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THEORETICAL EVOLUTION OF COMPETITIVENESS AND ISSUES OF THE TERRITORIAL COMPETITIVENESS OF SMALL BUSINESSES

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Abstract. This article systematically analyzes the theoretical evolution of the concept of "competitiveness" and the definitions provided by various economic schools and scholars. Competitiveness is one of the central categories of modern economics, serving as a crucial criterion for assessing the level of economic development at the enterprise, industry, regional, and national levels. The article provides a comparative analysis of the theoretical views of scholars ranging from A. Smith and D. Ricardo to M. Porter, J. Schumpeter, E. Penrose, J. Barney, G. Hamel, and C.K. Prahalad. Furthermore, the approaches to competitiveness developed by influential international organizations such as the OECD, the World Economic Forum (WEF), and the IMD World Competitiveness Center are examined. The analysis reveals that the concept of competitiveness has gradually evolved from a narrow notion based on economic efficiency into a multidimensional, dynamic category encompassing innovation, resources, the institutional environment, human capital, and digital technologies. Special attention is paid to the territorial competitiveness of small business and entrepreneurship entities. This article serves to deepen the scientific and theoretical aspects of the concept of competitiveness and to facilitate its application in empirical research.

Keywords: Competitiveness, theoretical evolution, small business, territorial competitiveness, comparative advantage, innovation, resource-based view, institutional environment, Porter's diamond model.

Аннотация. В статье системно анализируются теоретическая эволюция понятия «конкурентоспособность» и определения, предложенные представителями различных экономических школ и отдельными учёными. Конкурентоспособность является одной из центральных категорий современной экономики и служит важным критерием оценки уровня экономического развития предприятий, отраслей, регионов и стран. В статье проводится сравнительный анализ теоретических взглядов учёных — от А. Смита и Д. Рикардо до М. Портера, Й. Шумпетера, Э. Пенроуз, Дж. Барни, Г. Хамела и К. К. Прахалада. Кроме того, рассматриваются подходы к конкурентоспособности, разработанные такими влиятельными международными организациями, как Организация экономического сотрудничества и развития (ОЭСР), Всемирный экономический форум (ВЭФ) и Центр мировой конкурентоспособности IMD. Результаты анализа показывают, что понятие конкурентоспособности постепенно эволюционировало от узкой трактовки, основанной на экономической эффективности, к многомерной и динамичной категории, охватывающей инновации, ресурсы, институциональную среду, человеческий капитал и цифровые технологии. Особое внимание уделено территориальной конкурентоспособности субъектов малого бизнеса и предпринимательства. Статья способствует углублению научно-теоретических основ понятия конкурентоспособности и расширению возможностей его применения в эмпирических исследованиях.

Ключевые слова: конкурентоспособность, теоретическая эволюция, малый бизнес, территориальная конкурентоспособность, сравнительное преимущество, инновации, ресурсный подход, институциональная среда, ромб Портера.

INTRODUCTION

The concept of competitiveness is currently one of the most important and widely used categories in economic theory and practice. It serves as a key criterion for assessing the effectiveness of economic development, determining investment attractiveness, and identifying prospects for improving living standards at the enterprise, industry, regional, and national levels. However, the academic literature lacks a single, universally accepted definition of competitiveness. During different historical periods, economists have interpreted this concept in various ways, reflecting its evolutionary development.

While the formation of the theory of competitiveness is associated with the classical economists A. Smith and D. Ricardo, subsequent stages enriched and expanded this concept through the works of J. Schumpeter, E. Penrose, J. Barney, G. Hamel, C.K. Prahalad, and, notably, M. Porter. Over the past thirty years, competitiveness has been interpreted as a multidimensional and systemic category that is inextricably linked to institutional, technological, and globalization factors.

The primary objective of this article is to systematically outline the theoretical evolution of the concept of competitiveness, conduct a comparative analysis of the approaches of various economic schools and scholars, and scientifically substantiate the author's own definition of the territorial competitiveness of small business and entrepreneurship entities. The article examines the relationships between different levels of competitiveness—product, firm, industry, regional, national, and global—and how this concept has become increasingly complex over time.

LITERATURE REVIEW

The theoretical foundations of competitiveness were initially developed within classical economic thought. Smith (1776) associated economic success with the division of labor, productivity, and the efficient functioning of markets, while Ricardo (1817) explained the advantages of countries in international trade through the principle of comparative advantage. These approaches mainly emphasized production efficiency and the rational use of available resources. Later, Schumpeter (1934) expanded this interpretation by highlighting innovation and entrepreneurial activity as major sources of economic development. From his perspective, the ability to introduce new products, technologies, and production methods enables firms to strengthen their position in changing market conditions. Porter (1990) further developed the theory by linking competitiveness with productivity, innovation, business conditions, and the interaction between firms, suppliers, consumers, and related industries.

Subsequent studies increasingly focused on the internal resources and institutional environment of firms and regions. Penrose (1959), Barney (1991), Hamel and Prahalad (1994), and Teece, Pisano, and Shuen (1997) argued that sustainable competitive advantage depends on unique resources, knowledge, managerial competencies, and the ability to adapt these capabilities to external changes. At the regional and national levels, competitiveness has also been associated with institutional quality, human capital, infrastructure, investment attractiveness, and innovation capacity (OECD, 2007; World Economic Forum, 2019; IMD World Competitiveness Center, 2023). Studies devoted to regional development and small business show that territorial competitiveness is shaped not only by the performance of individual enterprises but also by access to financial resources, market infrastructure, cluster cooperation, and supportive institutional conditions. However, the territorial competitiveness of small business and entrepreneurship entities remains insufficiently examined as an integrated category, which creates a need to clarify its theoretical content and main determining factors.

RESEARCH METHODOLOGY

This study employs the following scientific methods to examine the theoretical evolution of the concept of competitiveness:

Literature Review Method — existing scientific sources, classical and modern economic literature, and reports on competitiveness published by international organizations such as the OECD, WEF, and IMD were systematically studied and analyzed.

Comparative Analysis Method — definitions of competitiveness proposed by various economic schools, including classical, neoclassical, Keynesian, new growth theory, and institutionalist schools, as well as by individual scholars, were compared to identify their similarities and differences.

Categorization and Generalization Method — the essence of the concept of competitiveness was revealed, existing definitions were grouped, and generalized conclusions were drawn.

Inductive and Deductive Methods — general conclusions were drawn from the theoretical views of individual scholars through induction, while general theoretical principles were applied to the territorial competitiveness of small business entities through deduction.

The source base of the study consists of classical economic works by A. Smith and D. Ricardo, the works of modern competitiveness theorists such as M. Porter, J. Schumpeter, E. Penrose, J. Barney, G. Hamel, and C.K. Prahalad, annual reports published by international organizations, and scientific works by Uzbek economists, including Rakhmatullayeva F.M., Akhunov M.M., Tolaganova D., and Kuzminich G.G., on this topic.

ANALYSIS AND RESULTS

THEORETICAL FOUNDATIONS AND EVOLUTION OF THE CONCEPT OF COMPETITIVENESS

The concept of competitiveness is one of the complex and multifaceted categories of economic theory, and its content has been interpreted differently during various historical periods and within the context of different scientific schools. This section covers the theoretical roots of the concept of competitiveness, the main approaches related to it, and its evolutionary stages of development in chronological order and on the basis of comparative analysis.

Table 1.
Basic definitions of the concept of competitiveness provided by scholars[1]

Author(s)	Definition
A. Smith, D. Ricardo (Classical school, 18th–19th centuries)	«Competitiveness is the lower cost of labor in the production of goods compared to other producers.»[2]
Michael Porter	«Competitiveness is the advantage (productivity) in the use of regional resources, primarily labor and capital, compared to other regions.»[3]
Kuzminich G.G.	«The competitiveness of small and medium-sized businesses is the ability to demonstrate flexibility and adaptability to constant changes in the external environment, depending on the enterprise's strategy, to increase, decrease, or maintain its occupied market share.»[4]
Rakhmatullayeva F.M.	«Competitiveness is one of the main economic categories in market relations, expressed through a set of indicators such as the region's economic growth rates, investment attractiveness, and population living standards.»[5]
M.M. Akhunov and D. Tolaganova	«Competitiveness is the ability of a region to ensure a steadily growing level and quality of life for the population on a sustainable basis through the rational (efficient) use of its natural-economic potential, comparative advantages, and institutional capabilities.»[6]
By the author	« The territorial competitiveness of small business and entrepreneurship entities can be assessed through their capacity to contribute to gross regional product, attract investment, expand exports, and support employment based on adaptability to local conditions, prompt decision-making, innovative activity, and cluster linkages with large enterprises.»

Competitiveness is considered one of the most important categories of the modern economy. This concept is widely applied as a significant criterion characterizing the level of economic development of enterprises, industries, regions, and countries. However, the scientific literature does not contain a single, universally accepted definition of competitiveness. Throughout various periods, economists have interpreted this concept differently, reflecting its evolutionary development.

The formation of the theory of competitiveness is associated with the research of classical economists A. Smith and D. Ricardo. While A. Smith explained the wealth of nations through labor productivity and free-market mechanisms, D. Ricardo substantiated the success of countries in international trade through the theory of comparative advantage. In these approaches, competitiveness was mainly linked to reducing production costs and increasing labor productivity.

In the first half of the 20th century, J. Schumpeter associated competitiveness with innovation and entrepreneurial activity, advancing the concept of "creative destruction" as the primary driving force of

1 Source: Compiled by the author based on the literature cited in the article.
2 Smit A. "The Wealth of Nations" (1776); Rikardo D. "On the Principles of Political Economy and Taxation" (1817).
3 Porter M. "The Competitive Advantage of Nations" (1990); shuningdek, Porter M. "Международная конкуренция" — Moskva: Международные отношения, 2005. — 859 s. (Rus tilidagi nashr)
4 Кузьминич Г.Г. *Конкурентоспособность предпринимательских структур малого и среднего бизнеса России* // Экономика, управление, финансы: материалы II Междунар. науч. конф. (г. Пермь, декабрь 2012 г.). — Пермь: Меркурий, 2012. — С. 21-24
5 Rakhmatullayeva F.M. «The impact of competitiveness growth on structural changes in the regional economy». *Scientific Electronic Journal «Economics and Innovative Technologies»*, No. 5, 2022. (In Uzbek)
6 Akhunov M.M., Tolaganova D. «Foreign experience in ensuring the competitiveness of Uzbekistan's regions» // *Scientific Electronic Journal «Economics and Innovative Technologies»*, 2022, No. 6, pp. 45-52. (In Uzbek

economic development. He argued that the market success of enterprises could be supported by the development of new products, the introduction of new technologies, and the improvement of management methods.

At the subsequent stage, the resource-based theory and the concept of competencies, developed by scholars such as E. Penrose, J. Barney, G. Hamel, and C.K. Prahalad, linked competitiveness to the internal capabilities of the firm. According to this approach, unique resources, knowledge, experience, and managerial competencies provide the firm with a long-term competitive advantage.

M. Porter's contribution to the development of competitiveness theory is of particular importance. Porter linked competitiveness to the level of productivity, emphasizing that the success of countries and firms is shaped by innovation, effective management, and a favorable business environment. Porter's "Diamond Model" explains competitiveness through determinants such as factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry.

Since the 1990s, the concept of competitiveness has been enriched by macroeconomic and institutional approaches. In the approaches developed by the Organisation for Economic Co-operation and Development (OECD), the World Economic Forum (WEF), the IMD World Competitiveness Center, and the European Commission, competitiveness is interpreted as a complex category associated with economic growth, population well-being, innovative development, institutional quality, and the investment climate.

An analysis of scientific sources shows that the evolution of the concept of competitiveness has passed through three main stages. In the first stage, competitiveness was explained by production efficiency and comparative advantages. In the second stage, emphasis was placed on innovation, resources, and strategic management factors. In the third stage, factors such as the institutional environment, human capital, digital technologies, and innovative potential are considered important factors influencing competitiveness.

A generalized analysis of these approaches shows that competitiveness is influenced not only by production efficiency and market share but also by an enterprise's ability to adapt to changing market conditions, implement innovations, and efficiently use available resources. In particular, for small business and entrepreneurship entities, the main factors of competitiveness are innovative activity, financial stability, quality of management, market infrastructure, and institutional conditions created by the state.

CONCLUSION AND SUGGESTIONS

An analysis of the theoretical evolution of the concept of competitiveness allows us to draw the following important conclusions:

Firstly, the concept of competitiveness has become significantly more complex and broader over time. At the initial stage, during the 18th and 19th centuries, competitiveness was interpreted narrowly—as low production costs and high labor productivity. However, from the second half of the 20th century, this concept evolved into a complex category encompassing innovation, resources, managerial competencies, the institutional environment, and digital transformation.

Secondly, the evolution of competitiveness theory has passed through three main stages: the first stage—production efficiency and comparative advantages (A. Smith and D. Ricardo); the second stage—innovation, resources, and strategic management (J. Schumpeter, E. Penrose, J. Barney, and M. Porter); and the third stage—the institutional environment, human capital, digital technologies, and global value chains (OECD, WEF, and IMD approaches).

Thirdly, competitiveness takes on different meanings at different levels—product, firm, industry, region, and national economy—but all levels are interconnected and mutually dependent. In particular, regional competitiveness is based on the competitiveness of firms and industries, while macroeconomic and institutional factors also play a vital role.

Fourthly, the article proposes the author's definition of the territorial competitiveness of small business and entrepreneurship entities. According to this definition, their competitiveness can be assessed through their capacity to contribute to gross regional product, attract investment, expand exports, and support employment through adaptability to local conditions, prompt decision-making, innovative activity, and cluster linkages with large enterprises. This approach also highlights the importance of state policy and institutional conditions in enhancing the competitiveness of small businesses.

Fifthly, in the modern economic environment, it is necessary to measure competitiveness not only through statistical indicators but also by considering its dynamic aspects—adaptation to digital transformation, alignment with sustainable development goals, and the continuous renewal of innovative potential.

In future research, it is relevant to integrate competitiveness with the requirements of sustainable development, the green economy, and social inclusivity, as well as to develop new methodological approaches to measuring competitiveness. In the context of Uzbekistan's economy, the role of cluster-based organizational forms, digital platforms, and public-private partnership mechanisms in enhancing the territorial competitiveness of small business and entrepreneurship requires specific and in-depth study.

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