, operating practices, and strategies required for successful development have been described in detail in the recent Global Competitive Report that can be seen in Table 3. This is also suggested by Porter (2000).

TABLE 3

VARIABLES OF MICROECONOMIC COMPETITIVENESS

I. COMPANY OPERATIONS & STRATEGY

1. Nature of Competitive Advantage
2. Value Chain Presence
3. Extent of Staff Training
4. Capacity for Innovation
5. Control of International Distribution
6. Extent of Branding
7. Breadth of International Market
8. Extent of Regional Sales
9. Uniqueness of Product Designs
10. Production Process Sophistication
11. Marketing Expertise

12. Customer Orientation
13. Recruitment of Professional Management
14. Company Spending on R & D
15. Prevalence of Foreign Technology Licensing

II. QUALITY OF THE BUSINESS ENVIRONMENT
A. FACTOR (INPUT) CONDITIONS

1. Physical Infrastructure
   a. Overall Infrastructure Quality
   b. Intensity of Government Infrastructure Investment

1.1. Basic
   a. Road Infrastructure Quality
   b. Railroad Infrastructure Development
   c. Port Infrastructure Quality
   d. Air Transport Infrastructure Quality

1.2. Advanced
   a. Telephone / Fax Infrastructure Quality
   b. International Direct Dial Communications Costs
   c. Availability of Cellular Phones
   d. General Internet Use

2. Administrative Infrastructure
   a. Safeguarding of Physical Security
   b. Judicial Independence
   c. Adequacy of Private Sector Legal Recourse
   d. Administrative Burden for Start-Ups
   e. Bureaucratic “Red Tape”

3. Information Infrastructure
   a. Business Information Availability
   b. Computer Utilization

   c. Financial Disclosure Requirements
4. Capital Availability
   a. Financial Market Sophistication
   b. Stock Market Access
   c. Venture Capital Availability
   d. Ease of Access to Loans
   e. Difficulty of Financing Start-Ups
5. Human Resources
   a. Quality of Public Schools
   b. Quality of Business Schools
6. Science & Technology
   a. Quality of Science Research Institutions
   b. University / Industry Research Collaboration
   c. National Technology Positions Patents per capita

B. DEMAND CONDITIONS

1. Buyer Sophistication
2. Consumer Adoption of Latest Products
3. Demanding Regulatory Standards
4. Stringency of Environmental Regulations
5. Environmental Regulatory Structure
6. Openness of Public Sector Contracts

C. RELATED AND SUPPORTING INDUSTRIES

1. Domestic Supplier Quantity
2. Domestic Supplier Quality
3. State of Cluster Development

D. CONTEXT FOR FIRM STRATEGY AND RIVALRY

1. Intellectual Property Protection
2. Extent of Irregular Payments
3. Tariff Liberalization
4. Hidden Trade Barrier Liberalization
5. Intensity of Local Competition
6. Extent of Locally Based Competitors
7. Effectiveness of Anti-Trust Policy
8. Legal Barriers to Entry
9. Decentralization of Corporate Activity
10. Government Subsidies
11. Efficacy of Corporate Boards

Sources : Porter (2000)

SMALL AND MEDIUM ENTERPRISES (SMEs) COMPETITIVENESS

A study conducted by Man, Lau and Chan (2001) outlines the features of the operations of small companies that do not apply to bigger companies. They differ in respect to their administrative arrangements, their relationships to the surrounding areas, their types of the management, and most of all in the ways that they compete with other companies. Consequently, research about the competitiveness of big companies cannot readily be applied to the stages of competitiveness of SMEs. In recent years there has been considerable research about the various elements that affect the competitiveness of SMEs. An

Example of this kind of research is illustrated by Home et al (1992) who highlighted the growth in the business environment, the degree of access to capital resources, and the intrinsic ability of small firms to respond to entrepreneurship. This framework corresponds to our review of the recent literature, which distinguishes between three key aspects which contribute to an SME's competitiveness, including the internal factors concerning the firm, the external environment and unique to SMEs, the influence of the entrepreneur. These factors in turn affect the performance of the firm.

Internal Firm Factors

Home et al (1992) suggested a number of factors that explain the conditions and elements that help the competitiveness of the SME. These factors have been investigated inside a number of small businesses and reported in several studies. Example can be seen in the studies by O'Farell et al (1992) and O'Farell and Hitchens (1988, 1989) who conducted research concerning the connections between the element of competitiveness and the performance of the company on such things as price, quality, design, marketing, and management. On the other hand, Slevin and Covin (1995) implemented a 12-factor instrument in order to investigate the overall competitiveness of the SME, and they focused on the firm's structure, culture, human resources, and product/service development. According to them, total competitiveness means scoring high on all these factors. Pratten's (1991) study of small firms in several industries in the UK also highlighted the importance of product development, the quality of customer service, efficiency of production, marketing expertise, and low overhead costs as the sources of competitiveness. Further illustrations of the internal factors have been presented by Bamberger (1989), Chaston and Mangles (1997), Stoner (1987), and the latest research made by Chawla et al (1997). Their respective conclusions indicate the importance of financial, human and technology resources, organizational structures and systems, productivity, innovation, quality, productivity, image and reputation, culture, product/service variety and flexibility, and customer service.

External Environment

The fact that they are minor producers and lack market strength, and that they have to function within variable and unstable condition of the market are aspects of business that have to be dealt with by all SMEs will generally be impacted more strongly by the external environment than the larger companies. Therefore, it can be said that the external environment has the greatest influence in determining the competitiveness of a company. In relation to this, Home et al. (1992) illustrated the influential factors from the external environment by stressing the nature of the business and the goods being produced. Similarly, research by the OECD (1993) pointed out that the economic environment influences the strategy of competitiveness of small companies. Moreover, work by Pratten (1991) stresses that industrial differences are sources of competitiveness. Although the focuses of the external environmental are different, these studies shown the significant impacts of the external environment on SME competitiveness. Moreover, Barringer et al (1997) found that rapid-growth entrepreneurial firms operate in more active and generous environments than slower-growth ones, suggesting the positive influence of environmental opportunities. Other authors have taken a more proactive approach when considering the external factors. For example, Slevin and Covin (1995) suggested that continuous repositioning is needed for small new firms to anticipate and be responsive to the actions of competitors. Besides, a study made by Malecki and Tootle (1996) stressed the contributions of SME networks in dealing with competitors. These researchers give clear evidence of the connections between the business competitiveness and profitability and the economic environment. However, it must be noted that small companies should not function merely as the beneficiaries of the economic environment; they also have the opportunity to assist and shape that environment.

Influence of the Entrepreneur

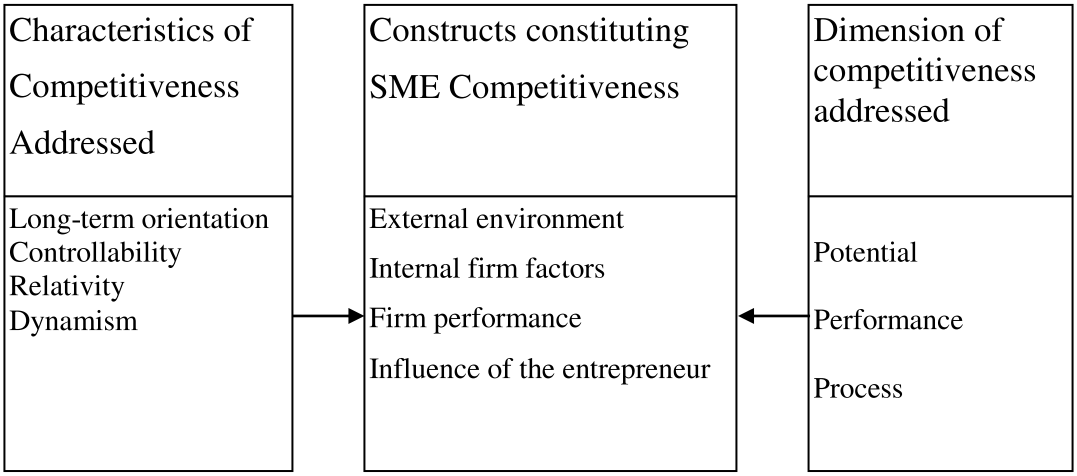
More importantly, for SMEs the process of achieving competitiveness is strongly influenced by key players, highlighted as entrepreneurship factors in the framework of Home et al (1992). Moreover, in the supporting research about the internal or external sources of competitiveness, there is also focused discussion on the entrepreneurial aspects. It can be seen from the work of the OECD (1993), that pointed out that the fundamental contributions of the company owner or manager is one of the most significant factors influencing the competitiveness of the company since the focus of the company owner in deciding certain actions will basically shape the operations and strategies adopted by the company. In line with this focus on the human factors is the research by Stoner (1987) who suggested that the particular competitiveness of small companies is dependent on the experience, knowledge, and skills of the company owner and staff. Two elements have been mentioned in the research of Chawla et al. (1997) and they are the ‘experience’ and ‘goal orientation’ of the small business owners. In a similar vein, Slevin and Covin (1995) have proposed that the overall competitiveness of SMEs is basically influenced by a founder who can pay attention to the detailed operations of the business when the business is small. In sum, all of these studies imply the influential role of the entrepreneur in affecting the performance of the firm, particularly when the firm remains small.

Performance

In terms of a company’s performance, Man, Lau and Chan (2001) pointed out that competitiveness is merely a tool to reach the final goals, which is the performance of the company. This research stresses that performance must be considered in the light of the growth and success of the enterprise over the longer term, and that competitiveness must also be view not as a short-term gain but as a sustained long-term advantage. Having reviewed the relevant literature, three major conclusions can be drawn at this stage. Models of competitiveness should take the dimensions of potential process and performance into consideration, although it is necessary to specify appropriate constructs to these dimensions for different contexts and for operations. The choices of constructs and variables should also meet the characteristics of long-term orientation, controllability, relativity and dynamism. Finally, an SME’s competitiveness should comprise the four major constructs relating to the firm’s internal factors, external environment, influences of the entrepreneur, and the firm’s long-term performance. The relationship between the constructs, the characteristics, and the dimensions of competitiveness are summarized in Figure 5, which will be further elaborated in the subsequent conceptualization.

FIGURE 5

THE RELATIONSHIP BETWEEN THE CONSTRUCTS, CHARACTERISTICS AND DIMENSIONS OF SME COMPETITIVENESS



It can be seen from this figure that there are dissimilar researches that discus the distinct aspects of competitiveness. In an effort to arrive at a suitable definition which satisfies these multidimensional points of view and the four features of competitiveness, it is necessary to suggest a better and incorporated construction using a particular element of the discussions. Additionally, it is necessary to consider the influence of the entrepreneur using the competency approach, which addresses the process dimension of the competitiveness framework.

SUMMARY OF DIMENSIONS OF SME COMPETITIVENESS

A summary of dimensions of SME competitiveness found in literature is shown in Table 4 below:

TABLE 4

SUMMARY OF DIMENSIONS OF SME COMPETITIVENESS

Authors	Personal factors	Organizational factors
Bamberger (1989)	*Manager's personality* (considered to be important in the model but not yet tested)	*6 general factors to develop competitive advantages:* • Competence and image • Marketing capabilities • Technological competencies and services • Financial capabilities • Creativity and product differentiation • Low cost and pricing policy
Chaston and Mangles (1997)	Commitment to growth	*Core capabilities:* • Formal plan to exploit identified opportunity • Financial resources capable of support plan • Innovation • Workforce • Quality • Productivity • Systems
Home et al. (1992)	*Entrepreneurship:* • The manager's ideas of addressing a market and effectively differentiating and positioning the product within some clearly bounded notion of available scope • A sound intuitive and operational grasp of the business.	*The degree of access to capital resources*

	• Attitude dimension -including open mind. attitudes to risk and growth.	
Gomes (1988)		Business goodwill value
Mpofu (1998)		• Company management systems • Customer service factors
O'Farell & Hitchens (1988, 1989)	Managerial, intermediate / supervisory skills and training	• Design • Quality control • After sales service • Flexibility • Correct use of machinery
OECD (1993)	Owner-manager's 'basic role' • Influenced by his/her personality, skills, responsibilities, attitudes and behavior	*Intangible investment :* • Ability to obtain Information by means of a technology, commercial and competition watch varying in its explicitness • An intermittent R&D capability • Quality of the firm's organization • Quality of its training *Tangible investment:* • In technology suitable equipment *Strategic capabilities:* • Innovation and flexibility
Pratten (1991)	People in the firms can help to make the firms more flexible, and the key staff are not likely to leave	Key sources of competitiveness: • Product development • Quality of the services for customers

		• Efficiency of production • Marketing expertise • Low overhead costs
Rice et al. (2000)	Knowledge and capabilities of the managers & entrepreneurs	• Adjustment effect for small firms • Economies of scale & scope (disadvantage)
Slevin & Covin (1995)	The total competitiveness is positively influenced by the fact that the founder can pay attention to the detailed operations of the business. when the business is small.	12 total competitiveness factors: • Strategy/ Direction • Human Resources Policies • Intra-Business Unit Communications • Total Quality Management • Product / Service Development and Improvement • Marketing and Sales • Vendor Relationships - Involvement of vendors in new product/service development and improvements. • Process • Improvements • Participative Management • Organization Structure • Business Unit Culture • International Competition

Stoner (1987)	• *Experience / knowledge / skills of the owner/workers* • Key distinctive competence in small business	• *Unique/special/original product or service* • *Better/more complete customer service* • *Location* • *Low cost/price* • *Relative quality of the product/service* • *Variety/availability/flexibility of product/service* • *Friendly atmosphere* • *Reputation / image*
Valiyath and Zahra (2000)	Income, Net Worth, Productivity, Job opportunities, Education	Market share, CGS/unit, Stock price, Market capitalization, Efficiency, Economic value-added

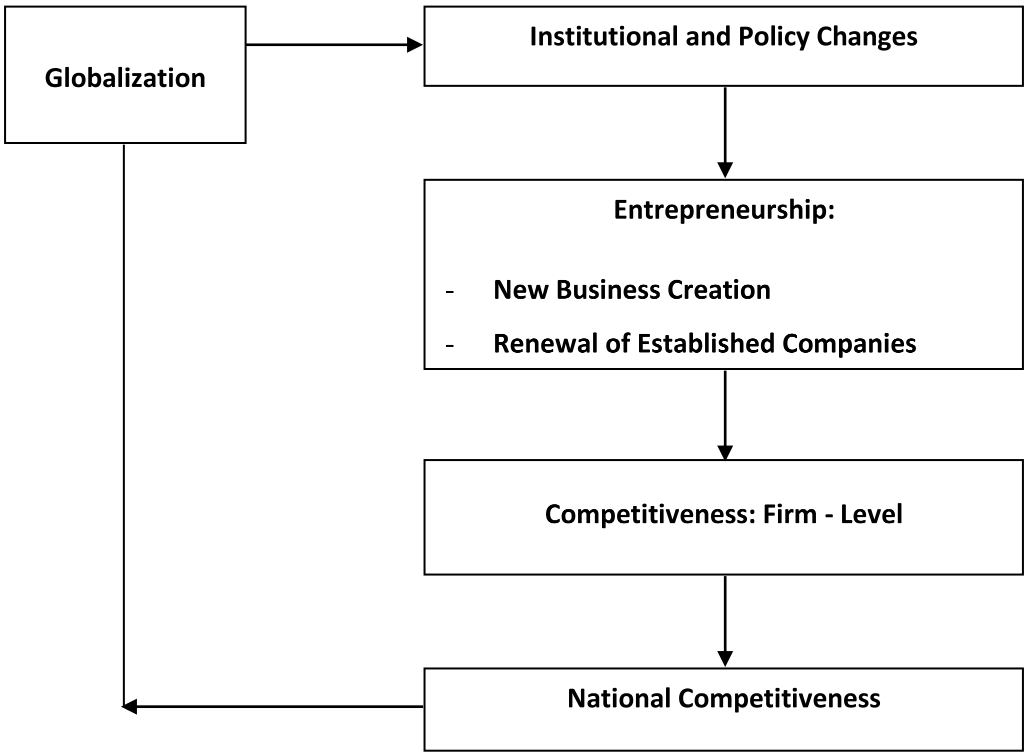
GLOBALIZATION, ENTREPRENEURSHIP AND COMPETITIVENESS

It seems clear that globalization causes significant changes in the knowledge base, background and capacities of the existing institutions and these influence the ideas and actions of companies. The technical developments of companies in the future will therefore be determined largely by entrepreneurship that seeks to foster the capabilities of companies. Entrepreneurship in these situations refers to the invention of new products, goods, methods, and even new industries. Besides, it can also mean the creation and invention of new kinds of corporations that can perform under demanding conditions.

According to Veliyath and Zahra (2000), entrepreneurship that is created at the level of the company is important for the local economy and the competitiveness of the country. Figure 6 explains the connections between the activities that accelerate competitiveness by developing globalization. Economists and researchers stress two extra elements other than entrepreneurship which are seen to decide the competitiveness of the company and the country. First is the acquisition and use of technological resources through the firm's internal development. As suggested by Porter (1998), the use of efficient technologies provides positive advantages to enterprises and local industries. The next element is the improvement of the human resource assets by training, knowledge and the fostering of higher-level skills. It can see in the following figure that knowledge and skills may be the most significant point of a company's competitiveness. It is possible for a firm to apply the above assets to penetrate new competitive frontiers, redefine its industry's boundaries, and create radically new industries where new rules of competition apply.

FIGURE 6

GLOBALIZATION, INSTITUTIONAL CHANGE AND COMPETITIVENESS

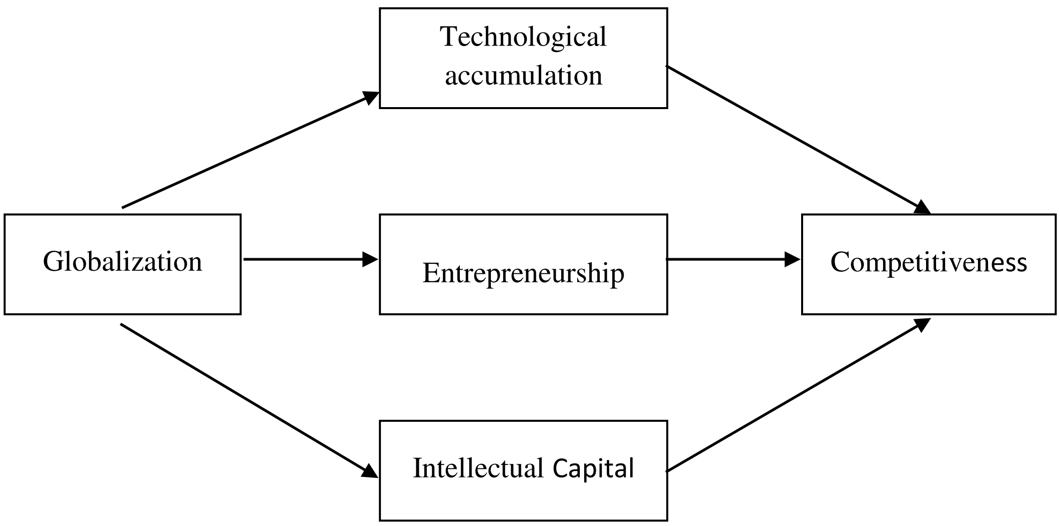


Sources : Veliyath and Zahra (2000)

This is a significant point depicted by the above figure that is the company's level of competitiveness that is actually given different explanation in figure 7 to be a basic beginning of the competitiveness of the country. It seems that the above goals tend to be reachable and possible to be defended since this competitiveness is grounded in multiple interrelated factors. Intellectual capital is required for successful technological accumulation, and entrepreneurship makes it possible to leverage and exploit the firm's intellectual capital and technological accumulation in innovative ways that create a competitive advantage.

FIGURE 7

GLOBALIZATION, ENTREPRENEURSHIP AND COMPETITIVENESS



Sources : Veliyath and Zahra (2000)

Management Practices in Agribusiness Firms

In striving for competitive advantage, management in agribusiness is subject to the same limitations and economic forces as other sectors of the economy, and it has apply strategies that will develop the value of their goods and services, ensure appropriate forms of delivery, arrange for suitable funding for projects and capital expansion, and respond to changes in the market.

It can be seen in table 5 that particular technological programs are aimed at improving the competitiveness of companies and improving profits by such means as the mechanization of the factory, the application of IT to assist management, the introduction of modern technical / managerial processes such as just-in-time systems, total quality management, supplier partnerships, and improvement measures such as (productivity improvement, benchmarking, and statistical process control (Hayes and Wheelwright, 1984).

TABLE 5

TECHNOLOGICAL PRACTICES THAT ARE RELATED TO COMPETITIVE ADVANTAGE

Use of Technology and Factory Automation
Use of Computer Hardware and Software
Just-In-Time Systems
Supplier Partnerships
Total Quality Management
Statistical Process Control
Benchmarking
Productivity Improvement

Sources : Hayes and Wheelwright (1984)

It is important to note, too, that human resource management programs have key roles in elevating company competitiveness, and this encompasses not only the payment of reasonable and attractive wages but continuing education, training and forms of encouragement (Pfeffer, 1994). The role of human resource management in contributing to competitiveness is illustrated in the following table.

TABLE 6

HUMAN RESOURCE MANAGEMENT PRACTICES THAT ARE RELATED TO COMPETITIVE ADVANTAGE

Systematic And Elaborate Screening And Testing Of Applicants
Commitment To Long Term Employment To Employees
Open Sharing With Employees Of Policy, Productivity, Financial And Market Information
Employee Participation And Empowerment On Matters That Affect One's Work
Use Of Teams And Self Monitoring And Management
Providing And Improving Work Skills Through Training
Expanding And Enhancing Work Opportunities Through Cross-Training And Multiple Skill Development
Pay Equity Based on Performance and Skill Enhancement
Pay Equity Through Profit and Gain Sharing Incentives

Sources : Pfeffer (1994)

CONCLUSION

This paper has presented the various notions of 'competitiveness' and considered the many factors that can provide firms with a competitive advantage. Additionally it has examined the microeconomic foundation of prosperity, the characteristics of competitiveness within small and medium enterprises, and the relevance of globalization, entrepreneurship, and competitiveness, and competitive advantage to agribusiness firms. For years, scholars and public policy-makers have touted the virtues of global competitiveness and its potential contributions to the well-being of nations, firms, and individuals. However, little attention has been given to understanding the negative effects of global competitiveness. Competitiveness is a complex and multidimensional variable that can serve as a double-edged sword. It can spur nations, firms and individuals to innovative. Alternatively, it can provoke debates on the concept of a nation, the meaning and role of the firm, and the contributions of individual actions and initiatives. However measured and evaluated, competitiveness is a topical issue that will be fervently debated for the foreseeable future. Nonetheless, the usage of, and measures for, competitiveness should consider its crucial cultural, economic, political, social and technological implications at all of the different societal levels.

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