THE DEVELOPMENT OF COMPETITIVE POTENTIAL AS A CONDITION FOR INCREASING THE COMPETITIVENESS OF PHARMACEUTICAL COMPANIES IN BULGARIA

Rumenova Svetlana Timofeeva
Ph.D. Candidate in the Department "Management and Marketing", South-West University "Neofit Rilski", Bulgaria

An enterprise’s competitiveness is a category that can be characterised as real and potential. Each company has a certain competitive potential, which in turn is a condition for increasing the competitiveness. The aim of the article is to reveal the influence of competitive potential on the competitiveness of the pharmaceutical companies in Bulgaria. The following research methods are applied: financial ratios and analysis model of solvency assessment Durand as tools for performing a valuable approach for determining the competitiveness and competitive potential.

Keywords: competitive potential, current competitiveness, potential competitiveness, pharmaceutical industry.

Introduction. The pharmaceutical industry in Bulgaria has a key importance for the modern Bulgarian industry. Users of the sector's production are the entire population of the country. The produced output is competitive and part of it is realised on the world markets. To carry out successfully its competitive activity, enterprises should continuously develop their competitive potential, thus contributing to keeping sustainable levels of competitiveness.

An enterprise's competitive potential is a complex set of competitive opportunities that shape the factors of the enterprise's internal environment, provide the external environment factors and generate the enterprise's competencies in planning flexible and
adequate competitive conduct for amendment of the external environment [20, p. 279].

R. Dimitrova stated that the competitive potential of the enterprise is a system of resources, which is characterised by corresponding quantitative and qualitative indicators (parameters), and reflects the possibilities for active, dynamic development and achievement of the set goals in a changing external environment [3, p. 26]. The main system components of the enterprise's competitive potential relate to management, resource, marketing, innovation and financial potential [3, pp. 27-28].

When performing an analysis of the competitive potential of an enterprise should be considered the influence of extrinsic factors to raise competitiveness of the enterprise as well as the preconditions to improve them [21, p. 106]. An expression of an enterprise's competitiveness is its adaptability, expressing the adequacy of its responses to the impact of the environment and complying the amendments to the dynamics of the environment [6, p. 85].

According to N.P. Abaeva and T.G. Starostina, should distinguish between the concepts of real and potential competitiveness of the enterprise. The real competitiveness is determined by the market share compared to key competitors. The potential competitiveness is determined by the competitive potential of the organisation, which was formed through combining production, technological, financial, innovation, personnel, management and other elements of potential [1, p. 24].

For the analysis of the competitive potential it is necessary, in addition to taking account of the current indicators characterising activities of the firm, to analyse the capabilities of each company to become competitive on the market in which it operates. Therefore, the competitiveness indicator, formed by reflecting the impact of the competitive potential of the enterprise, is an appropriate benchmark for determining the potential competitiveness of the company as an integral value.

**Methodology.** For the purpose of the study applies a value approach, which determines the level of competitiveness of the enterprise resulting from the impact of the competitive potential and the change in its level.

The first step of the analysis is the calculation of the current competitiveness coefficient for expressing the ratio between the gross proceeds of sales. The criterion, as the competitiveness of an enterprise is the relationship between gross profit and net turnover, compared to the previous period (if the ratio goes up, competitiveness is retained, but if the value goes down-weakens and competitiveness) [16, p. 70]. Thus the trend is expressed in amending the ratio. The higher the factor for competitiveness, comprised shall be the most competitive company. Also, it must be an increasing value.

The next item, which is calculated, is the model of Durand for the assessment of solvency of the undertaking. It serves to determine the development of the competitive
potential. The model allows to analyse the solvency of an enterprise. It represents an integral evaluation of financial sustainability based on scoring analysis. Three indicators are used:

- Profitability of total capital (%);
- Current liquidity coefficient;
- Coefficient of financial independence.

In the model, these three factors involved with particular severity:

- Profitability of total capital - 150;
- Ratio of total liquidity - 33.33;
- Financial autonomy ratio – 40.

In accordance with this model the enterprises are divided into five classes:

I - Financially sustainable enterprises, which will return the loan;
II - Business, with the risk in respect of the indebtedness, but cannot be considered as risky;
III - Problematic companies;
IV - Undertakings with a high risk of bankruptcy even after the implementation of measures in their financial rescue;
V - Practically insolvent enterprises [12, pp. 25-27].

The method allows, after analysis of the trend in the solvency change, to determine the competitive potential of the enterprise in relation to its solvency. If it is an upward indication, the conclusions are the enterprise will get a good credit score when a credit is needed. This is also an indicator that allows foreign investors to assess the credit risk of an enterprise in the willingness on the part of the investor to work with the surveyed companies [12, pp. 25-27].

The next step of finding out the development of the enterprise’s competitive potential is to form a weight score evaluation based on the results of the Durand model used to draw conclusions on the solvency and financial sustainability of enterprises. By comparing the trends in the change of the quantity obtained as a result, it is possible to predict the direction of development of the competitive potential of the enterprise and, consequently, its impact on the increase of competitiveness.

After calculating the weights, according to the defined class to which businesses belong, a general weight evaluation is made as a sum of the weights by the individual indicators. Because the overall weight score can be traced and the change in the competitiveness.

**Analysis of recent research and publications.** Based on the analytical study of the literary sources in this paper, it is concluded that the competitiveness and competitive potential of the enterprise are subject to research by a number of scientists.
The subject develop is based on modern theoretical ideas of authors in the field of competitiveness and competitive potential as Porter, M. [15], Fathutdinov, R.A. [5], Mazilkina, E.I. and Panichkina, T.G.[13], Mironov, M.G.[1], Fashiev, H.A. [4], Semenenko, S.V. [19], Frum, O.L. [9], Tchainikov, L.N. And Tchainikova, V.N. [2], Suska, A.A. [20], Goldstein, G.Y.[10], Salihova, J.Y. [18] etc.

On the basis of the definitions given by some authors, such as Fashiev, H.A. [4] and Ivanova, E.A. [11], is the distinction between real and potential competitiveness of the undertaking which makes the connection with its competitive potential as a condition for increasing the potential competitiveness. This relationship between the categories is also found in the definition given by Fomchenkova, L.V. And Dli, M.I. [7], according to which the competitive potential provides the competitiveness of the enterprise and creates the conditions for the development and improvement of the competitive position of the enterprise in the future.

Previously unsettled problem constituent. At the same time, our studies show that no more further research has been conducted in the pharmaceutical industry in Bulgaria about the impact of the competitive potential on the competitiveness of pharmaceutical companies. The need for research on competitiveness and the competitive potential of pharmaceutical companies is justified, on the one hand, the dynamics of the categories and permanent changes in factors of environment of enterprises and, on the other hand, by the pharmaceutical industry as the sector “with the highest value added per worker” and "the highest intensity of research and development [8]."

Main purpose of the article. The aim of the article is to reveal the influence of competitive potential on the competitiveness of the pharmaceutical companies in Bulgaria.

Results and discussions. Based on the results of the calculated competitiveness ratio as a ratio between gross profit and net turnover, the change in the competitive position of enterprises over the years from a five-year survey period can be traced. For each item, that corresponds to the company's place on the list, the weight score is determined. According to the total score for the five years formed one average, which gives the establishment one of the three possible classes of competitiveness indicator - respectively high, moderate and low.

The following table (Table 1) groups all tested companies, according to the class of a company's competitiveness.
Table 1. **Group companies according to their affiliation to the class of competitiveness**

<table>
<thead>
<tr>
<th>Company name</th>
<th>Class I</th>
<th>Class II</th>
<th>Class III</th>
</tr>
</thead>
</table>

**Source:** Author’s systematisation

After calculating the scores, according to the defined class in which the companies fall, a general weight score evaluation is made as a sum of the three weight scores by the individual indicators. After determination of the common weight score for each one of the establishments in each year of the research period, we have the ability to track the trend in the solvency change.

Table 2. **Grouping into classes by level of competitive potential, according to the method for the assessment of solvency Durand**

<table>
<thead>
<tr>
<th>Company name</th>
<th>Class I</th>
<th>Class II</th>
<th>Class III</th>
<th>Class IV</th>
<th>Class V</th>
</tr>
</thead>
</table>
Analysing the summary data for the pharmaceutical industry, we can see that there is not characteristic persistence in the level of solvency. Even the large and well-established companies are not in the top positions. However, the majority of them are developing their potential to lower credit risk and high solvency in a positive way.

Table 3. **Grouping enterprises, according to the level of the financial condition and according to the level of competitive potential**

<table>
<thead>
<tr>
<th>Level of financial condition</th>
<th>Name of the Enterprise</th>
<th>Class of the competitive potential</th>
<th>Name of the Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group 1</strong></td>
<td>Balkanpharma Troyan AD, Unipharm AD, Balkanpharma Razgrad AD, BB - NCIPD EOOD, Inbiotech OOD, Medica AD, MS Pharma AD, Ramcopharm OOD, Pharma AD – Dupnitsa, Chemaxpharma EOOD.</td>
<td><strong>Class I</strong></td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>Group 2</strong></td>
<td></td>
<td><strong>Group 2</strong></td>
</tr>
<tr>
<td></td>
<td>Balkanpharma Dupnitsa AD, Sopharma AD, Tchaikapharma High Quality Medicines AD, Veta Pharma AD, GE Pharmaceuticals OOD, Pharmaceutical Plants Milve AD, Fortex Nutraceuticals OOD.</td>
<td><strong>Class II</strong></td>
<td>BB - NCIPD EOOD, Balkanpharma Troyan AD, MS Pharma AD, Roche Bulgaria EOOD, Fortex Nutraceuticals OOD, Chemaxpharma EOOD, Inbiotech OOD.</td>
</tr>
<tr>
<td></td>
<td><strong>Group 3</strong></td>
<td></td>
<td><strong>Group 3</strong></td>
</tr>
<tr>
<td></td>
<td>CSC Pharmaceuticals Bulgaria EOOD, Ecopharm EOOD, Adipharm EAD, Adisan Pharma EOOD.</td>
<td><strong>Class III</strong></td>
<td>Adipharm EAD, Balkanpharma Dupnitsa AD, Balkanpharma Razgrad AD, Sopharma AD, Pharma AD – Dupnitsa, Kami Medical EOOD, GE Pharmaceuticals OOD, Ecopharm EOOD, Medica AD, Unipharm AD, Ramcopharm OOD, CSC Pharmaceuticals Bulgaria EOOD, Tchaikapharma High Quality Medicines AD.</td>
</tr>
<tr>
<td></td>
<td><strong>Group 4</strong></td>
<td></td>
<td><strong>Group 4</strong></td>
</tr>
<tr>
<td></td>
<td>Roche Bulgaria EOOD, Nobel Pharma EOOD, Galen Pharma OOD.</td>
<td><strong>Class IV</strong></td>
<td>Adisan Pharma EOOD, Veta Pharma AD, Pharmaceutical Plants Milve AD, Galen Pharma OOD.</td>
</tr>
<tr>
<td></td>
<td><strong>Group 5</strong></td>
<td></td>
<td><strong>Group 5</strong></td>
</tr>
<tr>
<td></td>
<td>Alvogen Pharma Trading Europe EOOD, Kami Medical EOOD.</td>
<td><strong>Class V</strong></td>
<td>Alvogen Pharma Trading Europe EOOD, Nobel Pharma OOD.</td>
</tr>
</tbody>
</table>

**Source:** Author’s systematisation
The findings after comparison of the financial situation and the competitive potential are aimed at determining which companies, despite the precarious financial position have a high possibility to increase their competitiveness.

According to the comparative table of the current financial situation and the competitive potential of the enterprises, stand out a total of three groups. The first group includes companies whose financial status is higher than their competitive potential, the second group of companies includes those, whose group and class match as a number, and in the third group are undertakings whose competitive potential is in a higher class than their financial condition. The analysis of the profile of the companies belonging to the third group could serve as a benchmark in determining the criteria for increasing the competitive potential.

Table 4. Grouping enterprises, according to the trend of alteration of the competitive potential

<table>
<thead>
<tr>
<th>Group 1</th>
<th>Group 2</th>
<th>Group 3</th>
</tr>
</thead>
</table>

**Source:** Author’s systematisation

Should match the studied companies in two indicators - competitiveness and competitive potential. For this purpose, we'll use a table that will spread them. The table represents the matrix, adapted to the specificity of the sector.
Table 5. **Matrix for positioning of enterprises according to their affiliation to the respective classes of competitiveness and competitive potential**

<table>
<thead>
<tr>
<th>Class of competitiveness of the Enterprise</th>
<th>I</th>
<th>II</th>
<th>III</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>MS Pharma AD, Chemaxpharma EOOD, BB - NCIPD EOOD.</td>
<td>Balkanpharma Troyan AD, Fortex Nutraceuticals OOD, Roche Bulgaria EOOD, Inbiotech OOD.</td>
<td></td>
</tr>
<tr>
<td>II</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>III</td>
<td>Adipharm EAD, Sopharma AD, Tchaikapharma High Quality Medicines AD.</td>
<td>Balkanpharma Dupnitsa AD, Balkanpharma Razgrad AD, GE Pharmaceuticals OOD, Ecopharm EOOD, Kami Medical EOOD, Medica AD, Ramcopharm OOD, CSC Pharmaceuticals Bulgaria EOOD.</td>
<td>Pharma AD – Dupnitsa, Unipharm AD.</td>
</tr>
<tr>
<td>IV</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Author’s systematisation

The results of the calculated integral evaluation are outlined in the following table.

Table 6. **Integrated assessment of competitiveness, according to the place in the matrix of each of the companies**

<table>
<thead>
<tr>
<th>Class of competitiveness of the Enterprise</th>
<th>I</th>
<th>II</th>
<th>III</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>3.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>II</td>
<td>2.75</td>
<td>1.75</td>
<td>0.75</td>
</tr>
<tr>
<td>III</td>
<td>2.50</td>
<td>1.50</td>
<td>0.50</td>
</tr>
<tr>
<td>IV</td>
<td>2.25</td>
<td>1.25</td>
<td>0.25</td>
</tr>
<tr>
<td>V</td>
<td>1.00</td>
<td></td>
<td>0.00</td>
</tr>
</tbody>
</table>

**Source:** Author’s systematisation
According to the summary score generally can identify three levels of potential competitiveness:
1 - rated from 3 to 2.25 - high potential competitiveness;
2 - with a score of 2 to 1.25 - moderate potential competitiveness;
3 - with a score from 1 to 0 - lowest potential competitiveness.

According to the formed weight score may draw the conclusion that with a score from 0 to 1 inclusive are 6 enterprises; 1.25 to 2 includes fourteen enterprises; from 2.25 to 3 includes six enterprises.

Table 7. Number of enterprises, according to the level of potential competitiveness

<table>
<thead>
<tr>
<th>Number of enterprises</th>
<th>With high potential competitiveness</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>With moderate potential competitiveness</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>With low potential competitiveness</td>
<td>6</td>
</tr>
</tbody>
</table>

**Source**: Author’s systematisation

Graphically depicting the proportion of enterprises, according to the level of potential competitiveness looks like this:

![Diagram](image-url)
In the production of pharmaceuticals sector, apparent from the analysis undertaken, 54% of enterprises surveyed have a moderate potential competitiveness.

Analysing the results of the application of the method for calculating the current competitiveness, we should make some conclusions.

Sopharma AD, Balkanpharma Dupnitsa AD and Balkanpharma Razgrad AD, maintained their solvency level for class three, which, according to the method used is the class with problematic enterprises. Although the summary assessment, analysing the result, this reference to class three of the leading industry companies is due to the low profitability of equity. Financial independence and overall liquidity are in a higher class.

In the permanent grade two for the research period are Roche Bulgaria EOOD, the leading company in sales of medicinal products on medical prescription, Balkanpharma Troyan AD, Forteks Nutraceuticals OOD and Chemaxpharma EOOD. This is the class of companies at risk in respect of the indebtedness. With the positive trend in the change of the solvency are the companies: Tchaikapharma High Quality Medicines AD, Unipharm AD, BB - NCIPD EOOD, GE Pharmaceuticals OOD, Medica AD and CSC Pharmaceuticals Bulgaria EOOD.

A negative trend in the change of the overall weight score has: Ecopharm EOOD, Adipharm EAD, Veta Pharma AD, Galen Pharma OOD, Inbiotech OOD, Kami medical EOOD, MS Pharma AD, Nobel Pharma OOD.

On the other hand, the indicator is too dynamic to be interpreted only according to the trends of the five-year period.

Judging by the constant changes in the environment, a comparison for the last two periods would be more suitable for the top positions on the solvency of companies and the lowest levels of risk.

For the 2013 companies in the first class are missing. Nine businesses are in the second class, eleven establishments are in class three, four are in the fourth grade and two to grade five.

In 2014 four of the positions are in class up, as well as four companies have a negative trend. The rest retain their position.

A leading enterprise in 2014 with first class is BB - NCIPD EOOD, followed by CSC Pharmaceuticals Bulgaria EOOD, MS Pharma AD, Ramcopharm OOD, Roche Bulgaria EOOD, Tchaikapharma High Quality Medicines AD, Unipharm AD, Balkanpharma Troyan AD, Chemaxpharma EOOD, GE Pharmaceuticals OOD, Fortex Nutraceuticals OOD, Medica AD, according to the value of the weight score, respectively, belonging to class two. Class three, again according to the value of the summarised weights evaluation is in the following sequence: Balkanpharma Dupnitsa AD, Adipharm EAD, Pharma AD – Dupnitsa, Balkanpharma Razgrad AD, Sopharma
AD, Inbiotech OOD.

At the bottom of the rankings are four companies, belonging to group five - Alvogen Pharma Trading Europe EOOD., Galen Pharma OOD, Kami Medical EOOD and Nobel Pharma OOD with a zero rating.

By applying the model of Durand, we are again getting results, on the basis of which we can analyse current and potential capabilities of the enterprises surveyed in connection with their competitiveness.

To the group three belong the Enterprises: Roche Bulgaria EOOD and Kami Medical EOOD. The two companies have a lower real competitiveness compared to their competitive potential.

Group two belongs to the enterprises whose competitive potential corresponds to the level of their real competitiveness. These are the companies: Adipharm EAD, Alvogen Pharma Trading Europe EOOD., Galen Pharma OOD, Ecopharm EOOD, Forteks Nutraceuticals OOD, CSC Pharmaceuticals Bulgaria EOOD.

In the first group are the other undertakings whose real competitiveness is in a higher class than their competitive potential.

**Conclusions and further research directions.** Companies today operate under a market uncertainty. In order to take correct management decisions of the management staff, it should be provided with reliable and objective information of an economic nature of business of the company. So decisions can be made without taking unjustifiably high risk. There is a direct link between the management of the enterprise's competitiveness and financial analysis, and it is expressed in the fact that the financial analysis is a tool for effective management of the enterprise's competitiveness.

The level of company's competitiveness can be evaluated by using the results of the calculated coefficients affecting profitability and solvency of the enterprise, which indicators directly affect the opportunities for successful management of competitiveness.

Organisations cannot directly influence on financial results, since in principle, financial indicators have efficiency character, i.e. they are a consequence of the overall management and operation of the enterprise. Attention should be directed to those areas where direct management is possible.

Our companies such as Sopharma AD, part of the most successful group of companies in Bulgaria and even the biggest pharmaceutical company in Bulgaria, as well as Balkanpharma Dupnica AD and Balkanpharma Troyan AD, as production facilities of large and continuously growing global company, Actavis, Roche Bulgaria – the first in the sales of medicinal products, sold by prescription in the country, and last but not least Tchaikapharma High Quality Medicines AD as the fastest growing
manufacturer of medicinal products in Bulgaria, are also with one of the most successful results of their work, because their leadership strives to attain higher results similar to those of large European and world leaders.

Unlike the results that determine the most competitive enterprises at present, the level of competitive potential in these same companies may be lower than in some of the companies with a lower competitive position at the moment.

The competitive potential of the enterprise is mainly based on implicit potential for future development and improvement of the competitive position by increasing the level of competitiveness. Many of the new companies on the Bulgarian market have a low current competitive position, but with stable indicators, providing a positive trend tendency to develop their competitive potential.

Through the development of an expanding communication network with organisations operating in the field of innovation and research, following the trends for increasing consumption, the higher awareness of the Bulgarian citizens about their health culture, and therefore great care to maintain the health, companies operating in the field of pharmaceutical production will have competitive potential, developing in a positive direction and influencing the rise of competitiveness.

Undertakings engaged in the pharmaceutical industry, have to continuously improve their management methods as they operate in an extremely dynamic environment with ever-changing circumstances. Competition in this sector is very high because the demand of medicinal products in Bulgaria is at a high volume. Businesses need to be constantly ready to respond to any change in the market. It is desirable to take an example from the big international companies, leaders in the industry.

Despite the fact that the market is saturated, it can be expected that there will be a positive trend in the supply of drugs, so businesses will continue expanding of their deals and especially those that are export-oriented. In recent years Bulgaria has been able to comply with the corresponding to all the countries of the European Union directives and regulations. Due to the European requirements for this sector, domestic producers have made significant investments to modernise their production facilities. Many of the top producers in the country have been privatised and international activity is becoming increasingly important for the sector’s development.

The Bulgarian pharmaceutical industry has established itself as one of the fastest growing sectors of the Bulgarian economy in recent years. Traditions and good experience in producing high-quality pharmaceuticals at competitive prices are advantages that make the Bulgarian pharmaceutical market an attractive destination for starting a successful business.

The future studies of the author will be directed towards research and evaluation of
the ways to develop the competitive potential of pharmaceutical companies in Bulgaria in order to increase the competitiveness of enterprises.

References
RAZVITIE KONKURENCTNOGO POTENCIALA KAK USLOVIE PovySHENIYA KONKURENTOspособности PHARMAVEUTICHSKIH KOMPANIY V BOLGARII

Timofeeva Svetlana Rumenova
aspirant kafedry "Menedzhment i marketing"

Югоzapadnij universitet «Неофит Рильски», Болгария

Конкурентоспособность предприятия - это категория, которую можно охарактеризовать как реальную и потенциальную. Каждая компания имеет определенный конкурентный потенциал, что, в свою очередь, является предварительным условием повышения конкурентоспособности. Цель статьи - выявить влияние конкурентного потенциала на конкурентоспособность фармацевтических компаний в Болгарии. Применяются следующие методы исследования: финансовые коэффициенты и модель анализа платежеспособности Durand как инструменты для реализации ценного подхода для определения Уровень конкурентоспособности и конкурентный потенциал.

Ключевые слова: конкурентный потенциал, текущая конкурентоспособность, потенциальная конкурентоспособность, фармацевтическая промышленность.