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THE IMPACT OF STRATEGIC MANAGEMENT OF FOREIGN ECONOMIC ACTIVITY ON ENTERPRISE COMPETITIVENESS

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Abstract. This paper examines how the strategic management of foreign economic activity influences enterprise competitiveness through market diversification, resource allocation, productivity improvement, innovation, international network development, and risk management. The study synthesizes classical strategic-management concepts with international-business theory and recent evidence from the World Trade Organization, OECD, UN Trade and Development, and the World Bank. The central argument is that foreign economic activity creates competitive advantage only when international expansion is treated as an integrated strategic process rather than as a set of isolated export transactions. A structured management cycle is proposed that links environmental analysis, market and entry-mode selection, capability development, implementation, monitoring, and organizational learning. Particular attention is paid to digitalization, global value-chain participation, supply-chain resilience, foreign-exchange exposure, compliance, and the use of performance indicators. The paper concludes that systematic strategic management strengthens the capacity of enterprises to convert international opportunities into durable advantages in cost, quality, innovation, speed, brand reputation, and market access.

Keywords: foreign economic activity, strategic management, competitiveness, internationalization, exports, global value chains, dynamic capabilities, risk management, digital trade.

1. INTRODUCTION

Foreign economic activity has become a central component of enterprise development in an environment characterized by global value chains, digital trade, more diversified sourcing, and intensified international competition. For a modern enterprise, participation in foreign markets is not limited to the sale of goods abroad. It may include importing strategic inputs, exporting products and services, licensing, contract manufacturing, international partnerships, foreign investment, e-commerce, technology acquisition, and participation in transnational production networks. These activities can widen the revenue base and create access to knowledge, but they also increase exposure to exchange-rate movements, logistics disruptions, regulatory differences, geopolitical uncertainty, and higher coordination costs. Consequently, the competitive result of internationalization depends on the quality of strategic management rather than on the simple fact of operating across borders.

Classical strategic-management theory explains competitiveness as the ability to create and sustain superior value relative to rivals. Porter associates advantage with cost leadership, differentiation, and a coherent value-chain configuration, while the resource-based view emphasizes valuable and difficult-to-imitate firm resources (1.2). Applied to foreign economic activity, these perspectives imply that international expansion must strengthen the enterprise's value proposition and resource position. If foreign operations are poorly selected or weakly coordinated, internationalization may instead destroy value through excessive fixed costs, fragmented processes, or uncontrolled risk.

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International-trade theory provides an additional explanation. Melitz shows that participation in export markets is associated with productivity heterogeneity and fixed entry costs, which means that productive and well-organized firms are better positioned to absorb the costs of international market entry (3). Internationalization research similarly highlights the role of accumulated market knowledge, network relationships, trust, and organizational learning in reducing uncertainty and supporting further commitment abroad (4.5). These ideas suggest that strategic management of foreign economic activity is both a selection mechanism and a capability-building process.

Recent international reports reinforce the relevance of this topic. WTO analysis emphasizes that digitalization and lower trade costs can open new opportunities while differences in digital access and capabilities can widen gaps between firms. OECD work links SME internationalization with productivity, innovation, technology and skills spillovers, although smaller firms continue to face disproportionate information, finance and compliance costs (7.9). UNCTAD's recent investment analysis also points to a more uncertain global investment environment and the growing importance of the digital economy in shaping cross-border business models (8). Under these conditions, enterprises require a deliberate foreign-economic strategy that is connected to their broader competitive strategy.

The purpose of this paper is to analyze the mechanisms through which strategic management of foreign economic activity affects enterprise competitiveness and to propose a practical management framework. The research is conceptual and analytical: it synthesizes strategic-management and international-business literature with recent international reports. The key research proposition is that competitiveness improves when foreign economic activity is managed as a continuous cycle of strategic analysis, choice, capability development, implementation, control, and learning.

2. MAIN PART

2.1. Strategic foundations of foreign economic activity

Strategic management of foreign economic activity can be defined as the process of setting long-term international objectives, selecting markets and modes of participation, allocating financial and organizational resources, coordinating cross-border operations, and adapting decisions on the basis of performance and environmental change. The object of management is therefore broader than export volume. It includes the configuration of the firm's international value chain and the institutional arrangements that support it.

The starting point is strategic diagnosis. Management should assess external variables such as demand potential, customer preferences, competitor intensity, tariff and non-tariff barriers, transport infrastructure, payment conditions, legal requirements, political risk, exchange-rate volatility, digital-market accessibility, and sustainability standards. This external assessment must be matched with an internal audit of production capacity, product quality, cost structure, financial resources, intellectual property, human capital, logistics competence, data systems, and management experience. The strategic fit between external opportunity and internal capability determines whether a foreign market should be entered, postponed, or approached through a lower-commitment form.

Entry-mode choice is equally important. Direct exporting can provide greater control over customers and market learning but requires more marketing, logistics, and compliance capacity. Indirect exporting reduces organizational burden but may weaken control over market information. Licensing and franchising can accelerate expansion with limited capital, while joint ventures and foreign direct investment may provide deeper market presence at the cost of greater commitment and risk. The Uppsala perspective suggests that firms often increase commitment as they accumulate experiential knowledge and network relationships (4). Born-global research, however, demonstrates that some firms

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internationalize rapidly when they possess strong innovation orientation, knowledge-intensive capabilities, and an internationally focused organizational culture (5). Strategic management must therefore match the entry path to the firm's resources, industry characteristics, and speed of opportunity.

Foreign economic strategy should also be integrated with corporate and functional strategies. Production planning must reflect export demand and foreign quality requirements; financial strategy must cover currency risk and working-capital needs; marketing must incorporate localization and channel choice; procurement must evaluate international sourcing opportunities; and human-resource policy must build language, negotiation, legal, and digital competencies. The absence of such integration is a common reason why export initiatives remain episodic rather than becoming a stable source of competitive advantage.

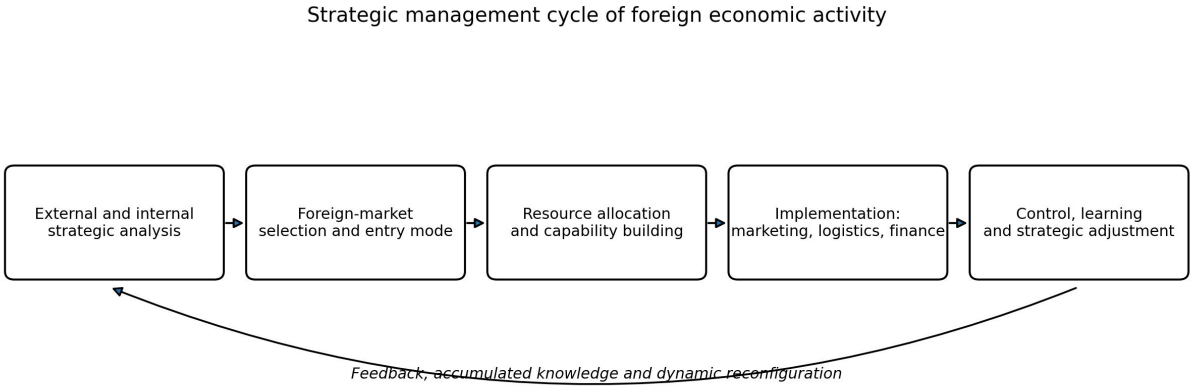


Figure 1. Strategic management cycle of foreign economic activity

2.2. Mechanisms through which foreign economic strategy affects competitiveness

The first mechanism is market diversification. Dependence on one domestic market exposes the enterprise to local demand fluctuations and limits the scale of potential sales. A carefully diversified export portfolio can distribute market risk across countries and customer segments. More importantly, access to larger markets may allow the firm to use production capacity more intensively and spread fixed costs over a larger output base. This can improve unit economics and strengthen price competitiveness, provided that additional logistics and adaptation costs remain under control.

The second mechanism is productivity and efficiency. International competition creates pressure to improve processes, delivery reliability, quality management, and cost control. Trade theory indicates that export-market participation contains significant fixed costs and therefore tends to reward firms capable of achieving higher productivity (3). Strategic managers can turn this pressure into a learning mechanism by benchmarking foreign competitors, redesigning processes, digitizing documentation, improving demand forecasting, and negotiating better international procurement conditions.

The third mechanism is knowledge and innovation. International customers, suppliers, distributors, and technology partners can expose the enterprise to new product standards, production methods, business models, and consumer expectations. These external knowledge flows are useful only when the firm has the capability to recognize, absorb, and reconfigure them. The dynamic-capabilities perspective stresses the ability to sense opportunities, seize them, and transform the resource base as markets change (6). In this sense, foreign economic activity can become a source of organizational renewal rather than simply an external sales channel.

The fourth mechanism is network position. Modern international business increasingly operates through networks and global value chains. Participation in a reliable supply chain can provide access to

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new customers, standards, technologies, and reputation effects. The World Bank's analysis of global value chains emphasizes the role of cross-border production networks in specialization, upgrading, and development (11). At firm level, strategic management should therefore evaluate not only where to sell, but also which networks, platforms, lead firms, distributors, and technology ecosystems can improve the enterprise's position.

The fifth mechanism is risk resilience. International activity creates new risks, but strategic diversification can also reduce concentration risk. Managers must distinguish between unavoidable external volatility and manageable exposure. Currency matching, hedging policies where appropriate, diversified logistics routes, supplier segmentation, insurance, contractual safeguards, customer-credit checks, compliance systems, and scenario planning can reduce the probability that one shock will undermine the whole foreign-economic portfolio. The competitive advantage comes from the enterprise's ability to continue serving customers when less-prepared rivals face disruption.

Table 1. Strategic directions of foreign economic activity and expected competitive effects

Strategic direction	Key management instruments	Competitive effect	Possible indicators
Market diversification	Country screening; segmentation; entry-mode selection	Lower concentration risk; broader demand base	Export share; number of active markets; customer concentration
Cost and sourcing strategy	Supplier portfolio; logistics design; scale planning	Lower unit cost; improved delivery reliability	Logistics cost ratio; lead time; capacity utilization
Innovation and learning	Benchmarking; partner learning; technology scouting	Product differentiation; faster adaptation	New-product share; defect rate; time-to-market
Network development	Distributors; alliances; GVC partnerships; digital platforms	Reputation, access, and relationship-based advantages	Partner retention; repeat orders; qualified leads
Financial and currency management	Pricing clauses; currency matching; liquidity planning	Margin stability and stronger cash-flow resilience	FX exposure; days sales outstanding; contribution margin
Compliance and quality	Standards mapping; certification; traceability; documentation	Trust, access to demanding markets, lower non-compliance risk	Claims; rejected shipments; audit results
Digital internationalization	E-commerce; CRM; analytics; digital documentation	Lower search/transaction costs; faster customer	Digital sales share; conversion; response time

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Strategic direction	Key management instruments	Competitive effect	Possible indicators
			response

Table 1 shows that competitiveness is a multidimensional outcome. Export revenue alone may increase while profitability, resilience, or customer concentration deteriorates. For this reason, management should use a balanced set of indicators that captures both market results and the capabilities that make those results sustainable.

2.3. Digitalization, global value chains, and strategic agility

Digitalization changes both the cost structure and the speed of foreign economic activity. Online platforms, customer-relationship systems, trade-data tools, electronic documentation, digital payments, and remote business communication can reduce search and coordination costs. WTO analysis notes that digital technologies can expand trade opportunities, while unequal access to digital infrastructure and skills can create new competitive gaps (7). A strategic approach therefore treats digital capability as part of export readiness rather than as a separate information-technology project.

For many small and medium-sized enterprises, integration into global value chains can be more realistic than building a complete foreign distribution network independently. An enterprise may internationalize indirectly by supplying an exporting domestic firm or multinational company, then move toward direct foreign-market relationships as its capabilities increase. OECD work emphasizes that SME internationalization, networks, finance, skills, and digital tools need to be considered together if firms are to scale successfully (9.10). Thus, strategic managers should evaluate several internationalization channels simultaneously instead of assuming that direct export is always the optimal objective.

Strategic agility has become particularly important because international conditions can change rapidly. Trade restrictions, transport bottlenecks, investment slowdowns, changes in standards, sanctions exposure, and shifts in consumer demand can alter the attractiveness of a market. UNCTAD's recent investment reports show that international investment conditions remain uneven and that digital-economy investment is becoming more strategically important (8). Enterprises therefore need a review process that can reallocate resources without abandoning long-term objectives. Scenario planning, threshold indicators, alternative suppliers and routes, and periodic portfolio reviews help create this balance between commitment and flexibility.

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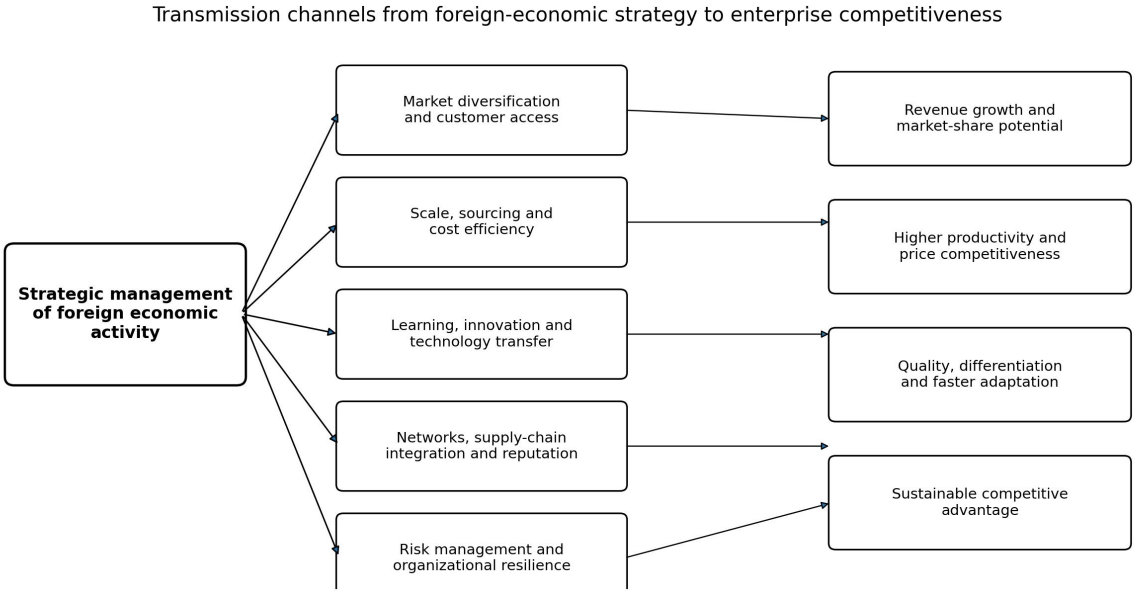


Figure 2. Main channels linking foreign-economic strategy to competitiveness

2.4. A practical strategic management framework

A practical framework can be organized into five connected stages. First, the enterprise defines its international objectives in measurable terms. These may include target revenue, desired market diversification, access to technology, supplier security, or entry into higher-value segments. Objectives should be consistent with the enterprise's overall competitive position; expansion for its own sake is not a strategy.

Second, management conducts market and capability screening. A useful assessment combines market attractiveness with the firm's readiness. Market attractiveness includes demand growth, competitive intensity, trade costs, regulatory accessibility, payment security, and logistics. Readiness includes product-market fit, cost position, certification, cash resources, personnel, data systems, and partner networks. Markets with high attractiveness but low readiness may require a preparatory capability-building phase rather than immediate entry.

Third, the enterprise selects its market-entry architecture and allocates resources. Decisions should specify the product or service, target segment, channel, pricing logic, logistics model, payment terms, partner responsibilities, compliance requirements, and risk limits. Strategic coherence is critical: a premium differentiation strategy, for example, requires compatible quality control, service, branding, and channel partners. A low-cost strategy requires scale, procurement discipline, and logistics efficiency rather than simply a low export price (1).

Fourth, implementation should be managed through cross-functional accountability. Foreign economic activity often fails when it is delegated only to an export department. Production, finance, legal/compliance, quality, logistics, marketing, and information technology all influence the customer's international experience. A cross-functional governance mechanism, such as a monthly foreign-market performance review, can identify problems before they become structural losses.

Fifth, management measures results and converts experience into organizational learning. Indicators should cover revenue and margin, customer concentration, repeat orders, market-development cost, delivery lead time, working-capital cycle, foreign-exchange exposure, quality claims, digital conversion, partner performance, and the share of sales from products adapted or developed for foreign markets. The

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logic is not to maximize every indicator simultaneously, but to identify whether the foreign-economic portfolio is strengthening the enterprise's long-term ability to compete.

This framework also implies a distinction between operational success and strategic success. An individual export contract may be profitable but strategically weak if it depends on one buyer, exposes the firm to large payment risk, or requires unsustainable customization. Conversely, an early market-development project may show modest short-term profitability but generate valuable knowledge, certification, and relationships. Strategic management evaluates both current financial outcomes and future capability effects.

Table 2. Recommended monitoring dimensions for foreign economic activity

Dimension	Examples of indicators	Strategic question
Market	Export growth; active markets; repeat-order rate; customer concentration	Are we building a diversified and defensible customer base?
Financial	Contribution margin; market-development cost; cash-conversion cycle; FX exposure	Does international growth create sustainable economic value?
Operations	On-time delivery; logistics cost; claims; rejected shipments	Can operations support the promised international value proposition?
Capability	Certifications; employee skills; digital adoption; partner quality	Are we becoming more capable because of international activity?
Risk	Country concentration; overdue receivables; supplier concentration; compliance incidents	Can the firm absorb external shocks without losing strategic momentum?

3. CONCLUSION

The analysis confirms that foreign economic activity affects enterprise competitiveness through several interconnected channels: market access, scale and cost efficiency, innovation and learning, network participation, resource acquisition, and risk diversification. However, these benefits are not automatic. International operations also create fixed costs, coordination complexity, currency and payment exposure, compliance obligations, and supply-chain vulnerability. The decisive factor is therefore the quality of strategic management.

An effective foreign-economic strategy begins with a realistic assessment of the external environment and the enterprise's own capabilities. It then connects market selection and entry mode with resource allocation, product positioning, logistics, finance, risk limits, digital tools, and organizational responsibilities. Continuous monitoring and learning transform market experience into stronger routines and capabilities. This logic is consistent with resource-based, dynamic-capability, and internationalization theories, which all emphasize that competitive advantage depends on how resources and knowledge are developed and coordinated rather than on market presence alone (2.4.6).

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For enterprises in emerging and transition economies, the managerial implication is especially important. International competitiveness can be built progressively through direct exports, indirect participation in global value chains, international sourcing, digital channels, and strategic partnerships. The appropriate path depends on the firm's maturity and industry. Management should avoid measuring success only by export turnover and instead track profitability, concentration, learning, quality, delivery, resilience, and the development of internationally relevant capabilities.

In summary, strategic management of foreign economic activity should be viewed as a continuous cycle of analysis, choice, implementation, control, and adaptation. When this cycle is institutionalized and integrated with the enterprise's overall strategy, foreign economic activity can become a long-term source of higher productivity, stronger differentiation, improved resilience, and sustainable competitiveness in domestic and international markets.

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