

Poslovne studije/ Business Studies, 2018, Volume 10, Issue 19-20, pp. 227-234

Časopis za poslovnu teoriju i praksu

UDK 332.135:330.34

The paper submitted: 03/05/2018

DOI: 10.7251/POS18227B

The paper accepted: 15/05/2018

Review

Borislav Bojić, Parliamentary Assembly of Bosnia and Herzegovina, Bosnia and Herzegovina,
borislav.bojic@gmail.com

Nenad Joldić, International Criminal Tribunal for the former Yugoslavia (ICTY), The Netherlands

THE IMPORTANCE OF LOCATION COMPETITIVENESS FOR ECONOMIC DEVELOPMENT

Abstract: *In modern times, the global economy is characterised by the growing interdependence of national economies. The impact of globalisation is present today in all spheres of life, both from the point of view of the position and role that each of the locations (destinations, territories) today has, viewed globally. Furthermore, all types of places such as municipalities, cities, regions and states are considered to be locations and they are made up of people, cultural and historical heritage and tangible assets). Namely, globalisation has led to the fact that the positions of individual locations, or their perception by consumers, have become significantly susceptible to changes. Today, the whole world is a unique market and in this sense globalisation means that every country, city or region must compete for its participation or its share in the world market when it comes to consumers. The way one location is noticed or seen in the environment represents a very important element of its differentiation in relation to other locations. Therefore, it is justifiable to ask what is available to locations or their management in order to differentiate them more efficiently from the environment and position themselves as investment attractive and lead to the economic development of their state. The answer to this question, through empirical research, is the subject and objective of this paper.*

Key words: *globalisation, location attractiveness, investment environment, economic development*

JEL classification: *M21, M51, F21, F43*

INTRODUCTION

The global economy (Dodig and Kozić Rađenović 2017, 229), in modern times, is characterized by the growing interdependence of national economies (Grahovac and Trivanović-Stojanović and Jakovljević 2015, 393). Over the past few years globalisation as a permanent process has led to a number of significant changes in the business policy of companies, organisations and institutions. The reason lies in the very essence of the process of globalisation characterized by universalisation, homogenisation and unification of the world according to some important principles, determinants and norms of behaviour, as well as the affirmation of the growing interconnection and conditionality between individual countries, regions and large enterprises (Drašković and Jovović 2006, 121). To the extent that these relationships become more significant and complex, some national economies feel more and more positive or increasingly negative effects of general trends in the world economy. The link between the process of globalisation and the volume of international trade, foreign direct investment and the creation of strategic alliances is most obvious. Globalisation and global competitiveness as a trend have resulted in the fact that certain locations, which had previous advantages from the aspect of their own investment attractiveness, began to lose them, and it

is precisely the tendency towards investment attractiveness today to become a challenge for the management of any location. The location is one of the strategic resources of competitiveness and attraction of foreign investments. In contemporary conditions of global economic relations, there is a specific form of competition between cities, municipalities, states and regions. All of them try to attract and retain the resources that are necessary to achieve the defined goals. It is about attracting investors, businesses, tourists, human resources, organisations of international sports, entertainment and cultural events and anything else that can positively influence the development of locations.

In this context, it is clear that there is a market for locations, and the implementation of the marketing concept also appears to be the most effective in this case. The statement of Herbert Emery (Emery 2011, 1-13) that "marketing is actually a civilized form of warfare in which most of the battles are acquired by words, ideas and disciplined thinking", perhaps becomes the most obvious in the context of location marketing. A location as a marketing offer or a marketing product must have relevant attributes that can be applied to offers from other locations. The competition between attractive and differentiated locations is by definition of international and global character. Technology, capital, management and marketing are the most important factors whose work has shaped the present day world, as well as the competitive interdependence and accessibility of certain locations. These factors, and especially communication and transport technology, contribute to reducing costs and increasing the speed of transmission of information, as well as the transport of people and goods, so that the physical distance between individual locations and geographical destinations is reduced and easier. It is a process in which events, decisions and activities in one part of the world create significant (Roderick and Coviello 1997) consequences for individuals and communities in places that are far from them.

However, what is common to all countries, regardless of the degree of globalisation present, is a continuous search for limited resources and the mutual competition of particular locations in their attraction.

1. CONCEPT OF CONTEMPORARY COMPETITIVENESS LOCATIONS

International expansion has received a lot of attention from international business research in recent decades (Szałucka 2015, 125). Globalization changes the relative value of national sovereignty. Modern economic theory and practice pays special attention and importance to international economic relations and foreign trade business. The priority of such action is the economic interests of the states and their economies. The international economic environment produces numerous influences that are important for the economic development and the current economic stability of each country. Removing barriers to international trade, reducing transport and communications costs have created the conditions for all countries and companies to compete in a single global market. In today's world economy, characterised by openness and integration, competitiveness plays a key role in both developed and developing countries. Realising a competitive advantage is very important for the successful functioning of an economy. Therefore, there is a constant search for ways that will ensure the efficient functioning of the national economy, which will contribute to its preparation for a complex global environment. The competitive advantage becomes a crucial requirement that is set before every economy. Globalisation has achieved its influence in all spheres of life, and therefore it is the same from the point of view of the place and role that each of the locations (destinations, territories) has today, viewed globally. In this regard, all types of places, such as municipalities, cities, regions and states, are considered as locations, and they are made up of people, cultural and historical heritage and tangible property. The country's competitiveness can be defined as an area of economic theory, which analyses the facts and policies shaping the country's ability to create and maintain an environment that creates greater value for businesses and prosperity for its people. Competitiveness is not an isolated phenomenon but

an interdisciplinary phenomenon that stems from the internal and external environment and connects the business strategy, macroeconomic policy, legal and regulatory reform, education, motivation of management and workers and many other economic, business and social factors to create a unique strategic plan and competitiveness policy in order to create greater added value.

The location is a form of marketing offer, as a rounded and recognisable geographical area with associated infrastructure, attractions, resources, potentials, culture, customs, business climate and ambience, as well as other features that can attract and retain potential users of this location content. The location is considered to be a specific place, which consists of people, culture, historical and cultural heritage, as well as tangible assets. Locations are evaluated and ranked by different criteria, depending on the motive and goal. Accordingly, various factors can be considered – from the quality of life to the environment and culture, and the search for a location suitable for life, business or a tourist visit becomes continuous (Kotler, Haider and Irving 2012). Each site has certain attributes that make its competitive advantage. In contemporary context, competition between locations is of international and global character.

The level of development of technology, human resources, the state of the capital in the financial market, management and marketing are the most important factors whose interdependence has shaped the contemporary world, as well as the competitive position of certain locations on a global level. The mentioned factors act in the direction of reducing and overcoming the physical distance between individual locations. The impact of the system of values and lifestyles characteristic for the most developed countries of the world is becoming increasingly dominant, and there is a homogenisation of consumer behaviour. Modern consumers, the level of satisfaction and the quality of meeting needs put ahead and above a priori preferences of domestic products and national loyalty. Under these conditions, the world becomes a single market, and production for it becomes the only economically logical and justified.

2. IMPORTANCE OF LOCATION COMPETITIVENESS

It is widely recognized that changes in technology and competition have diminished many of the traditional roles of location (Porter 2000, 15). What is common to all countries, regardless of the degree of globalisation, is the search for limited resources and the mutual competition of particular locations in their attraction. Describing such a situation, Anholt states that "the rapid advancement of globalisation means that every country, every city, and every region must compete with everyone else for its share of world consumers, tourists, investors, students, entrepreneurs, international sports and cultural events, as well as for the attention and respect of international media, other governments and people from other countries" (Anholt 2007, 1). As a result, many communities seek to attract companies, corporate and branch administrations, investors, tourists, participants in various events, sports teams and other entities that could influence the increase in employment, investment and income, as well as the overall development (Kotler and Haider and Irving 2012). In a large, global "game of attraction" everyone - individuals, businesses, cities and regions participate. It is a global competition, since a particular competitor does not have to be a neighbouring city, municipality or state, but any location in the world that has the corresponding characteristics (Avraham and Eran 2008, 197; Avraham and Eran 2013, 146)..

There are 6 generic strategies that locations use to improve their competitive positions (Kotler, Haider and Rein 2012, 244):

- 1) Attracting tourist and business visitors
- 2) Attracting business entities from other places
- 3) Retaining and expanding the existing level of the economy
- 4) Promotion of small enterprises and support to newly-established businesses

- 5) Expansion of exports and foreign investments
- 6) Extending the size of the population or changing the structure.

In addition to global factors from the external environment, internal factors determine the location's competitiveness, affecting the development, stagnation and downward of locations. These periods are cyclical in nature, because in the period of development of a certain location there are factors that lead to its development, stagnation and decline, and vice versa. For example, a certain location of a city that is attractive to some criterion in a certain period, creates favourable prerequisites for employment and becomes attractive to new residents, visitors, companies and investors ... The inflow of new resources (in every form), already in the med-term leads to an increase of the price of real estate and the intensification of pressure on existing infrastructure, as well as on public services, the volume of which becomes insufficient. The typical reaction of local governments is the increase in taxes that the population and the economy need to pay, in order to enable the financing of increased transport, communication, energy and social needs. Under such conditions, a certain segment of the population and businesses leave the city and thus reduces the tax base (Kotler, Haider and Irving 2012). The reaction of local authorities to the new situation will depend on the priority development goals. In such a constellation of relationships, there are also passive locations that do not work on their own improvement and development, because they "reconciled" with the situation they are in.

3. DETERMINANTS OF THE LOCATION ATTRACTIVENESS

The determinants of the attractiveness of a particular location can be tangible (measurable with the possibility of quantification) and intangible (atmosphere, experience ...) character. The final position of the (potential) user of a location offer (investor, visitor or potential resident) depends on the degree of the knowledge of all the characteristics of the location and the factors mentioned, which will result in the creation of a location perception. The elements that a particular location should present, in order to improve their own reputation and attractiveness, are as follows:

- Local, internationally recognized brands;
- Level and structure of foreign direct investments in the mentioned location;
- Factors of influence of the investment environment;
- Level of development and supply, from the aspect of tourism;
- Cultural and historical heritage, traditions and various contents in this area;
- International sports and other competitions;
- Membership in international organisations and institutions; international friendships of a particular location with other locations; etc.

The success of locations to survive in these constant changes is determined by their understanding and proper exploitation of three key factors, which are decisive for investors' decision on an investment venture or the withdrawal of already existing investments, such as (Kotler, Haider and Irving 2012):

- The characteristics of an enterprise or business branch to which it belongs,
- Location characteristics,
- External factors impacting the economic performance of a particular location.

The basic precondition for the process of effective attraction of foreign investors is to understand the model of their behaviour in the process of deciding on the choice of location for investment. This is a relatively long process, which includes activity in obtaining relevant information, a critical assessment of the information collected, and a clear and precise assessment of the available options (Stanton and Etzel and Walker 1993, 236). Considering the wide diversity of location offers, with various cultural, social, political, legal, economic, demographic, technological and other characteristics, the choice of location is a very complex process. This type of behaviour is a characteristic learning process that begins with the

development of product beliefs (offering locations), creating attitudes about it, in order to make a choice and make a deliberate decision on the best location, analogously to the best brand of products (Kotler i Hajder and Irving 2012, 277). The investor first searches for a macro-location, i.e. region or country, and then a micro-location, i.e. an area or a place that is suitable for investment. Analogous to the behaviour of industrial customers, the location selection process involves the following stages: problem identification, information retrieval, evaluation of alternatives, buying decisions and post-purchasing behaviour (Kotler and Haider and Irving 2012). Given that the decision-making process for choosing a location may involve a variety of people who can perform one or more of the roles mentioned above, it is important to get information on who participates in the decision-making process on the location selection and the role it performs (Kotler and Haider and Irving 2012).

In order to understand the behaviour of investors, the key is the understanding of the way in which alternatives are being evaluated. This is one of the biggest challenges, as Kotler and associates point out, "there is no simple and unique assessment process used by all customers or one customer in all purchasing situations." The potential user creates opinions and attitudes about a particular location based on the procedure of making an assessment, according to their own motives, goals and needs. In line with this, assessment factors will be created. Most potential users take into account a number of criteria, assign them different significance, and evaluate each of the available options according to these criteria, and therefore decide on the best location (Kotler and Haider and Irving 2012).

Locations should begin their activities in attracting foreign investments with the assessment of their economy and the revision of their location characteristics. Table 1 gives an overview of the basic factors that economic subjects consider important when determining the location selection (Kotler and Haider and Rein 2012, 245).

Table 1. Factors influencing the location selection (Kotler and Haider and Rein 2012, 245)

1. Local labour market
2. Access to the markets of consumers and suppliers
3. Availability of the location for the construction of facilities and infrastructure
4. Transport
5. Opportunity for education and training
6. Quality of life
7. Business climate
8. Access to facilities for research and development
9. Capital availability
10. Taxes and regulations

The needs of the investors are changing over time, and during the modern transition from cost to non-cash factors, quality factors have become important and took on several forms: the quality of public education, professional labour force, political and fiscal stability, modern telecommunications, good infrastructure, recreational activities and sports teams, shopping facilities, cultural institutions and general considerations related to quality of life (Birch 1984, 12-15). Environmental considerations have also gained significance in terms of compliance with the construction of new buildings with stricter regulations on air, water and disposal of all types of waste (Duerksen 1985, 17-21).

Table 2 shows the increasing importance of non-economic factors when deciding on location selection and expansion. By doing so, locations that have wide advantages, such as universities, research facilities and quality-of-life factors have a greater advantage.

Table 2. Location characteristics – old and new (Kotler and Haider and Rein 2012, 246)

CHARACTERISTICS	OLD	NEW
Labour force	Low cost, unqualified	Quality, highly qualified
Tax clima	Low taxes, low level of service	Moderate taxes, high level of service
Stimulations	Production at the lowest cost; cheap land; cheap labour;	Additional value; flexible workforce; professionals;
Facilities	Accommodation; transport	Culture, recreation, museums, shopping, airport etc.
High education	It's not crucial	Quality schools and research facilities;
Schools	Availability	Quality
Regulations	Minimum	Compatible quality of life and business flexibility
Energy	Costs / availability	Reliability
Communication	They are assumed	Access to modern technologies
Economy	Aggressive Chamber of Commerce	Partnerships

Practical example: Business climate test for measuring the entrepreneurial climate in a particular location.

Although there is no definitive test for measuring the favourable climate or culture that leads to the increase in the participation of business entities, the next test of 10 questions, created by the magazine Inc. provides a rough estimate of the position of a particular location (each positive answer "carries" 10 points, and for "pass" it is needed to have 60) (Stanton and Etzel and Walker 1993, 56).

- 1) When the mayor meets with business leaders, does he have the same number of managers of medium-sized companies as the number of bankers and company leaders?
- 2) Are entrepreneurs invited to join the best sports, social and cultural entertainment clubs and associations?
- 3) Do local newspapers monitor the success of newly-emerging medium-sized companies with the same intensity as large companies?
- 4) Are innovative companies capable of engaging almost all their professional workforce from the local government?
- 5) Is there a rather large, visible union of entrepreneurial capital?
- 6) Is there a local university and does it encourages its faculties and students to participate in the creation of new entrepreneurial companies?
- 7) Do executive managers of companies in growth and representatives of entrepreneurial capital have at least one quarter of seats in the boards of the three largest banks?
- 8) Does the City Department of Economic Development spend more time helping local companies grow than spending "looking for" branches outside companies?
- 9) Is there a decent affordable and relatively inexpensive office and factory space for business entities in the central business area of the location?
- 10) Can you quickly recall 10 newly created entrepreneurial companies in growth launched by entrepreneurs, separated from large companies?

CONCLUSION

Globalisation now includes political, social, economic, and geographical dimensions. Every developed economic system must be aware of the fact that it cannot exist as an individual without a relationship with the global environment (Franjić 2000, 36). Today, when all locations (cities, municipalities, countries, and regions) become mutual competitors in attracting resources, experience shows that those locations that apply the marketing concept achieve the best results. This implies the management of the location as a specific type of complex product, taking into account the expectations and demands of citizens, businesses, investors, tourists, visitors and members of other target markets, as well as characteristics, but also offer of the neighbouring competitive locations. The goal of location marketing is to attract and retain target market members at the observed location and ensure their satisfaction, thus creating the basis for building long-term loyalty. Naturally, this has a positive impact on economic activities, revenue growth and the development of these locations. These effects are perhaps the most significant in the context of attracting foreign direct investors who are considered one of the most common target markets for location marketers. The assumption for effective attracting foreign direct investments is to understand the investor's behaviour model, i.e. the way in which they make the decision to select the location to invest and identify the factors that have the greatest significance. The globalisation of the world economy and the rapid pace of technological change are two forces that all locations must learn so as to compete. Locations must learn how to "think" as a business entity, with the development of their products, markets and customers. In an economy without boundaries, locations appear as new actors on the global scene (Kotler and Haider and Rein 2012, 363).

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