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Competitiveness of Enterprises in Polish SME Sector

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Abstract. Growth factors of competitiveness are presented empirically. Conditions of competitiveness are determined by internal factors, dependent on enterprises themselves, and by a wide range of internal factors, dependent on the macroeconomic environment. Analysis of statistics concerning 2004-2011, collected as part of the author's research, leads to the conclusion that enterprises gain competitive advantage by low pricing and high quality of their products. A growing importance of quality as a factor determining enterprise competitiveness can also be noted.

Keywords competitiveness, small and medium-sized enterprises, sources of competitive advantage

JEL L200, L290

1. Introduction

The contemporary economy relies on continuing change and growing levels of uncertainty. The accelerating globalisation requires businesses to use resources increasingly effectively, states and institutions to create conditions for development of entrepreneurship, innovation and productivity. Integration of Poland into the European Union supports this process by compelling all market players to meet demands of growing competition.

The objective of this paper is to discuss factors affecting competitiveness of Polish enterprises.

Operation of enterprises in circumstances of continuous change related to the IT revolution and proceeding globalisation is not an easy task. They must have the ability to maintain the existing or build new competitive advantage. This is made possible by effective change management, or management of business competitiveness. It involves treating innovation as the objective and condition of continuous restructuring of resources and development of competitive potential in order to achieve, maintain and reinforce standing in the market. It can be said, therefore, that development of business must rely on overcoming of weaknesses and transforming threats into opportunities.

2. Nature of enterprise competitiveness

Competition is an important tool, a principal dimension of economic life and a major source of wealth creation in any economy as it enforces reduction and rationalisation of manufacturing costs, improved organisation and introduction of changes and innovations [1].

Competition characterises certain relations between entities that compete with one another, namely, some pursue their objectives in rivalry against other entities. Such a situation can be avoided if both entities conclude that agreement is more beneficial. This is very rare, however.

This phenomenon has always driven human creativity in all areas of public life [2]. It mobilises enterprises to take the most efficient advantage of their resources.

Competitiveness can be seen in three dimensions, as:

- competitive standing, that is, performance competitiveness,
- competitive potential, or resource competitiveness,
- competitive strategy (instruments of competition), or operational (processual, functional) competitiveness.

Competitive standing of an enterprise is a function of assessment by the market (in particular, by customers) of what the enterprise has to offer, that is, all products and services offered in the market. Market share and financial position of an enterprise are the most fundamental and synthetic measures of competitive standing of an enterprise [5]. It must be remembered that financial standing of an enterprises to a considerable degree depends on the extent of its self-financing.[6]

Competitive potential of an enterprise can have narrow or broader definitions. In its narrow sense, competitive potential comprises all resources that are actually or potentially used by an enterprise. The broader meaning of an enterprise's competitive potential includes not only resources but also the following elements: corporate culture, organisational structure, employment health and safety [3],strategic vision,

mission and conduct (process of strategy creation) of an enterprise.

Table 1. Selected definitions of competitiveness

Author	Definition
Cyrson	Process in which all market players take part who try to realise their interests and offer better prices, quality or other characteristics which affect transaction decisions
Lubiński	An enterprise's capacity for long-term sustainable growth and its desire to maintain and expand its market share
Jakubik	Relative ability to enforce an own system of objectives, intentions or values
Gorynia	Ability to compete, that is, survive and operate in a competing environment
Jantoń-Drozdowska	An enterprise's capacity for improving effectiveness of its external operations by strengthening and improvement of its market standing
Flejterski	Ability to design, manufacture and sell goods whose prices, quality and other characteristics are more attractive than the corresponding features offered by competitors
Hampden-Turner, Trompenaars	Rivalry and cooperation which help both to acquire knowledge of key technologies and customer needs and requirements
Adamkiewicz-Drwiłło	Competitiveness of an enterprise, understood as a property, defines an enterprise's ability to continually create a development trend, growth of productivity (measured on the micro scale) and to effectively develop sales markets in the context of newer, better and cheaper goods and/or services offered by competitors

Source: the author's own compilation on the basis of [8].

Put simply, competitive strategy is a set of instruments applied with a view to gain competitive advantage. Diverse methods of gaining the advantage can be employed depending on objectives. Competition instruments include, for instance, product quality, price, range, advertising, sales promotion, guarantees, distribution network, etc.

Enterprises in a market economy eager to boost their competitiveness must apply competitive advantages gained by [4]:

- unique products, technologies,
- low prices,
- high qualifications of management,
- effective strategy,
- effective management of innovations.

Suppliers of goods are growth factors of enterprise competitiveness as well. Their highly efficient delivery of orders and reliability are sources of competitive advantage.[7].

Each enterprise strives to perform better than others in a given sector and, to do so, needs to have a competitive advantage over its rivals.

3. Methods of research

Test enterprises were selected from the catalogue www.bazafirm.pl, a contact database for businesses operating in Poland.

The survey sample was selected at random, in line with the first and second principles of randomisation, namely, each element of the general population had a chance to be included in the sample and elements of the same category were taken into account.

The simple variant of random choice was applied. A sample is random where all probabilities of selection of the sample elements are identical and constant in the entire process of selection.

A random sample allows for determination of a sample's representativeness for a population in probabilistic terms, though in all possible respects. Simple random samples are regarded as the most appropriate for objective research.

Interviews with the respondents were carried out by means of electronic mail surveys in two test periods. In November 2007, the survey questionnaire (research tool) was distributed to 1100 enterprises and in March 2012, to 400 enterprises. In parallel, phone calls were made to invite participation in the test and to monitor its progress. In effect, 318 correctly completed questionnaires were returned for the period 2004-2006 and 107 for the years 2007-2011, which corresponds to feedbacks of 28.9% and 26.8 %, respectively.

The research involved private enterprises, that is, firms owned by individuals running their own businesses, and companies with domestic capital.

4. Competitiveness of enterprises – the empirical view

In the period under discussion, enterprises competed mainly in two categories, namely, price and quality of their goods and services.

Innovativeness of products as a factor contributing to competitive advantage was variously perceived depending on company size. The regularity can be observed: as an enterprise grows, so does its interest in innovative activities. In the end of the tested period, only 9.45% microenterprises treated innovation as a source of competitive advantage, compared to 38.27% of medium-sized firms.

This situation may be caused by lack of state support for the process of innovation transfer. Legislation and regulations concerning innovation will not boost enterprise innovativeness by themselves. Financial aid of the state is required to implement innovations in businesses.

Treatment of product originality as a factor determining competitive advantage depended on size of a company. Medium-sized companies clearly stand out in this respect. 23.5% of them pointed to this factor on average, whereas the proportion among the other two business groupings averaged 14.8%.

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Table 2. Sources of competitive advantage (%)

Explanatory variable	Explanatory variable category	Price	Quality	Innovation	Originality	Staff
2004						
Company size	Micro	68.75	60.42	18.75	12.50	22.92
	Small	57.14	71.43	25.00	7.14	17.86
	Medium-sized	55.56	72.22	44.44	16.67	22.22
2005						
Company size	Micro	69.77	67.44	20.93	16.28	18.60
	Small	61.76	73.53	23.53	14.71	14.71
	Medium-sized	55.56	72.22	50.00	27.78	22.22
2006						
Company size	Micro	76.27	66.95	15.25	17.80	15.25
	Small	62.73	75.45	27.27	19.09	21.82
	Medium-sized	47.37	73.68	47.37	26.32	26.32
2007						
Company size	Micro	75.24	65.17	14.19	15.70	9.37
	Small	69.35	63.29	29.38	19.03	10.24
	Medium-sized	52.18	65.76	35.46	35.75	16.72
2008						
Company size	Micro	75.80	67.48	13.50	13.25	8.46
	Small	72.43	65.14	32.19	17.83	9.14
	Medium-sized	58.45	62.14	37.75	23.39	16.02
2009						
Company size	Micro	78.20	71.39	12.95	12.80	7.23
	Small	74.72	70.15	33.87	17.80	8.75
	Medium-sized	63.53	65.83	39.24	21.45	14.35
2010						
Company size	Micro	75.18	68.21	11.00	11.11	8.43
	Small	75.21	69.18	25.97	15.43	9.67
	Medium-sized	67.58	65.02	38.65	17.99	15.39
2011						
Company size	Micro	69.87	69.59	9.45	9.18	7.43
	Small	71.60	71.29	21.34	16.93	9.07
	Medium-sized	68.32	68.00	38.27	18.48	16.98

Source: the author's compilation of survey results.

Effect of company size on selection of management staff as a factor generating competitive advantage was maximum in 2004. It was indicated by 22.92% of micro-enterprises. A declining trend set in the following years, with merely 7.43% of these firms pointing to management staff as a source of competitive advantage in 2011. A similar tendency could be observed in the remaining two groups of companies. The factor fell by 8.8 percentage points for small and 5.2 percentage points for medium-sized enterprises.

Impact of the company size on frequency of selecting higher domestic demand as a factor stimulating competitiveness was statistically significant throughout the research period. Evaluations of the factor varied over individual years. In 2004-2006, it was most commonly selected by small businesses (54.01%) and most seldom by micro-enterprises (26.75%). The indication declined by 12.89 percentage points for small enterprises and rose by 8.33 percentage points for micro-enterprises.

Table 3. Factors enhancing competitiveness of businesses (%)

Explanatory variable	Explanatory variable category	Domestic demand	EU demand	Tax relief	Export opportunities	Innovative nature
2004 – 2006						
Company size	Micro	26.75	4.06	33.99	10.31	28.32
	Small	54.01	19.99	25.01	13.38	30.85
	Medium-sized	45.39	23.14	30.56	7.73	45.92
2007 – 2011						
Company size	Micro	35.08	2.10	15.22	11.02	32.18
	Small	41.12	12.78	17.69	10.67	34.21
	Medium-sized	45.87	24.09	22.45	15.90	48.43

Source: the author's compilation of survey results.

Positive assessments of the role of increased EU demand differed depending on the company size. It ranged 4-23.14% in 2004-2006, to rise only in the case of medium-sized enterprises in the next period under discussion.

The effect of company size on the rate of indications to another factor boosting market competitiveness, i.e. tax reliefs, varied across the periods. Its role was substantially greater at the initial stage, demonstrated by 34% indications by micro-enterprises. The figure fell in each enterprise grouping in 2007-2011, owing to stabilisation of the Polish tax laws which have become more transparent and comprehensible recently.

The company size determined choices of another factor, export opportunities, to a lesser extent (7.0% to 13.0%) in 2004-2006 than in 2007-2011 (between 11% and 16%).

Positive opinions about innovative nature of products varied depending on the company size. In 2004-2006 and 2007-2011, it was most frequently selected by medium-sized businesses (46% and 48% indications, respectively) and most rarely by micro firms (28% and 32%, respectively).

Favourable assessments of business location were common only among micro-enterprises and small businesses in both the research periods.

The share of companies selecting narrow specialisation was low in both the periods. Only micro-enterprises (19%) regarded the factor as influencing improved competitiveness of enterprises.

5. Conclusions

Competitive standing of enterprises depends on a number of factors under control of businesses and of many external variables. Earlier research demonstrated pricing was the key factor used to build competitive standing. Importance of quality of goods and services had been increasing, yet strategies of enterprises were still based on unit costs and price competition.

Marked shifts in business approach took place in 2011, from a heavy focus on pricing towards quality of goods and services, with regard to building of the market position. On average, 69.93% businesses indicated price and 69.62% the quality of goods and services as the prevailing factors which decided their market standing. The difference between these factors shrank substantially, however. In 2008, it averaged 4 percentage points, to fall to merely 0.31 points four years later. That change proved so significant that enterprises managed excellently competing with price and quality even at the time of the economic slump. Such efforts are proof of positive development trends in enterprises.

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