Central European Economies Competitiveness based on the Services for Entrepreneurs

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Abstract
This paper discusses services as economic activities, evaluates their impact on competitiveness and shows the areas in which services have a potential to develop and extend the competitiveness of other sectors and the national economy as a whole. The results of the survey show how to compare the competitiveness of economies in Central Europe and how to measure the level of service quality for entreprenuers. Another aim appears to assess the relationship between quality and competitiveness of selected services in selected transition economies – Czech Republic, Slovakia, Hungary, Slovenia, and Poland.

Keywords: competitiveness, SERVQUAL, services management

JEL classifications: F4, O11

Objectives and the Methods

The aim of this paper is to show the importance of services for entrepreneurs, as well as their scope and management in a modern economy. If we assume that services are developed mainly in post-industrial societies, to determine the effect of services on the competitiveness of the economy the following hypotheses are formulated:

- Economic competitiveness depends on the quality of services for entrepreneurs.
- In determining the level of service you cannot rely solely on the sectoral model of the economy.
- Services improve the quality of market environment.

A partial objective is to compare the competitiveness of economies and levels of service in Central Europe. Another aim appears to assess the relationship between quality and competitiveness of selected services in selected transition economies.

Transitional economies are appropriate subjects of this investigation, because the changes here are more dynamic than in other EU Member States, and thus the research can therefore be based on shorter time series.

As a tool for assessing the hypotheses the following methods and the following structure were used.

Comprehensive assessment of the competitiveness of economies using the multidimensional scaling methods

To assess the efficiency of the Czech economy and the position of the Czech Republic among countries that have entered the EU 2004 (Slovakia, Slovenia, Poland, Hungary), a number of adequate

statistical methods of multidimensional scaling might be used. These methods are applied for interstate comparisons. The methods are generally applicable for special comparisons of objects characterized by a number of indicators or, to put it differently, for various tasks of classification and typology of objects. Following methods are used:

Point Method (PM), Standard Variable Value Method (SVVM), and Distance from a Fictitious Object' Method (DFOM). To calculate the efficiency for each of the national economies, the twelve most important indicators will be used, that characterize all of the essential areas of economic life. These are – Gross Domestic Product (GDP) per capita in EU, GDP growth, public debt in % of GDP, state budget deficit in % of GDP, and foreign debt in % of GDP, in per capita USD. Further important indicators are the unemployment rate and the inflation rate in %, foreign direct investments (FDI) per capita in USD and labour productivity as a % of the productivity per employee in EU. The last three indicators represent enterprise investments in % of GDP, taxation in the form of complex tax quota and finally, relative threat of the poverty trap in % of the population.

The testing the dependence of variables was based on correlation co-efficient, mainly the Spearman correlation co-efficient.

One option for evaluation of the competitiveness of national economies is the methodology used by the Institute for Management Development in Lausanne; this institution annually publishes its annual ranking of countries according to their current competitiveness. In compiling this annual competitive report the above-mentioned institute collaborates with 57 national institutions and a number of executives working in the economy. For the assessment 314 or 323 criteria are used respectively, of which two thirds are statistical data and one third is based on the results of a survey completed by leading economic executives.

Perhaps the discrepancy between the ratings of macro- and microeconomic aspects is explained by the evaluation methodology used. Evaluation of competitiveness is based on more than three hundred indicators, the first part is statistical data and the second is based on the evaluation questionnaire. Macroeconomic assessment is based primarily on statistical data, while the valuation of companies is based primarily on survey data, which may also be affected by subjective attitudes of the respondents.

The yearbook evaluates the national economies, and has become widely reviewed and assessed with regard to infrastructure and environment for business activities. In this context, it evaluates the scope, structure, and labor skills, scope, structure and quality of research activities in the country, the rail network, the road and highway network, computer equipment, the extent of Internet usage and electronic commerce. In addition, it will also rate the health and education status of the population.

This method of multicriterial evaluation of the competitiveness of national economies is far from being a neutral assessment of a country's competitiveness. Indicators implicitly express ideas, wishes and requirements of the international business community towards nation states, and often there is no absolute consistency among the factors that have positive impacts on the competitiveness of the transnational environment, or among factors important for the

competitiveness of a national economy. We can say that the method reflects the perception of a national economy and the competitive environment at least to the same extent.

Services Management

Services management at the level of the national economy is demonstrated by comparing tools for business development. As an instrument for evaluating service quality SERVQUAL was the chosen method. Service quality measurement methods developed in the 1980-s in the U.S. have been gradually revised and developed. Their cornerstone is the paradigm of the so-called contradiction between the ideas of customers and the service they receive. Research using the SERVQUAL method is based on the so-called GAP model. The methodology, therefore, works with gaps between the different components of the process of providing services and the client's perception of these services. The authors A. Parasuraman, V.A. Zeithaml and L.L. Berry defined five gaps based on qualitative research.

Theoretical Background

The Theory of the Service Economy is based on the evidence of the importance of services which play a central role in the national economy through the expansion of their functions in economic growth. The search for new dimensions of social and economic progress in the present theory builds on knowledge about the limits of growth initiated by the Club of Rome and about the still lasting classical industrial revolution, characterized by mass-production and mass-consumption.

The emergence of service economy explained by Giarini and Stahel (GIARINI – STAHEL, 1993) by the following aspects: the growth of service functions in the production of wealth as a result of organized labor, independence of functions like warehousing, markets organization, funding, participation in product use and disposal or recycling; increase of industrial services through modern techniques and technology, the horizontal integration of all production activities, negating the theory of the three sectors and reducing the validity of Engel law; shifting the understanding of the value compared to the conventional phase of the industrial economy that equals it to the sum of production costs, while in the service economy all deposits (cash or no cash) are considered to obtain some useful product (the functional object or system is purchased); functional system in terms of its complexity and vulnerability, and understanding of the risks existing in all-economic policy or management decisions; the systemic bases of modern economies and increasing complexity of technological development, which requires risk control and reduce uncertainty to an acceptable level, the wider view of the business (business risk) and the net risk (premium type) which is concentrated on each level where the vulnerability and the overall process of economic uncertainty grows.

These premises derive also new demands on human labor. The key role of the economy is the solving of the employment problem. According to Giarini and Lidtke (GIARINI – LIDTKE, 1997) the service economy expands the concept of productive activity for the services and the assets and wealth of society, incorporating the value produced by women in household work. In addition to services in the economy the economic agents must learn to appreciate the work more than admire the

point of sale. In practice, new forms of employment and work organization are appearing, such as consulting services in the frame of sub-contracts, the establishment of incubators and industrial parks.

The concept of productive work is understood on the basis of following facts. Services are a key component in the process of production of material goods, and their function has infiltrated into, and pervaded the production process. The consumer is increasingly involved in the global production system and in the increasing social recognition of these activities, which may not always be integrated into the market. This results in three types of productive activities: monetized, applied at the market, activities of social significance, which may or may not be evaluated in monetary terms, and self-productive and self-consumed activities. (MICHALOVÁ, 1995)

Results and discussion

In this chapter the individual components of the competitiveness of national economies, as well as their overall level in national economies of the selected European countries, will be evaluated. The quality control and management systems of selected services that have a direct impact on competitiveness will also be evaluated boundaries of the sector classification.

Application of methods for assessing the position of the Czech Republic among the new members of the EU (the Central European countries)

Multidimensional scaling methods will be used to analyze the position of the Czech Republic among the other transitional economies of Central Europe. The competitive assessments has been carried out 4 years after joining the EU.

Analysis of surveyed economies
Hungary, Poland, Slovakia and Slovenia (members of the EU in Central Europe) might be viewed as the main competitors for the Czech Republic. The situation of the researched economies changed during their membership in the EU. Some positive developments are visible and continuing the current trend we can observe this for the Czech Republic and Slovenia. The economic indicators of Slovakia show very clearly the reasonable usage of systematic reforms such as in social system, pension schemes etc. The positive situation in Slovakia could be underlined by the very high GDP growth rate. A positive improvement could be seen in Poland, as the most improved country in the agricultural sector in the researched group. There are also negative tendencies in the developments, as in case of Hungary. The economic data has shown a very weak, non-systematic reform of the economy, lack of reasonable usage of the EU funds and also problems in the government of the country.

If we compare the position of the economies due to the three given comparison methods, we create the following score list. The Czech Republic is in first place, Slovakia in second place and Slovenia in third place, followed by Poland and Hungary in the last position. This list has been created from the results of every used method. In the case of PM the number of points varies from 806 by the Czech Republic to 597 in case of Hungary. If we look at the score list made by the SVVM we can observe the shift in the position of Slovakia to second

place and the changes in places between Hungary and Poland. In the case of distance from the fictitious object method the situation is the same regarding the ranking of the countries.

The competitiveness of the economy reflected the impacts of services that extend to other sectors such as ICT development and quality support organization for investors and exporters. The latter services have a significant multiplier effect, so they should be surveyed in selected economies.

Support services for the development of competitive economies

From the entire spectrum of government, public and private agencies that provide assistance for businesses and investments we will focus on the most important national organizations that are established in each country for the purpose of developing foreign trade and investment.

- The Czech Trade Agency and Czech Invest Agency
- The Public Agency of the Republic of Slovenia for Entrepreneurship and Foreign Investments
- The Slovak Agency for the development of Investments and Trade
- The Hungarian agency for the development of trade and investments
- The Polish Agency for Information and Foreign Investment

Although the core organizations of the analyzed countries for supporting activities in the area of foreign trade and investment are very similar, it is obvious that their efficiencies and performances differ. The basis for these differences includes historical experience and traditions of services, activities, links to international networks and relationships on a global scale and continuous improvement of relations with companies within the national economies, and multinational corporations. Another important factor is the range of special services and customer service such as an information portal - e.g Business Info possessed by the Czech Agency - CzechTrade. Other important activities are linked to the organization of relationships. The methods taken from the philosophy of customer relationship management proved to be efficient itself, helping to identify new clients, care for them and create for them specifically the optimum value, going beyond high quality advisory products. Clearly this approach has been followed by the Hungarian Agency for the development of trade and investment, but other agencies also show some elements of this system, although they do not declare it publicly.

To assess the quality of the services provided by the agencies to promote exports and investment in the country the SERVQUAL Method was chosen, for which the general principles were set out in the chapter dealing with methodology. According to the methodology the quality criteria were established by the following indicators listed in the table. The importance for individual quality criteria was evaluated as follows: The quality of information, as the most important feature was given 30%, guidance, manuals, together with the existence of customer care, and growing business relationships both received 25%, support and transparency of structure and consistency of information has been assigned both 10%. Sub-components were scored using a 1-5 scale (where 1 means 'bad' and 5 means 'good'), and whenever the area was absent in the menu, the Agency did not receive any points. The results of the assessment are presented in the following Table 1.

Table 1: Results by the application of the SERVQUAL Method for evaluating the service quality of chosen agencies

SERVQUAL Components	Evaluation Criteria	Weights	CzechTrade/ CzechInvest	Value	JAPTI	Value	SARIO	Value	ITDH	Value	PAIiIZ	Value
Tangibles	**Background and transparent structures**	10	14	140	9	90	10	100	9	90	10	100
	Support by the ministries		5		5		5		5		5	
	The availability of advisory centers		5		1		2		1		1	
	The quality of on-line communication		4		3		3		3		4	
Reliability	**Quality of information**	30	30	900	30	900	25	750	23	690	27	810
	timeliness		5		3		1		1		3	
	objectivity		5		4		4		4		5	
	language versions		2		5		3		4		4	
	links to more information on the web		3		5		3		5		5	
	statistics and prognosis		5		4		5		1		3	
	B2B		5		5		5		5		4	
	B2C		5		4		4		3		3	
Responsitiveness	**Complexity of information**	10	23	230	16	160	17	170	11	110	18	180
	news from the country		4		4		1		1		4	
	the economy		5		3		4		3		4	
	legislation		5		2		4		1		5	
	social affairs		3		1		4		1		1	
	technology		2		4		2		3		2	
	ecology		3		1		1		1		1	
	demography		1		1		1		1		1	
Assurance	**Consulting and existence of handbooks**	25	15	375	6	150	8	200	8	200	12	300
	Information on business in EU single market		5		3		3		4		4	
	Point of single contact		5		0		0		0		5	
	territorial information		5		3		5		4		3	
Empathy	**customer relationship and care**	25	18	450	7	175	19	475	15	375	7	175
	CRM systém		3		0		3		5		0	
	after care		5		1		2		3		2	
	fairs and exhibitions		4		2		4		2		4	
	glossary, ordering tickets, accommodation etc.)		0		1		0		5		1	
	links to social networks		3		3		5		0		0	
	discussion forums and bloggs		3		0		5		0		0	
	Total value	100		2095		1475		1695		1465		1565

Source: Author

The resulting total value came out to be the best for CzechTrade and CzechInvest, the second best result was achieved by the Agency Sario. The Polish Agency PAIiIZ is ranked third. The last position is taken by the Hungarian agency ITD Hungary, although the scores for the Slovenian agency JAPTI is only slightly better. The rather bad performance of JAPTI is partly explained by its short history of existence.

It is obvious that the competitiveness of the economy is enhanced not only by the high quality consulting services for corporate clients. Agencies play a significant role in activities that are characterized by their multiplier effect for both the development of all specific upstream industries, and for employment in the regions, increasing production and international transfer of know-how, etc. These agencies provide support not only for the specific investment and export activities, but they also contribute to greater market transparency, especially in liberalized economies, for corporate decision-making with substantial advantage. Their activities are also focused on training activities, which mainly support the upgrading of the skills and expertise of local entrepreneurs. Thus the development of services has a direct effect on the competitiveness of enterprises and of the national economy.

Testing the dependence of service quality of agencies and the competitiveness of national economies

Based on the results of the scoring method for the level of competitiveness and the results obtained by the SERVQUAL Method assessing the level of service quality, a correlation coefficient was computed.

The Pearson correlation coefficient for these values is r = 0.681823618. Thus we can conclude that between variables a degree of interdependence exists. In testing the hypothesis that competitiveness and service quality are independent variables at significance level α = 5 %, we cannot reject this hypothesis, as the relevant statistical tables indicated a critical value for r (5, 0.05) to be 0.8783. As our r value is lower than this critical value the independence-hypothesis cannot be rejected.

If, however, the surveys will consider competitiveness as a qualitative variable, allowing the use of only the rankings economies, we can use Spearman's correlation coefficient for determining the relationships of the two variables addiction.

Spearman correlation coefficient r_s assumes values in this case 0.9. In testing the hypothesis that competitiveness and quality are independent variables at significance level α = 5 %, now we can refute this hypothesis, as in the tables is indicated a critical value for r_s(5, 0.05) = 0,9. Competitiveness of national economies and the quality of services for entrepreneurs are thus independent.

Further research will be oriented on testing the multicriterial methods on their relevancy – which of them can show the trend of economy development. The SERVQUAL method is able to evaluate the quality of the provided services but not the costs connected with their provision. It might be seen as a weakness for this service value evaluation method.

Conclusion

Services represent a very important part of the national economy. Their influence can be seen in a multiplier effect that they have in the economy and cannot be seen only in live performances of the various industries. It

is necessary to include an overall positive effect of services as well as their direct impact on other sectors of the subsequent industry. In this respect, services and the quality of service management have an impact on economic competitiveness.

It is shown even by the international comparison of national economies in selected Central European countries including the Czech Republic. There is a marked difference between the level of competitiveness and free share of services in GDP, calculated at purchasing power parity. Best in this comparison had been the economies of the Czech Republic, Slovenia and Slovakia, in a year by year comparison. This positive trend can be attributed to the correct settings of liberalization of the economy that can benefit from the transfer of know-how and the inflow of foreign investment, as well as to the development and use of traditional production based on innovation and utilization of opportunities through membership in the European Union.

An example of transition economies in Central Europe showed how important in this respect it is to properly manage the supporting organization for business development, exports and investment, enhancing thereby the liberalization of services and the influx of foreign capital. Support activities in the area of foreign trade and investment are very similar in the analyzed countries regarding their core organization, while their efficiency and effectiveness varies. The basis for these differences is found in historical experience and traditions of services, activities, links to international networks and relationships on a global scale and continuous improvement of relations with companies within the national economies, and multinational corporations.

Another important role is played by special services and customer service such as an information Portal – e.g. Business Info maintained by the Czech Agency - CzechTrade. Other important activities are linked to the organization of relationships. The methods taken from the philosophy of customer relationship management, helped to identify new clients, care for them and create for them a complex optimum value. Clearly this approach has been shown by the Hungarian Agency for the development of the trade and investment, but other agencies also showed some elements of this system.

It is obvious that for the competitiveness of the economy is not enough to provide high quality consulting services for corporate clients. Agencies play a significant role in such activities characterized by their multiplier effect for both the development of each specific upstream industry and for employment in the regions, increasing production and international transfer of know-how.

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