

## Productivity and competitive ability of enterprise

*Jozef Mihok<sup>1</sup>*

### *Produktivita a konkurenčná schopnosť podniku*

*Tento článok je zameraný na problematiku produktivity a jej vzťahu k nárastu konkurencieschopnosti. V článku je pozornosť venovaná dynamickej stránke zmien a rýchlej schopnosti prispôbiť sa požiadavkám obchodného partnera v súčasnej dobe, ktorá sa stáva zdrojom konkurencieschopnosti podniku.*

**Key words:** produktivita, konkurencia, manažment, globalizácia.

### Introduction

The changing fortunes of a particular country many times depends on the people's ability to accept the world-wide appeals. If they are able to face the competition, especially if they are able to take their chance presented in the modern world. The Global economy brings not only threats but also opportunities. If each country had a positive approach to the global appeals, it would perform an economically important and attractive role in favour of all its inhabitants.

The competitiveness is not only a question of cheap labour. The rapid development of a Japan economy in the second half of last century, or the development of the American economy, clearly proves that the highest competitiveness in world-wide measure is in countries with expensive labour. Countries which rely on a cheap labour, enclose themselves into a vicious circle because the most capable and skilled people just work abroad in order to have a higher salary. This situation has been noticeable in our country since we joined the European Union. Young peoples are more interested in learning foreign languages, and it seems that our universities educate professionals for other countries.

For the obvious reasons, it is not possible to have high incomes and salaries without a high labour productivity. High salaries, when the productivity is low, must get every company out of business – rules of economy are hard.

The productivity and its improving play a key role in an international competitiveness and increasing the living standard. Beside a level, the rate of labour productivity is also important.

The productivity and competitiveness are intimately related. They go hand in hand together with the growth of economy and employment rate. Investments of foreign companies are routed to the countries of high productivity, the economic growth of these countries exceeds the average of neighbouring countries and the employment is also high. For that is reason, there is no difference between greater or smaller companies.

### Productivity

Each vital organisation considering the question of survival and constant competitive pressure have to seek to continue improving of productivity. The productivity represents an effectiveness of management activities. It reflects how effectively are the company sources used for producing outcomes. The productivity in organization is usually regarded at various levels. These are the productivity of worker, workstation, production line, factory or company. The productivity is measured as a partial, multifactorial, total and the productivity index. In practice of company, the partial rates, (in some cases a multifactorial productivity) are mostly used. To compare with the earlier era, when the extensive growth of productivity was preferred, in these days we speak mainly about an intensive growth, i.e. about the mobilization of internal sources, using brainware, knowledges and skills of own workers.

The productivity is a general comparative criterion of competitive capacity and represents the output ratio of goods and services and the input ratio of labour input, sources, energy and capacity. A more productive company has a better competitive position because his unit costs are lower. To enhance the productivity means to gain more outputs from existing inputs.

<sup>1</sup> Doc. Ing. Jozef Mihok, Ph.D., Technical University in Košice, Faculty of Mechanical Engineering, Department of management and economics, B. Němcovej 32, 042 01 Košice, Slovak Republic, [jozef.mihok@tuke.sk](mailto:jozef.mihok@tuke.sk). (Recenzovaná a revidovaná verzia dodaná 16. 12. 2005)

On the present, the productivity is considered as a concept of efficiency, effectivity and promptness of satisfying the dynamic needs and customers expectations, which means to form a higher added value and offer it to customers as an utility, uniqueness, comfort, useability, services..

### **Competitive capacity of company**

The competitiveness in a global economy is connected with the ability of a company to dynamically react to permanent and faster changes of market environment. The markets and finances are, in short, available now in an unprecedented extent for those who are able always and often to boost the productivity. A company management is made to constantly seek for new ways to maintain and sustain their position on a changing market. At the same time, it happens that the management culture, methods and tools are hired and blent. The idea of „management of change“ or „business process reengineering“ became a part of international phraseology of managers and consultants.

Companies are forced to boost salaries today. This pressure is intensifying together with an expected growth of goods and services. The cheap labour is only a temporary advantage and forward-looking managers stopped orientating to competitiveness as the only source. Unfortunately, there are still many companies, where the labour is really cheap. This fact limits managers to adopt cardinal decisions and it is one of reasons for holding off solutions of failings in the organization and direction. In an environment like that, an importance is not attached sufficiently to improving knowledge and skills of peoples at all levels of management. The investments are missing in the preparation of peoples and taking over new tasks and responsibilities. Instead of simplifying and slimming the processes and organization, tasks and responsibilities are cumulated and they maintain the functionally-oriented structure consisting of complicated processes taking a long time and their operating requires too much peoples. The result is a low effectivity, productivity and the dissatisfaction of peoples because of their valuation and situation with a negative effect on their motivation and interest in giving a higher performance.

### **Time factor and the rapidity of changes**

Typical sources of competitive advantage are the innovation, technologies, quality and the price. Peoples decide how to use them. Arguments about rusty technologies are rightful, and relating to many Slovak companies, but the new technologies expectations are often unreal and baseless. It is always true than new technology must be effectively operated with best workers because it needs to be paid itself. In late decades, apart, from the factory price and the best product or service quality, time factor is one of a key success factors. This factor is important not only in case of innovation and a new product introduction but in all branches. Time is perceived by customers through two major criteria. The first criterion is an immediate reaction to requirements, which means whether the enterprise responds faster than rivals and if it is able to deliver required goods or services faster. The second one is a reliability of performing agreed dead-lines and delivery terms, which means the ability to deliver frequently the required amount of products or services of a desired quality and specifications in time, within required dead-lines. It also means that internal processes of enterprise must be quick, productive and effective, without wastening and losses. We maily talk about overproduction losses, waiting times losses, transport, production of wrong segments, reparation losses, storage,... The fastness affects the quality and costs. A good information is that it is possible to fight against all sides and methods for elimination.

The fastness, productivity and the effectivity of processes in an enterprise are the most important and, at the same time in term of investments, they are the cheapest way of improving the competitive capacity. Customers have an opportunity to choose more information and knowledgements. An advanced customer knows very well that a quicker supplier works on lower costs because these processes are thinner and less loss-making. A quicker process of performing customers' requirements ensures at the same time a higher reliability in terms' performing. Nowadays is quite common that big customers require suppliers to make their processes simpler and thinner in order to improve their productivity, effectivity and fastness.

Many Slovak enterprises know this trend and get through different forms of internal certification executed by customers. The main indicator of a enterprise competitiveness is customers' satisfaction, represented by the index of satisfaction, but mostly by the growth of the enterprise. There exist clear relations among the customer satisfaction, the delivery terms performance, the immediate response and the product delivery fastness. The customers satisfaction depends on the fastness and reliability of enterptise to perform agreed requirements. The reliability of requirements' performance depends on the fastness of production processes and delivery products or services. The last relation also says that the fastness of processes is given by the effectivity of proposed and controlled processes and their productivity. It is also important if there are any unnecessary activities and steps in processes, which cause delays. For instance, if there are many steps in approval procedures of product or service delivery conditions before they are announced to customers

by the manager. If the manager of a rival enterprise has more authority, he can communicate directly with the production and all the process from placing an order and it may occur that the customer will decide for another competitive enterprise.

### The way of making the enterprise processes faster

The assumption of making the enterprise processes faster is an awareness of actual enterprise position in comparison with the position of rival enterprises on the market and towards customers. Then, the fact that the fastness of processes directly affects the customer's satisfaction and it depends on members of management team to include this target to strategy of enterprise and find appropriate methods and ensure a way of their application.

The important management tool providing the fast raising achievement of competitiveness is benchmarking. Benchmarking is a continual and systematic comparing of efficiency in productivity, quality and production process with companies and organizations of high performance. Benchmarking analyses and improves key processes and removes unnecessary ones, improves the performance, raises the profitability and offers the opportunity to rise a market share. It supports culture changes as a constantly process of education, which means that it enables not only to come up with competitors, but also predicts their activities and overtakes them by using methods and systems well tested in other areas.

The second option is a cooperation with consultant services specialized in the performance and the process improving. Consultants have to manage the methods of strategy making focused on increases in the customer satisfaction by increasing in the labour productivity and improving the process effectiveness. And, also methods and tools of process improving and raising their fastness and performance. The duty of consultant service is to control methodically the process of strategy formulation and to ensure that the strategy is really orientated to the competitive capacity improvement. Then, the duty also is to provide the realization methodology and monitoring of duty performance and strategy project.

### Conclusion

The main factor of economy success, in more developed industrial countries and developing countries with a market economy, is the productivity improving. An achieved productivity standard is the criterion of the enterprise competitive capacity and its high standard is a synonym of prosperity and success all over the world. A relative underdevelopment in the productivity on a world-wide scale means the loss of enterprise competitiveness.

The consultation and cooperation between workers and the managements helps the enterprise to be able to meet requirements of improving productivity and competitiveness caused by the globalization and the fast development of information and communication technologies. It also helps to build the human and social capital, which is a basis of permanent competitiveness and the improving productivity.

*Acknowledgements: This article was written as a partial solution of the research grants VEGA No. 1/0412/03 The effect of quality and new technologies on the economical efficiency of small and medium engineering companies in the present business environment.*

### References

- Armstrong, M.: Řízení lidských zdrojů, *Grada Publishing, Praha 2002*
- Cehlár, M., Engel, J., Mihok, J., Rybár, R.: Povrchové dobývanie, *Edičné stredisko/AMS, F BERG, TU v Košiciach, 2005, ISBN: 80-8073-271-X*
- Drucker, P.: Výzvy managementu pro 21. století, *Management Press, Praha 2001*
- Hitka, M.: Moderné nástroje zvyšovania produktivity práce. *Časopis Produktivita 4/2003, Slovenské centrum produktivity, Žilina, ISSN 1335-5961*
- Kudelas, D., Rybár, R.: Technická analýza vhodnosti využitia rôznych typov veterných rotorov pre pohon kompresora akumuláčného systému umožňujúceho využitie nízkopotenciálnej veternej energie. *Acta Montanistica Slovaca, Košice 1/2005, ISSN 1335-1788.*
- Lis, W., Tabert, M.: Development of small and medium enterprises of wood industry in globalisation conditions in Poland. *Referat „International Scientific Conference – Marketing in the process*

*of globalisation at the beginning of the 3<sup>rd</sup> millennium". Department of Marketing, Trade and World Forestry, Faculty of Wood Sciences and Technologies, Technical University in Zvolen, International Association for Technology Management - Wood, Zvolen - Kováčova 16 - 18.05.2001. Zbiór referatów, s. 160-167, poz. bibl. 5.*

Maletzová, K.: Podnikateľské siete možnosť zvyšovania konkurencieschopnosti firiem v SR, In: Trendy v systémoch riadenia podnikov, 7. medzinárodná vedecká konferencia, Herľany 2004, CD – rom, ISBN 80-8073-202-7.

Rybár, R., Kudelas, D., Fischer, G.: Alternatívne zdroje energie 3, 1. vyd., ES/AMS, 2004., ISBN 80-8073-144-6.

<http://www.slcp.sk>.