Concentration and Consolidation as Determinants of External Competitiveness of Enterprises in Food Industry

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The aim of this paper is to present the level of concentration and consolidation processes in the food industry in Podlaskie Voivodship as a determinant of external competitiveness. The analysis was conducted on the basis of the results of research carried out within the analysis of key sectors of Podlaskie Voivodship. The external competitiveness is related to the adjustment of an enterprise to changes in the environment, taking into consideration cooperation conditions and becoming open to external markets in particular.

INTRODUCTION

The external competitiveness is related to the adjustment of an enterprise to changes in the environment, taking into consideration cooperation conditions and becoming open to new markets in particular. In this aspect the greatest significance is attributed to:

- concentration processes;
- consolidation processes.

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The Essence of Concentration as a Factor of External Competitiveness

Concentration processes are characteristic for Polish food industry. They are a consequence of the transformation process, when significant structural changes take place (Kraciuk, 2007, p.54):

- in the ownership structure private companies have dominated, they share increased from 10% to more than 95%;
- in the assortment structure product diversity is dominant connected with the improvement of the quality of manufactured goods;
- in the sector structure, at the expense of traditional companies, mainly sectors representing secondary food processing have started to develop.

They are also the result of the adjustment process to the EU standards, changes in the external environment, and increasing globalization. The processes of concentration are also determined by the necessity to introduce modern management systems, quality and the increasing intellectual potential.

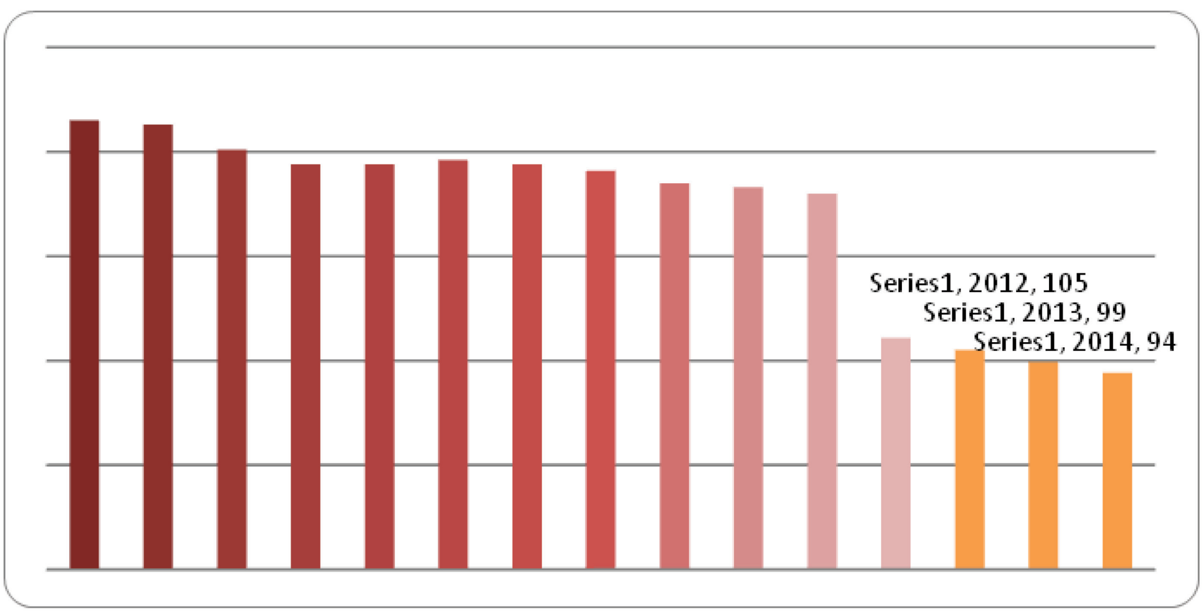
As the main feature of the structural changes in the Polish food industry should be recognized by the increase in the share of production sold of large enterprises, while increasing their share in the structure of all companies, which is a premise for increasing the ability to compete in external markets. In 2009, these companies accounted for 1.8% of food industry companies and produced more than 53% of production sold [2]

The changes in the business breakdown structure of food companies show significant liquidity and wide diversity. This indicates that economically weak, poorly managed companies, with the wrong structure of factors of production, and consequently characterized by low market competitiveness, leave the market.(Chechelski, Judzińska, 2011, p. 79).

The consequence of these changes in the food industry is getting closer to the structure characteristic for the countries of the EU-15. The level of concentration have been reached similar to that found in Germany, France and Spain. However, it is still lower than in Great Britain, the Benelux countries or Scandinavia. (Urban, 2010, p. 42-43)

Concentration processes are also observed among surveyed producers of food and beverages in Podlaskie Voivodship. The number of firms in the surveyed industries and across all industry is decreasing slightly but steadily. Enterprises strong economically are beginning to dominate, which build long-lasting competitive advantage due to high market share, marketing and investment activity. While in 2000 the number of entities employing more than 9 people was 215, in 2010 it decreased to the level of 180 (Figure 1).

FIGURE 1
THE NUMBER OF ENTERPRISES OF FOOD INDUSTRY IN PODLASKIE VOIVODSHIP IN YEARS 2000-2010 AND FORECASTS FOR YEARS 2011-2014



Source: [5] and unpublished data of Statistical Office (WUS) in Bialystok

Forecasts for 2011-2014 indicate that this trend will continue in subsequent years. The strongest concentration processes have taken place among beverage producers, where the number of entities decreased by as much as 60%. (Przygodzka, 2009)

Of course, it should be remembered that official statistics do not include micro-entities. It is likely therefore that the inclusion in the analysis of these entities also could change the view on the matter. (Michalczuk, Widelska, 2010, p.283) On the other hand, the observed mergers and acquisitions eliminate the market micro-entities, which may function primarily in niche areas. Also, micro entities realize only 5% of sales of production of food and beverages at approximately 60% share in the structure of all companies operating in this industry. Therefore, this does not distort the thesis on ongoing processes of concentration of production in the food industry, but rather confirms it.

The decrease in number of entities (primarily in the group of micro and small ones) and the strengthening position of large companies (they realize more than half of production sold at a gradual decline in their number), indicates gradual concentration processes occurring among surveyed food and beverage producers. These processes will proceed further and large companies will acquire more and more significance, which are characterized by a greater ability to overcome non-economic barriers to entry and participation in the European market.

The Essence of Consolidation as a Factor of External Competitiveness

The consolidation processes are to create favourable conditions for increasing an ability to compete through creating cluster initiatives. Building such initiatives increases cooperative capabilities, allows to prepare a new offer as well as strengthens competitive position, particularly with reference to both domestic and international competition. Companies present in the structure of the cluster gain advantages known as agglomeration advantages that allow them to have access to certain resources, expertise and specialized services. The cooperation within the cluster initiative offers an opportunity to create an effective value chain and the use of economies of scale through joint marketing and implementation of joint research projects with research and development entities (Dzierzanowski, Rybacka, Szultka, 2011, p.6). Taking into consideration the aspect of external competitiveness, it should be emphasized that the region also obtains benefits from the presence of clusters. Three main groups of benefits associated with the presence of competitive clusters gained by a region are indicated: (Dzierzanowski, Rybacka, Szultka, 2011, p.28)

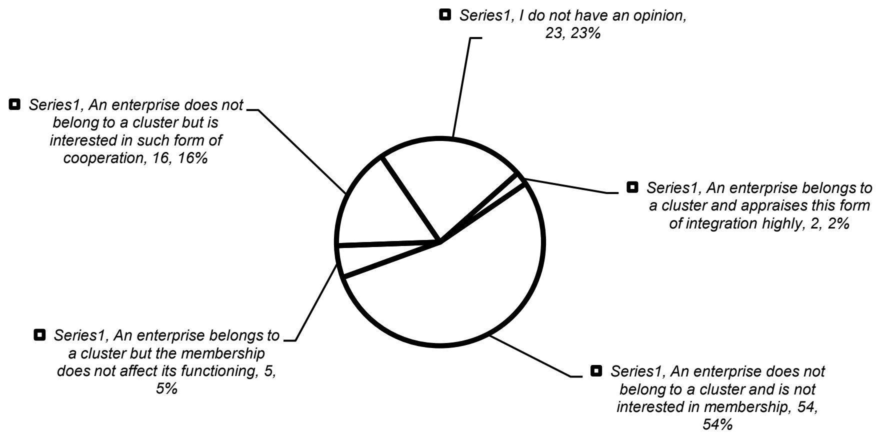
- Better conditions for development of enterprises, through strengthening cooperation ties and thus competitiveness in terms of development of the region;
- The increase in innovation, particularly in the area of cooperation between science and practice;
- Faster economic growth contributing to faster development of the region.

Strengthening the external competitiveness of enterprises through the development of cluster structures is confirmed by the fact that the vast majority of clusters operating in Poland, that is 89%, have development strategies (although not always completely formalized). Missions of clusters which are the core of strategies concentrate on the following issues:

- The ability of cooperation between business and science;
- The increase in the capacity of companies of a cluster to compete with multinational enterprises;
- The development of innovation;
- Creating optimal conditions for the development of enterprises;
- Creating the conditions for the transfer of knowledge;
- Building a joint brand.

Enterprises of the food industry in Podlasie show rather low awareness in the area of functions and role which consolidation processes may perform in increasing the sector's competitiveness. More than half of the enterprises (54%) declare the lack of cluster membership and at the same time demonstrate the lack of interest in becoming a member in such structure in future. Only 16% examined companies show interest in such form of cooperation. Little percentage of respondents (7%) are members of a cluster, however only 2% among them appraised this form of integration highly. A large number of companies (23%) have not form an opinion about this matter (Figure 2).

FIGURE 2
ASSESSMENT OF INTEGRATION POSSIBILITIES THOUGH MEMBERSHIP OF CLUSTERS IN THE OPINION OF EXAMINED ENTERPRISES



Source: [5].

The results of conducted research show on the one hand a low level of knowledge of enterprises on cluster initiatives, and confirm at the same time an unsatisfactory degree of enterprises' activity in a business-related sphere. On the other hand, this is a chance to create new clusters in the analysed sector. Another research in turn pays attention to other relations. It turns out that great significance in this field is attributed to a size of an enterprise, its experience, and also to the level of education of its owners or management.(Daniluk, Wasiluk, 2009, p. 153)

Openness to foreign markets is also an important determinant of the competitiveness of the analysed sector. The research results seem to confirm a low level of expansiveness of enterprises in Podlasie.
More than 90% respondents do not also plan to increase their share in the market through taking over other companies. Only 5% respondents have considered such possibility, certainly bigger enterprises, whose position in the market is strong enough so a takeover would be possible to carry out.

A few examined enterprises plan to expand their activity to other segments of the market. Only 11% positive responses were obtained in this respect. There were 8% indecisive people, while convinced that nothing changes in this respect as much as 81%

Recent studies on cooperative abilities of enterprises of Podlaskie Voividship show that the attitude to cluster initiatives is changing. Representatives of key sectors of Podlaskie Voivodship, including food industry, are increasingly emphasizing the benefits resulting from the operation in the structure of the cluster. As particularly vital were indicated the following:

- The opportunity to promote small businesses.
- Joint promotion.
- Lobbying interests relevant to all members of the cluster.
- The ability to create a joint offering.
- The exchange of knowledge and experience.
- Complementary offers [3].

Such research results are a consequence of the structure in examined enterprises, among which small companies were dominant, to larger extent oriented on developing their position in local markets.(Michalczuk, Widelska, 2010) It may also result from enterprises' experience in relation to accomplishment of their market activity within already known target markets.

SUMMARY

Concentration is not only a process vital from the point of view of large companies. It is also a challenge of modern market. It is as well a factor which determines marketing activity of small enterprises in food industry oriented on distinguishing themselves and strengthening unique characteristics. The research shows that consolidation processes are not advanced to such degree as concentration processes. Enterprises in Podlasie do not recognize benefits resulting from functioning within cluster initiatives and a chance to strengthen their competitive position.

ENDNOTES

1. The aim of conducted research was detailed presentation of the role and importance of food industry in Podlaskie Voivodship. The object of the research were enterprises of the following sectors: meat processing and preservation and production of meat products (PKD 2007 10.1), vegetable and fruit processing and preservation (PKD 2007 10.3), beverage production (PKD 2007 11). The report was prepared on the basis of already existing data and as well questionnaire surveys on the sample of 100 enterprises of the sector. The complete report on research results can be found in: [5]
2. For comparison, in 2006 they accounted for 1.6% in the quantitative structure of companies and realized about 49% of production sold. (For more on the processes of concentration and their causes and conditions [1, 79; 10, 30-31].
3. Good practices of innovation and technology transfer in key sectors of Podlaskie Voivodship. Innovation Strategy in Podlaskie Voivodship - Building System of Implementation. [4]
4. *Dobre praktyki innowacji i transferu technologii w kluczowych branżach województwa podlaskiego. Podlaska Strategia Innowacji – Budowa Systemu Wdrażania. Raport z badań*. (2011), IBiA VIVADE sp. z o.o., Białystok.
5. Przygodzka, R., Kozłowska-Burdziak, M., Dębkowska, K., Sadowski, A., Widelska, U. (2009), *Analysis of Key Sectors Of Podlaskie Voivodship*, Food Industry. Wyd. WUP in Białystok, Białystok.

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