



THE ESSENCE OF THE PRO-PRODUCT ORIENTATION IN THE PROCESS OF CONTEMPORARY ENTERPRISE DEVELOPMENT

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Agenda

- Introduction
- Background
- Research gap
- Research method
- Results of research
- Conclusion



Introduction

- The product-oriented development and the market-oriented development are the directions of development which are among most frequently appearing in the literature on the subject.
- At the same time examples of successful enterprises show that it is possible to achieve it in exactly these two ways. Therefore, currently, two orientations of enterprise development process stand out: the pro-market and the pro-product orientation.
- Therefore, the first part of the work and presentation presents problems concerning the product oriented development of enterprises and the pro-product orientation of enterprise development process.
- The empirical part presents the research carried out among a selected group of stock-listed companies in the years 2010 - 2018, consisting in the frequency analysis of the occurrence of this enterprise development orientation.



Background

- ▶ Development is treated as a process consisting of logically ordered phases and stages that normally developing organizations go through. Every enterprise undergoes changes over time.
- ▶ This is where the division of development into the ordered phases of the life cycle of an organization comes from. Functioning in the turbulent environment and going through the subsequent stages of the organizational life cycle, enterprises constantly experience ups and downs. This is the most characteristic manifestation of their development.
- ▶ The research into the development of an organization enabled to notice that it reveals certain regularities. Thus, it is important to define what conditionings and determinants of the enterprise development process play a crucial role here, what has direct and indirect impact, and, most important, what can be shaped and what can be only reacted to.
- ▶ Due to constantly appearing new situations and opportunities on the market, development for an organization is a constant game between it and its environment.



Background

- ▶ When referring to the category of enterprise development, attention should also be paid to the fact that the enterprise functioning and developing processes remain under a direct or an indirect influence of various conditions and factors.
- ▶ The influence and the significance of individual conditions and factors with reference to the development process are diverse and to a great extent of an individualized character. A positive or a negative impact of individual factors on the development of an enterprise is relative and cannot disregard the internal situation of a given enterprise, as well as its place and role in the environment. The same factor in one enterprise can appear to be a stimulator of development, whereas in another enterprise, if it does not encounter adequate conditions, may not evoke changes suitable for the enterprise development.

Background



- ▶ When discussing the impact of individual factors on the development of an enterprise, one must consider a number of various determinants of the situation of the enterprise, the most important including:
 - ❖ current level of development of both the enterprise itself and the economic system in which it functions;
 - ❖ current developmental challenges of the environment in which the enterprise functions;
 - ❖ the stage of the enterprise lifecycle;
 - ❖ concept of business model and adopted orientation of enterprise development process. The change should be new to the market in general or only to a particular company

My research focuses primarily on the last of the above four determinants of enterprise development, and mainly on the orientation of enterprise development process.



Research gap

- Within research, an extensive literature review was carried out during which it was established that there are a number of definitions and classifications of orientation of enterprise development process among which there is an unclear terminology difference and implementation potential.
- Moreover, we can find more and more new concepts of enterprise development process in economic practice that have not been described in the literature so far (or their description is not full).
- Therefore, two new orientation of enterprise development process really adopted by enterprises on the studied market were identified in the course of the conducted research; their influence on the development of the studied entities was assessed, focusing particularly on the pro-product concept.



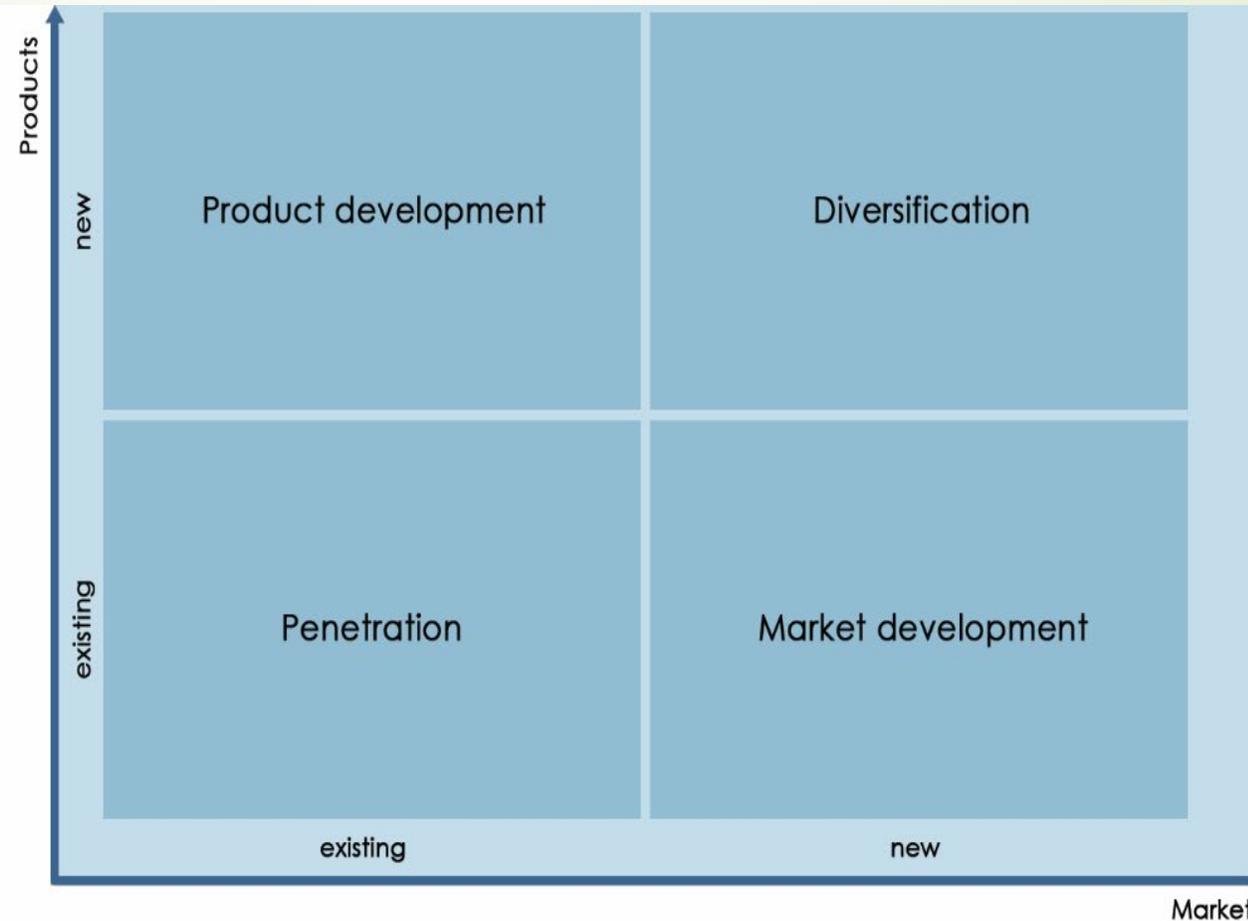
Research method

- Within an attempt made to solve the research gap presented above, the selected research model was used; by means of this, the research was carried out on a selected group of enterprises.
- The aim of the research was to identify and present contemporary actually used concepts of orientations focused on enterprise development, the strategies of development arising from them, and then the frequency of the occurrence of the pro-product orientation on the Polish market in the selected sectors of the economy that were assessed.
- For the needs of the conducted research, the basis for discussing these problems was H.I. Ansoff's model showing the possibilities of choosing a proper concept of development of an enterprise as well as the relationships between enterprise concepts of development and the choice of an appropriate strategy of development.

Research method



- Ansoff's model developed at the end of the 1950s, includes a set of strategies for development in the form of vectors included in the product-market matrix.





Results of research

Selection and characteristics of research objects

- ▶ Taking into consideration the fact that the contemporarily existing tendencies of enterprise management most often consist of the maximisation of its owners' benefits, within the framework of the conducted research companies listed on the Warsaw Stock Exchange (WSE) were adopted as the research object.
- ▶ As a rule, these are enterprises with a long history of activity, advanced in the application of modern solutions in the management sphere, strongly related to the capital market and interested in the growth of their shareholders' benefits.
- ▶ At the same time, the stock exchange division into sectors guarantees the possibility of studying isolated groups that are homogenous as far as the adopted criteria are concerned.



Results of research

Selection and characteristics of research objects

- In the process of selecting the research objects, the sector approach was used; this consists in choosing the researched enterprises grouped in sectors as related to the criterion of the subject of activity;
- The sector approach enables us to understand better the logics of enterprise behaviour, since it relates them to changes undergoing in the whole economy, the sector, and in the behaviour of the sector participants, eliminating subjective ways of explaining the behaviour of enterprises;
- In accordance with the methodological assumptions, the research includes enterprises grouped in five WSE sectors: construction, electromechanical, IT, metallurgical, and food. It was assumed ex ante that all the sectors selected for the research are sectors that are to a great extent susceptible to development, adequately numerous, and grouping enterprises with a long presence on the WSE.



Results of research

Selection and characteristics of research objects

Due to the necessity to establish the period and the number of the studied enterprises (being a compromise between the requirement to obtain a sufficiently large number of the studied group and conduct an analysis in a sufficiently long period), the following arrangements were made:

1. The years 2010-2018 were adopted as the period of analysis;
2. The total number of 66 enterprises (companies) was chosen as the object of the research, and each of them was listed on the WSE from 2010 until the end of 2018 at the latest.



Results of research

An analysis of the degree of the pro-product orientation implementation in the process of the studied enterprises' development

Possessing an appropriate product portfolio is a significant condition of the functioning of every enterprise. A good competitive position and development are conducted by having products in various phases of life. It means that in a proper time cycle an enterprise should introduce new products or services to its portfolio, that is implement the pro-product orientation of development. The development is implemented in two directions: through diversification or specialisation in the product area. Diversification consists in the extension of the range of goods and services produced and offering it in new sectors and industries, whereas specialisation in manufacturing a similar range of goods and services to a large scale and with maintaining its frequent modernisation and innovative changes



Results of research

An analysis of the degree of the pro-product orientation implementation in the process of the studied enterprises' development

- ▶ The pro-product orientation operates to the benefit of one of the two most important directions of enterprise development according to Ansoff's model. It consists in the expansion of the company's portfolio of goods and services, mainly through the aforementioned diversification and specialisation.
- ▶ For the needs of the analysis of the product portfolios of the studied enterprises, in order to define the level of the realisation of their development in the product area, the classification of enterprises in the analyzed years was made into the following groups:
 - ❖ The enterprises specialised in one sector, namely manufacturing one range of goods or services or a few ranges within one sector.
 - ❖ The enterprises specialised in one industry, that is producing the range including goods or services within a few or all sectors of one industry.
 - ❖ The enterprises diversified in a related way, namely producing the range of goods or services within a few related industries.
 - ❖ The conglomerate, that is an enterprise operating in a few non-related industries.



Conclusion

The table below summarizes the results of the study of the companies from the point of view of the scope of changes in their product portfolios, assuming, as the criterion of their division, the character of the changes observed during the research period.

Categories of change	Number of enterprises	Percent of enterprises
Extension of the portfolio	35	53
Limitation of the portfolio	0	0
Extension and limitation of the portfolio	8	12
No significant changes in the portfolio	23	35



Thank you for attention

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