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THE COMPETITIVENESS OF POLISH ENTERPRISES IN COMPARISON TO NEIGHBOURING COUNTRIES IN THE AREA OF DOING BUSINESS

Summary

Competitiveness of enterprises belongs to the areas that are constantly analysed, judged or criticized on the pages of many books (Flak, Głód 2009; 2012; Gorynia, Łaźniewska 2010; Gorynia Jankowska 2011; Juchniewicz 2006; Porter 2006) as well as in scientific articles (Dzikowska, Gorynia 2012; Stankiewicz 2000). Due to the fact that it is a current problem, needed and variable in time, it is so interesting.

The aim of this article is to evaluate the competitiveness of Polish enterprises in comparison to the neighbouring countries (Russia, Ukraine, Czech Republik, Germany, Lithuania, Slovakia) for doing business in these countries. In order to assess the changes over the last five years, the data are presented at two time points of 2010 and 2016. The desk research is based on the report and annual rankings of doing business in most countries in the world published by the World Bank.

Key words: competitiveness of enterprises, doing business.

JEL codes: M2, O17

Introduction

The competitiveness of economic operators is determined by many factors. The concept of competitiveness is widely defined in the literature (Gorynia 2002, p. 69; Flak, Głód 2009, p. 38; Stankiewicz 2005, p. 36;). However, from the point of view of the subject of this study, the concept should be focused on those that relate to the characteristics of the entrepreneurs, on their attitudes and behaviours. Hence, in my opinion, a comprehensive coverage in this area is presented in the definition by E. Skawińska (2002, p. 76), according to which business competitiveness is understood as:

- the process in which market participants, in order to realize their interests, are trying to present a more favourable offers of prices, quality or other features affecting the decisions to enter into the transaction than the other participants.
- the ability of the company to maintain sustainable development in the long term and to strive to maintain and enlarge its market share,

- the relative ability to force through their own aims, objectives, or values,
- the ability to raise the efficiency of internal functioning of the company by strengthening and improving its position on the market,
- the ability to achieve and maintain its competitive advantage,
- the simultaneous rivalry and cooperation to explore the relevant technologies, as well as the needs and requirements of customers.

All the features, factors and activities mentioned in this definition are closely related and preceded by a process of obtaining various permits, getting access to external financing, creating conditions for trade with other partners, or the legality of doing business defined here as paying taxes in the particular country.

The assessment of the competitiveness of enterprises from the point of view of the opportunities for economic activities is very important both for the individual countries taking part in it, as well as for potential foreign investors. From the point of view of the world's economies and businesses operating or wishing to operate there, the ranking allows you to:

- evaluate, among others: normative acts (laws, regulations, recommendations) regarding the conduct of business and compare them with those in force in other countries,
- assess your position over several years, and thus assess the direction of changes that are taking place,
- learn from the experience and best practices of countries where the situation is better,
- implement changes that will be beneficial for both the economy and the potential domestic and foreign investors.

In the final product (in this case it is the report) the potential investor receives in one document information on which of the countries should be of his/her interest.

He/she cannot make such important decisions on the basis of one ranking, nevertheless it is a document of high added value for a potential investor, as the authors make comparisons in 10 key areas of doing business.

The aim of this study is to evaluate the competitiveness of Polish enterprises compared to the neighbouring countries (Russia, Ukraine, Czech Republic, Germany, Lithuania, Slovakia) for doing business in these countries on the basis of the data of the World Bank.

Doing business in Poland and in the neighbouring countries

The World Bank report *Doing Business in 2010* assessed 183 countries, while in the ranking of 2016, 189 countries were analysed. The results presented in the report are updated every year. The primary aim of these is the prioritisation of economies from the most to the least conducive to business. Over the analysed

years, the methodology in some areas has changed. The final overall assessment consists of ten partial areas:

- starting a business,
- dealing with construction permits obtaining permits for doing business (most importantly,
- employing workers / Getting electricity¹,
- registering property, understood as transfer of property (time, cost, number of procedures necessary to transfer ownership between the two companies, made, among others, in the process of a merger or acquisition),
- getting credit availability of external financing,
- protecting minority investors,
- paying taxes simplicity of paying taxes (number of taxes, number of hours necessary to settle the formalities),
- trading across borders,
- enforcing contracts,
- resolving insolvency.

Each of the mentioned categories consists of subcategories (usually four or five) and on this basis the rating of the given country shall be made.

Table 1. Overall assessment of the ease of doing business in Poland and in the neighbouring countries in 2010 and 2016

Country	Rank in 2010	Rank in 2016
Czech Republic	74	36
Germany	25	15
Lithuania	26	20
Poland	72	25
Russian Federation	120	51
Slovak Republic	42	29
Ukraine	142	83

Source: own study based on: *Doing Business in 2010 and Doing Business in 2016*.

In the World Bank's classification of 2010 Poland, in terms of an overall assessment of freedom to conduct a business, was ranked 78 out of 183 assessed countries. However, in the ranking of 2016, was ranked 25 out of 189 assessed countries. Thus, the position of Poland in relation to 2010 has significantly improved (by 47 places). A similar situation occurred in the case of all neighbouring countries. Best in 2016 prove Russia and Ukraine in comparison to 2010 (increase by: 69 and 59 places respectively). In the case of the German economy there has been an increase of 10 places, while for the Lithuanian economy by 6 places, and these countries are among the top best.

¹ In the ranking of the 2016, the indicator has changed; previously the authors of the report considered employing workers, and currently – the costs associated with permits for getting electricity.

Table 2. Position in the ranking in the particular business areas in selected countries in 2010 and 2016

Specification	Czech Rep.		Germany		Lithuania		Poland		Russian Fed.		Slovak Rep.		Ukraine	
	2010	2016	2010	2016	2010	2016	2010	2016	2010	2016	2010	2016	2010	2016
Starting a business	113	93	84	107	8	117	85	106	41	66	68	134	30	30
- procedures (number)	8	8	9	9	7	6	4	9	4,4	6	6	10	4	4
- time (days)	15	15	18	10,5	26	3,5	30	30	10,5	16	11,5	27	7	7
Dealing with construction permits	76	127	18	13	64	18	164	52	119	56	84	181	140	140
- procedures (number)	36	21	12	8	17	12	30	16	54	19	13	10	30	10
- time (days)	150	247	100	96	162	103	308	156	704	263,5	287	476	67	67
Employing workers / Getting electricity*	25	42	158	3	119	54	76	49	109	29	81	48	83	137
Registering property	62	37	57	62	4	88	41	45	8	11	5	141	61	61
- procedures (number)	4	4	4	5	2	6	6	6	3	3	3	10	7	7
- time (days)	78	31	40	39	3	197	33	43	15	17	16,5	93	23	23
Getting credit	43	28	15	28	43	28	15	19	87	42	15	42	30	19
Protecting minority investors	93	57	93	49	93	47	41	49	93	66	109	88	109	88
Paying taxes	121	122	71	72	51	49	151	58	103	47	120	73	181	107
- payments (number per year)	12	8	16	9	12	11	40	7	11	7	31	10	147	5
- time (hours per year)	613	405	196	218	166	171	395	271	320	168	257	188	736	350
Trading across borders**	53		14		28		42		162		113		139	
import														
- procedures (number)	4	4	4	4	6	5	5	8	8	6	6	6	6	6
- time (days)	17	17	7	7	10	17	17	36	36	20	20	31	31	31
export														
- procedures (number)	7	7	5	5	6	5	5	13	13	8	8	10	10	10
- time (days)	20	20	7	7	11	25	25	36	36	25	25	36	36	36
Enforcing contracts	82	72	7	12	17	3	75	55	19	5	61	63	43	98
- time (days)	611	611	394	429	275	300	830	685	281	307	565	705	345	378
Resolving insolvency	116	22	35	3	36	70	85	32	92	51	39	33	145	141
- time (days)	6,5	2,1	1,2	1,2	1,5	2,3	3,0	3,0	3,8	2,0	4,0	4,0	2,9	2,9

* The data are not comparable, because in 2010 employing workers was considered, and in 2016, instead of employing workers, procedures related to the time required to obtain permits for the supply of electricity were considered. ** The data are not comparable due to the change in the methodology of research. There are no values in the ranking of 2016 because they are confusing when compared with the ranking of 2010.

Source: as in Table 1.

More detailed information provides Table 2 in which you will find the positions of each individual country in all of the 10 partial areas, which together make up the overall assessment.

When assessing the competitiveness of Polish enterprises in comparison to the neighbouring countries, six most interesting areas have been chosen, i.e.: (1) starting a business, (2) obtaining permits for doing business (most importantly, dealing with construction permits), (3) availability of external financing (getting credit), (4) simplicity of paying taxes, (5) enforcing contracts, (6) resolving insolvency. All the data have been presented in Table 2.

In the first area, the assessment is made by classifying countries according to the number of procedures and the time required to deal with all formalities that are necessary to start a business in the particular country. In the ranking of 2016, taking into account all the assessed countries, the best proved Ukraine and Lithuania. Ukraine, in regard with the overall assessment of starting a business, ranked 30, thus improving its position by 104 places in comparison to 2010, while the Lithuanian economy improved by 91 places. The main reason for such a situation in both countries were the implemented changes beneficial for entrepreneurs. In Ukraine, over the analysed years, the number of formalities required to start a business has been reduced by 2.5 times, thus the time required to settle these formalities has been shortened by nearly 4 times. In Lithuania, however, the number of procedures has decreased by 3.5 times, and the time has been reduced by nearly 7.5 times compared to 2010 (Table 2). In the Czech Republic, both the number of procedures and the required time have remained unchanged, however, the country has improved its position by 20 places in the area of starting a business. Such a situation is caused by the methodology of positioning countries; in this case Table 2 shows only two subcategories of the first area, while in reality, the authors of the ranking take into account four partial areas. Therefore, despite the fact that the situation of the Czech economy based on the data from Table 2 has not changed, the favourable situation regarding the other two categories allowed to place the country on the 93 position.

In the second area, relating to obtaining the necessary permits to start a business, (especially those related to the construction permits) in terms of an overall assessment, all the countries except the Czech Republic improved their positions in the ranking of 2016 in relation to the ranking of 2010. In 2010, Poland took a comparatively unfavourable position (164 place) in the area of obtaining permits. It was estimated then that the potential entrepreneur had to spend up to 308 days in the year to deal with all necessary permits to start a business (including the construction permits that are that are the most time consuming). The situation in the country has significantly improved, and in the ranking of 2016, Poland was placed on 52 position in this category. The reason for such a situation was the systematic introduction of facilities for

businesses such as: reducing the amount of paperwork, which had a significant impact on reducing by almost half the time needed for completion of the necessary formalities, i.e. from 308 to 156 days in the year. As compared to the neighbouring with Poland countries in 2010, in this respect the best situation was in Germany, where the process lasted 100 days. Apart from Poland, also Russia and Ukraine were ranked unfavourably, as in these countries the time needed to deal with obtaining all necessary permits took respectively 704 and 476 days. By contrast, in 2016, the positions of these two countries have significantly improved. In Russia this time has been reduced from more than two years to 263.5 days, while in Ukraine from 476 days to just 67 days. (Tab. 2) So the changes introduced in our neighbouring countries should be positively assessed, especially if we are talking about the Russian economy, which is a special country due to the political situation. Thus the desk research allows for a positive assessment of the changes, both in the case of the Polish economy and of the neighbouring countries. The steps taken to simplify the regulations or shortening the time needed for dealing with the paperwork have a direct impact on the competitiveness of enterprises (including the Polish ones), making the investment attractiveness of our country on the international stage much better, and thus encouraging potential investors to invest their funds.

Noteworthy is the indicator assessing the availability of external funding for entrepreneurs (Table 2). The comparison of competitiveness on this basis seems to be very important, because if the company does not have the opportunity to earn funds for its own development in the longer term, it ceases to be competitive. The World Bank's methodology assumes that it consists of two parts. Firstly, it is examined whether the applicable law as regards credit investment projects are friendly and understandable for traders (including those in the field of insolvency law or securities). Secondly, the access of potentially interested investors to financial institutions such as banks, but also to intermediate bodies referred to as business environment institutions is determined (Hryniewicka 2015, p. 89-110; Matusiak 2005; Matusiak et al. 2011; Skowronek, Mielczarek 2012; Skowronek, Mielczarek 2013). The availability of external financing (credits, loans) influences the competitiveness of enterprises. When the company has an idea for developing its activities, but does not have its own financial resources, then it is looking for external financing. This is particularly important in the case of companies belonging to the SME sector or those that are in the early stages of their development. Their access to external financing may be difficult, among others due to the lack of appropriate securities or too a short time of conducting business. In this case, the banks often give a negative decision, but entrepreneurs can benefit from a very wide range of loan funds, where the procedures are much simpler, shorter and much less often than in the case of banks, a negative decision is granted. (Bartkowiak 2009; Hryniewicka 2014, p. 41-81). In this area, only in the case of four countries, the

situation has improved, i.e.: Czech Republic, Lithuania, Russia and Ukraine. Most beneficial changes have taken place in Russia. The country ranked 42 in 2016 (an increase by 45 places in comparison to 2010). Czech Republic and Lithuania ranked the same 28 position (an increase by 15 places). The positions of countries such as Germany, Poland or Slovakia have worsened significantly in 2016 in comparison to 2010. The worst ranked Slovakia, which recorded a decrease of 27. In Poland and Germany there has been deterioration in external financing conditions, respectively: by 4 and 10 places. The main reason for the adverse situation in Poland was tightening (smaller or larger) credit regulations, particularly in the area of increasing credit margins, non-interest cost of loans, security requirements or the reduction of maximum loan terms. The banks explained that their behaviour was due to the uncertainty about the future economic situation in the country, also the political one, or less favourable capital situation in the period concerned.

As it is clear from the latest NBP report, credit policy in the third quarter of 2016 was tempered in the case of short-term loans and slightly tightened with regard to the long-term loans (*Sytuacja na rynku kredytowym 2016*, p. 1).

Very interesting is the assessment of the competitiveness of enterprises in terms of paying taxes. The whole indicator consists of three partial ratings; Table 2 shows two of them, i.e.: the number of payments (different kinds of contributions), which the trader has to pay and the time required for their settlement. In terms of an overall assessment, Poland has improved its position (increase of 93 places in 2016 in comparison to 2010). According to the data from 2010, the authors of the report calculated that the trader, who would like to meet all requirements for Polish tax regulations, would have to make 40 payments and spend on these activities altogether 395 hours during the year. In 2016, he/she had 7 payments within 271 hours per year, which in turn means a significant improvement. In comparison to the neighbouring countries, a significant improvement has been reported in three countries, i.e.; Russia (in 2010, 11 payments within 320 hours a year, while in 2016 – 7 payments within 168 hours per year), Ukraine reduced the number of procedures and time by half (in 2010 – 147 payments in 736 hours per year, and in 2016, 5 payments in 350 hours) and in Slovakia (in 2010 – 31 payments during 257 hours per year, while in 2016 – 10 payments during 188 hours). Changes in the tax area belong to the most desired by the entrepreneurs and should be assessed positively. Reducing the number of procedures, contributions, forms that the entrepreneur must deal with, results from numerous changes implemented both in Poland and in the neighbouring countries, like for example simplifying of forms or thematic linking of similar areas in order to reduce the number of documents submitted. With regard to shortening the time needed to arrange all necessary formalities, changes mean the ability to settle many things “in one window” without having to visit another office. This allows the entrepreneur to save a lot

of time, which he or she can spend on dealing with other important matters of their own company and raising its competitiveness, and not on the moving from one office to another. Unusually in this regard ranked Germany, because the amount of payments decreased from 16 in 2010 to 9 in 2016, however, the time needed for dealing with them increased from 196 to 218 hours. The situation in Lithuania was similar, where, although the number of payments decreased by 1, yet the change caused some prolongation of the time needed for dealing with them by 5 hours.

Penultimate area is enforcing contracts with other contractors. In practice, this is not an indicator that the potential entrepreneur shall take into account before making a decision about doing business in the particular country. Many traders examine such issues only when problems arise. Commercial disputes and the judicial redress are generally a process of months and even years. Despite the fact that, as is apparent from the data in Table 2, the situation in some countries has improved, this change is mostly due to the different methodology of calculating the final position of the country, therefore, in this case, the data regarding the length of the ongoing processes in the courts given in days are authoritative. In Poland, this time was reduced; in 2010, it took more than two years and in 2016, a year and eight months, however, such a favourable situation occurred only in our country. In the case of other countries taken into account, this time has increased.

While assessing the competitiveness of the country from the point of view of the entrepreneur, also important is the information on issues regarding closing the business. In terms of an overall assessment, in the ranking from 2016, the highest ranked Germany (3rd place). Despite the fact that the time needed for the liquidation of the business in this country has not been reduced, the overall rating has significantly improved in comparison to 2010, which can also be the result of a somewhat revised methodology.² In this country, it requires the shortest time to close down a business, as the entrepreneur needs to deal with it in 1.2 days, while the longest time is in Slovakia and it requires 4 days. The situation in Poland (32 place in 2016) and in Slovakia (33 place) was similar to that in Germany in the overall assessment.

Conclusions

In order to assess the competitiveness of Polish enterprises in terms of ease of doing business, it was decided to select one of the most famous reports drawn up by the authors of the World Bank. The positioning of countries done

² In 2016, four partial factors constructing the overall evaluation of the area were taken into account, and 2010 there were three factors.

by that institution, taking into account different areas of the particular nature regarding business issues is very important and has a lot of advantages, which are listed in the introduction of this study.-

However, it should also be pointed out that the numbers alone and presented values do not take into account all aspects, among others: non-quantifiable factors such as historical events, political and ethical issues or moral beliefs.

The development of the country, including its competitiveness, and its position in the ranking is influenced by many other determinants such as: geographical location, natural resources or climate conditions. Of great relevance are also these quantifiable economic issues relating to determining the level of entrepreneurship, among others: the number of enterprises per 1000 inhabitants, the number of offices or employees to support entrepreneurs and the performance of their work, but also the development of the infrastructure in support of entrepreneurship.-

The presented data show that doing business in Poland compared to the neighbouring countries in terms of an overall assessment (Tab. 1) is pretty good. However, having regard to the more detailed and specific areas (Table 2), it appears that we are not always among the best. Relatively adversely, compared to the neighbouring countries, we rank in terms of the time required for obtaining permits for construction activities or the number of hours in a year to make the necessary payments related to the widely understood tax (4th place compared to the neighbouring countries), despite the fact that in these areas in relation to the data from the ranking of 2010 the situation in our country has significantly improved. Penultimate place among the neighbouring countries we also hold in the area of enforcing contracts in terms of the average time that is needed to deal with these issues. However, over the five-year period of time, it should be noted that positive changes occur in all countries taken into account, and although some areas still need changing, their direction is correct and beneficial for the development of individual economies and strengthening their competitiveness.

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Konkurencyjność polskich przedsiębiorstw w porównaniu z sąsiednimi krajami w sferze prowadzenia interesów

Streszczenie

Konkurencyjność przedsiębiorstw należy do tych obszarów, które są stale analizowane, oceniane lub krytykowane na stronach wielu książek (Flak, Głód 2009, 2012; Gorynia, Łażniewska 2010; Gorynia, Jankowska 2011; Juchniewicz 2006; Porter 2006), jak również w artykułach naukowych (Dzikowska, Gorynia 2012; Stankiewicz 2000). Jest to tak interesujące zważywszy na fakt, że jest to problem bieżący, ważny i zmieniający się w czasie.

Celem artykułu jest ocena konkurencyjności polskich przedsiębiorstw w porównaniu z krajami sąsiednimi (Rosja, Ukraina, Czechy, Niemcy, Litwa, Słowacja) dla prowadzenia interesów w tych krajach. W celu oceny zmian w okresie ostatnich pięciu lat dane przedstawiono dla dwóch lat: 2010 i 2016. Badanie typu desk research oparte zostało na raporcie i rocznych rankingach prowadzenia interesów w większości krajów na świecie publikowanych przez Bank Światowy.

Słowa kluczowe: konkurencyjność przedsiębiorstw, prowadzenie interesów.

Kody JEL: M2, O17

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