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THE ESSENCE OF COMPETITION IN THE ELECTRICAL POWER SUBSECTOR

Introduction

The term competition comes from the Latin word *concurrere*, which means “to run together”. A literal translation does not exactly reflect the essence, but draws attention to operating in a common field. It is the primary characteristic of a market economy. The achievement of competitive advantage is the key issue in the strategic management of any business operating in market conditions. It is engrained in the functioning of contemporary businesses. For that reason very often businesses are considered competitive, when they are characterized by ability and flexibility to adapt to constantly changing functioning conditions and can make decisions which ensure a competitive advantage [Lyashenko, Osadcha, Galyasovskaya, Knyshek 2017, pp. 20-25; Pająk, Kamińska, Kvilinskyi 2016, pp. 204-217].

Analyzing the genesis of the term of competitiveness one may in the first instance encounter its international scale. The term has for the first time been introduced into the political vocabulary in a macroeconomic context. It described a characteristic of a given state's economic system in comparison to that of other countries. Literature indicates that American economists, as a result of strict competition between American and Japanese businesses, made attempts to determine the degree of competitiveness of rivaling economies [Wziątek-Kubiak 2003, p. 9].

When presenting the essence of competitiveness, it is necessary to conduct a broad analysis of its genesis, the origin of the word and its meaning to the history of economics and key definitions of the term. The issue of competitiveness is associated with the need to show reasons why certain businesses achieve success and others, operating in the same environment, do not. Currently operating businesses deal with increasingly difficult and more complicated development conditions, which not all are capable of handling.

An analysis of the causes of this state of affairs requires first of all to define the terms in the field in question.

A thorough analysis of the causes can be found in the report on the study conducted by the Committee for Competitiveness published in 1985. The authors of individual sections associated the term of competitiveness with the effectiveness of the entire economy in raising the standard of living. Taking into consideration the subject matter of international trade, the terminology of

competitiveness has been consolidated. It was concluded that it signifies the degree, in which the country's economy is able to produce goods and services which meet the requirements of international markets, while also maintaining and increasing the actual income of its citizens [Świtalski 2005, p. 165-169].

An interesting interpretation can also be found in the 1995 official documents of the British Ministry of Trade and Industry, which assumed that the ability to produce the right goods and services with the proper quality, at an adequate price and within the specified time is a sign of competitiveness. It boils down to satisfying the needs of the buyer in an efficient way and more effectively than other businesses. Unfortunately, this definition is only limited to microeconomic aspects, attributing success to only large businesses which are the only ones with the possibility of achieving huge benefits. The definition has been updated in the years 1996-1997. A modernized version defines competitiveness as the ability of businesses, trades, branches of industry, regions and countries or transnational groups of countries to achieve relatively high profitability and high engagement of production factors. Additionally, this definition comes with a provision, that all the above takes place in conditions of continued participation in international rivalry, especially in a long-term perspective. [Świtalski 2005, p. 165 and further].

In Polish economic literature the term of competitiveness has for the first time been used by S. Flejterski, who defined it as an ability, through the use of attractive prices and additional qualities, to design, produce and sell goods in larger quantities than the competition [Flejterski 1984, p. 391].

M. Stankiewicz and A. Noga have also spoken on the topic of competitiveness, claiming it to be a phenomenon, whose participants engage in a rivalry to achieve similar goals. This means, that the actions of some hinder or prevent the achievement of goals by others. Therefore, the phenomenon of competition is defined as an act or process of individuals striving to achieve such benefits, towards which others strive at the same time, in the same conditions, and on similar terms. Its essence is based on eliminating the businesses operating in the same field and taking over their customers. [M. J. Stankiewicz 2005, p. 19; A. Noga 1993, p. 9].

According to U. Płowiec competitiveness means: “profitability of production higher than the currently applicable rate of interest and significant chances of long-

term development as a result of a company's willingness to innovate in terms of technology and organization, thereby enabling the achievement of appropriate profits and leadership in a given field of industry". [Płowiec 1994, p. 10-11] W. Bieńkowski, on the other hand, states that competitiveness "is the ability to fight for economic survival in conditions of increasingly strict competition. An expression of this willingness is the ability of a business entity to sustain itself on the market throughout an extended period. In the macro perspective, it is an ability to grow in conditions of an open economy, the effect of which will be such a structure of economy and export, which is able to keep up with the changes in international economy and international export" [Bieńkowski 2000, p. 96].

According to G. Hamel and C.K. Prahalad competitiveness is created in the space between ingenuity and the goals of managers. Companies try to function as best as possible on markets, which in most cases are not attractive. They strive towards the highest quality of their products, in order to reach first place, to be better than the competition. It can therefore be said, that competitiveness is the ability of continued development, growth of productivity and effective development in an environment in which newer, cheaper and better products are offered [Jelonek 2003, p. 32].

M.J. Baker and S.J. Hart, on the other hand, believe that competitiveness most of all depends on the fulfillment degree of demand criteria by product related factors. Competition is viewed as a source of development for the organization or as a factor of success which depends on economic and cultural conditions. Simultaneously, very often competition is associated with a factor which makes it difficult for buyers to make purchase decisions [Penc 2003, p. 310].

Competitiveness means the ability of a business enterprise to achieve and maintain an advantage on the market. It should not be associated with competitive advantage, as this is achieved by the correct utilization of resources and skills. However, it is a complete set of characteristics which determine an organization's success in the given moment. Competitiveness is the potential, possibilities and ability of a given market entity to handle the rivalry of other entities operating on the same market. This means, that an organization is able to survive in a given environment for a long time. Its competitive ability, therefore, manifests itself in undertaking actions which allow to develop entrepreneurship, innovativeness, investment and efficient allocation of resources [Janiuk 2004, p. 170]. A full list of terminological definitions of competitiveness is presented in Table 1.

Table 1

Selected definitions of competitiveness

Author	Definition
G. Hamel, C.K. Prahalad	Ability to gain – thanks to high product quality – first place in the opinion of customers
D. Faulkner C. Bowman	Ability of a company to achieve the leading position in a given trade
M. Gorynia	Current or future competitive position determined by a company's ability to compete
J. Burnewicz	Ability to oppose the competition
M.J. Stankiewicz	Ability to effectively, efficiently, beneficially and economically achieve one's goals on the market arena of competitiveness
M. Lubiński	Ability of sustainable development over a long period and pursuit of maintaining and increasing the market share
B. Godziszewski	Ability to compete, i.e. operate and survive in a competitive environment
E.Jantoń-Drozdowska	Ability of an enterprise to increase the efficiency of internal functioning through strengthening and improving its market position
M.K. Nowakowski	A company's ability to cope with competition from other entities, maintain and increase its market share and, as a result, achieve corresponding profits
J. Skalik	A measure of ability to gain an advantage over other market players – participants in a given sector

Source: own elaboration based on [Gorzelany-Dziadkowiec 2014, p. 11].

Competitiveness, therefore, is a multifaceted term which is relative in nature. As a theoretical category, it is not easy to apply in a study of economic processes, as it requires comparison with other entities. Empirical studies regarding competitiveness is, therefore, preceded by determining the measures and their weights, as well as selecting research methods which are adapted to

the analyzed entity. Theoreticians dealing with the issue of competitiveness do not define this category, arguing that the term itself is imprecisely formulated and there is no confirmation of the occurrence of correlations at a statistically relevant level on an empirical basis [Conway, Nicoletti 2006, p. 29].

Analyzing the theoretical term of competition it is worth noticing that it contains elements of a static (evaluation of competitiveness at a specific moment in time), as well as dynamic nature (analysis of factors which determine competitive ability over a longer period, emphasizing the ability to improve it). The essence of conducting a comprehensive assessment of the competitiveness of a business is the specification of dynamic factors which constitute a determinant of its development directions in a changing environment [Bakier, Weredyk 2000, p. 38]. It is a difficult measure to carry out in practice, therefore, for the sake of simplification, it is assumed that the competitiveness of a business is the present (achieved) and future (prospective) market position resulting from the mutual relations between the ability to strengthen and use its competitive ability, and factors and mechanisms which occur in the environment and influence the business. On the other hand, the competitive ability of a business is its development potential necessary to realize the adopted competitive strategies and increase its value over a longer period. The proper development potential enables to develop and implement innovations considered to be a source of a company's competitive advantage [Podczarski 2016, p. 55 and further].

The primary evaluation process of evaluating the competitiveness level of a business is a comparison of its actual results with those expected by customers. Based on the results of that comparison it is possible to distinguish three types of competitiveness:

- normal competitiveness – if the results are equal to the expectations of those participating in such interactions, recipients or suppliers. In such a case they are not motivated to abandon relations with a business. This state is maintained until other, more attractive businesses take decisive actions in order to take over the existing customers, service users, service providers or suppliers of a given business;

- below normal competitiveness – when the actual evaluation results fail to meet expectations. In this case a situation occurs, in which customers take action to withdraw from interactions with a given business and establish relations with a different, more attractive one. They may also, intentionally or unintentionally, discourage others from cooperation with such a business.

- above normal competitiveness – when the actual evaluation results are higher than expected. Stakeholders who have a basis for such assessments make efforts to strengthen their relations with a business, often intentionally or unintentionally encouraging others to establish cooperation. Therefore, the number of parties willing to cooperate increases [Stankiewicz 2005, p. 44].

Occasionally, competitiveness is not directly defined, rather only classified. Such classification incorporates primarily the following groups of criteria: actions or outcomes, assessment range, assessment performance

time, area of occurrence, parties in market relations, observation duration and competitiveness level [Noga 1993, p. 37]. The first of the above criteria distinguishes factor-based and outcome-based competitiveness. It constitutes determination of a business's ability to take actions which form a basis for its effective competition, such as: a sufficiently quick response to changes in the environment, ability to use a company's own resources, ability to take advantage of favorable environmental configurations, rationality level of decision processes and other factors which build the competitiveness of businesses in a long-term perspective. Therefore, outcome-based competitiveness determines the outcome of competing, including: the market share level, product sales share level, financial results of businesses compared to the leaders and their results [Pach-Gurgul 2012, p. 203 and further].

Another criterion relates to the assessment range, which distinguishes systemic and operational competitiveness. The former means specific technical abilities, which are relevant from the perspective functioning in a given market. On the other hand, operational competitiveness applies to a wide range of the company's behaviors in relation to other entities. They are associated with the company's mission and vision, considered in an assessment range taking into account occurrences on the market.

The criterion of assessment performance time can be used to distinguish ex post and ex ante competitiveness. Substantively, ex post means the current competitive situation, while ex ante is the prospective competitive position defined as the company's ability for further operation in the future. In terms of terminology, ex ante most often means the competitive potential. The effective strategy is an analytical category which enables the transition from the ex ante potential to actual, ex post competitiveness [Nagaj 2016, p. 245 and further].

Based on the area of occurrence criterion it is possible to classify competitiveness on markets as an outcome of specific groups of products and services, preferred-developing products and services, a concrete, specific type of resources, specific territory, country, group of countries, continents, where it is possible to distinguish competitiveness of a business in an internal, national market or the international market [Stankiewicz 2005, p. 39].

According to the observation time criterion we can distinguish static and dynamic competition. The former is simply the competitiveness level of a given entity at a specific point in time. Dynamic competitiveness defines changes in the operation of a given enterprise, its dynamic within a given period.

The parties in market relations criterion may serve to distinguish between "input" and "output" competitiveness of a given business. Competitiveness evaluated at the "input" of a given entity is the ability to effectively

realize goals associated with supply transactions. Competitiveness assessed at the “output”, on the other hand, is the company’s ability to realize goals associated with sales transactions [Gorynia 2000, p. 92].

The final criterion is the generally understood competitiveness level, assessed by four groups of stakeholders: holders of shares or stocks, customers, buyers, employees, certain suppliers. Each of those groups evaluates the company’s operation using criteria corresponding to their interests: owners are interested primarily in the business’s value, customers are interested in the value of the offer, employees assess work and pay conditions, while suppliers assess the company’s operation – the scale of its activity [Gorynia 2000, p. 94].

Competition in individual markets may strive towards one of four forms of primary market structures: perfect competition, oligopoly, monopolistic competition or monopoly.

In a market of perfect competition there are an infinite number of businesses offering the same product or service. There is no product differentiation process, and the price (so called Equilibrium Price) is the same for all businesses and consumers. In such a market advertising is used exclusively to highlight differences in the perception of goods by customers. Businesses achieve va-

rying levels of profit depending on their manufacturing and distribution costs.

Oligopoly occurs, when several businesses provide a specific product or service. Because a business manufactures the same or a very similar product, the differentiation of a higher level of offered services/goods is key to price increase. In such a case, the company strives to be the leader in one of the abovementioned features, which is intended to attract customers, for whom that feature is important [Pach-Gurgul 2012, p. 184 and further].

Monopolistic competition is characterized by the occurrence of many competitors who are able to differentiate the market offer. A range of competitors focus on a selected market segment. They are the most capable of satisfying the customer’s needs in that selected segment.

A monopoly, however, is a market structure in which one company satisfies the whole supply of goods or services in a given region. A monopoly may be a result of a legal resolution, patent, license, economies of scale or other factors.

Market structures provided above differ significantly in terms of characteristics essential to the market, such as methods of competition between active entities. Those differences are presented in Table 2.

Table 2

Market structures present in a market economy

Feature	Perfect competition	Monopolistic competition	Oligopoly	Monopoly
Number of manufacturers/sellers	Infinitely large	Many (but few offering varied products)	Few	One
Company’s market share	Small	Rather small	Large	Very large
Product variation	Homogenous products	Products vary slightly	Identical, standard or slightly varied products	No close substitutes exist, unique product
Market information	Full knowledge about the market, products and prices	High level of market obfuscation; limited knowledge about the market	High level of market obfuscation	Large scope of information due to one manufacturer
Barriers to market entry	Low	Relatively low	High	Very high
Influence of manufacturers on the price	No influence	Significant, price control depends on product variation, number and closeness of competitors	Significant, limited by price interdependence, large in the case of price fixing	No competition
Competition methods	Price competition exclusively	Competition outside the price, based on promotion, quality, convenience in sales, etc.	As in the case of monopolistic competition, also through product variation	-

Source: own elaboration based on [Jonas 2002, p. 11-12].

Competition reveals the relations which exist between different entities operating in the same market. They are influenced by conditions within the organizations itself, as well as external ones, especially the changing competing conditions. The context of competition is illustrated in Figure 1.

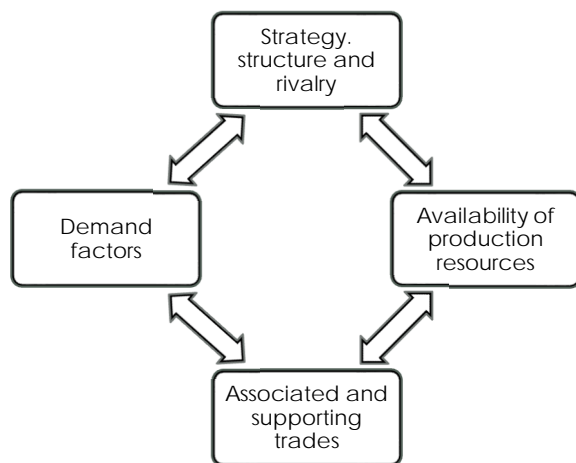


Fig. 1: Elements of the competitive context

Source: [Porter, Kramer 2003, p. 86.]

Analyzing the content of the above figure, it is possible to indicate areas which shape a company's competitive position. Therefore, availability of production resources can be considered as: the possibility of acquiring qualified personnel, proximity and availability of scientific institutions and research centers, possession of the appropriate technical and technological infrastructure, availability of natural resources. Demand factors should primarily be understood as the size of the market, as well as correspondence of product standards with local norms, the level of education and knowledge of local buyers' trends. Another factor is a policy which encourages investment. Its purpose is to ensure protection of intellectual property, abolishment of customs barriers, liquidation of cartels or monopolies and prevention of their formation, as well as combating corruption. These are factors which increase the attractiveness of a given area to business. The final element of the competitive context are associated and supporting trades. Thanks to a strong infrastructure in the form of suppliers of high quality services and trades supporting business activity – a company's productivity is able to increase [Stankiewicz 2005, p. 89 and further].

Competitiveness exists when companies are forced to compete against each other, and a business is considered competitive, if it has presented the customer with a sufficiently attractive offer that the customer decided to make a purchase. However, in order to manage effectively and efficiently, one must clearly specify the object

and area of activity. This should be considered a process, which consists of several actions, such as:

1. Determining the constituents of competitiveness potential, i.e. the tangible and intangible resources necessary to function in a competitive market.

2. Indicating the competitive advantage understood as the possibility to utilize the potential which enables efficient functioning on the market through the creation of an attractive market offer and effective competing instruments.

3. Choice of competing instruments, i.e. means through which a business develops its market position in order to acquire buyers.

4. Measurement and assessment of the competitive position [Stankiewicz 2005, p. 89; Kamiński 2009, p. 235].

The effect of competing is the achieved position, i.e. the place held by a business compared with other competing entities. One of the methods which enables evaluation of the competitive position is diagnosis of the competitiveness potential.

The objective is to identify and evaluate the factors of competitiveness which lie within a company's resources. The diagnosis involves:

- determining primary areas of activity and a list of key factors of a given case;

- analyzing the areas, thematic fields and advantages which shape the main factors, together with their evaluation;

- answering the question regarding the essence and significance of the individual factors' impact on the competitive position;

- conducting a qualitative and value-based assessment of individual factors [Pawłowski 2005, p. 28].

The conducted measurement may be different for every trade, as each branch of activity has its individual determinants which influence the key success factors. They are the determinants of the financial and competitive success of businesses.

An introduction to the subject matter of competitiveness and an attempt at defining this term can be presented in the form of a diagram, fractal, which distinguishes six primary attributes of competitiveness:

- 1) influence of the environment and surrounding;
- 2) the company's competitiveness shaping instruments;

- 3) the competitive potential and position of entities;

- 4) macroeconomic instruments of competitiveness control;

- 5) the levels of competition;

- 6) the impact level of entities [Świtalski 2005, p. 169 and further].

The characteristics of attributes presented in Figure 2 should be taken into consideration, when the competitiveness of an entity is analyzed.

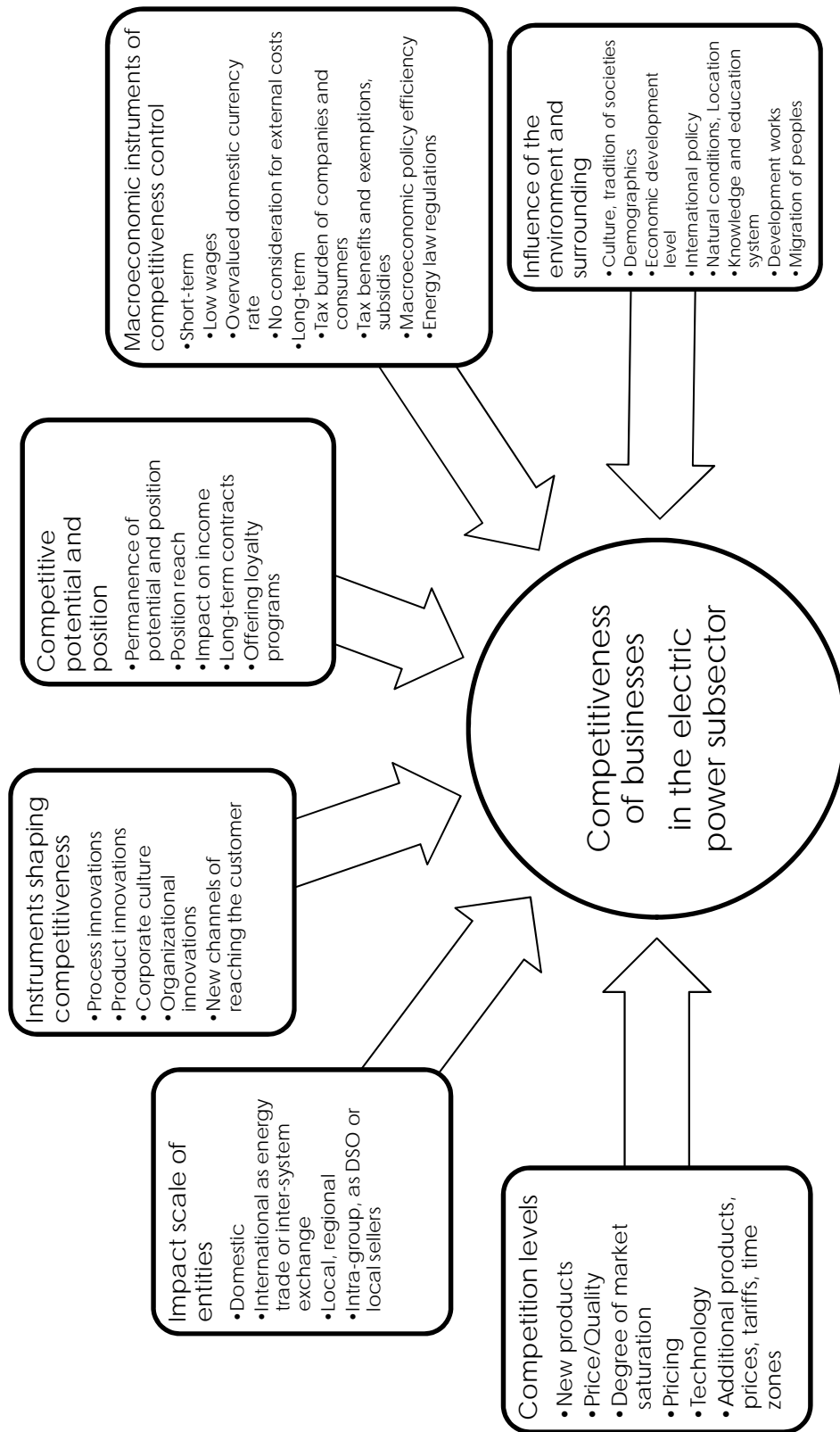


Fig. 2: Fractal of competitiveness

Source: own elaboration based on [Świtalski 2005, p. 169 and further.].

Conclusion

When analyzing the above text, it can be concluded that competitiveness is the ability to achieve one's objectives in the case, when their achievement makes it difficult to do the same by other businesses. It is a characteristic which defines a company's ability to continuously create growth, increase its productivity and effectively develop outlet markets in circumstances, in which competitors offer new, better and cheaper products. The presented overview of theoretical positions, essential to the matter in question, by authors of business competitiveness definitions indicates the complexity and multifaceted nature of the discussed subject matter. It is, therefore, a continuous, dynamic process, characterized by the fact of organizational entities achieving a superior position compared to other competitors on the market, which enables growth and long-term existence. Its sinusoid may be captured by analyzing the value of a given entity and comparing it to another, or the entire market in which it operates.

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Кінельський Г. Сутність конкуренції в електроенергетичному підсекторі

Мета і сутність конкуренції полягає на досягненні, можливо, значного збільшення доходів від продажів для «пропозиції», а також вигід, пов'язаних з купівлею товарів та послуг для «попиту». Будучи учасниками конкурентного ринку, підприємства своєю поведінкою і діями хочуть придбати виробничі ресурси, найкращих компетентних працівників і управлінський персонал, а також нові ринки збуту. Це сприяє зміцненню їх конкурентної позиції. Конкуренція в цьому випадку спрямована на максимізацію доходів від продажів і, з точки зору покупця, максимізує вигоди від придбаних товарів чи послуг. Тому конкуренція визначає ставлення, яке має місце між учасниками ринку. У підсекторі електроенергетики ці відносини залежать від економічної області, в якій працює бізнес: вони будуть відрізнятися для підприємств, які виробляють електроенергію, і оптового ринку торгівлі енергією, різного для сфери розповсюдження, і зовсім іншого для роздрібних продажів електроенергії кінцевим користувачам.

Ключові слова: конкуренція, інноваційність, підсектори, електроенергія.

Кинельский Г. Сущность конкуренции в электроэнергетическом подсекторе

Цель и сущность конкуренции заключается в достижении, возможно, значительного увеличения доходов от продаж для стороны предложения,

а также выгод, связанных с покупкой товаров и услуг для стороны спроса. Будучи участниками конкурентного рынка, предприятия своим поведением и действиями хотят приобрести производственные ресурсы, наилучших компетентных работников и управленческий персонал, а также новые рынки сбыта. Это способствует укреплению их конкурентной позиции. Конкуренция, в этом случае, направлена на максимизацию доходов от продаж и, с точки зрения покупателя, максимизирует выгоды от приобретенных товаров или услуг. Поэтому конкуренция определяет отношение, которое имеет место между участниками рынка. В подсекторе электроэнергетики эти отношения зависят от экономической области, в которой работает бизнес: они будут отличаться для предприятий, производящих электроэнергию, и оптового рынка торговли энергией, различного для сферы распространения, и совершенно другого для розничных продаж электроэнергии конечным пользователям.

Ключевые слова: конкуренция, инновационность, подсектор, электроэнергия.

Kinelski G. The essence of competition in the electrical power subsector

The aim and essence of competition is to achieve a possibly large increase in sales revenues for the supply side, as well as benefits associated with the purchase of goods and services for the demand side. As participants in a competitive market, businesses by their behaviors and actions wish to acquire production resources, the best possible competences among labor and management staff, as well as new outlet markets. This contributes to strengthening their competitive position. Competition in this case is intended to maximize their sales revenues and, from the perspective of the buyer, maximize the benefits from purchased goods or services. Competition, therefore, determines the relation which takes place between market participants. In the electrical power subsector these relations depend on the economic area in which a business operates – they will be different for electricity generating businesses and the wholesale energy trade market, different for the field of distribution, and completely different for retail sales of electrical power to end users.

Keywords: competition, innovativeness, subsector, electrical power.

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