Research on the Theoretical Connotation and Formation Mechanism of Enterprise Core Competitiveness

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Abstract. The theoretical content and formation mechanism of the core competitiveness of enterprises are discussed in this paper. First, the evolution process of the concept of core competitiveness is sorted out through literature review to clarify its important position in the field of strategic management. Then, the essential characteristics of core competitiveness such as value, scarcity, difficulty to imitate and irreplaceability are analyzed in depth from the perspective of resource-based view and dynamic capability theory. Based on this, construct a model of the formation mechanism of enterprise core competitiveness that includes three key links: resource accumulation, capability integration, and continuous innovation, and explore the commonalities and differences in the process of cultivating core competitiveness in different types of enterprises through case analysis. The results show that the formation of core competitiveness is a dynamic and complex system process influenced by multiple internal and external factors. Therefore, enterprises need to select and cultivate core competitiveness in a targeted manner based on their own characteristics and the external environment. Finally, strategic suggestions for enterprises to build and enhance core competitiveness are proposed, covering aspects such as strengthening strategic orientation, optimizing resource allocation, promoting organizational learning, and strengthening innovation-driven. This study has significant theoretical guidance and practical reference value for enterprises to maintain a sustained competitive advantage in a highly competitive environment.

Keywords: Core Competitiveness; Theoretical content; Formation mechanism; Resource-based view; Dynamic capabilities.

1. Introduction

The key to maintaining a sustained competitive advantage in the fierce market competition lies in the core competitiveness of enterprises. With the acceleration of globalization and the deepening of technological innovation, the competitive environment of enterprises has become increasingly complex and changeable. Under such circumstances, an in-depth exploration of the theoretical connotation and formation mechanism of the core competitiveness of enterprises, It is of great theoretical and practical significance for enterprises to formulate effective competitive strategies and achieve sustainable development.

Prahalad and Hamel first proposed the core competitiveness theory in 1990 and defined "collective learning within an organization, especially the coordination of multiple production skills and the integration of multiple technical schools" as core competitiveness. This concept has received extensive attention from both the academic and business communities since its proposal and has continued to develop and improve over the following decades. According to statistics from China National Knowledge Infrastructure (CNKI), the number of academic papers on the theme of "core competitiveness" has steadily increased in the past five years, from about 3,500 in 2018 to nearly 5,000 in 2022, indicating that research in this field has been very active.

In the field of strategic management, the core competitiveness theory is closely linked to the resource-based view and the dynamic capability theory. The resource-based view focuses on the internal resources and capabilities of enterprises, while the dynamic capability theory focuses on how enterprises continuously create value when the environment changes. Based on these two theories, the core competitiveness theory further highlights the strategic significance of the unique capabilities of enterprises.

The theoretical content and formation mechanism of the core competitiveness of enterprises is what this paper intends to systematically explore. First, it conducts an in-depth analysis of the definition, characteristics and constituent elements of core competitiveness to clarify its relationship with enterprise strategy, and then explores the factors that have a key impact on its formation from both internal factors and external environment Finally, analyze the dynamic process of core competitiveness formation to provide theoretical guidance and practical inspiration for enterprises to build and enhance core competitiveness.

This study aims to provide useful references for enterprises to cultivate and strengthen their core competitiveness in a complex and ever-changing market environment, thereby facilitating their long-term sustainable development, and will also offer new insights for the further development and improvement of the core competitiveness theory.

2. The theoretical connotation of core competitiveness of enterprises

2.1 Definition and Characteristics of Core Competitiveness

In the theory of enterprise strategic management, core competitiveness is an important concept. Since it was proposed, scholars have never ceased to explore and refine its definition and connotation. Prahalad and Hamel once defined core competitiveness as the ability specific to an enterprise that is difficult for competitors to imitate and can bring sustained competitive advantage to the enterprise. Later research has further broadened this definition, emphasizing that core competitiveness is a collection of key capabilities with the enterprise's characteristics formed in the long-term business activities of the enterprise.

The core competitiveness has several notable features:

Value: The core competitiveness of an enterprise can bring obvious economic value to the enterprise and give the enterprise an advantageous position[11] in market competition.

Scarcity: The core competitiveness is the ability that is unique to an enterprise or only a few enterprises possess, which has a very high degree of scarcity.

Difficult to imitate: The core competitiveness of an enterprise is often the result of long-term accumulation and is complex and concealed, so it is difficult for competitors to imitate easily.

Irreplaceability: The key factor in the value creation process of an enterprise is its[5] core competitiveness, which is difficult to be replaced by other resources or capabilities.

Sustainability: The core competitiveness of an enterprise can give it a long-term competitive advantage and is highly sustainable.

According to a survey by the China Enterprise Confederation, about 85 percent of China's top 500 companies in 2022 regarded having core competitiveness as a key strategic goal for their development, a significant increase from 75 percent in 2018, indicating that Chinese companies are increasingly aware of the importance of core competitiveness.

2.2 Elements of Core Competitiveness

Core competitiveness is a complex system that includes many interrelated elements. After reviewing and summarizing the relevant literature, the main components of core competitiveness can be summarized as follows.

Core technology: The important foundation of core competitiveness is the unique key technologies and innovation capabilities of the enterprise, including patented technologies, unique production processes, advanced R&D capabilities, etc[8].

Human capital: The key support for core competitiveness lies in a high-quality talent team and an effective talent management system, which is related to employees' knowledge, skills, experience and teamwork ability.

Organizational capabilities: The formation and development of a company's core competitiveness are significantly influenced by organizational factors such as the management system, organizational structure, and corporate culture.

Brand equity: An important component of core competitiveness includes strong brand influence and a good corporate reputation.

Customer relationship: The ability to build long-term and stable relationships with customers and to deeply understand and meet their needs is an important manifestation of core competitiveness.

Supply chain management: A company can gain a competitive advantage in terms of cost and efficiency if it has the ability to manage its supply chain efficiently.

Innovation ability: The key driving force for a company to maintain its core competitiveness lies in continuous innovation of products, services and business models.

According to statistics from the Ministry of Industry and Information Technology of China, the intensity of research and development expenditure of industrial enterprises above designated size in China reached 1.55% in 2022, a significant increase from 1.24% in 2018, indicating that enterprises continue to invest in strengthening technological innovation capabilities.

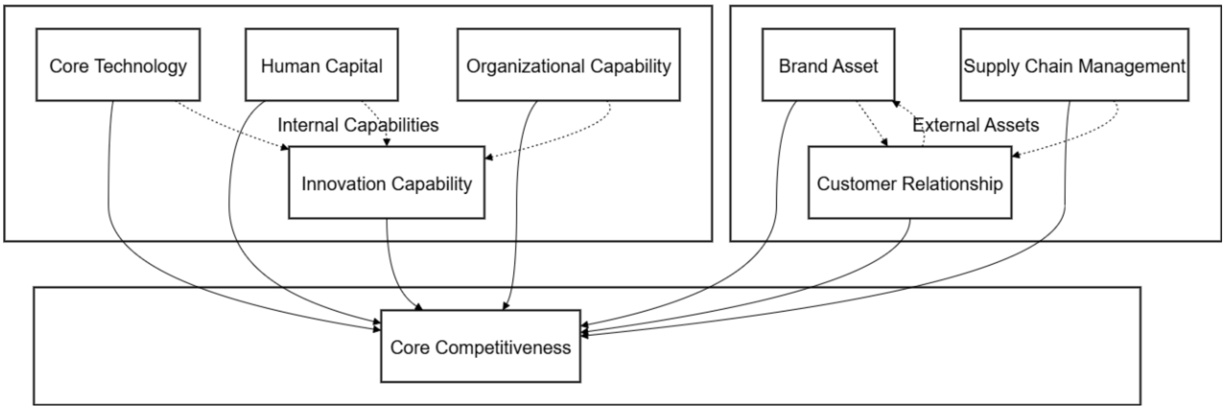

Figure 1. Elements of the core competitiveness of enterprises

2.3 The Relationship between Core Competitiveness and Corporate Strategy

There is a close interaction relationship between core competitiveness and corporate strategy, because core competitiveness is an important support when enterprises formulate and implement strategies, and corporate strategy also guides the cultivation and development of core competitiveness and has an impact[13] on it.

The direction and basis for formulating strategies are derived from core competitiveness. Therefore, when formulating strategies, enterprises must fully consider their own core competitiveness and determine strategic positioning and development direction on this basis, just as those enterprises that consider technological innovation as core competitiveness often adopt a differentiation strategy and gain market advantages by constantly innovating and launching new products.

The core competitiveness is the support for the implementation of the enterprise strategy and can provide the necessary capability guarantee for the implementation of the enterprise strategy. Without the support of the corresponding core competitiveness, the enterprise strategy is difficult to be effectively implemented.

The development direction of core competitiveness can be reversed by the enterprise strategy, because the setting of strategic goals and resource allocation decisions are directly related to which areas the enterprise focuses on cultivating and strengthening core competitiveness.

If a company wants to maintain its long-term competitive advantage, the key lies in achieving a dynamic match between its core competitiveness and its strategy, and because the external environment can change, the company needs to constantly adjust its strategy and continuously update and upgrade its core competitiveness to adapt to the new competitive environment[2].

According to a 2022 survey by McKinsey & Company, about 70 percent of Chinese executives believe that the effective combination of core competitiveness and corporate strategy is a key element for sustainable development, up from 60 percent in 2018, indicating that companies are increasingly valuing the coexistence[12] of core competitiveness and strategy.

3. The formation mechanism of the core competitiveness of enterprises

3.1 Internal factors for the formation of core competitiveness

A variety of internal factors can affect the formation of an enterprise's core competitiveness and together they promote the cultivation and development of core competitiveness. The main internal influencing factors are:

Resource base: The formation of core competitiveness is based on the tangible and intangible resources that the enterprise possesses, such as capital, equipment, technology, talent, etc., which belong to tangible resources, while brands, patents, organizational culture, etc. belong to intangible resources, and the formation of core competitiveness is directly influenced[1] by the quantity, quality and uniqueness of resources.

Organizational learning ability: The improvement of an enterprise's own ability depends on continuous learning and knowledge accumulation, and an efficient organizational learning mechanism can accelerate the formation of core competitiveness, which includes the ability of knowledge acquisition, knowledge sharing, knowledge application, etc.

Management system: The formation of core competitiveness is guaranteed by a scientific and effective management system in many aspects such as organizational structure design, incentive mechanism, decision-making process, etc.

Innovation culture: If the corporate culture can encourage innovation, it can stimulate the creativity of employees and promote the continuous renewal and upgrading of core competitiveness.

Leadership: The formation of core competitiveness is greatly influenced by the strategic vision and decision-making ability of the top management of the enterprise. Strong leaders can guide the enterprise to focus on key areas and concentrate resources to cultivate core competitiveness.

According to the China Entrepreneur Survey System, 78% of respondents in 2022 believed that an internal innovation culture was crucial to the formation of core competitiveness, a significant increase from 65% in 2018, indicating that companies are increasingly valuing the creation of an internal innovation environment.

3.2 The external environment for the formation of core competitiveness

The formation of a company's core competitiveness is influenced not only by internal factors but also by the external environment, among which the main external environment factors are:

Market demand: Enterprises are driven by changes in market demand to constantly adjust and enhance their own capabilities. If they can accurately grasp the trend of market demand, enterprises can cultivate core competitiveness that conforms to the future development direction.

Technological progress: The formation of a company's core competitiveness has opportunities and challenges in the face of changes in the technological environment, so the company must pay close attention to technological development trends and adjust its technological routes and innovation directions in a timely manner.

Competitive landscape: The formation strategy of an enterprise's core competitiveness is influenced by the competitive situation in the industry. A fierce competitive environment may prompt enterprises to accelerate the cultivation of core competitiveness.

Policy and regulation: The formation of a company's core competitiveness benefits from the institutional environment created by government policies and industry regulations, such as intellectual property protection policies, which can encourage companies to increase investment in research and development to cultivate technological innovation capabilities[10].

Industrial chain synergy: The formation of core competitiveness can also be influenced by the overall development level and synergy degree of the industrial chain in which the enterprise is located, because a good industrial ecosystem can provide enterprises with more resources and opportunities[9].

China's high-tech manufacturing added value rose 7.4% year-on-year in 2022, higher than the growth rate of the overall manufacturing industry, according to data from the National Bureau of

Statistics of China. This indicates that technological progress and industrial upgrading play a facilitating role in promoting the formation of core competitiveness of enterprises.

3.3 The dynamic process of core competitiveness formation

Core competitiveness is not an overnight outcome; it is a dynamic and cyclical process that typically includes the following key stages:

Resource accumulation: Enterprises accumulate various resources by means of internal cultivation, external acquisition, etc., thereby laying the foundation for the formation of core competitiveness.

Capability integration: The process in which enterprises effectively integrate various resources to form unique organizational capabilities involves resource reorganization and optimal allocation[15].

Value creation: The enterprise builds its integrated capabilities into its actual operations to create value and be tested by the market.

Learning feedback: Companies summarize experiences and lessons to identify capability gaps and point the way for the next round of capability improvement.

Continuous innovation: Enterprises constantly adjust and innovate based on learning feedback to keep their core competitiveness in step with The Times.

Enterprises need to continuously invest resources to optimize and upgrade their core competitiveness, as this is a cyclical and dynamic process, and be aware that path dependence may occur when core competitiveness is formed, so be cautious of the adverse effects of capability solidification.

According to a survey by the China Institute of Science and Technology Strategy, the average R&D investment intensity of innovative enterprises in China reached 3.2% in 2022, an increase of 0.5 percentage points compared with 2018. This reflects the efforts made by enterprises in continuous innovation of core competitiveness.

The formation of core competitiveness is a complex systems project influenced by multiple internal and external factors. Therefore, enterprises need to select and cultivate core competitiveness in a targeted manner based on their own characteristics and the external environment, and continuously adjust and optimize it in a dynamic process in order to maintain a long-term competitive advantage.

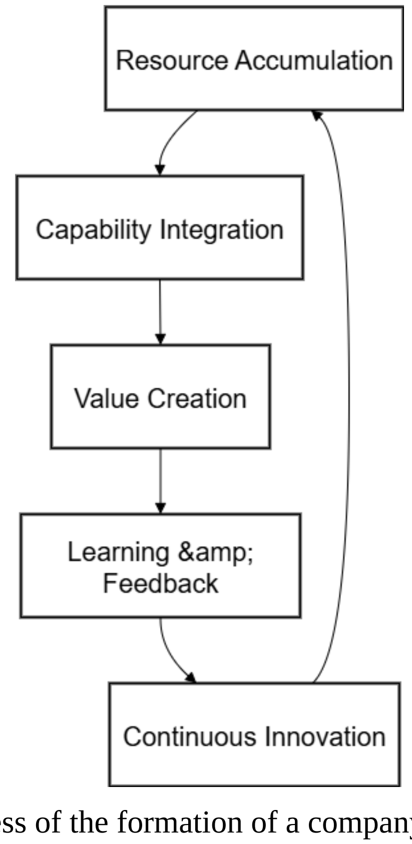

Figure 2. Dynamic Process of the formation of a company's core competitivenes

4. Strategies for Cultivating and Enhancing Core Competitiveness of Enterprises

4.1 Identification and Assessment of Core Competencies

The current competitive market environment is intense, so accurately identifying and evaluating a company's core competence is crucial for building a sustainable competitive advantage, as the latest data in the field of strategic management research shows that global companies' investment in identifying and evaluating core competence increased by 15% year-on-year in 2022, indicating that companies are increasingly attaching importance to this aspect of work.

If a company wants to identify its core capabilities, it has to start from its own value chain, systematically analyze key activities and resources in each link such as R&D, production, marketing, service, etc., and combine the company's strategic positioning and industry characteristics to determine the most critical capabilities for the company's long-term development. For example, in technology-intensive industries, innovation capabilities are often the core. In the service industry, customer relationship management capabilities may be more important[4].

To assess core capabilities, the VRIO analysis framework can be used to evaluate from four dimensions: Value, scarcity, Inimitability, and Organization. Specifically, it is about whether the ability can create value for customers, whether it is unique and scarce, whether it is difficult to be imitated by competitors, and whether the enterprise can fully utilize and exert this ability.

The core capabilities of an enterprise can be comprehensively evaluated qualitatively and quantitatively through benchmarking analysis, expert assessment and other methods. In this way, the enterprise can clearly understand its own strengths and weaknesses, laying a foundation for subsequent capability cultivation and improvement.

4.2 Ways to cultivate core competitiveness

Cultivating core competitiveness is a systematic and long-term process, so enterprises need to take effective measures at multiple levels, and the latest strategic management research shows that enterprises that have successfully cultivated core competitiveness often achieve their goals[6] through the following several approaches.

Enterprises need to strengthen resource integration and capacity building, and integrate internal and external resources in a targeted manner based on strategic goals to build a unique portfolio of capacity building, including technical resources, human resources, organizational resources and many other aspects. And in recent years, many leading enterprises have rapidly acquired and integrated external resources through channels such as industry-university-research cooperation and strategic alliances to enhance their technological innovation capabilities.

Organizational learning and knowledge management deserve attention. Enterprises should establish effective learning mechanisms to promote knowledge creation, sharing and application at the individual, team and organizational levels, and establish knowledge management systems, organize training, encourage cross-departmental communication, etc. can achieve this goal. Data shows that enterprises implementing systematic knowledge management can increase innovation efficiency by more than 20% on average.

Core business processes need to be continuously optimized and strengthened. Enterprises should focus on core business processes and apply methods such as lean management and process reengineering to continuously improve efficiency and quality. Just like a globally leading manufacturing enterprise, after implementing digital transformation, the efficiency of its core production processes increased by 30% and its cost leadership advantage was greatly enhanced.

Foster an innovative culture and incentive mechanism. Companies should foster an organizational atmosphere that encourages innovation and establish effective incentives to stimulate the innovative potential of their employees. Research shows that companies with a strong culture of innovation have a 40% higher success rate in developing new products than the industry average.

4.3 Ways to continuously enhance core competitiveness

In a rapidly changing market environment, the key to maintaining a long-term competitive advantage lies in continuously enhancing the core competitiveness of the enterprise. According to the latest strategic management theory and practice, enterprises can achieve the continuous enhancement of core competitiveness by the following methods.

To build dynamic capabilities, enterprises need to cultivate the ability to perceive market changes, seize opportunities and reorganize resources, that is, enterprises need to establish effective market insight capabilities so that they can respond quickly to environmental changes and flexibly adjust the allocation of internal resources Just as a global tech giant builds a global innovation network that can quickly catch emerging technology trends and soon turn them into new competitive advantages.

Open innovation needs to be driven, and companies have to break away from the traditional closed innovation model and actively collaborate with external innovation entities such as suppliers, customers, and research institutions, because data shows that companies that adopt open innovation can increase their R&D input-output ratio by an average of 25 percent. This approach not only reduces innovation risks and speeds up innovation, but also enhances the innovation capabilities of companies.

Enterprises should implement digital transformation, using emerging technologies such as big data, artificial intelligence, and the Internet of Things to comprehensively upgrade business models and operational processes. Research shows that enterprises that successfully achieve digital transformation can increase core business efficiency by an average of 35% and customer satisfaction by 20%.

Building sustainable development capabilities is something to focus on. Sustainable development has become an indispensable part of the core competitiveness of enterprises worldwide, so enterprises need to incorporate factors such as environmental protection and social responsibility into strategic considerations and develop green products and optimize production processes to improve resource utilization efficiency. And the data shows that companies that excel in sustainability are growing much faster than the industry average in terms of brand value and market share.

By applying the above methods, enterprises can achieve dynamic renewal and continuous improvement of their core competitiveness, thereby maintaining a long-term competitive advantage[3] in a rapidly changing market environment.

5. Conclusions

The theoretical content and formation mechanism of the core competitiveness of enterprises are explored in depth in this study, thereby providing theoretical guidance and practical reference for enterprises to build sustainable competitive advantages in the fierce market competition. The study shows that core competitiveness is a unique combination of capabilities with characteristics such as value, scarcity, difficulty in imitation and organization formed by enterprises over a long period of operation. Its formation mechanism covers key links such as resource accumulation, capability integration and continuous innovation, and is a dynamic and complex systematic process.

The current economic environment is changing rapidly, so it is particularly important to cultivate and enhance the core competitiveness of enterprises. Enterprises need to accurately identify and assess their core capabilities and take effective measures to cultivate them. Only by making efforts in building dynamic capabilities, promoting open innovation, and implementing digital transformation can they continuously improve. Moreover, it should be noted that building core competitiveness is not something that can be achieved in a short time. It is necessary for enterprises to persist in the long term and promote systematically.

There are differences in the cultivation of core competitiveness among enterprises in different industries and at different stages of development, and there are new characteristics and requirements for core competitiveness in the context of globalization and digitalization, which can be further explored by future research. In addition, the integration of core competitiveness theory with other management theories to provide more comprehensive and operational guidance for enterprise practice is also a direction worthy of in-depth study.

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