

INCREASING THE COMPETITIVENESS AND PERFORMANCE OF ENTERPRISES FOCUSING ON INNOVATION ACTIVITY – EMPIRICAL SURVEY

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Abstract

Purpose: The paper focuses on selected factors increasing the competitiveness and performance. It analyses specific factors, such as human resources, corporate culture, access to customers, quality and cost of production, but especially innovation activity. Innovations in general are an integral part of the activities of each company because of new technologies and new possibilities of solving those situations in this period. Innovations that are correctly applied, can give the companies a competitive advantage through the cost savings and performance improvement.

Design/methodology/approach: The paper uses an empirical survey, 15 interviews with the directors and top management of the selected companies. The interview were done directly in enterprises in the second half of 2016 and lasted a half an hour. This is a random selection of companies which were willing to answer the questions (response rate was 50 percent due to addressing the known) and operates in the Czech Republic. The data were supplemented by the theory in this field and documentary analysis, including internal documents, descriptions of internal processes, employee magazine articles.

Findings: There are many factors of competitiveness. Companies are trying to get as many competitive advantages as they can. The paper suggests that the innovations are one of the best ways.

Research/practical implications: The paper contains factors for increasing the competitiveness and performance of companies. It suggests that the innovations are the most effective way for the development of enterprises and they should focus on them for the success. But this topic deserves a future research.

Originality/value: The paper complements and extends findings of Czech and foreign studies in this field. There are lots of studies about competitiveness and its increasing (f. e. Lu, Shen and Yam (2008), Enright and Newton (2004), Bhatnagar and Sohal (2005)), but no study is comprehensive about the Czech Republics' enterprises.

Keywords: Innovations, Competitiveness, Development

JEL Codes: O30, O34

Introduction

Competitiveness is considered as a key criterion for assessing the success of countries, industries and companies. Aiginger (2006) dealt with the competitiveness as a welfare creating ability with positive externalities. Today's highly competitive market environment is forcing companies to continuously improve, whether it is about reducing costs, increasing sales or generating goodwill. Improvements are not only purely reactive, but there are also some proactive (including innovations according to Johnson, 2006).

There are lots of studies about competitiveness, its importance and increasing (including Lu & Shen & Yam (2008), Enright & Newton (2004), Bhatnagar & Sohal (2005), but no study is comprehensive about the Czech Republics' enterprises. The results of this paper are based on 15 structured interviews with executives, trade, production and technical directors, analyzes case studies of selected companies and try to find an answer to the key question – whether the current practice of increasing competitiveness and performance management in enterprises coincides with the theoretical background of this problem. It focuses primarily on innovative activities which is nowadays a frequent term. The results of research (Cefis & Marcili, 2006) show that innovation has a positive and significant effect on the probability of firm's survival.

1 Theoretical background

Horn (1992) and Slevin & Covin (1995) discovered the link between competitiveness, performance, and factors which influence them. Based on the research literature review that examine the factors of competitiveness of enterprises, Chan & Lau & Man (2002) identified three basic factors that affect competitiveness and subsequently business performance. These groups of factors included internal factors, environmental factors (in which the company operates and the personality of the owner or manager).

The internal factors include financial and human resources, technology used, organizational structure, innovation, quality and variety of goods and services, business reputation, flexibility and quality customer support.

The external factors are changes in the external environment, which is necessary to expect for increasing the competitiveness of the company prepare for them. Alternatively, the company should try to change the external environment alone in its favor. According to Blažek (1998) these factors are for example competition in the product markets where the company operates, the bargaining power of buyers and suppliers, corruption around the enterprise, support for enterprise from state authorities and from local authorities.

Another factor that affects the competitiveness of the company, is a person of manager or owner – his experience, knowledge and skills.

Factors of competitiveness are examined by many other authors, for example Lu & Shen & Yam (2008), Enright & Newton (2004), Bhatnagar & Sohal (2005) and Singh & Garg & Deshmukh (2007).

In Table 1 there are examples of factors that directly and indirectly affect business competitiveness.

Tab. 1: Factors of competitiveness

Impact of Factors	
Direct	Non-direct
<ul style="list-style-type: none"> • Attractiveness of the Company • Innovations • Human Resource Management • Technology • Customer Support 	<ul style="list-style-type: none"> • Quality of Products • Range of Goods • Research and Development • Education Support • Managers' Experiences, Knowledge • Organizational Structure

Source: own processing

2 Methods

As the empirical research, the questionnaire procedure for interview (interview supported by a questionnaire) with experts was applied in order to get a feedback. This method was chosen because interviews are more flexible as questions can be adapted and changed depending on the respondents' answers. The questionnaire was drawn up specifically based on the authors' experiences, there was no study as an inspiration. It was semi structured with five research questions about the factors of competitiveness. The goal of this research was to recognize its knowledge and using in companies.

Fifteen participants (directors and top management of the selected companies) were asked individually in the interview. The interviews were done directly in enterprises in the second half of 2016 and lasted a half an hour. This is a selection of companies across firms' sizes and sectors which were willing to answer the questions (response rate was 50 percent due to addressing the known) and operates in the Czech Republic. The interpretation of findings of the interviews were supplemented by the theory in this field and documentary analysis, including internal documents, descriptions of internal processes, employee magazine articles.

At the beginning there were 30 big companies (over 50 employees) in basic research sample, across all the sectors to ensure the representativeness. Data was collected using e-mail

communications and personal visits in enterprises. Everybody was familiar with putting its names in this paper.

3 Results

Gaining a competitive advantage achieving a certain level of business performance is the main precondition for successful operation of the company in the long term in today's highly competitive environment.

To determine the factors that help enterprises increase competitiveness and thus achieve a certain level of performance data was used semi structured interviews with the directors and executives of selected companies operating in the Czech Republic. The data were supplemented by the documentary analysis, including internal documents, descriptions of internal processes, employee magazine articles. The results are divided into several parts, because it came out during the data analysis.

3.1 Human Resources

Investment in human resources or employees is one of the most important factors that affect the positive development of the company. For example, the company **CANIS Safety**, a.s., a leading importer, manufacturer and distributor of personal protective equipment and tools ensuring safety and health at work, considers the investment in employees as important as investing in modern technology. They are trying to achieve the employee satisfaction, among others through a variety of benefits – food stamps, training for further education, language courses. Also **Contproduct Futures Society** s.r.o, which manufactures cars and is a relatively young company (operating on the market since 2011), states that human capital is one of the most important factor affecting business performance. For **Bertrams Pečky**, s.r.o. (one of the first manufacturers of stainless steel chimney systems in the Czech Republic) employees are the most expensive but also the most important source of business. Although most of them do not come into direct contact with the customer, their role in production processes is irreplaceable. For this reason, they select employees very carefully and constantly educate, stimulate and motivate them so that their work was the most efficient, highest quality and most productive. Vice versa the staff of **Czech Railways**, a.s., the largest carrier in the Czech Republic and the largest domestic employer, is in constant contact with passengers, and therefore puts on employee training the great emphasis.

3.2 Corporate Culture

The human resources are inextricably linked corporate culture – both the company and its staff operate externally, what are the relationships between employees, what's the company climate, what counts as advantages and disadvantages and what values are shared by most workers. In the company **CANIS** employees are carefully selected based on tenders (employees are recruited on the basis of the interview, where they explained exactly what is expected from them and what is contained in of their work), from the first day after joining the company novices are trained and workouts familiar with the history and tradition of the company, its ethical codex, work rules and the various processes that take place here.

Iveco Czech Republic, that manufactures buses and public transport vehicles, of course wants to be in the lead among the competitors, offering value and quality for its customers' success. As part of the corporate culture they chose varicoloured way of dressing, which differs according to the employee centres and functions – such as welding has red overalls, pressing room green and controllers orange shirts. Curiously, the company provides all the women one day per year of leave with pay.

NonStop Recruitment, s.r.o., doing business in the European market in the area of recruitment – recruitment specializes on job in niche markets where companies usually have problem to find a suitable candidate own way. The company lies corporate culture among the most important factors including for example motivational factors (high commissions from the placement, transparent structure promotion etc.), regular daily program of consultants (sales meetings, business development time), business smart dress code (men – shirts and social trousers, women – skirt and blouse, dress), branch celebration if one of the consultants makes a placement, regular printed monthly newsletter with the most successful consultants (for them all-expense paid trips to exotic destinations), trips around the Czech Republic, themed evenings (tasting, poker nights, sports lessons) and other team building activities.

Corporate culture is built, among others, in company **Bohemiutex**, s.r.o. (manufacturer of technical fabrics for thermal and acoustic insulation in the automotive and construction) and **Haniš log houses**, s.r.o. (manufacturer of massive wooden structure). In the company Haniš the communication is based on “addressing behalf” across the enterprise level. Bohemiutex also has informal relationships at work, cares about cooperation of employees, work in a team, good communication, pleasant environment and share common values.

3.3 Customer Approach

Products and services as a factor of business competitiveness, by their nature, are the subject of to business companies, and one of the reasons for their existence. In contrast, approach to customers and their needs is the added value that builds our products and services in a better light if there is a positive access. The company **CANIS** is trying to be the most helpful in the approach to customers, for example, it offers a 5% discount when customer's shopping in the e-shop in combination with free shipping on purchase over CZK 1000, registered customers have 10% discount and purchased goods may be replaced on store in case of improperly selected size.

Iveco is trying to take care about their customers not only during the sale, but also supports after-sales activities. It has a customer service centre, which is composed of eighty operators, and guarantees an immediate response in ten languages. The company **Futures** does not measure customer satisfaction, but they are aware that customers are satisfied, when they repeat their order and don't claim products. **Bohemiatex** constantly strives to improve the quality of customer service and improve the systems supporting customer care. It has been implemented module CRM (Customer relationship Management), as part of this improvement in the company, which is directed to customers and is characterized by the formation of active and maintaining long-term beneficial customer relationships. The company also participates the trade fair Techtextil, which is held every two years. Participation brings several advantages, for example making contact with potential customers, meeting the existing customers and suppliers in one place. The company **Haniš** also takes care of direct contact with customers and their complete satisfaction and confidence among consumers and the business. For example, the whole process of construction of wooden houses begins with a meeting with the director of enterprise.

Ontex CZ, s.r.o., the company that manufactures hygiene products, uses the GRI index, which is internationally recognized and is a great tool for communication and advocacy of CSR activities both inside the company and stakeholders. The company monitors this GRI index in the context of sustainability, socially responsible measures the activity of the organization. The calculation is very complicated.

3.4 Quality and Cost of Production

The customer decides about buying or non-buying the product primarily on the basis of quality and price of goods and services. This is why **CANIS** focuses on the low cost of its production, but at the same time maintaining its high quality. The company can afford to push down the

price due to the large quantity of sold goods. Quality is guaranteed by CXS brand under which the vast majority of goods is sold and the goods are manufactured exclusively for CANIS.

Established and certified system of quality management, occupational safety and health management system and energy management is one of the greatest tools in achieving the objectives used by **Czech Railways**. This system is set up according to internationally recognized requirements of ISO 9001, OHSAS 18001 and ISO 50001.

Also **Bohemiatex**, **Haniš** and **FrostFood** (frozen food company) consider the quality management as one of the decisive factors of stable economic growth. FrostFood that demonstrates its mission: to offer the customers a comprehensive range of complex support services, professional approach and especially quality products at unbeatable prices.

OEZ, s.r.o. (supplier of products and services in the field of protection of electrical circuits and low voltage) uses a system of continuous improvement called Kaizen. Ontex has a quality policy based on three main pillars (continuously meet the requirements of consumers, ensure the safety of all the products for their intended use and compliance with all applicable regulations and focusing on continuous improvement of processes and products).

3.5 Innovation Activity

Innovation in general are an integral part of every business activity, already for that reason that the time brings constantly new technologies and possibilities of solving those situations. Properly applied innovation can give companies a competitive advantage through cost savings and increased performance. Directors and executives of all analysed companies mentioned, during structured interviews, that they consider innovation as one of the most important factors that allow them to increase their competitiveness and thus achieve higher levels of performance.

Company **CANIS** has recently introduced an electronic reader for faster, more efficient and more precise inventories, but also for evidence of goods received at the warehouse stores. Another innovation was the equipment for permanent staff – new mobile phones with applications in which they can easily check the availability of the goods offered in the shop. Also **Iveco**, **Czech Railways**, **Bohemiatex** and **Bertrams** focus on innovative thinking and development of new technical solutions.

The highly export-oriented company **FrostFood** must be active and especially innovative to be always ahead of your competitors. The share of new products in total sales is around 20% in recent years. For example, the latest upcoming product is called hot-dog pizza for the English market – it is a pizza with stuffed edge of the park. On the domestic market the company enters in the first half of 2017 with a new line filled dumplings that are gluten-free.

Due to the introduction of unbaked pizza with stuffed cheese edge had to increase production capacity (technological innovation). The company has completed a major investment in the purchase of new production line, which can automatically dispense cheese strand, and at the same time close the border. FrostFood's vision is: being flexible, independent manufacturer of frozen foods with a high proportion of innovative products that can flexibly respond to customer needs and requirements or market, bringing new innovative products.

Also **OEZ** constantly devotes its attention to expanding its product portfolio and progressive innovations of produced assortment. Even **Haniš** (log house) introduces new technologies in the production because of the wood will not burst. **Columbia Press**, a.s., which is engaged in printing and graphic arts, has created an innovative project "Braille type" in application on flexible materials,

Tristone Flowtech, s.r.o. creates new technologies in the automotive industry and is one of the main suppliers of automakers. **MEDESA**, s.r.o. cares about laboratory equipment by quality, reliable and the most modern technology, and the innovative activity is for the company in the first place.

Ontex is trying to get fast and quality innovation that brings them lasting advantage over the competitors, become a trustworthy partner, save on costs and help with fixing pricing and protect against commoditization. The success of innovation lies in four technical centres of research and development, partnerships with research institutes and universities, the ability of registration of patents and extensive testing with consumers through internal and external panel tests.

3.6 The Other Factors

There are also the other factors affecting the competitiveness of the company. These include beyond another access to financial resources, costs, bargaining power of suppliers and customers and strategies. The strategic orientation of the company is a key factor influencing its competitiveness and success in general. Businesses that are capable of properly systematically and quickly determine its strategic orientation, follows creating a significant competitive advantage. The ideal strategy is a balanced combination of value for customers, shareholders, employees and society.

Discussion and conclusions

The paper complements and extends findings of Czech and foreign studies in this field. Competitiveness is a summary of strategic and tactical measures that lead to achieving a competitive advantage. Currently there is a need to learn and implement the requirements of future customers. Companies are trying to get as many competitive advantages as they can.

There are many factors of competitiveness divided into three main groups. These groups of factors include internal factors, environmental factors, in which the company operates and the personality of the owner or manager. Internal factors means for example human resources and diversity of goods offered. The external factors include including support by government agencies and by local public administration authorities.

Based on the semi structured interviews with the directors and executive officers of enterprises, theoretical background was confirmed. The most important factors in improving the competitiveness and performance management in enterprises are human resources, corporate culture, access to customers, quality and cost of production, innovative activity. The article suggests that the innovations are one of the best ways of increasing the competitiveness, because properly applied innovation can give companies a competitive advantage through cost savings and increased performance.

These findings can be used as a base point for further research, because there are limitations based on small research sample now. We couldn't avoid continuing on this never-ending topic. The next work could expand the research which will analyse factors in greater depth. For example, it could be used a quantitative approach (statistical analyses), which provides hard numbers useful in making business decisions and deciding between various projects.

On the other hand some new trends for improving competitiveness are formed – including marketing trends (guerrilla marketing, social networks, blogs) and IT trends (knowledge systems, integration platforms, business intelligence).

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