

## **KNOWLEDGE-BASED COMPETITIVE ADVANTAGE AND ITS POTENTIAL IN A CASE OF LATVIAN FOOD MANUFACTURERS**

Enterprise competitiveness and its formation represent a significant aspect of the management science. To ensure that enterprises successfully exist and promote their development the competitiveness of enterprises and the factors accounting for it is an essential issue. Along with the changes in the economic situation of the country and the competition environment new conditions arise on how enterprises should facilitate their competitiveness in accordance with the changing trends. As a new and higher organized type of global society – the information society – is developing a gradual transition to the knowledge-based social organization and economic model is taking place. Modern scientific literature presents the principles and approaches of achieving competitiveness that differ from the traditional ones and knowledge and its continuous development is mentioned as the key source of competitiveness.

Scholars and politicians have been engaging in discussions on the branches that possess strategic importance for the country development in order to increase the purposefulness and efficiency of the measures for the improvement of the economic environment. It is often that manufacturing of pharmaceuticals, organic chemistry industry, manufacturing of medical instruments and equipment are suggested as priorities in the Republic of Latvia as representing the gradual transition to the knowledge-based economy. However, social researchers oppose these suggestions as the officially set economic priorities of Latvia will not justify themselves in the conditions of globalization and will not bring a significant contribution to the economic growth of the country. The author shares the opinion that the significance of the branch will be determined not just by the ability of the branch to create innovative products with a high added value, but also its contribution to solving social and economic problems and improving the quality of life of the society.

Food industry by its nature represents one of the most significant branches of economy as it is directly connected with the social and economic needs of the population: its products provide for the vital functions of humans, the production quality affects the condition of their health and work potential; its costs, however, influence the welfare level of the population. Yet, under the effect of various factors, inexperienced changes start taking place in the industry that have caused the growth of food prices in the global market. European institutions have started considering measures for decreasing the influence of the price growth on the population and the European Commission attempts offering political decisions for this global-scale problem.

In the food industry a gradual change of the development direction is taking place: along with the development of other branches new knowledge is accumulated and new technologies applied (for example, biotechnologies and nanotechnologies) that essentially effect the direction of the food industry development and creates the need for the implementation of new principles both in manufacturing as well as organization of work in enterprises.

Although food industry has historically existed in Latvia it cannot be assumed as a self-evident phenomenon, but rather as a branch that is undergoing changes that it has not experienced during its existence. If the current changes of the branch are not understood it will lead to decreased competitiveness of the food processing enterprises of Latvia that

could lead not just to the contraction of the branch, but even to the extinction of particular subbranches. As a result the dependence of Latvia on the food produced abroad will increase and the price growth, safety and effect on consumer health of these products will be difficult to control and influence. Consequently, there is a topical issue on whether Latvian food producers will be able to retain their competitiveness and continue their operation and development according to the changes that are taking place.

The factors used in creating competitiveness as well as the way of applying them change along with the development level of the national economy where the enterprise operates therefore the enterprise performance is determined by the relevance of the factors used in creating competitiveness to the development stage of the economy. The need for ever new innovations and consequently for knowledge has outlined a new – knowledge-based stage of economy that has been advanced by both the globalization influence on economic operations as well as intensity of information and knowledge on economic operations (1, 253.p.). The transition to the knowledge-based economy has changed the factors that influence the enterprise competitiveness. The factors traditionally accounting for competitiveness are still important, however they do not any more solely account for the competitive advantage but rather become the pre-condition for the preservation of the enterprise. Unlike the agrarian and industrial stages of economy when the competitiveness of business people was influenced by the ability to control the factors of production, in the conditions of the knowledge-based economy the level of enterprise competitiveness will depend on the existence of the factors facilitating the appearing of innovations and assumption of controlled risk, development of new products and mobilization of educated labour.

Along with the changes of the business environment new sources (resources) are searched for the creation of competitiveness; similarly the role of resources in establishing the competitive advantage is changing. Many authors (G.Day, B.Wernerfelt, R.Amit, P.Schoemaker, J.Barney, G.Hooley and others) have argued on what could be considered enterprise resources in terms of competitiveness and have used various terms for denoting the resources, however it can be concluded that the available enterprise resource classifications are incomplete and do not reflect all contemporary changes that are important for creating the competitive advantage (3, 16, 20, 22, 29).

The author considers that more precise reference to the differences in enterprise resources is reflected by the division of the internal elements (attributes) of the enterprise into resources (assets) and capabilities and offers the following classification of the attributes (individual and organizational ones) under the enterprise control for the purposes of creating competitiveness (see fig.1):

- fundamental resources comprise financial resources, tangible resources, intangible resources (unpatented technologies, information etc.) and human resources (manual workers who do the physical and mechanic work);
- intellectual resources comprise human resources (intellectual workers and their knowledge), organizational resources (organizational structure, culture etc.) and market resources (brands, patents, etc.);
- capabilities (the subject's potential to carry out adequate actions with the necessary quality).

Along with the increased role of innovation activities and using of intellectual resources for creating the added value the role of knowledge in creating competitiveness grows and the scientific literature underlines that the process of accumulating and using knowledge gains topicality in enterprises (18, 382.p., 23, 26.p.). Many authors (T.Davenport, L.Prusek, C.Prahalad etc.) refer to knowledge as an enterprise asset that will create the differentiating

	Fundamental	Intellectual	Capabilities
Organizational	financial resources tangible resources intangible resources	organizational resources market resources	organizational capabilities
Individual	human resources (manual workers)	intellectual workers	individual capabilities

*Fig. 1. Classification of enterprise attributes in the context of creating the competitive advantage. Source: designed by the author*

skill for the enterprise future (12, 19, 26). P. Drucker has indicated that knowledge will become the main economic resource and, to his mind, the only source for the competitive advantage (7, 271.p.). When analyzing case studies it can be concluded that a new trend is appearing in creating the competitive advantage: the enterprise that controls the knowledge under its control and the enterprise that systematically and on continuous basis creates and uses its knowledge for the development of its operations and achieving competitiveness thus giving a rise to a new concept about knowledge as the source of enterprise resources and competitiveness.

There is a widespread and substantiated opinion that the enterprise achieves competitiveness by using the differentiating skill that is based on two mutually connected enterprise factors – capabilities and resources (20, 22, 25, 26 etc.). However, the author believes that this traditional approach has two drawbacks. Firstly, it does not analyze the process of the capability acquisition. The author considers that the differentiating skill is based on the combination of three factors - resources, capabilities and knowledge as skills are acquired in the process of learning: by using the knowledge (understanding that is acquired by using external sources of knowledge or the personal experience and actions) on how to apply the capabilities and resources for achieving the aim.) It must be noted that the knowledge, capabilities and resources must be mutually supplementing so that they could be used in new or previously known combinations for creating a product or implementing an activity. Although knowledge as well as capabilities in general are to be considered enterprise attributes they, unlike other tangible or intangible resources, can be defined as a way how capabilities are applied (the action for using the resources) for the implementation of a task.

Secondly, the differentiating skill of the enterprise might be an insufficient condition for achieving the competitive advantage. Although the enterprise might have elaborated its skills they might be applied inadequately and thus not provide for the desired result. The adequacy to the expected result can only be ensured by the enterprise competency that involves expertise, knowledge and understanding on all aspects of a certain issue or area. The skill suggests solely an enterprise or individual's capability to implement an action on a qualified level, however enterprise's competency suggests its capability to demonstrate the expected achievements. Thus the differentiating skill can serve as a basis for creating the competitive advantage with the condition that the knowledge, capabilities and resources are applied in the way that corresponds, i.e., is competent, to the expected result.

Based on the previous discussion the author has designed a new-conclusion-based model for achieving the competitive advantage (see fig. 2) and offers the following definition of the knowledge-based competitive advantage: "the knowledge-based competitive advantage is the superiority of the enterprise competitiveness that is achieved by purposeful use of knowledge for the creation of a differentiating competency and applying the available resources and capabilities".

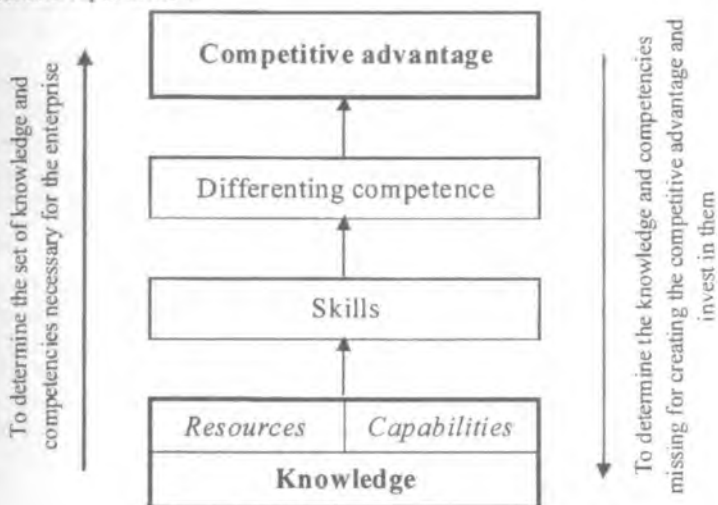


Fig.2. Model of knowledge-based competitiveness  
Source: designed by the author

Many researchers (G.Day, M.Porter, J.Barney, J.Stalk etc.) have argued what should be considered the sustainability of the competitive advantage, however the previous formulations were made within a relatively stable economic environment where changes were predictable and the sources of the competitive advantage were relatively unchanging (3, 10, 20, 28). Based on the analysis of the new trends applied by enterprises for maintain the competitive advantage the author concludes that in the modern business environment characterized by fast and unpredictable changes the increased speed of introducing innovations and decreased product life cycle, the notion of the sustainability of the competitive advantage has changed. The long-term competitive advantage cannot any longer be achieved by introducing a certain one strategy that due to the coincidence of conditions is not implementable in other enterprises. The author considers that namely the purposeful use of knowledge in the enterprise operation facilitates the creation of new ideas and combination of the current resources for the creation of a new value which allows for long-term sustaining of the competitive advantage condition. Based on the previous discussion the author presents a new definition of the long-term competitive advantage: "The enterprise possesses a long-term competitive advantage if it is continuously able to create differentiating competency and adjust them to the changes of the surrounding environment".

The concept of the knowledge-based competitiveness substantiates the competitive advantage with the knowledge within the enterprise's control, consequently for the promotion of the sustainability of the enterprise competitive advantage the enterprise management

must not only continuously analyze what knowledge is needed for the creation of the current competitiveness but also actively concentrate on the question what new knowledge will be necessary for the provision for the enterprise competitive advantage in the future and make investments in its creation and accumulation.

Although knowledge is considered a significant enterprise factor that can facilitate the enterprise competitiveness, the related studies are mainly connected with the intellectual capital, knowledge management, nature of knowledge and its creation (15, 17, 18, 19, 24, 27 etc.). With the increasing of the role of knowledge in the promotion of successful and long-term enterprise development it is important to find out what knowledge and under what conditions promotes the competitive advantage of the enterprise as well as the pre-conditions for the enterprise structure for the implementation of the knowledge creation, dissemination and application (2). To facilitate the sustainability of the knowledge-based competitive advantage the enterprise-relevant mechanisms for the knowledge protection, preservation, modification and integration in the enterprise-level knowledge must be chosen (by uniting individuals into teams, issuing orders, creating data basis etc.).

For the accumulation and creation of knowledge in an enterprise specific training systems and mechanisms can be created (attraction of the employees with diverse capabilities, studying of the best practices, subjection of activities to the needs of consumers and market, training and creation of skills) and internal sources of the enterprise can be used (attraction of competent human resources, application of their training and development programmes) as well as external sources (network structure and creation of co-operation with customers, acquisition of knowledge from competitors, other enterprises, suppliers, consumers as well as active co-operation with educational institutions etc.) (4, 5, 9, 12, 14, 21 etc.). By the creation of the internal culture that supports, motivates and rewards the learning process and knowledge results (innovations, speed, achievements) the creation, accumulation and application of knowledge for the creation of competitiveness is facilitated in the enterprise (5, 8).

In business management the question if the traditional enterprise forms and structures facilitate the creation, accumulation and application of knowledge in the enterprise has gained topicality (17, 21). Along with the appearing of the concept of a knowledge-based competitiveness the need has arisen for a new kind of structure that would provide for work in teams and multifunctional working groups and rotation of employees among departments thus facilitating the intensified creation and exchange of internal information and knowledge. By combining the elements of the two classic models of enterprise structure (bureaucratic and organic) traditionally applied in the management science theory and practice into a new synthesized form effective knowledge creation in the enterprise can be achieved (24). The bureaucratic elements of such synthesized structural form determine the direction of the area of knowledge to be created in the enterprise and the way of their storage and protection, however the elements of the organic form promote the employee development and motivation for the acquisition and exchange of knowledge.

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## ВОЗМОЖНОСТИ УЧАСТИЯ БЕЛАРУСИ В МНОГОСТОРОННЕЙ ТОРГОВОЙ ДЕЯТЕЛЬНОСТИ

Обоснование необходимости полноправного участия Республики Беларусь в многосторонней торговой системе важно начать с оценки ожидаемого «эффекта участия». Другими словами, необходимо, прежде всего, увидеть те выгоды, которые получит страна от присоединения к ВТО, и те издержки, которые она понесет как в процессе присоединения, так и при выполнении обязательств полноправного участника Организации.

В пользу участия Беларуси в многосторонней торговой системе говорят следующие аргументы:

- создается более предсказуемая и безопасная торговая среда для белорусских экспортеров вследствие использования торговыми партнерами более совершенных норм и правил, регулирующих внешнеэкономические отношения;
- широкомасштабное распространение режима наибольшего благоприятствования и национального режима будет обеспечивать отечественным экспортерам недискриминационные условия торговли;
- улучшается доступ к рынкам сбыта;
- открывается возможность участия в многосторонних соглашениях, касающихся не только торговли товарами и услугами, но и связанных с торговлей аспектов прав интеллектуальной собственности, инвестиционных мер;
- появляется реальная возможность участия в процессах совершенствования многосторонней торговой системы;
- открывается доступ к механизму урегулирования споров с целью защиты экономических интересов страны в случае, если они будут ущемлены действиями торговых партнеров [5, с. 188].

Перечисленные преимущества обеспечиваются, прежде всего, многосторонними механизмами, заложенными в основу функционирования системы ГАТТ/ВТО.

Достаточно трудоемкий организационно-технический процесс вступления государства в ВТО требует четкого осознания преобладания преимуществ над недостатками от участия в данной организации. [1, с. 35].

Беларускі дзяржаўны эканамічны ўніверсітэт. Бібліятэка  
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