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**FACTORS DETERMINING THE COMPETITIVENESS
OF SMALL ENTERPRISES OPERATING
IN LOCAL MARKETS WITH A PARTICULAR FOCUS
ON BUSINESS ADVICE**

**CZYNNIKI KSZTAŁTUJĄCE KONKURENCYJNOŚĆ
MAŁYCH PRZEDSIĘBIORSTW DZIAŁAJĄCYCH
NA RYNKACH LOKALNYCH ZE SZCZEGÓLNYM
UWZGLĘDNIENIEM DORADZTWA BIZNESOWEGO**

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Summary: The aim of the presented paper is to identify the significance of selected determinants of the competitiveness of small innovative enterprises operating in local markets that use business advice. The achievement of this aim required identifying the determinants of the competitiveness of small enterprises (characteristics of managers, characteristics of enterprises) and presenting the motives for as well as the areas and effects of using business advice. The second part of the paper presents the results of empirical research carried out using the CATI technique on a sample of 152 small Polish innovative enterprises operating in local markets and at the same time benefiting from business advice. The conducted research confirms the hypothesis of the significant modifying impact of business advice on the system of the competitiveness determinants of enterprises. Improving the competitiveness of enterprises requires the use of business advice as well as the improvement of the capacity to absorb business knowledge.

Keywords: small business, determinants of competitiveness in local markets, business advice.

Streszczenie: Celem prezentowanego artykułu jest identyfikacja znaczenia wybranych determinant konkurencyjności małych przedsiębiorstw innowacyjnych działających na rynkach lokalnych, korzystających z doradztwa biznesowego. Osiągnięcie tego celu wymagało: określenia determinant konkurencyjności małych przedsiębiorstw (charakterystyki zarządzających, charakterystyki przedsiębiorstw), omówienia motywów, obszarów oraz efektów korzystania z doradztwa biznesowego. Przedstawiono także zagadnienie zdolności absorpcji wiedzy biznesowej jako determinanty konkurencyjności małych przedsiębiorstw oraz warunku skuteczności korzystania z doradztwa biznesowego. W drugiej części artykułu przedstawiono

wyniki badań empirycznych przeprowadzonych techniką CATI na próbie 152 małych polskich przedsiębiorstw innowacyjnych działających na rynkach lokalnych i równocześnie korzystających z doradztwa biznesowego. Przeprowadzone badania potwierdzają hipotezę o istotnym modyfikującym wpływie doradztwa biznesowego na układ determinant konkurencyjności przedsiębiorstw. Poprawa konkurencyjności przedsiębiorstw wymaga zarówno korzystania z doradztwa biznesowego, jak i poprawy zdolności absorpcji wiedzy biznesowej.

Słowa kluczowe: małe firmy, determinanty konkurencyjności na rynkach lokalnych, doradztwa biznesowe.

1. Introduction

The issue of developing the competitiveness determinants of small innovative enterprises is still poorly recognised in the management literature [Sipa et al. 2015; Adamik 2012]. This situation also seems to be important for companies operating in local markets. The scope and intensity of their impact are very diverse due to numerous industry-related conditions, the company's scale and age, as well as the level of enterprise innovativeness, managers' attitudes and pro-developmental orientation, level of business knowledge and business management skills [Blackburn et al. 2013; Stawasz 2013]. Therefore, it may be interesting to take into account business advice in the process of developing the competitiveness of enterprises.

Business advice is considered an important factor in improving management, especially in the case of small-scale innovative entities, both in the area of reducing barriers to their development and in the field of development management [Grabowski, Stawasz 2017]. Their managers rarely have all the knowledge necessary for running their businesses efficiently and successfully [Mole et al. 2013]. The lacking necessary knowledge can be obtained from the environment and from advisors, in the form of professional and independent services. The use of business knowledge for developing the competitiveness of small enterprises forces the company management to face challenges, especially since small businesses usually do not have the appropriate management structure or professional managers. The absorptive capacity of business knowledge, including the ability to recognise the value of new knowledge, assimilate and transform it into a commercial outcome, plays an important role in this respect [Zahra, George 2002].

The paper is devoted to discussing the role of the factors shaping the competitiveness of small innovative enterprises operating in local markets in the context of using business advice. A hypothesis has been adopted about the positive and significant impact of business advice on the system of the competitiveness determinants of enterprises, strengthened by the capacity to absorb business knowledge. The second part of the paper presents the results of empirical research carried out using the CATI method on a sample of 152 Polish small innovative enterprises operating in local markets. The analysis of the research results confirms

the existence of the dependence between management-related factors and the competitiveness of enterprises. Using business advice and increasing the absorptive capacity of business knowledge obtained through advisory services result in broadening the scope of the determinants of enterprises' competitiveness and can be considered as an effective factor in improving competitiveness, especially for enterprises characterised by high competitiveness.

2. Factors shaping the competitiveness of small businesses

Competitiveness is a characteristic of an efficiently operating company that is related to the process of competition in which companies compete with one other [Liao et al. 2015]. In the classical approach, the determinants of competitiveness are divided into internal and external [Carvalho, Costa 2014]. Internal determinants are related to the ability of companies to develop their competitiveness (their own competitive advantages). The explanations in this area are provided by modern trends of the enterprise theory: resource, competence, and knowledge-based [Plawgo 2004], as a response to the departure from the classical strategies of cost leadership, differentiation and concentration, which focused on basic external factors, mainly market ones, which did not, however, create the basis for the sustainable competitiveness of small businesses [Man et al. 2008].

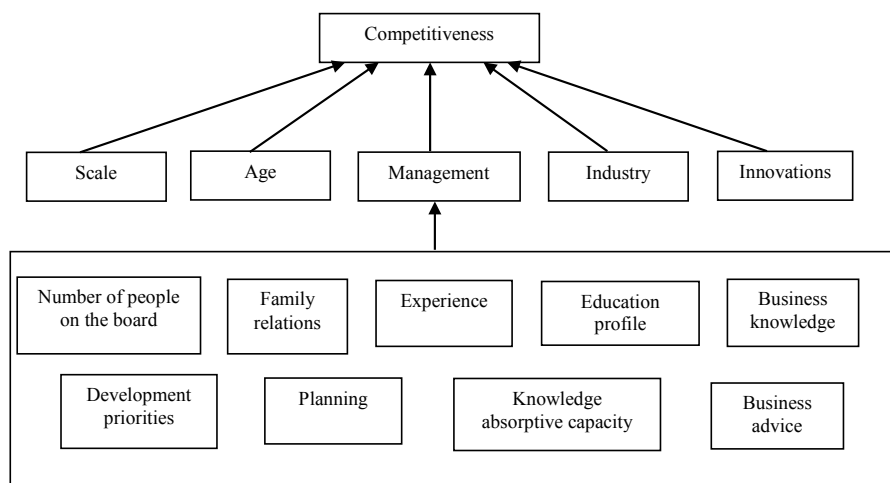


Fig. 1. Factors determining the competitiveness of small enterprises – a conceptual model

Source: own elaboration.

A conceptual model illustrating the factors shaping the competitiveness of small innovative enterprises is shown in Figure 1. In line with the currently dominant resource-based approach and the company competence theories, a total

of fifteen factors have been distinguished for research purposes in shaping the development of enterprises and their competitiveness encompassing such areas as: company scale, company age, management, industry and innovations. Management-related factors included the following: the number of people on the board, family relations among the board members, their managerial experience, educational profile, and level of business knowledge, business development priorities, as well as the form of planning and business advice.

The development of the business knowledge base and the pro-developmental orientation as well as the improvement of the management skills level, building the capacity to absorb knowledge and its use for shaping the competitiveness of companies, may require external support in the form of public assistance or professional business advice, which is important especially for small-scale innovative entities [Sciascia et al. 2014]. The issue of the role of business advice for the management of small innovative enterprises is still poorly recognised in the literature [Łobacz, Głodek 2015; Robson, Bennett 2000]. The results of the research are ambiguous. On the one hand, there are studies showing the positive impact of business advice on company management and performance [Delanoe 2013; Mole et al. 2013]. On the other hand, there are also studies showing the limited influence of business advisors on the pro-developmental orientation of managers and business competitiveness [Johnson et al. 2007; Bennett, Robson 2003]. Therefore, it may be interesting to examine the impact of business advice on company management, including the creation of management knowledge and the development of the competitiveness of enterprises.

3. Research results

3.1. The research methodology and description of the study sample

The study used a database of 400 small innovative enterprises (employing up to 49 people) operating throughout the country and using business advice¹. The aim of the research was to determine the impact of business advice on building and maintaining the competitiveness of small Polish innovative companies. The study was carried out using the method of direct computer-assisted telephone interviews (CATI), conducted with the use of a questionnaire addressing the owners or co-owners of companies or their general managers. The research methodology assumed that the sample would include 400 entities from the small business sector representing various industries selected randomly using a random number generator on a group of 9,703 enterprises from the REGON CSO database. The

¹ The study was conducted under the direction of the author in 2016 as part of the National Science Centre project entitled “Shaping the Competitiveness of a Small Company – the Role of Business Advice” (no. UMO-2012/07/B/HS4/03019).

market structure of 400 companies was dominated by the local and national market (37.5% and 45.5% of the surveyed companies respectively), with 67 companies operating in the international market (16.8% of the total sample).

The analysed sample of 152 companies operating mostly in the local market was dominated by mature companies with a 4-10 year presence in the market (81.6% of the surveyed companies), while the average employment was 6.3 people, i.e. 2 times smaller compared to the total of 400 companies. As for the area of business activity, the largest group comprised service companies (60.5%) followed by trade companies (15.8%). All the surveyed companies were innovative. The enterprises with a low level of innovativeness prevailed, since the introduced changes were a novelty only on a company or local scale (94.7%), and only 5.3% of the surveyed companies proposed innovations on a national or international scale.

3.2. Determinants of enterprises' competitiveness

The study of the competitiveness of enterprises operating in local markets concerned the estimation of advantages of the surveyed companies over their main competitors in terms of resources, such as the novelty or innovativeness of their offered product, costs or prices, quality, service, promotion, logistics, customer service, etc. The measurement of competitiveness was carried out on a scale of 1-5 points, where 1 meant very poor competitiveness, and 5 – very strong competitiveness. The average level of competitiveness in the analysed sample of companies was quite high and amounted to 3.4 points, while the median was 3.0 points. 14.9% of the surveyed companies were characterised by very weak or weak competitiveness, and 43.3% by high or very high competitiveness.

Table 1. The comparison of the relationship between the competitiveness of the analysed companies and their selected characteristics (measured by Pearson's contingency coefficient^a and Pearson's correlation coefficient^b)

No.	Characteristics	Coefficient	Significance level
1	Business knowledge of managers	0.541^b	0.000
2	Number of people on the board	0.425^a	0.000
3	Family relations among the board members	0.367^a	0.003
4	Form of planning	0.366^a	0.003
5	Age of enterprises	0.337^b	0.000
6	Industry	0.337 ^a	0.079
7	Business development priorities	0.280 ^a	0.117
8	Professional experience of managers	0.265^b	0.001
9	Scale of enterprises	0.258^b	0.001
10	Educational profile of managers	0.234 ^a	0.727
11	Strategic management	0.203 ^b	0.012
12	Innovations	0.129 ^b	0.113
13	Operational management	0.097 ^b	0.234

Source: own elaboration.

The results of the analysis of the relationship between competitiveness and selected factors related to the functioning of the surveyed small innovative enterprises mainly in the field of management are presented in Table 1.

The above-presented overview of factors indicates the limited range of local competitiveness determinants in the analysed sample of enterprises – seven out of the list of thirteen factors had a statistically significant impact on their competitiveness. It seems that these are mainly pro-developmental factors, positively affecting the competitiveness of enterprises. The role of innovation is irrelevant as a determinant of improving business competitiveness.

3.3. Determinants of enterprises' competitiveness, including business advice

The paper attempts to assess the modifying impact of business advice on improving the competitiveness of small businesses. The measurement was carried out on a 1-5 point scale, where 1 meant a very weak impact and 5 – a very strong impact. The average level of impact of business advice on the improvement of competitiveness in the analysed sample was moderate and amounted to 2.6 points, while the median was 3.0 points. The results of the analysis of competitiveness determinants are presented in Table 2.

Table 2. The comparison of the relationship between the improvement in the competitiveness of the analysed companies as a result of business advice and their selected characteristics (measured by Pearson's contingency coefficient^a and Pearson's correlation coefficient^b)

No.	Characteristics	Coefficient	Significance level
1	Business knowledge of managers	0.578^b	0.000
2	Strategic management	0.528^b	0.000
3	Business knowledge absorptive capacity	0.454^b	0.000
4	Operational management	0.429^b	0.000
5	Educational profile of managers	0.378^a	0.014
6	Business development priorities	0.361^a	0.004
7	Competitiveness	0.304^b	0.000
8	Form of planning	0.304^a	0.050
9	Number of people on the board	0.300 ^a	0.061
10	Family relations among the board members	0.291 ^a	0.080
11	Industry	0.268 ^a	0.468
12	Frequency of business advice	0.247^b	0.002
13	Advisory process	0.239^a	0.003
14	Age of enterprises	0.131 ^b	0.108
15	Scale of enterprises	0.068 ^b	0.402

Source: own elaboration.

The study shows that the use of business advice extends the range of competitiveness determinants in the analysed sample of enterprises – ten out of the list of fifteen factors had a statistically significant impact on their competitiveness and the increase in the strength of this relationship. Only the factors related to the

company (industry, age and scale) did not have a statistically significant impact on improving the competitiveness of the surveyed enterprises.

It is worth emphasising the great importance of the advisory process characteristics for assessing the impact of business advice on raising the level of enterprises' competitiveness. The greater the scope of business advisory services, the higher the frequency of business advice and the better the cooperation between companies and advisors, and the higher the assessment of the importance of business advice for raising the level of the competitiveness of the surveyed enterprises.

The conducted analysis shows that the capacity to absorb knowledge gained through business advice has a positive impact on improving the competitiveness of enterprises. The interdependence of these variables is high and statistically significant – the correlation coefficient is 0.454, with the significance level of 0.000, which may mean that the greater the capacity to absorb advisory knowledge, the higher the improvement of competitiveness of small businesses operating in the local market.

The research also shows the positive impact of the current level of competitiveness of the surveyed enterprises on the assessment of the importance of business advice for raising the level of their competitiveness. This relationship is statistically significant, although to a moderate degree, and amounts to 0.304, with the significance level of 0.05. This means that higher competitiveness is accompanied by a slightly higher assessment of the impact of business advice on improving the competitiveness of the surveyed enterprises, rather than the reverse.

Nearly 88% of the analysed companies indicating the high assessment of the importance of business advice increased their competitiveness, the remaining 12% of the surveyed enterprises did not note any improvement in their competitiveness due to personnel or resource constraints. In the case of the enterprises characterised by the low assessment of the importance of business advice, 43.5% managed to improve their competitiveness, which means that most of them did not have the potential to improve their competitiveness with a low share of the use of business advisory services.

It can be assumed that the enterprises surveyed in general improved their competitiveness in the local market while indicating the high assessment of business advisory services. In cases when the companies described the impact of business advice on improving their competitiveness as high, they were already characterised by high competitiveness. It seems, therefore, that a high level of competitiveness is conducive to the effectiveness of the use of business advice. Therefore, if business advice can be considered as an effective factor in improving the competitiveness of enterprises, this applies rather to highly competitive companies. Enterprises with a low level of competitiveness improved their competitive position due to the use of business advice to a much smaller degree.

4. Conclusions

The conducted analysis of the research results confirms the hypothesis of the significant modifying impact of business advice on the system of competitiveness determinants of Polish small innovative enterprises operating in the local market. Improving the competitiveness of enterprises requires the use of business advice as well as the improvement of the absorptive capacity of business knowledge. The study indicates that the use of business advice extends the scope of the competitiveness determinants of enterprises. The level of competitiveness is of crucial importance in assessing the role of business advice. Business advice can be considered as an effective factor in improving the competitiveness of enterprises characterised by high competitiveness, which means that a high level of competitiveness is conducive to the effectiveness of the use of business advice. The surveyed companies with a low level of competitiveness improved their competitive position due to the use of business advice only to a smaller degree.

Among the characteristics that may influence the relationship between business advice and the competitiveness of enterprises are management-related factors. The relatively most favourable conditions for improving business competitiveness as a result of the use of advisory services occurred in enterprises with more experienced managers possessing a higher level of business knowledge, characterised by a pro-developmental orientation, which have a business plan and a higher capacity to absorb business knowledge, as well as a wider range of cooperation with advisors, therefore benefitting to a greater extent from business advice.

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