

The Competitive Force of FDI and its Elements

LA COMPETITIVITE DE L'INVESTISSEMENT DIRECT VERS L'EXTERIEUR DE L'ENTREPRISE ET SES FACTEURS CONSTITUANTS

Liu Huifang¹

Abstract: The paper provides the new concept---the competitive force of FDI, analyses its characters and elaborates its elements. It demonstrates the elements of the competitive force of FDI as a whole which put an effect on FDI. Only if enterprises own the competitive force of FDI, they can carry on FDI and get the profits.

Key words: enterprise, competitive force of FDI, element

Résumé: Cet essai met en avant le nouveau concept de la compétitivité de l'investissement direct vers l'extérieur de l'entreprise, analyse ses caractéristiques, traite ses facteurs constituants. Enfin il indique que ses facteurs, en tant qu'une unité, agit sur les activités d'investissement direct vers l'extérieur de l'entreprise et que l'entreprise ne peut investir directement vers l'extérieur et obtenir les résultats espérés qu'en se dotant de cette compétitivité.

Mots-Clés: entreprise, compétitivité de l'investissement direct vers l'extérieur, facteurs constituants

1. INTRODUCTION

Recently, there have been plenty of research papers talking about the international competitive force of enterprises. However, no paper was provided about the competitive force of FDI. Successful investment could only be obtained by the competitive force of FDI when enterprises enter into foreign market and operate in the updating competitive business context. Therefore, it is necessary to get further research on the competitive force of FDI.

At the beginning, there is a short literature reliev of the concept of international competitive force. Western researches and domestic researchers have not got an agreement on the understanding of international competitive force. They provided different definitions based on different directions and basements.

There are two definitions which are widely accepted by researchers.

In 1985, <<report on the competitive force>> argued that the international competitive force of enterprises is the capability and opportunity for enterprises which could provide more alternative price and quality than their foreign and domestic competitions to design, produce and sell goods and service. The World

Economic Forum strengths that the international competitive force is the ability to produce goods and service in both foreign and domestic market. Price and quality are used to measure the international competitive force of enterprises are quality and price.

The other one was provided by Michael. E. Porter in 1990 who is a professor in Harvard Business School (USA). The famous work <<the competitive advantage of nations>> argued that the international competitive force of enterprises is the capability to compete in the global market acting by global strategies. Porter strengths the importance of global strategies when enterprises are competing in the global market. The main factors influencing the international competitive forces are : competitors, suppliers, customers, potential competitive force and substitute.

International competitive contain many factors concluding all business activities in the point vies of the whole process of production and operation it can be used in the competition in the domestic market when enterprises encounter competition from both domestic companies and foreign companies. It also can be used in the competitive when enterprises produce product and service in domestic market and export abroad to compete in the foreign countries. Obviously, enterprises could make use of international competitive force in the international competitions of foreign directly investment.

¹ China University of Geosciences (Beijing) School of Humanities and Economic Management. Beijing, China.

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The international competitive force is a general discussion and explanation of the capability of enterprises.

However, FDI is just one aspect in the economic activities and competitive force has its special meaning when talking about FDI. Therefore, it is necessary to clear the competitive force of FDI, analyze its characters and discuss its elements deeply.

2. THE CONCEPT OF THE COMPETITIVE FORCE OF FDI

According to the above analysis, it can be defined: the competitive force of FDI is the capability for enterprises to invest and operate directly, maintain the sustainable development and obtain better profit in foreign stable or changeable atmosphere, compared to other competitors. The competitive force of FDI refers to that enterprises have the capability of maintaining a long term before investing.

It is different between the competitive force of FDI and the international competitive force of enterprises. The competitive force of FDI is valued before making investment decision, but the competitive force of enterprises need to be thought in the whole operation process. Certainly, the competitive force of FDI must realize the problem of competitive advantage in the further operation process. The competitive force of FDI should be valued from the direction of investment and the competitive force of enterprises should be paid more attention to the operation process. The competitive force could be formed and strengthened in the operation process, but the competitive force of FDI could not be formed in the operation process. In the contrary, enterprises should obtain it before FDI. If not, enterprises do not have capability of FDI.

3. THE CHARACTERS OF THE COMPETITIVE FORCE OF FDI

Intrinsic: the competitive force of FDI is composed of many kinds of abilities which is intrinsic. Enterprises must accumulate it by long-term production and operation process.

Pre-experience: the competitive force of FDI is provided before investing. If enterprises do not have the capability to invest in foreign countries, they should not do FDI, otherwise failure is inevitable.

Relativity: the competitive force of FDI is a relative in a particular time, locality and some other conditions. In other words, in a particular time, locality and some other conditions, the enterprise is competitive, but when conditions change, it may lose its competitive force of FDI.

Potential: the competitive force cannot become

economic interests automatically. Only if the enterprise gives full play of its competitive force, combine with the external conditions, and put the foreign investment into practice successfully, it would gain economic interests finally.

Dynamic: the competitive force of FDI is dynamic with the change of time and internal or external conditions. On one hand, the already existing competitive force may lose; on another hand, the enterprise that does not have the competitive force of FDI may develop the power gradually. So, the enterprise without the competitive force of FDI cannot invest oversea, but when it has a target of foreign investment, after a sustained effort, developed enterprise can has the competitive force of FDI, and do it successfully.

4. THE ELEMENTS OF COMPETITIVE FORCE OF FDI

The competitive force of FDI depends on the internal abilities of the enterprise and is composed of these internal abilities. The graph on the next page lists the elements of competitive force of FDI.

4.1 Money capability

The money capability is the very important factor of the competitive force of FDI. Having the money to invest is the premise to do FDI. The money can be the innate fund, can be financed and can be converted by the intangible assets. It is sure that solid money is the strong backing of foreign investment. The stronger capability of FDI is due to the lighter debt, the smaller risk of money and the higher capability of risk undertaking. But, a majority foreign direct investment need a number of money, it is a natural choice for enterprises to finance money by various methods. Whether the enterprise can raise money or not how to raise and the cost and the risk of financing put a direct influence on the competitive force of FDI.

4.2 Technical capability

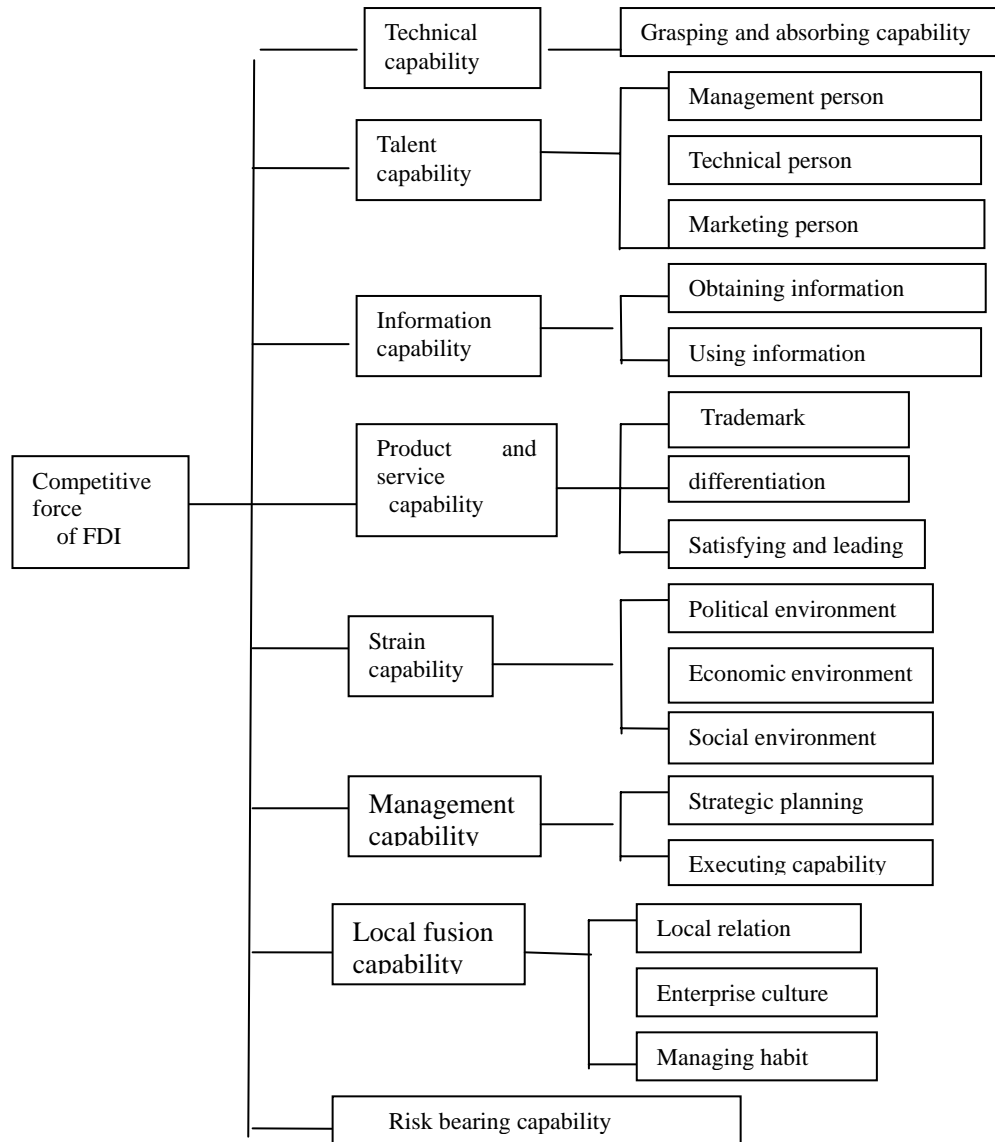
The technical capability holds the very important status in enterprises' international competition. An enterprise's technical capability includes two parts: the independent research and development capability and the capability of grasping and absorbing. An enterprise that has a better capability of the independent research and development often has the advanced technology and the product which owns the independent intellectual property rights. Therefore, those enterprises can have the advantage even monopoly status which leads to obtain higher profit. Some enterprises have the weak independent research and development technology capability. Those enterprises can use the advanced technology for themselves and also can enhance the competitive force of

enterprises.

4.3 Talent capability

Talented people are very vital for enterprises. In all elements of enterprises, only people are initiative and other elements can take action through people. People

are the most important resource in enterprises. Enterprises' competition is people's competition in the final analysis. People can be divided into three parts including managers, technical people and marketing people.



Managers' capability plays by all means the vital role in the FDI and production management, especially for enterprise's leaders or decision-makers. The entrepreneur is the most talented people of enterprises because as the decision-makers, the entrepreneur's strategic judgment, thinking model, management level, knowledge structure and boldness are directly relative to the success or failure of FDI. Only excellent entrepreneurs can use or arrange enterprise's human resource and physical resource rightly and can lead the enterprise to a competitive way. If an enterprise has money, technology and talented people, but its leaders are indifferent and incompetent, then all resources may lose their importance. When an enterprise lacks sufficient resources or talented people, excellent entrepreneur may

try his/her best to absorb people and resources for the enterprise.

Enterprises which develop, absorb or grasp the advanced technology need technical person. The enterprises' technology innovation capability, technology response capability and production capability all depend on the condition of technical person's capability. If according to present popular point of view, which argues that the key competitive force of enterprises is technology innovation capability of enterprises, it is obvious that the capability of technical person decide the key competitive force of enterprises.

Marketing person is the base of the competitive force of FDI. In modern society, marketing person is never

neglected in competition of enterprises.

Especially, for the FDI of enterprises, which face a new and complicated foreign market and want to open up the new development space, need to use new resources, develop new clients, expand new market and integrate existing clients resource and market, so the importance of marketing people is never neglected. In modern international fierce competition whether enterprises have competent marketing people or not, which put an important influence on the competitive force of FDI.

4.4 Information capability

Information capability is extremely important capability in FDI. Information include policy information, market information, supply and need information, product information and environment information that come from both domestic and foreign countries.

If enterprises do FDI without relative information, it is possible for enterprises to make wrong decisions which may lead to the lose or even the failure of investment and management activities. Enterprises must have sufficient information and can use it properly make right response and action, then enterprises can find, recognize, grasp and create opportunities. Information resource itself is scarce. Finding information needs expense and sometimes it is difficult to obtain information by big cost. Compare to local investors, foreign investors have disadvantage in obtaining information. Therefore, investors must have acute awareness of information and good capability of obtaining and using information.

4.5 Product and service capability

Product and service contact with consumers directly. The net profit comes from product and service, and whether enterprises have profit or not, or the profit is large or small, which depend on the price and quantity. Only the product with proper price can be accepted by consumers, which means that only enterprises can provide the competitive product and service, enterprises have possibility of gaining investment success.

The competitive force of product and service can be divided into three parts: trademark, differentiation, satisfaction and guidance.

If enterprises' product and service have their own recognized trademark, their quality ,character, differentiation, trademark influence, technology content are highly accepted by consumers, which help the enterprises' FDI and management after investing successfully.

With the improvement of income and diversity of consumers' demand, the consumers' need to product and service diversifies. Therefore, the differentiation of products means that the enterprise can hold the

monopoly status, can get more profit, or can obtain the interests of market segment to ensue the price of product and service.

In addition, for the enterprise with the competitive force of FDI, it not only has the power to satisfy the existing need of market, but also to satisfy the potential need of market even to guide the need of market, in reality, there are a lot of multinational corporations which can satisfy people's existing or potential need, and continuously lead the consumers' demand and provide some products that consumers cannot imagined, therefore, they obtain better profit.

4.6 Strain capability

As one overall foreign direct investment enterprise or a multinational corporation is probably locating a gambling status with the local government, but as far as the single enterprise was concerned, its foreign direct investment can only choose the environment in the global scope, generally speaking, it has no capability to change the environment Investing to the production management is a long-term procedure, in which the environment faced with the corporation will alter all the time, only the enterprise had the better strain capability, will they have the competitive force of FDI.

4.7 Management capability

Enterprise's management capability includes the strategic planning capability and the executing capability. The enterprise's investment strategy is the product of the displaying the leadership, the enterprise's strategic planning capability is described as the understanding and the degree of grasping the macroscopic environment, itself, competitors and the strategic formulation scientific nature and implementation validity. As the enterprise's directive decision, strategy is very important for the present and the future. An excellent strategy leads to a good investment..

The enterprise executing capability means that the enterprise has the capability which will transform the decision, system, strategy and management to the practical action. It reflects the capability that the enterprise organizes the personnel, strategy and the transport flow to unify the mission. The execution directly effects the level of the management and the competitive force, in the meantime, it is the key of the development.

4.8 Local fusion capability

The capability of the foreign investment enterprise, and the local fusion includes the relationship with the local forms, the compatibility of enterprise culture and the local, as well as the management custom and local form.

The relationship with the local form, which will

intensify or reduce the competitive force, realize or weaken the enterprise resources. The relationship between the enterprise and the local form include the connection with the host government, with the each part of the production and customer. The relation between the enterprise and production management include the concern with the supplier, the seller, the customer, the opponent company, substitutive company and other relative institutions.

Enterprise culture plays the increasingly important role in management and becomes the deepest and fundamental element of enterprises' management. Whether the culture of the enterprise which carry on FDI can be mixed together with local culture or not, it has profound influence on the development of enterprises.

4.9 Risking bearing capability

Foreign investment enterprise needs not only strain capability, but also bearing capability of risk. This is because when uncertainty problem or risk happen, the enterprise will face more than just adjust itself to changing circumstances, for sometimes any effort cannot change the fact such as rebel, mutiny, policy changes, natural calamity, exchange rate float and so on, in this time it can only bear risk and lost.

5. CONCLUSION

Combination of enterprise's various abilities and capacities present as competitive force of FDI. Those elements, which construct the competitive force, affect each other. They are not solo existence, but effective as a whole when the enterprise could enjoy advantages in every aspect of productivity, but the enterprise could be superior in several areas to others. Combination of those superiorities could give it competitive advantages in foreign direct investment as a whole.

Competitive force of FDI is necessary and important for engaging FDI. But they are not decisive to the failure or success of operations. Even enterprises which enjoy competitive force in planning stages could be unsuccessful in practicing stages. As investment is a long-term activity, too much uncertainty may affect the final results during such a long period. For instance, market conditions, unpredictable changes of environment, uncertainty results of business resolutions, could be decisive to final results of operations.

THE AUTHOR

Liu Huifang, 1964, got science bachelor degree in 1986, economics master degree in 1992 and economics doctor degree in 2006, is a assistant professor and the tutor of postgraduate students and specializes in international trade and international investment.

Add: China University of Geosciences (Beijing) School of Humanities and Economic Management. Beijing, 100083, P.R. China.