

## APPROACHES OF THE TERRITORIAL ASPECT OF COMPETITIVENESS

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*The topicality of this article is determined by the significant impact of territorial (regional) factor on the competitiveness of economic units. The main purpose of the article is to determine the certain aspects of mechanisms of this impact. The following basic research methods were used: systemic analysis, monographic, qualitative and quantitative analysis, synthesis, generalizations, historical and logical, deductive and inductive, etc. The main scientific results of the research obtained in the article are the following: definition and role of territorial competitive advantages; highlighting of some regional environmental factors, which influence competitiveness and stability of an enterprise on several quality levels; detection of peculiarities of regional competitiveness policy; generalization of the methods of complex evaluation of competitive advantages; detection of success factors in regions with above average economic performance; characterization of policies of territorial development support (Danish, Italian and German models).*

**Key words:** *competitiveness, territorial (regional) factor, competitive territorial (regional) advantages, regional policy of competitiveness, complex assessment of regional competitive advantages, national models of territorial development policies.*

*Actualitatea prezentului articol este determinat de impactul important al factorului teritorial (regional) asupra competitivitatii agenilor economici. Scopul principal al articolului constă în determinarea anumitor aspecte ale mecanismelor acestui impact. Au fost utilizate următoarele metode de cercetare de bază: analiza sistemică, monografică, analiza cantitativă și calitativă, sinteza, generalizări, istoric și logic, deductiv și inductiv etc. Principalele rezultate științifice obținute în articol urmări sunt: definirea și rolul avantajelor concurențiale teritoriale; evidențierea unor factori ai mediului regional, care influențează competitivitatea și stabilitatea întreprinderii la câteva niveluri calitative; relevarea particularităților politicii regionale a competitivității; generalizarea metodelor de evaluare complexă a avantajelor concurențiale; relevarea factorii de succes în regiunile cu performanțe economice peste medie; caracteristica politicilor de susținere a dezvoltării în profil teritorial (modelele daneze, italiene și germane).*

**Cuvinte cheie:** *competitivitate, factor teritorial (regional), avantaje concurențiale teritoriale (regionale), politica regională a competitivității, evaluarea complexă a avantajelor concurențiale regionale, modele naționale de politici de dezvoltare teritorială.*

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**Introduction.** Being complex and multidimensional concept and process, **the competitiveness**, both as a prerequisite and a consequence of economic growth (actually, the competitiveness and economic growth affect each other) is under the impact of many factors, including **the impact of the territorial (regional) factor**. The essence of this factor lies in the fact that the competitiveness of an enterprise, companies, networks of enterprises, clusters, etc., depends significantly on their location – as it is advantageous, favorable and beneficial (or not) for the competitiveness of these entities or their territorial-regional, zonal, economic, business, investment, cooperation, interactional and interdependencial external environment, rate of mutual completeness of production processes within the limits of a concrete territory (region, area) [1].

The problem of influence of enterprises' location on their competitiveness as well as the competitiveness of goods (services) produced (rendered) by them, as a rule, in literature, is approached casually, episodic or additionally to the research of scientific subjects in the much wider surrounding. In this article, the author makes an attempt to investigate the matter itself as a separate issue and the certain adjacent aspects that are close and intertwined with the central issue of this article – the economic growth.

The research of the territorial aspect of competitiveness and economic growth is especially actual for Moldova, in particular in relation to **economic regionalization of the country**, its division, according to the Regional Development Law of the Republic of Moldova (no. 438 of 28.12.2006) in five Regions of development: North, Center, South, the Autonomous Territorial Unit of Gagauzia, municipality Chisinau, Transnistria; also administrative units included in each region have been established. The National Development Strategy (NDS) of the Government of the Republic of Moldova for the period 2008-2011 determined the regional development as one of five key national priorities, but as **overarching goal** – the implementation of sustainable and balanced economic and social development throughout the country by coordinating of the efforts within regions of development.

The Programme of activity of the Government of the Republic of Moldova for 2015-2018 in the chapter **“I. Balanced regional development”** outlines the following **objectives**:

1. Ensuring a socioeconomic and functionally competitive potential of the regions of development in order to guarantee a balanced growth.
2. Creation of conditions for attracting and equitable distribution of investments in regions.
3. Improvement of the quality and impact of regions' participation in cross-border cooperation and Euroregions. The establishing of new partnerships with neighboring countries.
4. Elaboration of the national spatial plan and regional spatial plans.
5. Strengthening of the institutional capacities of regional development agencies and other stakeholders, engaged in the implementation of the regional development policy.
6. Introduction of multi-annual planning and financing of the projects, carried out at the expense of regional development funds.

#### **Impact of the territorial (regional) factor on enterprise's competitiveness**

According to Untura Gh., the location, in the narrow sense, is the territory, in which the selected object is placed according to comparative competitive advantages of production factors, influencing the production costs of goods, which also include the transaction costs, related to the stabilization of relations with participants from the external environment.

The location in the broad sense is regional market environment that includes enterprises-competitors and multiple actors, interacting with the enterprise. The result is the level of the enterprise's competitiveness and stability, which depends on the state of microenvironment inside the company.

If the enterprise's competitiveness is based on cost minimization, then advantages in production factors, which provide static competitiveness become decisive. Dynamic competitiveness is based on renovation and search for strategic differences.

Thus, the regional environment is the cover of regional subject and each factor expresses its competitiveness (competitive position of the region).

**The epicenter of the emergence of enterprise competitiveness, which represents the country on the world markets, becomes the location and creates regional environment.**

Competitive advantages represent the totality of conditions in the region, which creates long-term prospects for production of goods and services. The regional advantages influence the procedures' setting up in the region. Economic units enter the market with competitive goods and the part of the obtained profit becomes a "regional advance" in the competitive battle in the region, where the companies were

created. Thus, the regions begin to compete with each other to attract investment [1]. The analysis of the competitive positions of regions (countries) can be based on qualitative model of mutual influence of different local competitive advantages, proposed by M. Porter [2, 3]:

- a) location possesses production factors of a certain amount and a certain quality;
- b) location is combined with certain deficiencies and advantages that influence company strategy and rivalry context;
- c) location forms quality and peculiarities of the demand state at the regional markets;
- d) location can be used to unite enterprises' market activity with local suppliers, connected industries and competitive supporters.

Regional sources of competitive advantages can be examined at the national, interregional and regional levels. Comparative advantages created by the factors of production and market environment play a key role in international division of labor and territorial specialization in the products' manufacture. Regions with pronounced advantages create conditions in which productions, located in them allow to reduce costs and compete in local and global markets.

In 1989, there were studied business conditions in problem regions of the EU and 10 prosperous EU areas, which did not receive the aid from the Community. Managers of 900 companies of industry and services said that the entrepreneurship, regardless of region, is under the decisive influence of two factors (on the first place): the existence of well trained staff and the possibility of innovations' implementation.

In the backward regions, the main factors are "credit price" and undeveloped infrastructure.

The integration of enterprises located in regions influences the competitiveness of goods and enterprises, strengthens their stability by:

- a) the possibility of strengthening the competitive position through establishment of interregional economic relations in line with regional interests to satisfy the demand and supply of goods and services;
- b) the possibility of integration, included in the development strategy of each region subject;
- c) possibilities of increasing competitiveness of enterprises of the region with the support of local administration;
- d) the possibility of creation new jobs with local administration support, etc.

So, there can be highlighted the following **factors of regional environment, which influence competitiveness and stability of an enterprise** at several qualitative levels:

- a) competitive advantages of the country, which create general competition on macro-level;
- b) competitive advantages of production factors in the region, where the company is located, or the competitive advantages of markets' localization;
- c) structure and quality of the macro-environment of the firm, which is fed from the regional environment;
- d) the existence of the goods (resources) as totality of outstanding consumer properties which enjoy high demand in regional localized markets;
- e) the firm's strategic approaches of the use of regional advantages of placement;
- f) possibilities of entry of an enterprise in a competitive cluster, i.e. a group of producers, situated in close territorial proximity, of interdependent firms and institutes, the location of which allows to use it as a **unique agglomerational factor**, which will increase the competitiveness of each participant and its stability in the contemporary economic multi-level network structure [1]. M. Porter proposed the cluster model as a special form of agglomeration cooperation [4].

Currently, according to other scholars (Iasin E., Iacovlev A.), the formation of the mechanisms of sustainable and dynamic economic development must take place from down – from business and regions. It is about **regional policy of competitiveness** [5].

The successful integration into the global market takes place more frequently not at the level of national states, but at the level of particular regions or, at least, this process begins at the regional level.

Since the medium-sized business really forms the competition environment, local and regional authorities can create or not conditions for business development and realization of effective business projects. In essence, it is about regional policy of competitiveness growth, which in the industries, in which medium-sized business dominates, becomes increasingly important factor of development.

Priority of regional powers consists in approximation to the potential project, the market, the capital market and in joint interest in realization of each project, capable of giving a rapid economic, budgetary and social effect, - these authors conclude.

For the comprehensive evaluation of competitive advantages of subjects from Central Federal District of Russia, Novosiolova I. [6] used the method based on calculation of the system of independent indicators, developed by a group of Russian scientists under the guidance of Zander E.V. [7].

Each of these indicators shows the result of normalization and aggregation of a number of individual indicators in general, characterizing different areas of current and strategic competitiveness. To normalize the indicators strings, it examines all of their regions and selected regions are classified (arranged). Then calculate the indicator value that corresponds to the number of regions whose indicators are lower than the region's data. Then this figure is compared with the total number of regions from the examined group.

Normalized indicator equals the ratio of the number of regions, which indicators are lower than the region's data, to the total number of regions in the examined group.

Normalized indicators have a value from 0 to 10. Note 10 is assigned to the region with the best indicator, 0 – the worst region in the group. At the same time 10% of the regions in accordance with actual indicator, receive a value from 9 to 10, the next 10% – from 8 to 9, etc.

The aggregation of the obtained normalized indicators is done by calculating the arithmetic average values on respective spheres of competitiveness of the region. Generalized index of competitiveness is calculated as the arithmetic average of the current and strategic competitiveness index.

To assess the current competitiveness it should be examined the areas of production, investment, financial and social of each region. Each sphere is characterized by several indicators.

Within the strategic competitiveness it was demarcated three blocks of generalizing indicators for spheres: foreign trade, innovation and business activity. Each of these blocks includes some indicators.

The complex evaluation of competitive advantages has included the generalized indicator of the competitiveness of regions, the generalized indicator of current competitiveness and strategic competitiveness. According to these three indicators, regions were grouped into two categories: leaders and outsiders.

It was assessed the efficiency of using the potential peculiarities of socio-economic development of regions (low, medium and high) with the same three generalized indicators of competitiveness.

Based on the assessment of use of the competitive advantages by regions, the latest were classified into 4 groups and engaged in "matrix of a full evaluation of the regions" [6].

We believe that this method, based on the calculation system of independent indicators can be tested and if development regions in Moldova, taking into account the specifics of the case: the district will be substituted with the development of Moldovan region and regions in district – the districts that include specific development region in Moldova.

Another method of assessing the competitiveness of the region is proposed by Baranov A.

Initially, the author proposes **the definition of competitiveness of the region**, which it considers the fullest, and includes five aspects:

- The need to achieve a high level of living for the population;
- Efficiency of the region's economic mechanism;
- Investment attractiveness;
- The effectiveness of small business;
- Tourist attractiveness.

Then the author proposes **the algorithm of evaluation of the region competitiveness**, which is composed of **six consecutive steps**:

- 1) Selection (development) of the methodical (concept) tool of assessing competitiveness of the region;
- 2) Substantiation of the system of region competitiveness indicators (the original data matrix formation);
- 3) Creating standardized coefficient matrix;
- 4) Calculation of rating estimation (coefficients competitiveness target groups);
- 5) Complex estimation of the region's competitiveness (full coefficient);
- 6) Development and management decisions in order to increase the competitiveness of the investigated region.

Author performs these steps and gets full coefficient (general) of competitiveness level of Northwest region of Federal District of Russia (9 regions) in 2000-2008 [8].

Territorial Development Policy Committee of the OECD identified **success factors in regions with above average economic performance:**

- a) specialization and sectoral structure;
- b) innovation and the ability to manage knowledge: prosperous regions prioritize production and / or distribution innovation;
- c) a more favorable local economic structure, physical infrastructure and efficient telecommunications;
- d) strategy, connections and capacity of government to showcase its spare resources

But the emergence of this kind of productive model based on cooperation proximity is not a homogeneous process. **There are specific aspects of business networks, particular on the line of support policy formulation and implementation in territorial development.**

I. The Danish model: from business networks to "Networks brokerage".

It is a public policy of voluntary nature, which debuted in 1989 – EU pre-aderation period. Guideline was initiating a global transformation of the company. A 5 years program was launched to support the SME sector – encouraging the creation of a network of small businesses – a business network– able to compete successfully with major businesses. They had to become enterprise networks with high innovative potential. The objective of the training was basically a category of change agents, able to initiate and animate these groups of SMEs, brokers' kind of networks – "brokerage network".

II. The Italian model: from a spontaneous rise in strong support of public power.

Local productive systems – "industrial districts" – appeared and were developed without specific help from local authorities, the reference model is large enterprises for them. But gradually, local communities have demonstrated their competitiveness, their strength is the ability to constantly innovate, although the pace of the slow adaptation to technological developments.

III. German model

It is influenced by the country's administrative organization. There are federal and local initiatives. There were profiled competence centers in certain kinds of activities.

There are 3 categories of relatively bounded enterprise networks:

- a) "Cluster" for SMEs – many small businesses competing or being in complementary relationship;
- b) Systems organized around one or more large firms. They are complex systems of subcontracting networks, which must operate orchestrated. Often, they go beyond the major industries in machine building and other industries less demanding in terms of technology (textile, woodworking, etc.);
- c) Scientific-industrial systems or technological districts, structures still emerging. They develop strong productions from public scientific and technological laboratories and research units in the industry. They are called to create a productive structure around new technologies. For this type of scientific-industrial organization take care the public authorities in all developed countries. Many of these organizational structures serve as a starting point for organizing a new business, scientific and industrial parks to attract venture capital [9].

### **Results and conclusions**

The essence of **the territorial factor impact (regional) on business competitiveness** lies in the fact that the competitiveness of businesses depends significantly on their location – as it is advantageous, favorable and beneficial or not their external environment territorial regional, zonal etc. for their competitiveness. The research of territorial aspect of competitiveness and economic growth has become actual especially for Moldova, in particular in relation to economic regionalization of the country. In the Programme of the Government of the Republic of Moldova for 2015-2018, is devoted a separate section to the regional development objectives.

There are revealed and examined the concepts of: location in the narrow sense; location in the broadly sense; static competitiveness; dynamic competitiveness; competitive advantages; regional advantages etc. Analysis of the competitive positions of regions (countries) can be based on qualitative model of mutual influence of different local competitive advantages, proposed by M. Porter. Regional sources of competitive advantages can be examined at the national, interregional and regional levels. Managers say that on entrepreneurship, regardless of region, influence two factors: the existence of well trained staff and the possibility of implementing innovations.

The scientist Gh. Untura has determined that integration of firms located in regions influences the competitiveness of the goods and the company strengthens its stability through four ways. It highlights six regional environmental factors, which influence competitiveness and stability undertaking several qualitative levels.

Other scientists say that the mechanisms formation of the dynamic sustainable economic development must take place from down – from business and regions competitiveness through **regional policy**.

The paper studied the concept, methodology and methodical comprehensive assessment of the competitive advantages of Russia's Central Federal District subjects developed by Novosiolova I. Another method assessment of competitiveness of the region is analyzed proposed by the Russian scientist A. Baranov.

Territorial Development Policy Committee of the OECD has identified four **factors for success in regions with above average economic performance**.

There are specific aspects of **business networks**, especially on the line to support policy formulation and implementation in **territorial development**. In this context, the paper explores the characteristics of the three models of supportive policies in territorial development (Danish, Italian and German models).

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