

IMPACT OF GLOBALIZATION ON COMPETITIVENESS IN WESTERN BALKANS

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ABSTRACT

Competitiveness can be considered from different points of views in academic research. The companies that do not carry out innovative activity are not capable of taking advantage of market opportunities or meet strong competition. In our research we used Global Competition Index for Serbia and Western Balkans, which includes micro and macroeconomic bases of national competitiveness. Analysis has shown that all countries from the region had the rank improvement in 2017 in relation to the previous year, but there is still the clear gap between the Western Balkans region and the EU-11. As many of the Western Balkan countries face similar challenges, some economic dialogue will be a key pillar in the enlargement process going forward.

Key Words: *globalization, companies, competitiveness, Western Balkans*

JEL classification: *F21, F22, F60*

INTRODUCTION

As a result of entering the global market, competition raises the quality of products, increases the scope of available products and services and raises prices at lower level [1]. However, extension of the market does not mean that only big business subjects will be able to gain benefits from this trend. Studies have shown that there is no correlation between big market ad successes of big businesses. In other worlds, globalization rewards the companies that are innovative and competitive, regardless of the size of organization and country of origin.

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Western Balkan countries, which strive to integration in EU and exit from domestic enterprises and economy to European and global market, are ready to change business strategies in order to achieve competitive advantage. This implies observation of organization such as a system, which make mutually intertwined many functions and characteristics. They determine business success of the given organization. Companies, which are not treated in that way do not manage to adapt themselves to new requirements and thus they are in danger to lose their strategic advantages. However, those companies that easily adapt to new organizational requirements, increase their strategic maneuvering space and thus create additional competitive possibilities in the market.

Transition process in Serbia was since 2001 followed by a series of adaptations and accelerated harmonization of economic policy and new economic order. The program of Serbian reforms was, among other things, oriented on revival of economic growth through re-orientation of a country from the economy based on social ownership to the economy with an increased share of private sector. In accordance with such a re-orientation, Serbia has followed EU by reducing the backlog in development of private sector in relation to EU member countries, developed SME sector [2]. According to that, Serbian Government in March 2015 has adopted the Strategy for support to development of SME, entrepreneurship and competitiveness for the period from 2015. to 2020. in order to improve the development of entrepreneurship, increase the number of small and medium companies, increase employment and train SME to answer the increasing pressure of competition in the market. If the competitiveness in global market is weak, then national economy suffers as well, which leads to protectionism, non-transparent state grants and barriers for entering the market [3]. The aim of this article is to analyze the state of the competitiveness of Western Balkan economies and to suggest policy recommendations.

THEORETICAL OVERVIEW

The impact of globalization on competitiveness has become the fundamental topic of the governments in many countries. However, tendencies of globalization are not equally acceptable in some parts of the world, in individual markets and within different social groups [4]. Mostly, there is a compliance regarding the advantages that globalization brings through the reduction of production costs, increase of international exchange and growth of overall wealth. Also, one number of scholars advocate that the competitiveness of a national economy is a macro-economic phenomenon, so it is determined by factors such as interest rates, exchange rates, and budget deficits [5]. Through globalization, most companies significantly increase their improvement. According to our research competitive advantage of the enterprise must not be increased only by the reduction of costs, but also through the achievement of high quality of production, continuous development of products and services, comprehensive concept of services or ability to rapidly respond to the requirements of buyers and business partners [4].

GLOBAL COMPETITION INDEX – GCI

“Today due to embracing globalization and trade liberalization policies in the world, the business environment has become more competitive” [7], [8]. Succeeding across borders is much more difficult than winning at home, but some of the same barriers that constrain International flows also increase the rewards for companies that find ways to overcome them [9].

Global Competitiveness Index (GCI) is for sure the most significant analytical frameworks for expressing the achieved level and key determinants of innovativeness, on the one hand, and the factors of countries’ competitiveness at the global level, on the other hand. Global Competition Index analyzes the factors that lead to productivity and prosperity. It is about a rather comprehensive index, which includes micro and macroeconomic bases of national Competitiveness. GCI results are calculated with the help of data that cover 12 pillars: institutions, infrastructure, macroeconomic environment, health and elementary education, high education and professional training, efficiency of goods market, efficiency of labour market, financial market development, technological readiness, market size, business sophistication and innovativeness. According to the definition, as higher the competitiveness level of a country is, higher is its productivity, which should lead to greater and more sustainable economic growth [6].

Although global competitiveness index in Serbia has had significant fluctuations in the last couple of years, it mainly increased in the period from 2007 to 2016, in order to have the best ranking improvement (by 12 positions) in 2017. (Table 1) Albania has, in addition to Serbia, had the greatest increase of its position, i.e. from the 93rd position in 2016 to 80th in 2017. The other countries from the region had the rank improvement in 2017 in relation to the previous year, while Croatia has occupied the same position as in 2016.

Table 1. GCI for Western Balkan countries

<i>Country</i>	GCI 2015-2016		GCI 2016-2017	
	Value	Rank	Value	Rank
<i>Serbia</i>	3.97	90	4.14	78
<i>Macedonia</i> ²	4.23	60	-	
<i>B&H</i>	3.80	107	3.87	103
<i>Albania</i>	4.06	93	4.18	80
<i>Montenegro</i>	4.05	82	4.15	77
<i>Croatia</i>	4.15	74	4.19	74

Source: Schwab, K. (2016), the Global Competitiveness Report, 2016–2017 and 2017–2018, World Economic Forum.

² Macedonia was not included due to lack of data for 2017.

Despite growing competitiveness in Western Balkans economies, there is still the clear gap between the Western Balkans region and the EU-11. This statement is supported by enterprise surveys which suggest that one of the biggest obstacles to doing business is unfair competition from the informal sector. Other significant obstacles include corruption, getting electricity and access to finance.” Competitiveness is also hampered in some countries by a still-large state presence in key industries and inadequate implementation of the competition policy framework.” [10, p.21]

The main policy goal should be empowerment regional cooperation and institutional capacities of national administrations, employers’ and workers’ organizations and social policy reforms in their EU enlargement process.

CONCLUSION

Comparing the Western Balkan countries with developed European countries in the aspect of their competitiveness, it is observed that they have significantly reduced backlog and the existing difference from the EU countries. For this backlog to be reduced, Serbia has managed to significantly improve its business primarily due to economic reforms. Primarily, labour law has enabled easier employment and dismissal of employees. In addition, economic growth is a consequence of a lower level of budget deficit, growth of credit rating of a country and lower level of public debt expressed in GDP.

Globalization itself is the assimilation of cultures, economies, and politics, so it only makes sense that today’s organizational culture needs to embrace diversity. These factors should be involved in the effectiveness of implemented changes such as changes in organizations. In addition, by establishing what type of global presence is wanted and understanding the business environment before entering the global market a company is trying to ensure its success.

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