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## **BUILDING THE COMPETITIVE ADVANTAGE OF COMPANIES IN THE NEW ECONOMIC REALITIES**

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In this article the author described the subject of building competitive advantage by modern enterprises operating in an environment dominated by globalisation, technological progress and intangible resources. To this end, the characteristics of the modern knowledge-based economy have been defined, as well as the relationship between the concepts of competition, competitiveness and competitive advantage. The main aim of the article is to identify new challenges and conditions for building competitive advantage by modern enterprises. The analysis of source materials, market observations and data from the conducted empirical survey confirmed that the main determinants of building competitive advantage, in such turbulent market conditions, is the knowledge, competence and skills of employees, who are responsible for creating and implementing new solutions.

**Keywords:** competitive advantage, globalisation, knowledge-based economy, knowledge

### **1. INTRODUCTION**

From the age of the industrial economy, the whole world has gone into the age of a knowledge-based economy. The new demands placed on businesses by the environment are the result of radical changes that accompany globalisation. As a result, knowledge has become not only an independent, but also the basic production resource of the majority of economic operators. The drive to innovate has completely changed the principles of how companies build competitive advantage. Enterprises, which are finding it increasingly difficult to maintain a high level of material resources, now base their competitiveness on intangible factors, shaping

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their organisational culture on the basis of knowledge.

It is therefore particularly important, both from a scientific and practical point of view, to identify and analyse the factors influencing the creation of a competitive advantage by enterprises. Key determinants of the modern economy certainly have a great influence on this sphere, due to mutual interactions. That is why their definition is very important in the subject of competitive advantage. Therefore, the aim of the article is to analyze the influence of determinants of the contemporary economy on building competitive advantage of enterprises operating on the market. Additionally, the author will attempt to identify new sources of creating competitive advantage of companies on the market.

### **1.1. Determinants of modern economy**

In today's market realities, the chances and opportunities of enterprise development are determined mainly by the ability to create and implement various innovative projects, which help adapt to constantly changing and unexpected requirements of the market economy.

It can be assumed that in the 21<sup>st</sup> century three main forces dominate, which significantly determine all aspects of the functioning of modern enterprises on the market. The first is globalisation, or liberalisation of the exchange of all goods and services, with knowledge and the transfer of people. The second characteristic of a knowledge-based economy is rapid technological progress, which brings with it many challenges and dilemmas. The third basic distinguishing feature is the increase in the importance of intellectual capital. In the new reality, product markets and financial markets will play a less important role than ever before – the predominance of a company or region will rather be determined by its ability to find, retain and develop talented people.

Globalisation means an increase in the internationalisation of national economies and the permeation and convergence of commodity and services, financial and labour markets. The essence of globalisation is the processes of deepening division of labour and broadening of market outlets, which manifest themselves in creating international economic connections. The basis for the progressing globalisation lies primarily in the liberalisation of conditions for the development of international trade, foreign investment and financial markets. Increasing international competition determines the dynamic changes that are taking place in different directions. Globalisation results in the disappearance of national borders. The easy movement of capital means that formal borders between national labour markets are eliminated. Links between global labour markets can be considered in the context of direct international flows of people and labour resources (globalisation of population migration) and indirect links – through international integration of production (Dach, 2012, p. 252).

With regard to the notion of intellectual capital, more and more terms and patterns of its definition are appearing today. However, in the author's opinion, L. Edvinsson (2001, p. 45) created the most recognized definition of intellectual capital: human capital and structural capital. It can therefore be concluded that intellectual capital is the assets of an organisation that has been created on the basis of knowledge. It is the sum of a very large number of intangible assets that are responsible for shaping the market value of each enterprise in the 21<sup>st</sup> century. In theory, but also in practice it is often referred to as a capital of knowledge or intellectual matter.

Speaking about the components of intellectual capital, it is created primarily by a set of individual potentials of the participants in the organization, in the form of physical, mental, intellectual and moral characteristics, shaped by predispositions, talents, knowledge, skills, skills, motivation, health and vital energy, which enable the functioning and development of individual individuals. Another component - organizational capital (structural) - is a structure supporting employee effectiveness. This capital includes technology, organisational culture, management methods and concepts, databases, formal and informal procedures, communication and computer systems, patents, copyrights, design rights, trade marks and service marks, company innovation, organisational learning capacity, strategy creation processes and management styles that enable the company to function. The last component, relational capital - determines the degree of market recognition and the extent of the company's relationship with its counterparties. It includes such elements as: trademark, customers and their loyalty, distribution channels, contracts, contracts and agreements with subcontractors, trading partners, investors, banks, public institutions, etc. (Bombiak, 2012).

To sum up, it is globalisation, compounded by unprecedented technological progress on such a large scale, together with the growing role of knowledge and intellectual capital, that are the main determinants of markets in the modern world. All of this leads to radical changes, which must take place in the organisational structures and company strategies. With the age of the knowledge-based economy, new work organisation is being created, and the demand for highly skilled people is gradually increasing, with greater mobility, adaptability and non-standard ideas in particular.

## **1.2. The knowledge-based economy**

The changes taking place in companies in the 21<sup>st</sup> century are no longer a result of endogenous factors, but a result of exogenous factors described above. They have led to changes in the role and tasks of businesses. They forced the company's management boards to adapt to the changes, by implementing new technologies and employing professional staff. Modern companies need to create organisational

structures that can cope with market challenges. It must become intelligent organizations, knowledge organizations, i.e. enterprises of the future, which base their strategy on the created intellectual capital.

Today, we cannot doubt that knowledge and information are the main drivers of economic growth and development – they form a completely different economic world. Thanks to progress, breakthrough technologies have been created that have led to the emergence of new, large industries that are based on the knowledge and power of the human mind. With the growing importance of intangible development factors, knowledge has become the most important factor determining economic development. The transition from industrial society to the knowledge society is not without impact on the labour market. In the long term, employment patterns are changing in favour of highly skilled workers – in all sectors of the economy. This does not mean, of course, that the demand for unskilled labour will completely disappear, but the demand for unskilled workers will decrease (Dach, 2012, p. 254).

It was the United States of America's economy, at the turn of the 1980s and 1990s, that was for the first time described as a knowledge-based economy. It was characterized by an emphasis on inventing and implementing innovative technologies on a mass scale. Usually, the knowledge-based economy is associated with everything related to information and communication technology, technological progress and innovation. There is no single definition of a knowledge-based economy. P. Drucker (1985, p. 45) defines it as an economic order in which knowledge, rather than work, raw materials or capital, is a key resource; a social order to solve social and economic problems. In turn, A. K. Koźmiński (2006, p. 159), says explicitly that it is an economy in which many enterprises operate, which base their competitive advantage on knowledge. D. Bell (1973, p. 57), who formulates the term post-industrial society, or A. Toffler (1999, p. 27), calling it the society of the third wave, has a completely different approach to naming this phenomenon.

According to the author of this article, we can distinguish the main attributes that always accompany the concept of a knowledge-based economy:

- its basic asset is knowledge in a broad sense – its carriers are employees,
- its staff are not treated as a source of costs, but as the most important capital,
- management style with authoritarian features has been replaced by participation in management and entrepreneurial style,
- positions and roles in organisations do not depend on function or power, but on knowledge and skills,
- innovative motivating systems are dedicated to individual needs of employees,
- the approach to customers is individual,
- new technologies are used.

This advanced era of globalisation will bring even more demand for knowledge, which has slowly become a major factor in modern production. Knowledge and intellectual capital are the most important assets of companies of the future, despite the fact that they are immaterial. Market competitiveness will cease to depend only

on the possessed material resources – this will increase the modernity of manufactured products or services. According to the author, it is precisely this innovation that is slowly becoming the basic and indispensable tool for building a lasting competitive advantage on such a dynamic market.

### 1.3. Competition, competitiveness and competitive advantage

Companies that want to achieve success in the 21<sup>st</sup> century on the modern economic market must systematically program and adapt all their activities to the current situation. Their owners must seek and implement appropriate components of intellectual capital. A company's ability to achieve a sustainable competitive position in the market today depends on the right combination and functioning of all these elements.

Analysing the contemporary scientific literature of this subject, we can find many concepts related to the term competitiveness. The most important ones are: competition, competitiveness or competitive advantage. The relation that binds these three concepts is presented in the graphic form – Figure 1.

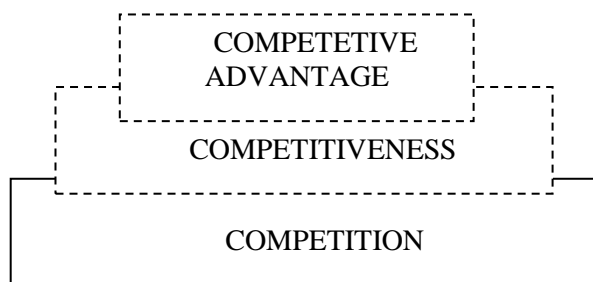


Fig. 1. Relationship between competition, competitiveness and competitive advantage (Kasiewicz, 2006, p. 46)

Competition is a phenomenon characterised by certain types of relations between the parties concerned. This relationship is about competing. In order to compete effectively – despite the obstacles created by competitors to achieve their goals, it is necessary to be competitive (Strużycki, 1998, p. 173). It can also be defined as the market situation, the interaction between sellers or buyers. In the case of competitors selling each of them tries to win the customer by submitting the best offer for him. Buyers can also compete with each other, trying to win the desired product by presenting the best offer to the seller (Adamkiewicz-Drwiłło, 2012, pp. 35-36). In turn M.J. Stankiewicz (2005, p. 19) calls it a phenomenon, the participants of which compete among themselves in striving for the same goals, which means that actions taken by some to achieve specific goals make it difficult (or even impossible) for others to achieve the same goals.

Analysing the above and other definitions, we can see that very often competition is presented as a rivalry between market players who, in order to meet their own objectives, offer their customers better offers while at the same time hindering their competitors.

On the other hand, competitiveness, which stems from and forms part of competitiveness, can be perceived differently from one interest group to another. For example, for customers, competitiveness is limited to the attractiveness of a product or service, while for management boards of companies it concerns the overall functioning of their entities. And, as M. Lubiński argues (1995, pp. 10-11), it is a valuation concept that defines a desirable condition, which is pursued by entities operating on the market through: selling goods or services with profit, maintaining and strengthening the market position in the longest possible period of time.

On the other hand, as far as the definition of competitive advantage is concerned, scientist's opinions are much more divided. Simply put, it means a company's situation on the market is better than others. This means that the entity is more efficient than others. In Table 1, the author presented a broad description of the concept of competitive advantage in literature.

Table 1. Selected concepts of competitive advantage (Szapiro, Ciemniak, 1999, p. 125)

<b>Classic concept</b>	M. Porter	Value chain	Basic strategies	Three strategies: a cost leader, differentiation, concentration	Low cost and uniqueness of the product
<b>Theory based on the company's resources</b>	B. Wernerfelt, G. Hamel, C. Prahalad	Expenditures, assets, main skills	Resources undertakings	Shaping the resources of relations with the environment and competitors	Better use of resources
<b>The concept of advantage position</b>	M. Mintzberg	Position advantage	Company's position	Market adaptation in the process of creative destruction	Better resources, skills and position
<b>Evolutionary approach to the company strategy</b>	J.A. Schumpeter	Market, competition and innovation	Market process	Striving to gain positional advantage	Innovation and adaptation to change
<b>Learning organisations</b>	P. Senge	Acquisition, processing, distribution, information	Processes within the organisation	Knowledge building within the organisation	Knowledge and innovation

For the purposes of this article, its author decided to draw attention to those concepts that are connected with the use of intellectual capital resources. One of them is a concept based on resources and key competences (core competencies), whose authors claim that its subject is not a sector but a company. It is based on key competences – skills that are crucial for the company's performance (Hamel, Prahalad 1990, p. 79). Another concept of building competitive advantage is the situational approach (contingency theory/approach). The essence of this approach is to constantly adapt to changing environmental conditions. The company's resources should be flexible so that it can react quickly to changes. On the other hand, the author's most relevant knowledge-based approach to the subject discussed believes that in modern economic reality knowledge is a strategic resource of the company, which determines its development, survival and generates a lasting competitive advantage (Macias, 2008).

To sum up, companies that win the competitive struggle have three features. The first of them is to have an extensive architecture being a network of contracts inside and outside the company. This architecture enables organisations to acquire knowledge and respond flexibly to changing circumstances, providing an open flow of information. The second source is innovation, which rarely gives a permanent advantage due to the risk of copying. The third feature is reputation. It is an aggregate asset, which consists of opinions on the condition of other company resources created based on various evaluation criteria (economic, social, environmental). The opinion about the company is based on the assessment of its credibility, reliability, responsibility and trust of the various stakeholder groups (Kay, 2006).

#### **1.4. Modern determinants of building competitive advantage**

A modern enterprise must respond to constant changes in its environment. It must also be mindful of emerging competition and the growing demands of customers. To meet this challenge, innovative actions and changes in management techniques and methods are needed. The main aim is to change organisational structures in favour of flexible, more intelligent solutions that will give competitive advantage (Porter, 1985).

Every company works for and under the influence of the environment. The interactive nature of this dependency is that the company, on the one hand, draws resources from the environment and, on the other hand, provides appropriate products or services to the environment. In this process internal factors of competitiveness are of great importance, including, among others, the following factors. The following: attractiveness, innovativeness and quality of the offered products, company management, entrepreneurship and innovation in management (Świtalski, 2005, p. 50).

The environment in the 21st century is determined by factors connected with globalisation, the IT revolution and the modern competitive medium of knowledge, which is treated not only as a source of information, but also as a key link in building competitive advantage (long-term success of the company). Knowledge is the basis for the development of enterprises in such difficult conditions – a key resource in a developed economy. Nowadays, all market players need to transform themselves into intellectual organisations that are capable of improving not only themselves but also their environment. The organization tries to implement modern management tools that are adapted to face challenges and eliminate internal conflicts (they are accompanied by changes). Therefore, the most important challenges facing modern companies are as follows:

- creation of products and services of the highest possible quality,
- perfect customer service,
- reactions to the environment,
- possibility of carrying out various activities,
- switching from control to self-monitoring,
- implementation of changes,
- constant maintenance of proper efficiency and productivity,
- the ability to select an influx of information.

On the other hand, the introduction of new management methods in a company requires creativity, entrepreneurship, knowledge and leadership skills from managers. Styles of leadership are also changing - so far, traditional approaches have been replaced by participatory and partnership approaches. At this point, human potential must be regarded as the highest intellectual assets and the main driving force behind the company's development. That is why we must create the opportunity to develop competences for all employed people. Business owners have difficulty in acquiring the new skills they need to evolve their organisation. They also need to internationalize governance and lay the foundations for learning processes. We can say that in such an economic environment, a company that wants to build a lasting competitive advantage must work in partnership with customers and integrate employees who are entrepreneurs and who have the ability to create and implement modern solutions.

The changes will be radical, from management systems to adopted and implemented strategies. On the one hand, there has to be a significant decline in power due to the rank of positions - professionalism, not formal advantage associated with the position held in the company structure, must determine the chances of gaining recognition and leadership in the company. Employees whose value for the company stems not only from the efficient execution of tasks, but also from contacts and arrangements that can be used for the benefit of the organization will be important. On the other hand, in order to become an innovation-oriented company, it is necessary to change the way we operate – constantly search for ideas and gather information on new products and processes – in an internal and external environment.



The information collected must relate primarily to the market, as it is constantly changing and uncertain (Kubik, 2012).

Therefore, already at the moment, we can see in the activities of companies that want to gain a competitive advantage by using the knowledge of employees, some very important features:

- investment in research and development,
- innovative activity,
- increase in the significance of foreign expansion,
- international cooperation,
- formal and informal networks of links,
- flexibility for change,
- no resistance to changes,
- open to the environment,
- modern management concepts,
- efforts to ensure that knowledge is not inexhaustible.

To sum up, the main factor that will determine the competitive advantage of the organization of the future is knowledge, which allows to create and implement innovative solutions. This challenge calls for radical changes that result from complex processes. Success of this action can only be guaranteed by the committed and most importantly satisfied employees.

## 5. CONCLUSION

In the new, often changing, economic reality, in order to achieve and maintain a sustainable competitive advantage on the market, companies must learn to anticipate, assess and exploit the opportunities of the environment. For this they need the knowledge and skills of key employees. Only they have the ability to act effectively and make key decisions that concern the changes being made. At present, this is practically the only possibility to survive and, with bold strategies, to function effectively and develop their advantage on the market. Companies can no longer only adapt to the turbulent environment. They must also modify their structures to enable them to acquire the key skills and competences that are essential for effective market expansion.

Unfortunately, in Poland, not every company owner understands this. Not everyone knows yet how important tasks for their organisation are performed by its employees. They also do not know how much they contribute to building competitive advantage. The areas of activity which are most affected by the employees are new (perhaps currently the only) sources of building a competitive advantage. In such circumstances, the key employees in the company must also create these sources. In the 21<sup>st</sup> century, the competitive position of all enterprises will depend

on the innovativeness and entrepreneurship of their employees. Therefore, in companies, we need to change our approach to knowledge and human capital. We need to create new management systems that must focus on developing employee creativity and creating a good working environment. Everything must be based on partnership - everyone must feel as a partner, regardless of their position.

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**BUDOWA PRZEWAGI KONKURENCYJNEJ PRZEZ WSPÓŁCZESNE  
PRZEDSIĘBIORSTWA W NOWYCH REALIACH GOSPODARCZYCH**

Streszczenie

W niniejszym artykule autor podjął tematykę związaną z budową przewagi konkurencyjnej przez współczesne przedsiębiorstwa funkcjonujące w środowisku zdominowanym przez globalizację, postęp technologiczny i zasoby niematerialne. W związku z tym zostały określone charakterystyczne cechy współczesnej gospodarki opartej na wiedzy, a także zależności między pojęciem konkurencji, konkurencyjności i przewagi konkurencyjnej. Natomiast głównym celem artykułu jest wskazanie nowych wyzwań i warunków budowania przewagi konkurencyjnej przez współczesne przedsiębiorstwa. Dokonane analizy materiałów źródłowych i obserwacje rynku (prowadzone podczas realizowanych badań empirycznych) wyraźnie potwierdziły, iż głównymi determinantami budowy przewagi konkurencyjnej, w tak burzliwych warunkach rynkowych, jest wiedza oraz kompetencje i umiejętności pracowników, którzy są odpowiedzialni za kreowanie i wdrażanie nowych rozwiązań.

**Słowa kluczowe:** przewaga konkurencyjna, globalizacja, gospodarka oparta na wiedzy, wiedza

