

A Comparative Analysis in International Business Competitive Forces; Absolute and Comparative Advantage

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Abstract:- In the realm of international business, the quest for competitive advantage is perpetual, driven by the dynamic forces of globalization and market integration. This abstract delves into the essential concepts of absolute and comparative advantage, that underpin the strategies employed by nations and firms to gain a competitive edge in the international arena. To achieve the objectives, this quantitative study selected 50 businesses through a systematic sampling method with a structured questionnaire. The gathered data was statistically examined and evaluated using SPSS. This article underscores the enduring relevance of absolute and comparative advantage in shaping international business competitiveness. It illuminates that a nuanced understanding of these theories enables nations and firms to navigate the intricate global landscape, fostering mutually beneficial trade relationships and promoting sustainable economic growth. As international business continues to evolve, the strategic insights derived from this comparative analysis are indispensable for success in the competitive forces of the global marketplace.

Keywords:- *Competitive Force, Absolute, Comparative, International Business, Globalization.*

I. INTRODUCTION

In the ever-evolving landscape of international business, the pursuit of competitive advantage stands as a cornerstone principle that drives nations and firms to explore strategies, optimize resources, and expand their global footprint (Caves, Richard E., Frankel, Jeffrey A., & Jones, Ronald W, 2007). Two fundamental theories, absolute advantage and comparative advantage, have long been central in shaping the approaches taken by entities engaging in international trade. These theories, first articulated by economic luminaries Adam Smith and David Ricardo, respectively, offer distinct lenses through which to view and harness competitive forces in the international arena.

Adam Smith's theory of absolute advantage, expounded upon in his seminal work "The Wealth of Nations" (1776), posits that a nation or entity should specialize in producing goods or services in which it

exhibits an innate and unsurpassed efficiency. Smith's theory underscores the significance of resource endowments and technological prowess in achieving self-sufficiency and economic prosperity.

In contrast, David Ricardo's theory of comparative advantage, introduced in his "Principles of Political Economy and Taxation" (1817), contends that even if one entity lacks an absolute advantage in producing all goods, mutual gains through trade can still be realized by specializing in the production of goods for which it has a lower opportunity cost relative to its trading partners (Feenstra, Robert C., & Taylor, Alan M, 2017). This emphasizes the power of relative efficiency and the potential for synergy in global trade.

As the international business landscape has become increasingly interconnected and complex, the dynamic interplay between these theories has profound implications for strategic decision-making (Krugman, Paul R., & Obstfeld, Maurice, 2018).. This introduction sets the stage for a comprehensive exploration of the comparative analysis of absolute and comparative advantage in international business competitive forces. It will delve into the nuances of these theories, their practical relevance in today's global economy, and the strategic insights they offer for nations and firms seeking a competitive edge.

Drawing upon a rich body of literature, and case studies, this comparative analysis will illuminate how these theories influence trade policies, supply chain strategies, and investment decisions in the modern international business context. By examining real-world applications and outcomes, this research seeks to provide knowledge that resonate with the challenges and opportunities faced by entities navigating the complex terrain of global competitiveness.

In a world where international business is integral to economic growth and prosperity, the comparative analysis of absolute and comparative advantage remains a vital compass for decision-makers seeking to optimize their competitive forces and contribute to the ever-evolving

global marketplace (Helpman, Elhanan, & Krugman, Paul R, 1985). This article seek to answer the questions below:

- What emerging trends or technologies are likely to impact the concepts of absolute and comparative advantage in the future of international business?
- How do businesses strike a balance between leveraging their absolute advantage and pursuing opportunities based on comparative advantage?
- How a business or nation identify its comparative advantage?
- What are the key components or factors that contribute to a business or nation having an absolute advantage in international trade?

II. SUMMARY OF STUDY METHODOLOGY

This study is based on a post-positivism philosophy which is consistent with a deductive research design and quantitative study approach. It adopts a comparative

research methodology for a comparative analysis in international business competitive forces; absolute and comparative advantage.

The population of interest is 50 registered business in Accra and the sampling adopted is a convenient sample which will be the basing for selection of the study population for the interview. Data is collected via a structured paper questionnaire where analysis is done in SPSS software package and the charts are designed with Microsoft excel package.

III. RESULT INTERPRETATION

A. *Question 1: What emerging trends or technologies are likely to impact the concepts of absolute and comparative advantage in the future of international business?*

Table 1: Technologies likely to impact the concepts of absolute and comparative advantage in the future of international business

Emerging trends/Technology	Impact on Absolute Advantage	Impact on Comparative Advantage
Artificial Intelligence and Automation	High	High
3D Printing and Additive Manufacturing	Moderate	High
Blockchain and Supply Chain Transparency	Moderate	High
E-commerce and Digital Trade	Moderate	Moderate
Trade Policy and Geopolitical Shifts	High	High
Cybersecurity and Data Privacy	Moderate	Moderate
Renewable Energy and Sustainability	Moderate	High

The emerging Trend/Technology represents the specific trend or technology.

The Impact on Absolute Advantage assesses the expected impact of each trend or technology on a business or nation's ability to achieve absolute advantage (e.g., in terms of cost efficiency, productivity, or innovation).

The Impact on Comparative Advantage also assesses the expected impact on the comparative advantage relative to other businesses or nations, considering factors like market positioning, specialization, and competitiveness.

B. *Question 2: How do businesses strike a balance between leveraging their absolute advantage and pursuing opportunities based on comparative advantage?*

Table 2: How businesses strike a balance between leveraging their absolute advantage and pursuing opportunities based on comparative advantage

Response	Frequency	Percentage (%)
Assess Resources and Capabilities	9	18
Market Research and Analysis	12	24
Strategic Partnerships	11	22
Supply Chain Optimization	8	16
Measurement and Evaluation	10	20
Total	50	100

Data from the study shows that a business can strike a balance between leveraging its absolute advantage to pursue comparative advantage through market research and analysis

(24%), Strategic partnership (22%), measurement and evaluation (20%), assess to resource and capabilities (18%) and supply chain optimization (16%).

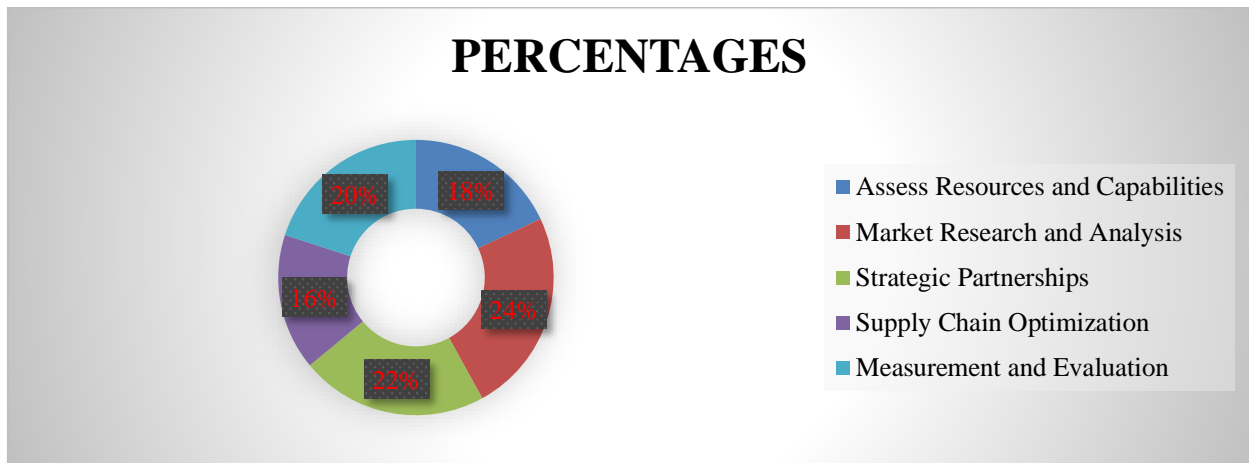


Fig. 1: How businesses strike a balance between leveraging their absolute advantage and pursuing opportunities based on comparative advantage

In essence, the key to balancing absolute and comparative advantage lies in strategic planning, adaptability, and a deep understanding of both your internal capabilities and external market dynamics. By carefully assessing your competitive advantages and being open to exploring new opportunities, businesses can effectively navigate the complexities of international trade.

C. Question 3: How do business or nation identify its comparative advantage?

Identifying comparative advantage, whether for a business or a nation, is a critical step in making informed decisions about resource allocation, trade, and economic development. Comparative advantage refers to the ability of a business or country to produce goods or services at a lower opportunity cost than others. The table below shows how a can identify it comparative advantage.

Table 3: How business or nation identify its comparative advantage

Response	Frequency	Percentage (%)
Market Research	10	20
Competitor Analysis	12	24
Customer Feedback	8	16
Cost Analysis	9	18
Collaborations	11	22
Total	50	100

Data gathered from the 50 business sampled showed that one way for a business to know its comparative advantage is trough market research (20%). 24% believe

that it can be than through competitor analysis, 16% said customer feedback, 18% chose cost analysis and majority(22%) said through collaborations.

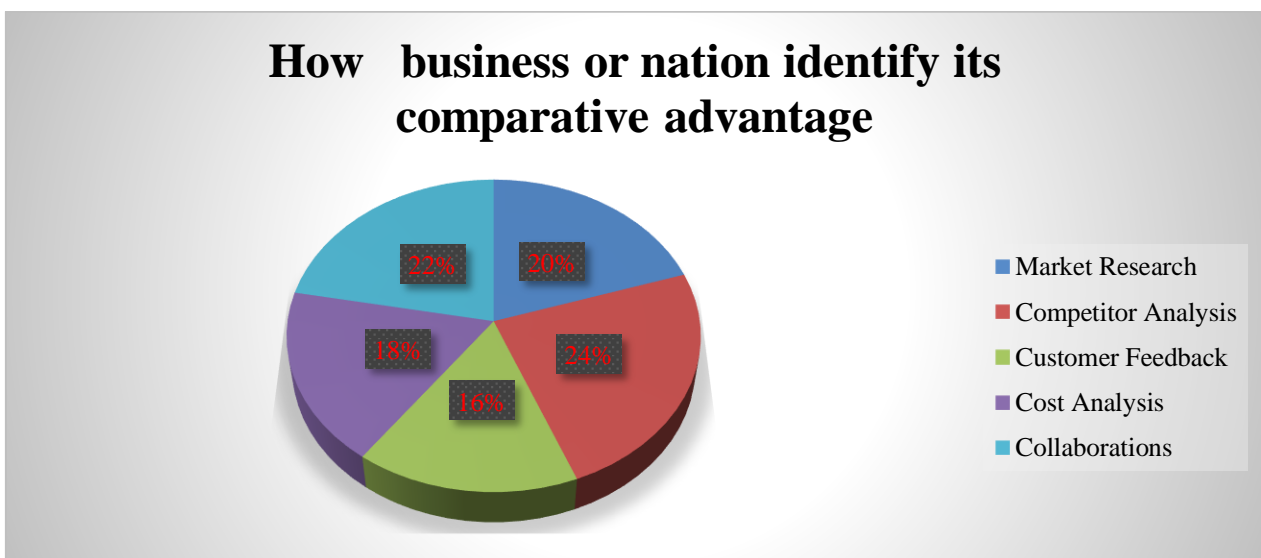


Fig. 2: How business or nation identify its comparative advantage

Identifying comparative advantage requires a thorough analysis of a business or nation's capabilities, resources, and market conditions. It's an ongoing process that may evolve as circumstances change, so regular assessments and adjustments are crucial. Ultimately, recognizing and leveraging comparative advantage can lead to more effective

resource allocation and competitiveness in the global marketplace.

D. Question 4: What are the factors that contribute to a business or nation having an absolute advantage in international trade?

Table 4: factors that contribute to a business or nation having an absolute advantage in international trade

Factors	Business Score (1-10)	Nation Score (1-10)
Technological Advancements	9	8
Economies of Scale	9	6
Capital and Financial Resources	8	7
Brand and Reputation	9	8
Government Support	8	7
Research and Development Investments	8	6
Efficient supply chain	9	7

The Factor column represents the key factors contributing to an absolute advantage.

The Business Score (1-10) column provides a hypothetical score (1 being the lowest and 10 being the highest) for how well a business excels in each factor.

The Nation Score (1-10) column provides a hypothetical score for how well a nation excels in each factor.

IV. CONCLUSION

The comparative analysis of International Business Competitive Forces, focusing on Absolute and Comparative Advantage, has shed light on key insights and implications for nations and firms operating in the global marketplace. Through a thorough examination of the study topic, the following conclusions have been made:

It is evident that both Absolute Advantage and Comparative Advantage strategies coexist in international business. While Absolute Advantage underscores leveraging inherent strengths and resource endowments, Comparative Advantage emphasizes the importance of relative efficiency and specialization. The global economic landscape is dynamic, with technological advancements, changing trade patterns, and market shifts. Nations and firms must adapt their strategies to remain competitive while embracing the principles of both theories.

The comparative analysis has highlighted the interplay between globalization and local contexts. Businesses must navigate the delicate balance between standardization and adaptation, depending on their specific industry and target markets. Collaboration between nations, firms, and international organizations is crucial for harnessing the benefits of global trade. Mutual recognition agreements and harmonization efforts can reduce trade barriers and foster international business growth. While the core concepts of absolute and comparative advantage remain valid, emerging trends and technologies are likely to reshape the competitive landscape in international business. Adaptation to these

trends and the ability to leverage new technologies will be crucial for businesses and countries seeking to maintain or gain advantages in the global marketplace.

Building on the conclusions drawn from the comparative analysis, the following recommendations are offered to empower international businesses and enhance their competitiveness:

Innovation and technology adoption should be at the forefront of international business strategies. Business should invest in research and development to enhance Absolute Advantage, and seek innovative ways to enhance Comparative Advantage.

Diversify product offerings, markets, and supply chains should be encourage to mitigate risks associated with over-reliance on a single competitive advantage. Risk management strategies should be integral to international business planning.

The workforce should be equip with the skills and knowledge required to excel in international business. Continuous learning and training programs can enhance the competitiveness of businesses in the global arena. Governments should facilitate international business growth by offering incentives, reducing trade barriers, and promoting international collaboration. Policies that align with both Absolute and Comparative Advantage strategies can be beneficial.

Businesses should foster international business networking and partnerships. Collaborative ventures and alliances can amplify the competitive strengths of businesses while mitigating weaknesses.

Businesses should invest in ongoing market research and analysis to identify emerging trends and opportunities. Being proactive in identifying shifts in the global competitive landscape is essential.

In conclusion, the comparative analysis of Absolute and Comparative Advantage in International Business Competitive Forces highlights the dynamic nature of global competition. Businesses and nations that embrace adaptability, innovation, and strategic diversity will be better positioned to thrive in the ever-evolving international business arena. The coexistence and strategic integration of both advantage offer a pathway to sustainable global success.

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