KEY FACTORS INFLUENCING INTERNATIONAL COMPETITIVENESS

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This symposium brings together seven papers addressed to different aspects of international marketing, a subject which has recently been acknowledged as critical to the growth and development of many Irish firms. International marketing as a teaching and research subject has existed in University College Dublin since the mid-1970s. The establishment of the Centre for International Marketing Studies (CIMS) in 1980 gave focus to this teaching and research programme which is now much more extensive. Central to the work of CIMS is the view that firms develop through a series of interrelated growth strategies, many of which involve internationalisation. For firms in a small open market such as Ireland, internationalisation is a strategy which must be considered at an early stage in the development process.

Attention was given in the Centre to these issues since little was known at the conceptual nor empirical level concerning the internationalisation of the firm. In the intervening years a number of papers have appeared which address some of the issues identified. The present symposium is, however, the first attempt to address a broad range of issues simultaneously.

The Context of International Marketing

In recent years marketing as a corporate management function has taken on a strong strategic orientation which is manifested in a shift in the firm's focus away from the customer and the product to the external environment. It has been argued by Hayes and Abernathy (1980, 68), Simon (1985) and Wind and Robertson (1983, 15), that the firm must cater for its customers within the context of the firm's environment. For firms in Ireland this environment has become increasingly international, it includes customers and competition and at the macro level, the forces of public policy and regulation. It also includes social, cultural and educational trends. To compete successfully in such an environment the firm must be committed to continuing innovation and to producing high quality products for longer term profitability and other stakeholder benefits.

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Marketing may be interpreted at three distinct levels. First, marketing is the conceptualisation of a philosophy which is manifested as a strategic focus on the environment to provide these stakeholder benefits. Marketing is a management process which focuses the resources, objectives and goals of the firm on opportunities which exist in the environment. Third, marketing is an activity which involves, decisions regarding products and services, physical distribution, channel structure, pricing, promotion and research. International marketing differs from marketing in respect of the manner by which the concept is mediated as decision [Bradley, 1986]. For present purposes, international marketing processes and decisions refer to the ways by which the firm identifies the needs and wants of customer groups, designs and develops products, services and ideas to produce a competitive advantage in the asset to be transferred across national boundaries so as to satisfy the needs and wants identified. The firm must also communicate information about these assets and distribute and exchange them internationally through one or a combination of exchange transaction modalities.

Factors Influencing Competitiveness

Recognising the importance of innovation, high quality products and profitability for success on international markets focuses attention on those factors which influence international competitiveness. Abernathy, Clark and Kantrow (1983), provide a framework which permits an examination of the key influences in competitivess (Figure 1).

Figure 1: *Key Influences on Competitiveness*

	Hardware	Software
Macro	Public Policy	Environment
Micro	Production Capability	Corporate Management

Based on Abernathy, Clark and Kantrow (1983).

Policy and the environment are macro influences. Public policy includes factors such as the fiscal and monetary system, taxation, capital markets, savings and the state support system. The environment is mainly the socioeconomic environment and includes factors such as the level of industrialisation in the country, the education system, regulation and culture including the work ethic. Macro influences are thought to have a pervasive, long-term effect on competitiveness and changes in their tangible influence are slow to manifest themselves. Production capability and corporate management are the micro influences on competitiveness. Production capability refers to infrastructure, plant and equipment and machinery. Corporate management refers to marketing, production systems, administration and organisation.

While the influence of each cell in the matrix is central to the argument so too are the influences which arise from the interrelationships among the cells. Use of the above matrix provides a convenient way in which to analyse the key influences in international competitiveness. The matrix posits very clear macro and micro relationships both of which have associated with them certain hardware and software dimensions.

Public Policy and International Competitiveness

The appropriate role for public policy in the internationalisation of the firm is to provide the economic and financial environment appropriate to the circumstances. Direct policy support in the economic and financial arena e.g. the export profit tax relief scheme, is well understood and assumes very little regarding the behaviour of firms. Indirect support as mediated through a state support system comprising myriad agencies, the most important form of public policy support for international marketing in Ireland, does presume a considerable understanding of the response behaviour of firms. Indirect public policy intervention through a state support system presupposes considerable understanding of the strategic and operational marketing needs of the firms. The difficulty facing the state support system is that it must recognise that government agencies cannot be successful in picking winners through the use of a discretionary industrial policy since such policies operate in the macro-hardware cell of the matrix whereas management decisions are taken and winners are incubated at the micro-software level.

There is considerable evidence that the shift from direct to indirect public policy support for internationalisation which has occurred since the late 1960s, has resulted in inappropriate application of industrial strategies at the level of the firm [Bradley, 1983, Consultative Committee on Marketing, 1984]. A possible reason for the mis-match between national industrial strategies and corporate strategic needs has resulted from the failure to recognise the interactions and hierarchical relationships which exist between the macro and micro influences on competiveness as outlined in Figure 1. As reported and discussed at length in Murray, Bradley and Hession (1985), one of the clear defects in action by the marketing support system has been its predominant focus of the provision of support at the project level – an essentially sub-strategic level at which support resources could be applied – without any necessary appreciation of the strategic merit or impact of the support intervention. Acknowledging the existence of a hierarchical system would allow the state support system and policy makers to understand the variety of strategic issues at each level in the hierarchy, the interrelationships, and the need to differentiate policy and support mechanisms to provide intervention in different ways at different levels and at the levels where the greatest system-wide leverage might be obtained.

The operation of the state support system in regard to the provision of R & D grants is discussed in the present symposium by Gannon (1985). In his article Gannon examines a number of industrial policy initiatives at sectoral level which impinge on export market development. In this regard Gannon examines the effect of technology transfer and the role of IDA grants on the product-market composition of exports over the period 1976-1983. Gannon concludes that public policy support has been successful in attracting firms into the modern sector and these firms have gained share in the export market at the expense of traditional and resource based industries. Contrary to expectations, Gannon also finds that IDA grants did not discriminate in favour of firms in the modern sector. The third major finding reported by Gannon is that a number of firms in the traditional sectors have gained share in mainland EEC markets and that this market could be dominant for traditional products exports in the 1990s which will mean extra demands for specialist marketing skills and education. Support for such findings in regard to management skills for traditional industry at the level of the firm may be found in O'Mahony (1985) and dicussed further below.

Public policy attention is also frequently given to how best to promote a national image on international markets. Many countries including Ireland have established promotions boards with large budgets to create a particular attitude and image among foreign customer groups, broadly defined. One aspect of national image formation is examined in the present symposium. Using a consumer process model White (1985) examines ways in which a national image can be used in foreign markets. He concludes that there are limitations to the usefulness of an Irish image as an export promotion device. Positive images for Irish food products are found only in selected markets and for specific geographic and demographic segments. Great care must be taken by the various state promotions boards lest the incorrect image is developed or, more likely, conflicting images are created among the target audience due to the multiple and conflicting objectives of the promotions boards.

The broad area of public policy support for internationalisation with special attention to the state support system is examined by Hession, Bradley and Murray (1985) in the present symposium. These authors identify the main features of the state support system for international marketing, assess the key issues identified in a recent public appraisal of the system and comment on the likely future shape of the system. In their evaluation of the state support system these authors conclude that the future state support system is likely to be a complex interwoven structure of multiple interdependent agencies offering a very wide range of services with multiple entry points for client firms. Two challenges are identified: for the state support system itself the challenge is to effectively manage a highly interactive and complex set of support agencies while at the individual firm level managers must develop a deep understanding of how the state support system works so that it may be used in a variety of ways to reflect the complexities of the strategic needs of firms [Hession, Bradley and Murray, 1985].

International Marketing Environment

The environment facing the international firm may be examined under four headings a) stability, b) complexity, c) integration and d) competition. A stable environment may be found in protected domestic markets whereas most international markets are highly dynamic due to such factors as changing foreign government policies, unpredictable shifts in the economy and exchange rates and unexpected changes in customer demands and competitor positions. Second, international markets tend to shun relatively simple products and compete more on product complexity. Third, international markets tend to be diverse. Market diversity results from a broad range of customers being served by a wide range of products and services spread over a wide geographic area. Finally, the international marketing environment is characterised by the roles played by the competition, trade unions, governments, other outside groups and the availability of resources.

The international marketing environment directly affects the strategic options facing the firm and, as a consequence, affects the kind of structure most appropriate for international marketing operations [Bradley, Hession and Murray, 1985]. It is not the marketing environment itself that is important but the firm's ability to cope with it, to predict it, to comprehend it, to deal with diversity and to respond quickly to it. The international competitive environment facing Irish firms is a rapidly changing ground where the identity of competitors, the nature of the focus of the competitive thrust and even the most basic rule of competition are constantly changing. In a rapidly changing technological environment that characterises international markets there are few frozen market niches [Abernathy, Clark and Kantrow, 1983]. According to Levitt (1983, 94) the "most endangered companies in the rapidly evolving world tend to be those that dominate rather small domestic markets with high value added products for which there are smaller markets elsewhere."

An aspect of the international marketing environment which receives little attention among analysts and managers alike is the need to develop strategies on multidimensional lines. It is myopic to consider exporting as the only or primary way of entering foreign markets. By ignoring licensing, joint ventures and direct investment market entry modes, many firms effectively limit their strategic options to those markets which are best served by exporting. A concentration on exporting as the transfer modality may have given rise to the unnecessary and fruitless debate regarding international market shares both at the level of the firm and at country level. With joint ventures, licensing and other alliances, as with other aspects of internationalisation, the relevant measure of the character of competition is not a simple calculation of market share but a careful determination, at a given point in time, of the precise relationships among market preferences, technical configuration and competitive focus [Abernathy, Clark and Kantrow, 1983, 50]. The internationalisation of the firm and industry tends to redefine what it takes to be successful, the conventional wisdom of the concept of share and growth, especially as applied at the national level, may not be all that meaningful (Rugman, Lecraw and Booth, 1985). In such circumstances it is necessary to identify and concentrate upon the firm's relative differential advantage on international markets. While comparative advantage is dynamic and firms constantly seek ways of improving the firm's competitive position that does not mean that it can be changed over time by national industrial policies. This is a negation of the position adopted by Scott and Lodge (1985) who argue for a high technology interpretation of competitiveness. In the case of Ireland, a resource rich nation in terms of agrofood and other natural resources, with a relatively small population it would be foolish to forego its natural comparative advantage in the hope of achieving competence in globally competitive high technology markets. The marketing and technological environment facing Irish firms is very different from that facing the US, Japan and Germany. A strategy based solely on competence in high technology may be inappropriate. It is a matter of concentrating attention on those areas where Irish firms possess relative competitive advantage. The environmental analysis summarised here gives no special role to technology as the simple determinant of the firm's differential advantage and consequent international competitiveness. It is unclear if government policies to promote technology are in any way a guarantee of international success. High technology may not even be needed by successful international firms. One very attractive way of responding to the issue of international competitiveness according to Hamel and Prahalad (1984) is to develop a better competitive market focus and to improve international distribution and market penetration strategies. This means devoting more resources, principally in the micro software cell of Figure 1.

Production Capability to Internationalise

The central role played by technology and its acquisition on international markets in strategies for national competitiveness in Ireland is greatly complicated by the presence of multinational firms. In terms of Figure 1 the role of technology is a hardware consideration having consequences at both the macro and micro levels. In this context it is estimated that the largest 500 multinational enterprises in the world now account for approximately 50 per cent of the value of international exchange [Rugman, Lecraw and Booth, 1985]. Many of these firms rely on manufacturing and/or marketing technology to generate the firm specific advantages in the assets transferred internationally. The pervasive presence of these firms is largely ignored in both analyses of international competitiveness and in the discussion on national strategies. One of the implications of this neglect appears in the micro-hardware cell in regard to the supply capability of certain Irish firms.

It may be more useful for firms to emphasise the incremental use of existing technologies rather than for public policy to support highly novel projects which often fail to complete the high technology sweepstakes (Stopford, 1984). Lack of sufficient micro strengths, both hardware and software, has led Smith (1985) in the present symposium to argue for the development of private label capacity among Irish food firms serving the new market. Such a strategy recognises the need for an incremental approach to the acquisition of the production capability to produce internationally branded products while acknowledging the low level of marketing skills available in these firms.

The above strategy is in complete contrast to that of inviting foreign firms to locate in Ireland with a view to transferring here high technology which in turn might be reflected in high technology products marketed by Irish firms in overseas markets. While technology based products may be important for the proper development of the country they are not the only source of value added. The relative merits of this argument depend on the ability of firms to position themselves in a complementary strategic posture to competing international firms operating from other countries. In Ireland this may mean recognising the substantial processing and marketing value added chain which exists for firms in the resource based industries. In this context Dignam (1984) identifies a number of strategic groups in the food processing industry but concludes that few of them have the requirements for success on international markets dominated by the larger global enterprises. Taking the argument further, Martyn (1985) argues that a number of firms in resource based industries have successfully entered and developed international markets. Through an analysis of various case studies of enterprise in the food industry Martyn concludes that it is the combination of production capability and corporate management which is important, the possession of superior production capability is not a guarantee of success.

For similar reasons the viability of firms in what are mistakenly referred to as declining industries needs to be taken much more seriously than heretofore. Many such firms have survived and thrive by capitalising on relative advantages other than those associated with high technology (O'Mahony, 1985). It seems more appropriate to view firms and industries as evolving from the entrepreneurial stage through the mature stage and by a progress of revitalisation and renewal back to the entrepreneurial stage. In this context a mature industry is one in which an earlier uncertainty has been replaced by a stability in core concepts [Abernathy, Clark and Kantrow, 1983, 24]. Maturity also arises when marketing uncertainty has been replaced by a stability in the core marketing concepts. The fundamental characteristics of a mature industry are, therefore, the stability of its production and marketing technologies and the ease with which they can be copied by competitors. Observing these relationships led Abernathy, Clark and Kantrow (1983) to conclude that it is technological uncertainty i.e. production and marketing technology, which is the motive force of competition and it is competition which drives industry evolution. It is more appropriate, therefore, to view firms as participating in industries at varying stages of an evolutionary cycle determined by competition emanating from the marketing environment.

Competition proceeds along narrowing lines until in a mature industry the production and marketing position taken by major firms are virtually indistinguishable. The essence of standardisation is the transformation of product attributes that have been competitively significant into ones that are competitively neutral [Abernathy, Clark and Kantrow, 1983]. This process can, however, be reversed as is shown in the paper by O'Mahony (1985) in the present symposium. In such circumstances a competitive differential advantage accrues to those firms best able to perceive changing market preferences and to develop technology and new products to meet the new requirements.

Corporate Management

It would seem from recent reports that many of this country's international marketing ills lie in the micro software cell of the matrix [Bradley, 1983; Domegan, 1984; Sectoral Development Committee, 1984]. Corporate management has failed to adapt to new global standards. To increase competitiveness at this level requires major improvements in the management of internal change in firms attempting to internationalise [Bradley, Hession and Murray, 1985]. These themes are developed further in the present symposium. O'Mahony (1985) argues that because of the weaknesses at the corporate management level many of the firms in traditional industry failed to adapt appropriate strategies and structures in the face of the environmental discontinuity associated with joining the EEC. O'Mahony argues that the recommendations made in various public policy documents at the time were distinctly inappropriate. While recognising that a number of firms in traditional sectors have survived and succeeded due to good management O'Mahony identifies specific weaknesses remaining as: inadequate market information, little new product development, defensive approaches to new market development and short-term investment perspectives. These can be alleviated, according to this author through more effective public policies in the area of support for the development of marketing and management skills in the firm. Various schemes outlined in the White Paper on Industrial Policy (1984) attempt to address some of these problems especially the Group Marketing Scheme and the Market Entry and Development Scheme.

An aspect of company development in the food industry is outlined in this symposium by Smith (1985) who examines the strategic options facing the new entrant to foreign markets. He discusses the choice between private label and own label for food firms contemplating entering the UK grocery trade. The analysis is couched in terms of sequenced market entry whereby private label might be the initial means of entry followed by something of a more proprietary nature. Smith concludes that though private label may be less profitable it is a less risky means of entry, especially for resource scarce Irish food processors.

For managers considering new product development Thornton (1985) notes that the poor performance of Irish firms in this regard is due to their failure to introduce the systematic methodology required for successful new product development. One of the principal ingredients of his proposal is to introduce the consumer at an early stage in the process especially when new product concepts are being formed. Thornton uses a sophisticated consumer based analytical model to design and test a concept development model which has application in a wide range of circumstances. Central to the model developed by Thornton is the identification of key attributes on which consumers evaluate products. A clear understanding of the consumer decision process is a prerequisite for the successful development of new products by Irish firms for sale in sophisticated and demanding international markets.

A similar sophisticated analysis of the market for tourism services is provided by Murphy (1985) who uses multidimensional scaling techniques to position various competitors serving the US market. Murphy demonstrates the value of the analysis in assisting the firm in understanding the latent evaluative attitudinal structure in the market in regard to market positioning and shows how segments may be identified for marketing planning purposes.

While each of the authors writing in this symposium has commented on various aspects of corporate management and developed proposals for the solution of specific problems much remains to be done. It is necessary, therefore, to concentrate upon the micro or firm level and software aspects of corporate management for answers to the question of international competitiveness but at the same time not neglecting the country or macro level and hardware aspects of economic policy. Not much has changed since Dillon-Malone (1970) reported on the inability of Irish managers to cope with the marketing environment. Studies by the Consultative Committee on Marketing (1984) and Domegan (1984) confirm that the abysmal situation still obtains. An additional dimension discussed in Hession, Bradley and Murray (1985), the final paper in this symposium, is the increased pressure on firms in regard to their ability to cope with a complex and obtruse state support system. An examination of the micro-software cell in Figure 1 suggests that issues in organisational structure, corporate culture, education and development of human resources and internal allocative decisions are vital to the success of the firm.

Conclusions

This paper has attempted to discuss the key factors influencing international competitiveness in terms of a hierarchy taking account of public policy, environmental issues, production capability of firms and corporate management dimensions. It was seen that a number of recent articles on international marketing issues could be classified using this framework and that contributions made in the present symposium also could be similarly classified.

The review draws attention to three major concerns in the area of international marketing in Ireland. First, there is a continuing neglect of corporate management skills development although the state support system for marketing has as one of its objectives the development and improvement of such skills. It has been noted frequently that this neglect has existed for many years. Second, there has been a failure to recognise that macro policy support does not necessarily percolate down to the level of the firm. It is necessary to recognise that a hierarchy obtains. Allied to this criticism is the overemphasis given by policy makers to the hardware of technology while virtually ignoring the software implications of attempting to create a firm differential advantage. Finally, the concomitant diversity and similarity of situations which exist within and between industries and the strategic group implications of such diversity and similarity has not been fully appreciated. Many of the articles in this symposium present evidence of corporate management needs which may only be met through initiatives taken at the level of the firm to accurately address the strategic issue of internationalisation.

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