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IMPACT OF GLOBALIZATION ON THE OPERATION OF ENTERPRISES OF WIG – FOOD Index

Key words: globalization, business, food industry

Synopsis:

The article presents the functioning of the food industry in terms of micro- and macroeconomic factors, which limit their current functioning and have a significant impact on its development. In market economy these conditions can be treated as a source of competitive advantages of the food industry enterprises, as illustrated by the example of companies belonging to the WIG index - Food.

Introduction

Functioning in a global economy undergoing a continuous process of globalization should be considered as a major challenge to Polish food industry enterprises. Position of the company depends on its competitiveness - that is whether it is capable of operating in an industry, in a market economy, the possibility of overcoming setbacks and use of emerging opportunities. Competitive advantage of companies being developed by the appropriate management is crucial in the market positioning of companies in a global environment. One of the main sources of competitive advantage is dynamic variability of the environment in which businesses operate today. Managing change and adaptation to existing conditions creates the possibility of continued use of the available opportunities. Polish accession to the European Union made it possible to actively participate in international economic exchange and allow companies to compete in the huge European market. In the last two decades, the transformation was amplified by the processes of globalization, which influenced the transformation of privatization, modernization and restructuring. The result of these phenomena has been pro-market behaviour of enterprises and a high positioning of our economy to the international arena. In previous years the Polish economy recorded growth, which also indicates the high position of enterprises. By defining the process of globalization we mean the increasing interdependence and integration of the countries, societies, economies and cultures, resulting in the formation of „one world” as a global society [5, 241]. In the pre-accession period particularly in the Polish countryside was widespread perception that the processes of globalization can be interpreted in accordance with the definition of globalization presented by A. Giddens, that is - that this is the disappearance of the nation-state categories, and shrinking social space for the growth rate of interaction through the use of information technology [3, 74-75] and the increasing importance of international organizations and over,

especially transnational corporations. The J. Penc believes that the best is today such an organization, which changes according to market needs and the needs of these create a certain degree of a coherent strategy taking into account constraints of the environment [9, 12].

1. Macroeconomic and microeconomic determinants as a source of competitive advantages in the enterprise

Defining issue of the competitiveness of enterprises it should be borne in mind that there is no a universally accepted definition, and in the past there were only attempts to construct it. According to P. Krugman, competitiveness is a way of increasing productivity through growth rate in one company relative to other [6, 42]. According to the definition used by the New York Stock Exchange „being competitive” means to sell products at a profit – „at home and abroad” [13, 24]. Interestingly, competitiveness was introduced by E. Cyron, who considers it to be a process in which market participants in pursuing their interests are trying to provide more favourable than the other bid prices, quality or other characteristics that may influence the transaction [1, 35]. For many economists, this is an extremely important feature of the economy in the world, which creates a sort of battle between companies in the supply of goods of a suitable standard and a specified price. In a market economy companies themselves are not able to affect the price level - since it depends on market forces of supply and demand, and can only improve the competitiveness of their products - which creates a sum of producer and consumer surplus [11, 425-451]. In our country the main challenges related to competitiveness are: cost reduction, innovation of products and services, increase productivity, improve product quality, modernization of management processes and improve customer relations¹. The competitiveness may be affected by of all economic operators that have cooperative relations with the enterprise and are competitive [7, 114]. Considering the issue of competitiveness of enterprises in the sector one should look at the five forces of competition proposed by M. Porter. Entry, the threat of substitution, bargaining power of customers, bargaining power of suppliers and rivalry existing competitors - are the forces that illustrate the thesis that competition in the sector goes well beyond the standard market participants [10, 23]. Competitors in the sector companies are customers, suppliers, substitutes and newly forming businesses, competition in such a system is defined as an extended rivalry. Many economists believe that the process of competition and competitiveness is a certain condition - two different and closely related to basic concepts. Competition concerns the

¹ *Konkurencyjność polskich przedsiębiorstw w Unii Europejskiej*, Krajowa Izba Gospodarcza, Biuro do spraw Unii Europejskiej, <http://www.kig.pl/>, [dostęp 16.02.2008 r.].

struggle between the companies to acquire comparative advantage in resources that can achieve a competitive market advantage and ultimately a better financial position. M. Gorynia [4, 4-8] says that competitiveness of a company is called the ability to achieve its competitive ability [8, 101-108]. But it's hard not to agree with the opinion that competition and competitiveness should be combined, and for the competing firm can be regarded as such a business in the long run lead to an increase in market value [12, 10].

The competitiveness of Polish enterprises in market economy conditions is affected by the macroeconomic and microeconomic, which form the source of competitive advantage. The most important macroeconomic factors conducive to the competitiveness of Polish food industry enterprises are:

1. efficient economic policies stimulating innovation of the Polish economy and to adapt it to the world standards;
- 2 interest in the Polish market as a result of integration with the European Union;
- 3 pro-growth tax policy and monetary policy associated with the world financial markets;
- 4 stimulate the development of foreign trade by the spheres of government;
- 5 suitable solutions and regulations;
- 6 capital market development.

However, the second important group is the microeconomic factors which are of minor importance for overall competitiveness, but position the company in the sector and industry. Among the most important can be discerned:

1. solution of an operational nature, including improved logistics and operations to improve customer service;
- 2 resources (human, financial, physical, technological, legal, information), skills (relevant to business, relationships, organizational knowledge), and core competencies (distinctive and extraordinary technological relationships, knowledge and reputation of the company) Polish enterprises, which can be considered as stimulants to gain and maintain a competitive advantage;
- 3 perceived product quality as a source of competitiveness.

Taking into account the factors of a micro level it should be noted that the Polish food industry enterprises are not highly advanced in technological terms, and their core competitive forces are low manufacturing costs and resulting lower prices, which are used to economies of scale in the area of sales volume. It is therefore noteworthy to highlight the importance of logistic capabilities of companies that still need to seek new solutions that build competitive advantage in this regard. Unfortunately the resources of Polish firms are much smaller than

that held by companies of developed countries in Western Europe. This is due to low expenditure on renewal of current production, which connects to the incurring of additional costs and the allocation of the profits made on the activities of a research - development.

2. Purpose, methodology and results

To examine the competitiveness of enterprises in terms of microeconomic studies were conducted on the internal factors affecting the administration of the food industry in a market economy. Among them you can find the action of many factors that have a positive impact on their competitiveness. To accomplish the research objectives of management analysis of selected companies belonging to the WIG index Food, including by the „Best Practices” mandatory put by the board of the Stock Exchange in Warsaw. Transparency in the field of action, required to submit periodic financial reports and corporate governance of entities listed on the stock market as leading them to recommend their business on the basis of the calculated and the action plan.

Companies with Food WIG rarely reveal their concepts of strategic development, and in fact this information is very brief and vague. Tests were conducted on the basis of information published by the company, reports and financial results. Analyzed companies belong to the food sector the Warsaw Stock Exchange, which includes 18 companies out of the food industry². The sample was deliberately chosen, because most companies in the WIG index - Food operate in the international market, which derived from the continued internationalization of, having to penetrate new markets. The study was conducted using a retrospective analysis. Test period consisted of an initial phase of the full membership of the European Union, as the most conducive to the development of food economy in recent years.

Studies carried out in enterprises showed that in building a comprehensive instrumentation for management should consider the following aspects, which are the result of external factors:

- It is necessary to recognize the use of information technology in the current performance of companies that help in an organized way to use its skills and develop the existing skills and resources;

² WIG – Food Index for 1.03.2010 included: Ambra S.A. in Warszawa, Astarta Holding NV from Amsterdam, Elstar Oils S.A. in Elbląg, Graal S.A. in Wejherowo, Indykpol S.A. in Olsztyn, Kernel Holding S.A. from Luxemburg, Kofola S.A. in Warszawa, MAKARONY POLSKIE S.A. in Rzeszów, Mispol S.A. in Suwałki, Pamapol S.A. in Rusiec, Polski Koncern Mięсны Duda in Warszawa, Przedsiębiorstwo Cukiernicze JUTRZENKA SA in Bydgoszcz, Przedsiębiorstwo Przemysłu Spożywczego PEPEES SA in Łomża, SEKO S.A. in Chojnice, Wawel S.A. in Kraków, Belvedere S.A. in Beaune (France), Wilbo S.A. in Władysławowo and Zakłady Przemysłu Cukierniczego MIESZKO SA in Warszawa.

- intellectual capital of the companies shaping the current value of the company is positioning it to not only domestically but internationally as well as affect the its competitiveness;

- corporate governance provides the firm support of the board, helps monitor and control the current activities and results achieved in the future;

- effectively adapt to companies WIG - Food for the modern requirements, which require global standards for the management of organizational culture and climate building their competitiveness international market;

- employee shares or directed to the board members are supporting the effective management of the company, to build on its strengths and emerging market opportunities;

- a high social responsibility of the organization's role is increasingly important in the operations of companies, although interest in business ethics is on average level.

3. Conclusions

A wide range of instruments used to raise the competitiveness of companies in the food industry helps their positioning in the huge EU market. Companies use this information to assist agents in their management, care about intellectual capital, corporate governance and management of organizational culture and climate. It seems necessary to use methods of scenario is still underestimated in the management of food industry enterprises, which will significantly improve their competitiveness [2, 75-100]. The use of scenario methods could save many companies before the crisis of 2007, or significantly reduce it. There is a noticeable positive change to be carried out in companies, which portends hope for the development of technological transformation and broad-based human capital. The surveyed companies grow corporate social responsibility and are already at a moderate level are taken into account the ethical aspects of business. Increased activity in the development and competitiveness of food companies will certainly help to strengthen their market position and consequently the vast expansion of global markets. Managers surveyed spontaneously recognize that to achieve a sustainable competitive advantage for their companies should regularly improve their management systems and consistently orient their actions to modernize the governance processes.

To increase the competitiveness of enterprises was launched SOP Improvement of Competitiveness of Enterprises under the European Regional Development Fund, whose aim was to improve the competitive position of companies operating on Polish territory in the Single European Market, the increase in the competitiveness of regional businesses by increasing and improving their quality of employment. These objectives can be achieved by

increasing the economic potential of enterprises, strengthening the regional innovation system, strengthening the links between science and economy, the development of institutional, financial and business service support mechanisms, preparation of investment areas, and promoting environmentally-friendly economy.

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Abstract:

Macroeconomic factors and micro-current operation is always limited and companies have had a significant impact on their development. These conditions can be treated as a source of competitive advantages in the food industry enterprises, the identification and consideration of the current operations of the companies that belong to the WIG – Food Index. The present study demonstrated that in building a comprehensive instrumentation for the management of companies should take into account many aspects resulting from these factors. It was found that a wide range of instruments used to raise the competitiveness of companies in the food industry helps their positioning in the huge EU market and may diminish the negative influences of both a macro and micro economic levels.