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THEORETICAL ASPECTS OF ENTERPRISE COMPETITIVENESS

Abstract

Competitiveness of enterprises is a multi-dimensional and relative notion without a universally approved definition. It is most commonly understood as the ability for rivalry against other market players. A competitive enterprise is capable of flexible and beneficial adaptation to changing operational conditions. Contemporary theories of enterprise competitiveness stress the ability to employ available knowledge and skills. Permanent competitive advantage in the market is assured to those having rare resources which are difficult to imitate and have no substitutes in the market.

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Introduction

In the contemporary economy, market success comes to those enterprises which become more competitive by constant modernisation and can offer more attractive products to their customers. Pressure for continual growth of enterprise competitiveness arises from ongoing globalisation processes and the consequent propagation of technological standards and integration of national economies.

Competitiveness of enterprises is a multi-dimensional and relative notion without a universally approved definition. Management theorists and practitioners are not in full agreement concerning determinants of enterprise competitiveness. Location of its sources inside or outside an enterprise, material or intangible nature of sources of competitiveness are subjects of discussion.

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The complex notion of enterprise competitiveness

The concept of competitiveness is problematic. Its scope, evaluation metrics and conditions determining growth of competitiveness are debated in both Polish and international specialist literature. Competitiveness is often used to refer to ability of an organisation to compete and be successful [Grzebyk, 2011, p. 109]. It can also be understood as the capacity for rivalry and competition. The notion can be addressed with reference to economies of specific countries, regions and business entities. The latter encompass enterprises, their associations, groupings and networks as well as organisations regarded as strategic business units. Therefore, the conceptual extent of competitiveness is extremely broad and variously interpreted in the literature. Competitiveness can be said to be of a multi-level nature, therefore. It may take place on the mega (group of countries, macroregion), macro (a state), mezzo (sector, industry, branch), micro (enterprise) and micro-micro (a product/ service) levels [Gorynia, 1998, p. 10].

Competitiveness as a microeconomic category emphasises dynamism, entrepreneurship and the ability to create and absorb modern technologies, administrative efficiency, quality of production and the environment. Competitiveness as a microeconomic and multi-dimensional category is perceived in terms of relations between: a business, its potential, abilities and skills and market structure and opportunities [Skawińska, Zalewski, 2009, p. 44]. Such an approach distinguishes between basic and key competitiveness. The former comprises '... processes and systems which make a firm a leader of its industry', whereas the latter involves 'skills required to gain a continuing competitive advantage in a given market' [Faulkner, Bowman, 1996, p. 44]. Basic competitiveness comprises operational (particular technical skills necessary to operate in a market) and systemic (overall and cost effectiveness) competitiveness.

Competitiveness is most commonly understood as the ability for rivalry against other market players. Competitiveness of enterprises is also understood as [Skawińska, Zalewski, 2009, p. 48]:

- A process whereby market players attempting to pursue their interests try to offer better price, quality, after-sales support or other characteristics determining decisions to close transactions than those offered by others,
- Capacity of an enterprise for sustainable development in the long term and the tendency to maintain and expand its market share,
- Relative ability to enforce its own system of objectives, intentions or values,
- Ability of an enterprise to improve its internal operational effectiveness by reinforcing and improving its market standing,
- Ability to design, manufacture and sell products whose price, quality and other strengths are more attractive than the corresponding characteristics of goods offered by competitors,
- Ability to win and/or maintain competitive advantage.

Definitions of competitiveness stress greater efficiency of production and supply of products and services than of competitors [Wattanapruttipaisan, 2002], the ability to continue providing added value to enterprise stakeholders [Dwyer, Kim, 2003] or to be profitable and maintain a dominant market standing [Lombana, 2006, p. 34]. Competitiveness is frequently identified with price or quality of a product, productivity of resources, production costs or the competitive advantage itself [Lombana, 2006, p. 33].

In specialist literature, attempts at defining the notion of competitiveness produce two types of theories [Olszewska, Piwoni-Krzeszowska, 2004, p. 508]:

- Static – a condition representing capabilities of a given enterprise relative to its competitors,
- Dynamic – ability of an enterprise to take advantage of its own potential and external conditions in order to respond to market changes, as well as to create and improve its standing in reference to competitors.

The notion of competitiveness is connected primarily to an enterprise and only then to its goods and services. The market offer and its perception by customers are parts of external image of an enterprise. Competitiveness of goods and services is a narrower concept than competitiveness of an enterprise: the former is an external symptom of the latter.

Competitive advantage of enterprises

Analyses of enterprise competitiveness state it means the ability to create and maintain competitive advantage. Competitive (or strategic) advantage involves a favourable positioning of an enterprise against its rivals in the process of customer service and acquisition. It is the foundation for the process of continuing value creation and appropriation to a degree greater than attainable by competitors [Obłój, 2001, p. 3]. It is the source of performance better than of competitors and is therefore of central significance to the strategy of and capacity for competing. It concerns to products and is relative. Competitive advantage is 'a configuration of competitive potential components which enable to generate more effective instruments of competition than those created by other enterprises' [Stankiewicz, 2000, p. 103]. Competitive advantage is normally assumed to denote better market positioning of an enterprise relative to its competitors. In essence, competitive advantage means an enterprise does something better or different than its rivals or is capable of actions its rivals are unable to realise and thus performs better [Adamkiewicz-Drwiłło, 2002, p. 33].

The notion of an enterprise's competitive advantage is dynamic and involves the ability to continue adding value. It is measured with added value and market share. Competitive advantage has three dimensions: type, scale and permanence (size)

[Godziszewski, 2001, p. 59]. Three fundamental division criteria are usually distinguished [Wolak-Tuzimek, 2010, p. 102]:

- Scale of a field of competition where a business has gained or desires to gain competitive advantage,
- Basis of competitive advantage,
- Period for which the advantage is maintained.

Following on the scale criterion, global and local competitive advantage are distinguished [Stankiewicz 2005, p. 175]. As part of the former type, products of an enterprise are effectively offered in markets subject to global competition, the latter implies an enterprise is only able to compete in some markets.

Competitive advantage is a result of actions of an enterprise and situation in its environment over a certain time. Depending on the period of time, permanent and temporary advantage are distinguished [de Wit, Meyer, 1999, p. 201]. The one refers to a continuing state of market acceptance, constant range of products and unchanging instruments of competition. The other means evaporation of an enterprise's competitive advantage due to shifts in the environment and/ or sources of the advantages being copied by competitors.

M.E. Porter uses the base criterion to cite three types of advantages [2006, p. 60]:

- Arising from cost leadership,
- Arising from differentiation,
- Based on concentration.

Competitive advantage arising from cost leadership has an enterprise becoming a sector leader in respect of overall costs. An enterprise tends to incur minimum costs among its competitors without altering quality of its products/ services. Competitive advantage arising from differentiation, in turn, involves finding of attributes which are important to customers and different from those offered by other firms. Products or services stand out from those of competitors and thus can claim a higher price. Levels of costs generated are not the core strategic objective of these enterprises yet they cannot be neglected. Both the strategy of cost leadership and of differentiation are designed to acquire competitive advantage in a broad spectrum of a market or industry. The advantage based on concentration means an enterprise focuses its actions on a specific segment (customer group, a product range or geographic market) and is thus capable of suiting its offer to customer requirements. A narrow market specialisation enables an enterprise to support a segment better than its competitors.

Selected models of enterprise competitiveness

Competitiveness of enterprises is a recurring subject of research and analysis. A variety of approaches to the issue can be noted. Foreign authors commonly analyse competitive advantage rather than competitiveness in order to determine sources of the former. Terms of both competitive advantage and competitiveness are employed

in Polish literature. They are occasionally used interchangeably, competitive advantage is sometimes treated as an element of competitiveness. Problems of competitiveness have been addressed by J.M. Stankiewicz, M. Gorynia, H.A. Adamikiewicz-Drwiłło, K. Obłój, E. Skawińska, among others.

The most developed theory of competitiveness has been proposed by M.J. Stankiewicz. He regards competitiveness of enterprises as a system of four structural elements affected by the general environment and interacting with the competitive environment include [Stankiewicz, 2002, p. 89]:

- Competitiveness potential – all tangible and intangible resources of an enterprise necessary for an entity to function in the competitive market;
- Competitive advantage – such use of competitiveness potential (including environment conditions) that allows for effective generation of an attractive market offer and effective instruments of competing;
- Instruments of competing – means created by an enterprise to acquire commercial partners. They include price of products/ services, quality of products/ services, difference of other features offered from those of competitors, flexibility of the offer suited to customer needs, variety of product range, frequency with which new products/ services are introduced, accessibility of products/ services (time and place), terms of payment, brand, image of enterprise, publicity, sales promotion, terms and period of guarantee, scope, quality and pricing of after-sales service;
- Competitive standing is a result achieved by an enterprise competing in a given sector compared to results of other enterprises.

The model specifies components of competitiveness and indicates cause-and-effect relations among them: competitiveness potential influences competitive advantages, on which instruments of competing depend that condition a certain competitive standing (fig. 1).

The mechanism of building competitiveness of an enterprise based on M.J. Stankiewicz's approach is employed by a number of authors. For instance, E. Skawińska's model [2002, p. 83] builds on M.J. Stankiewicz's concept. The model presents causes, effects and instruments as streams making up competitiveness in the market of production factors and final goods. Creation of an enterprise's competitiveness involves continual, premeditated and planned action on its individual sub-systems in consideration of their mutual feedbacks.

As part of the model, competitive potential is an intra-organisational source of competitive advantage that determines its basic dimensions: type, size and permanence. Competitive advantage is the starting-point for offering products and application of certain instruments of competing which, once evaluated by the market, provide for a competitive standing.

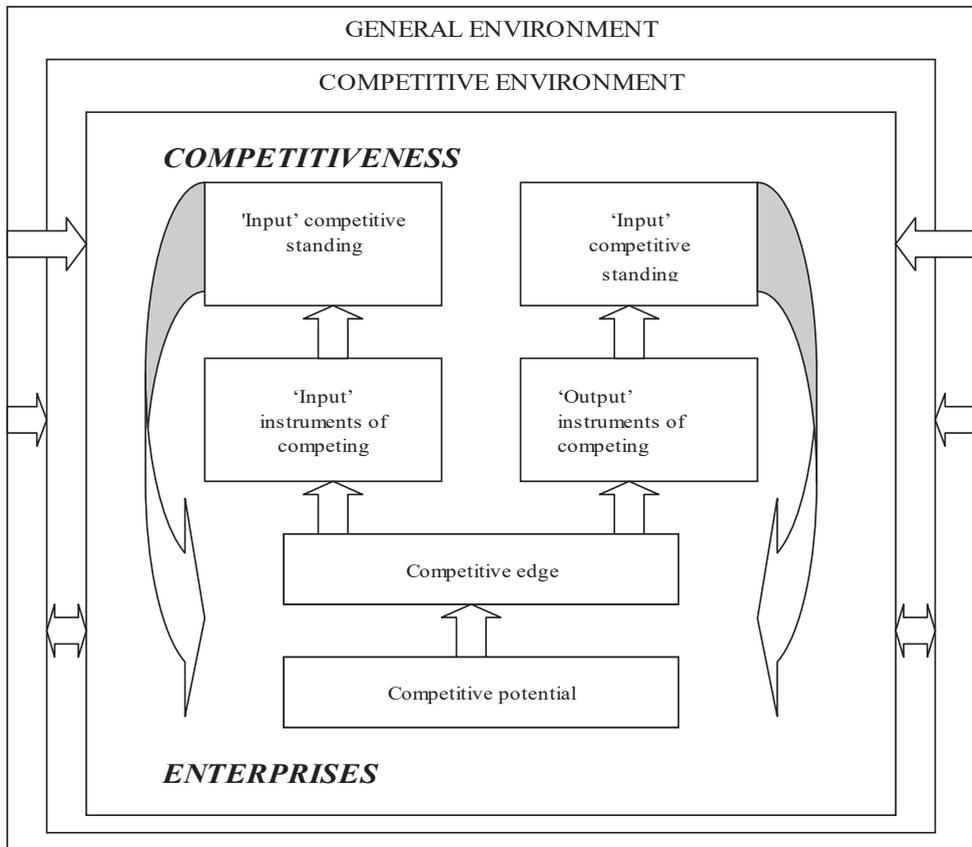


Figure 1. Model of enterprise competitiveness by M.J. Stankiewicz

Source: Stankiewicz, 2005, p. 87.

Z. Pierścionek's model of enterprise competitiveness has customers and their needs as the key elements [Pierścionek, 2003, p. 203]. Products and services that meet those needs to a greater extent than those offered by competitors make an enterprise competitive in the market. Competitiveness of an enterprise arises from key competences or abilities distinguishing the enterprise. The entire cause-and-effect chain which provides for an enterprise's competitiveness is constantly affected by the external environment including: domestic competition, requirements of the domestic market, standard of associated sectors, standard of domestic production factors (Fig. 2).

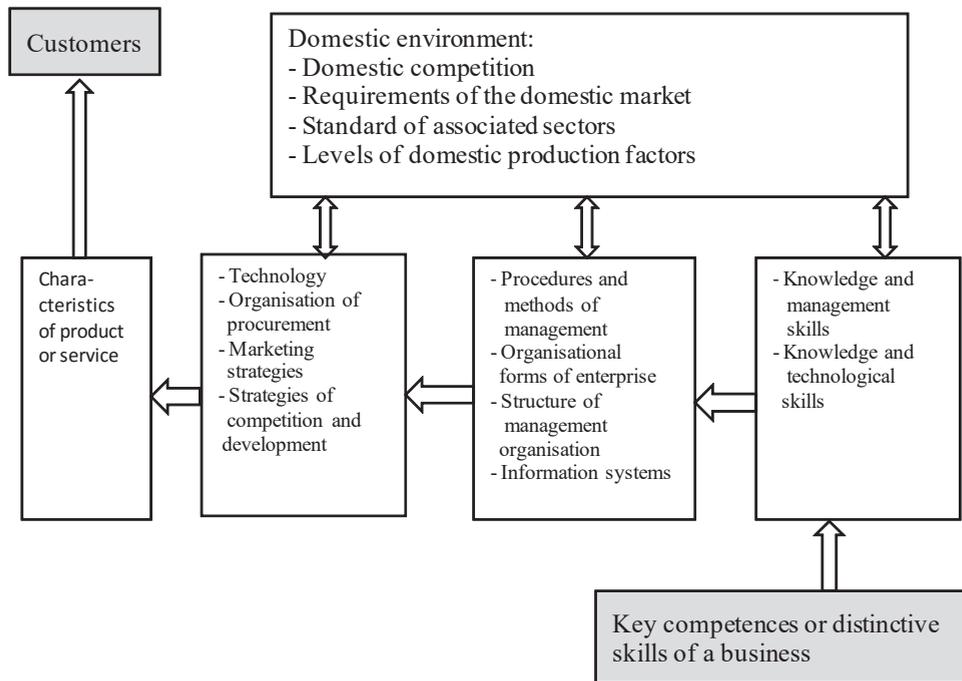


Figure 2. Model of enterprise competitiveness by Z. Pierścionek

Source: Pierścionek, 2003, p. 203.

The model of enterprise competitiveness by M. Gorynia [2002, p. 61] assumes the competitiveness is impacted by three groups of factors: macroeconomic, mezzoeconomic and microeconomic.

Macroeconomic factors are constituted by the external conditions of an enterprise and include:

- Scale and structure of available production resources,
- Effective use of these resources,
- National socio-economic system and economic policies of the government,
- Potential to influence the international economic environment.

Mezzoeconomic factors comprise:

- Factors of production in place,
- Demand factors,
- Development of an appropriate sectoral arrangement,
- Conditions of enterprise foundation, organisation and management,
- Nature of competition in the domestic market.

Microeconomic factors encompass elements that directly affect competitiveness of an enterprise, namely:

- Competitive standing of an enterprise,
- Competitive potential of an enterprise,
- Competitive strategy.

Conclusion

To be successful in the market, an enterprise is forced to take effective advantage of its financial, material and human resources and to analyse its environment. This causes an enterprise in the process of development to continue evolving and adapting functions, objectives, goals and methods of management to fluctuating conditions in a highly competitive market.

A competitive enterprise is capable of flexible and beneficial adaptation to changing operational conditions. Contemporary theories of enterprise competitiveness stress the ability to employ available knowledge and skills. Permanent competitive advantage in the market is assured to those having rare resources which are difficult to imitate and have no substitutes in the market.

The discussion of enterprise competitiveness must end by emphasising:

1. Attempts to improve competitiveness are a key objective of businesses in the market,
2. Major controversy surrounds consequences of the growing intensity of competition in the market,
3. Neither Polish nor international literature concur in offering a single definition of enterprise competitiveness.
4. This ambivalence arises from significant diversity of approaches to defining sources and models of enterprise competitiveness.

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