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# Competitiveness of Polish SME enterprises on the African market – Senegal case study

## Konkurencyjność polskich przedsiębiorstw MŚP na rynku afrykańskim – studium przypadku Senegalu

### ABSTRACT

The success of small and medium-sized enterprises in internationalizing to foreign markets, particularly in challenging markets, is a topic that is still being researched and practiced. The rapidly changing environment necessitates the search for more and more effective methodologies for managing the development of SMEs in response to the uncertainty of environmental changes, both in domestic and foreign markets. However, selecting them is not easy; it is a multifaceted challenge for each organization due to the peculiarities of SMEs and constraints arising from foreign market specifics. The article aimed to assess Polish SMEs' competitiveness in the African market. The authors attempted to solve the problem of defining the factors of competitiveness of SME enterprises in developing markets as a method of gaining an advantage. The authors carried out a qualitative study that was validated. As a result, the proposed solutions are both appropriate and effective. This fills a gap in the literature and adds to scientific debates on the subject.

**Keywords:** SMEs, African market, competitiveness, competitiveness factors, business management.

### INTRODUCTION

Small and medium-sized enterprises play a significant role in the functioning of economies worldwide. Adaptability and market dynamics challenge these companies to maintain their competitive position and are the basis for their future operations. MSEs that choose to expand in international markets must adapt to the business dynamics and cultural specifics of a particular market; this is a critical foundation for success. The increase in global competition has created new opportu-

### STRESZCZENIE

Sukces małych i średnich przedsiębiorstw w internacjonalizacji na rynki zagraniczne, szczególnie na rynkach trudnych, jest tematem wciąż badanym i praktykowanym. Szybko zmieniające się otoczenie wymusza poszukiwanie coraz skuteczniejszych metodologii zarządzania rozwojem MSP w odpowiedzi na niepewność zmian otoczenia, zarówno na rynku krajowym, jak i zagranicznym. Ich wybór nie jest jednak zadaniem łatwym; stanowi wieloaspektowe wyzwanie dla każdej organizacji ze względu na specyfikę MŚP oraz konstrukcje wynikające ze specyfiki rynku zagranicznego. Celem artykułu była ocena konkurencyjności polskich MŚP na rynku afrykańskim. Autorzy podjęli próbę rozwiązania problemu definiowania czynników konkurencyjności przedsiębiorstw MŚP na rynkach rozwijających się jako metody uzyskania przewagi. Autorzy przeprowadzili badanie jakościowe, które zostało poddane walidacji. W rezultacie zaproponowane rozwiązania są zarówno właściwe, jak i skuteczne. Wypełnia to lukę w literaturze i wnosi wkład do debaty naukowej na ten temat.

**Słowa kluczowe:** MŚP, rynek afrykański, konkurencyjność, czynniki konkurencyjności, zarządzanie przedsiębiorstwem.

nities for Polish MSEs to grow and expand. Increasing globalization and opportunities generated by European Union projects (such as Horizon) provide opportunities to reach distant markets, such as Africa. Polish companies in the European market must look for opportunities, as it is often difficult to compete with bigger competitors due to high transportation costs. The African continent offers entrepreneurs hitherto untapped growth opportunities, and the ability of companies to

achieve a highly competitive position in this market is still significant. In addition, the COVID-19 pandemic has highlighted the importance of diversifying markets for businesses, and Polish SMEs are no exception. However, the African market presents unique challenges due to cultural and geographic distance. Despite these challenges, some SMEs embrace the African market to sustain their growth. The practical purpose of the article is an attempt to assess the competitiveness of Polish SMEs in the African market. The authors tried to solve the problem of defining the competitiveness factors of an SME enterprise in underdeveloped markets as a method of building their advantage.

**1. LITERATURE REVIEW**

Competitiveness can be defined differently (Sieradzka & Luft, 2015). Different aspects are emphasized from an organization's advantage in global markets to its ability to compete with other entities, including company or product characteristics (Sipa et al., 2015) to per capita GDP growth (Schwab, 2019). Despite these differences, competitiveness relies on maintaining more outstanding production and delivery efficiency than competitors, delivering value to stakeholders, and maintaining a dominant position in the market (Buckley et al., 1988; Hult, 2012; Sieradzka & Luft, 2015). The competitiveness of companies is influenced by internal and external factors (Komarkova et al., 2014). External factors include economic conditions, changes in demand and supply, and technological advances beyond the company's control (Altayyar & Beaumont-Kerridge, 2016; Fernández-Olmos & Ramírez-Alesón, 2017; Fitz et al., 2022; Shi & Wu, 2017; Yoo et al., 2015). Internal factors, on the other hand, such as the quality of goods, supply conditions, flexibility, production and labor costs, financial resources, brand, employee qualifications, and management characteristics, can be managed by a company to improve its competitiveness (Calantone et al., 2006; Camisón & Forés, 2015; Erramilli, 1992; Navarro-García et al., 2015; Pyper et al., 2022; Salman & Al-Omari, 2021). Maintaining an SME enterprise's competitiveness requires using various mechanisms and tools to create a competitive advantage not only in the domestic market but also to enter the global market. In this context, the African market, as a challenging market, is a receptive alternative for building a competitive position. Africa's uniqueness creates new challenges for innovation and competitiveness, especially for SMEs (Charlier & Dobruszkes, 2020; Joshua et al., 2020; Rynarzewski et al., 2017). It is especially true in the case of the electricity market, where African countries have permanent shortages. This creates opportunities for Polish SME companies in the field of usage of renewable sources. Overall, the African market presents both challenges and opportunities for Polish SMEs, so it is essential for these companies to carefully assess the risks and benefits of expanding into this market. Small and medium-sized enterprises (SMEs) are often more flexible and responsive to the needs of the local African market than more

giant multinational corporations, allowing them to adapt quickly to changing economic conditions and cultural preferences.

In addition, SMEs can provide much-needed employment opportunities in a region where job creation is a pressing issue. However, many African SMEs face significant challenges, including limited access to financing, inadequate infrastructure, and a lack of technical expertise.

**2. CASE STUDY – DEFINING FACTORS OF COMPETITIVENESS OF AN SME ENTERPRISE IN UNDERDEVELOPED MARKETS ON THE EXAMPLE OF SENEGAL**

The information in the research section will relate to the actual business. However, due to the vulnerability of these data, its presentation will be restricted to protect the company's interests, particularly regarding the financial data presented. Company X is a Polish company that provides services in renewable energy area. It is promoting technologically and economically solar power. As a technical consultant and general contractor, it offers individual services related to the design, construction, utilization, and distribution of solar power stations, from designing the project to consultations and coordinating the project. The company provides comprehensive design and construction services in renewable energy, such as photovoltaic installations and heat pumps. It also specializes in electrical installations and recuperation. The firm offers services related to energy saving and audit and consulting services. Company X has built numerous photovoltaic installations in Germany and Poland in the design-build delivery system over the last few years. To characterize the markets on which the research subject operates in terms of attractiveness for business, the Global Competitiveness Report was used.

Table 1. Global Competitiveness Index – GCI markets on which it operates

	Senegal	Germany	Turkey	United Kingdom	Jordan	Egypt	Spain	Poland
Competitiveness Index (Points)	49.69	81.8	62.14	81.2	60.94	54.54	75.28	68.86
Competitiveness ranking	117	7	61	9	70	93	23	37
Ease of Doing Business	178	22	33	8	75	114	30	40
Corruption Perceptions Index (Points)	45	80	40	77	49	33	62	56
Corruption Ranking	112	9	86	11	60	117	32	45

Source: own elaboration based on (Trading Economics, 2021)

Looking at the diversity of the markets in which the research entity operates, it was discovered that the company works in a variety of markets with a very high competition index, such as Germany and the United Kingdom, where the

company has approximately 68 percent of its revenue, Turkey, Jordan, and Poland have roughly 20 percent of the company's business, Egypt has about 2 percent of the company's business, and Senegal has approximately 10 percent. According to the data in Table 1, Senegal is the most challenging market to do business in, as shown by the corruption and competitiveness rankings. As a result, establishing a presence in this market and learning the market's rules will provide a source of potential revenues, contributing to the company's success and growth and the prospect of expansion into Africa's neighboring markets. The primary barrier to entering this market is its specificity and cultural and linguistic uniqueness. Therefore, few Polish companies have decided to take such a step. Senegal faces challenges with 38.5% of its population living in extreme poverty, a 6.6% unemployment rate, and overwhelming dependence on diesel and gas for power generation, with the installation of new coal and diesel generation and exploitation of newly discovered offshore gas reserves expected to meet the increasing power demand (Rynarzewski et al., 2017). According to the World Bank, Senegal is one of the countries with lower-than-average income per capita (Rynarzewski et al., 2017). Senegal also needs development in education and skills to advance economic growth. While expanding efforts to develop the basic skills of the workforce is a stepping stone, focusing on the skills relevant to the workforce of the future can lead to faster and more inclusive growth.

To highlight the effectiveness of the operations in the Senegalese market and to lend credibility to the position, data will be presented with regard to one of the investments carried out in the Bossinkan area protected by UNESCO. In these remote areas, renewable hybrid systems with a higher share of renewable technologies are more cost-effective, partly due to the high cost of transporting diesel. The National Rural Electrification Agency (Agence Sénégalaise d'Électrification Rurale, ASER) has therefore assessed the economic viability of different options and included the development of mini-grids for the electrification of villages in its concessions under the Local Initiatives for Rural Electrification project (Électrification Rurale par des Initiatives Locales, ERILS). Structuring the rural electrification concessions with private sector participation has helped raise the rural electrification rate from 8% in 2000 to 26% in 2012. Limitations connected with the region made it necessary to develop an innovative approach to achieving the goal. The socio-economic and natural conditions of Senegal and its ecosystems represent enormous potential and challenges for implementing interdisciplinary investment solutions aimed at the growth and development of the country. The implementation of this project is a response to the need for increasing sense of security and prosperity in the local community, improving the quality of life in the village, equal opportunities in access to education for women and men, stopping economic migration, and reducing poverty while preserving and protecting the biodiversity of the environment. The analysis of the financial data confirms the

effectiveness of the investment carried out in this location in Senegal. According to the assumptions, the planned solution will ensure uninterrupted electricity access (even at night) for many years. Simultaneously, it will be adapted to the region's specificity, minimizing the maintenance costs and giving end users a chance for continuous access to electricity. At the same time, adapting to complicated processes results from the region's specificity.

The analysis of Company X allows identifying the critical areas in creating competitive advantage by the company (through identification and analysis of competitiveness factors), which enables an attempt to assess the company's competitive position in the African market. The title and evaluation of critical success factors can be carried out through the analysis of the company's potential, which is defined by the opportunities contained in the resources owned by the company and through the ability to use them (for purposes set by the company). This potential is crucial for positioning the company in the competitive market and assessing its development possibilities.

### 3. RESEARCH METHOD

The competitiveness analysis method is based on the literature. The tables, presenting the analysis of the critical components of the organization's success, were constructed based on Gorzelany-Dziadkowiec (2014) and then adapted to the specifics of the service enterprise (RES). The analysis began by identifying the company's primary resource and functional spheres and then determining the success factors belonging to and characteristic of each of the mentioned spheres. After identifying the success factors and assigning them to the appropriate spheres, the following worksheets were created: an evaluation sheet of the components of competitive potential and an evaluation sheet of competitive instruments. The next step undertaken in the process of competitiveness analysis was an interview with the company representatives. In the interview, an assessment of individual factors and the degree of their influence on the company's competitiveness was made. Next, the factors most significantly affecting Company X's competitiveness were selected and assigned weights. The degree to which they are controlled, and finally, the aggregate scores were summed up, and the result is an assessment of the Company's competitive position. For the evaluation, a 5-point Likert scale was adopted, in which: 1 – the competitive instrument has no impact on the Company's competitiveness, 2 – has a little significant impact; 3 – has a medium impact (neutral); 4 – has a significant impact; 5 – has a very significant impact.

The company puts the most significant emphasis on quality, innovation, and non-standard of the offered services. The company is constantly developing, looking for new solutions and partners, new technologies, and participating in trade fairs to broaden its know-how. The innovative nature of the firm manifests itself in two aspects.

Table 2 Competitive Potential Components Assessment Worksheet

Components of competitive potential	Degree of impact on competitiveness				
	1	2	3	4	5
<b>Service Technology Zone</b>					
Use of innovative photovoltaic panels – glass panels adapted to high temperatures					x
Building experience in cultural conditions different from European ones, e.g., Africa, Asia					x
Proven suppliers					x
Logistic cycle			x		
Market knowledge					x
Knowledge and skills of employees					x
<b>Quality of Service Zone</b>					
High-quality international recommendations					x
Ability to execute mega farms quickly				x	
Knowledge and skills of management and employees					x
Cooperation in the international market				x	
Knowledge of the global sourcing market					x
Access to sources of supply			x		
Knowledge and skills of logistics staff				x	
High flexibility					x
<b>Sales Zone</b>					
Mastering the specifics of different markets					x
Adapting to the specifics of the markets					x
Up-to-date knowledge and ability to anticipate changes in the markets served				x	
Knowledge and experience of staff					x
Linguistic abilities of management					x
<b>Finance Zone</b>					
Access to credit					x
High level of Net Working Capital				x	
High creditworthiness					x
Level of fixed costs			x		
High budget planning skills				x	
Access to credit			x		
<b>Human Resources Zone</b>					
Professional training			x		
Employees' openness to change			x		
Salary level				x	
Family atmosphere					x
Loyalty to the company and the owner					x
Knowledge of competitors' competitive advantages				x	
Leadership skills of managers					x
Clarity of the organizational structure			x		
Delegation of authority			x		
Interpersonal relationships that determine the work climate					x
<b>Business potential Zone</b>					
Flexibility					x
Reputation					x
Organizational structure				x	
Green management					x
Sustainability					x

Source: own elaboration.

The first aspect, i.e., know-how was recognizable at the stage of building a photovoltaic farm for a selected village, whilst adapting the implementation of all related tasks to the environmental requirements resulting from the investment site.

Table 3. Competitive Instruments Evaluation Sheet

Competitive Instruments	Degree of impact on competitiveness				
	1	2	3	4	5
<b>Competing on service quality</b>					
Quality of materials					x
Differentiation of services and adaptation to market needs					x
High specialization					x
Speed of action					x
Warranty period			x		
<b>Competing on price</b>					
Price quality ratio					x
Payment terms				x	
Price discounts			x		
Provision of after-sales services			x		
<b>Competing through service</b>					
Strong communication skills					x
Qualified staff				x	
Ensuring convenient conditions for the execution of services				x	
Timeliness of order completion					x
Flexibility of service					x
Word-of-mouth marketing					x
<b>Communication and information</b>					
Public relations					x
Trade shows				x	
Industry conferences			x		
Quick response to customer signals					x
Use of the Internet (owned websites)					x
Use of media			x		
Charitable activities of the company			x		

Source: own elaboration

The second aspect included developing an innovative solution to provide the inhabitants of the Bossinnka village with access to the generated electricity. The innovative IT solution is based on knowledge: a high level of access to the mobile network and the Internet in Senegal, the migration of people to urban areas, and economic emigration to more developed countries. The company also participates in social innovation, i. e. an action aimed at improving the quality of life of a community (social innovation) and the innovation of opening a new market (on which the branch of national industry in question had not previously existed – regardless of whether the market existed previously or not).

Potential components and evaluation sheets of competitive instruments were created in accordance with multi-criteria analysis. In conclusion, Company X's successful competitive position in the African market can be attributed to its expertise in navigating the intricacies of the market, strong relationships with local authorities and communities, and its ability to create job opportunities and enhance the reputation of the locations where they operate. This has enabled the company to secure concessions and long-term contracts in Senegal while demonstrating its financial potential and knowledge of the market. Its effective public relations strategy, established reputation, and experience in Senegal have also contributed to its overall regional competitiveness. As Company X continues to expand and invest in closed communities in remote areas of Senegal, their success in the market is expected to continue.

#### 4. FINDINGS

A case study of a Polish company attempting to enter the African market highlights some barriers and factors that impact competitive advantage in this market. Cultural differences, language barriers, and a lack of understanding of the local business environment are significant challenges that Polish SMEs may face. However, the case study also reveals that establishing solid relationships with local partners and adapting business models to fit local market conditions can be critical factors in achieving success in Africa. Small and medium-sized enterprises (SMEs) operating in underdeveloped markets face unique competitive challenges that require innovative solutions to remain profitable and grow.

This study investigated the competitive factors that enable SMEs to gain a competitive advantage in these markets. The results revealed that flexibility of service, experience with other cultures, and a strong reputation, particularly in word-of-mouth marketing, were the most critical factors in establishing a competitive edge. Moreover, broad cultural awareness and a focus on sustainable and green solutions were identified as additional qualities contributing to SME success in underdeveloped markets. These findings suggest that SMEs must adapt to the cultural and economic context of the market they are operating in and leverage their strengths to create a distinctive value proposition that meets local demand. Furthermore, a business focus on sustainable and green solutions can provide a competitive edge by demonstrating a commitment to environmental stewardship, which is increasingly valued by consumers and governments alike. This study highlights the importance of a strategic approach to SME competitiveness in underdeveloped markets, focusing on flexibility, cultural awareness, reputation, and sustainable business practices.

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