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## The Concept of Global Competencies of Corporations in the Context of a Global Mindset

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**Abstract:**

**Purpose:** The main scientific purpose of this article is to present a proposition of a resource-based approach to the competencies of global organizations.

**Design/Methodology/Approach:** In order to achieve the main goal of the article, theoretical literature review was chosen, in particular argumentative review, which could introduce problems, but certainly constitute the introduction to in-depth research, also empirical.

**Findings:** The conducted research presented is a starting point for a thought process which, first of all, negates analysing the category of competencies in terms of an organization and, secondly, initiates a discussion in the literature concerning subsequent elements of the proposed set of characteristics, at the same time laying the groundwork for further empirical research.

**Practical Implications:** The practical business implications concern mostly the necessity of changing organizational competencies, which should be done in a very short time in XXI century, in order to ensure a high degree of co-ordination, integration, specialization, and as a consequence – gaining a competitive advantage and competitiveness.

**Originality/value:** In the article we propose an original set of competencies of global organizations resulting from the examination of the literature, developed on the basis of the RBV and leading to a global mindset which seems to be the only rational approach, especially in the light of the concept of strategizing and return to the empowerment of organizations.

**Keywords:** Management, strategic management, resource-based view, RBV, competencies, global mindset.

**JEL classification:** L21, L22, L25.

**Paper Type:** Research article.

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## **1. Introduction**

The resource-based view has contributed to formulating many interesting theories and scientific concepts. Its principles have been formulated on the basis of both management and economics. According to Czakon (2010) it is the most widespread theoretical approach to studies in strategic management. The resource-based view emphasizes the significance of (a) resources, (b) capabilities, and (c) competencies (Day, 1994). This paper focuses on the last element, predominantly due to the fact that it is one of the theoretical propositions that may lead to a competitive advantage.

Competencies may be identified both taking into consideration the people employed in business structures and the organizations themselves. From the individual perspective, they are a set of personal characteristics, and in this sense of little interest here, as opposed to business competencies. Understood in this way, they comprise various capabilities of the enterprise thanks to which resources can be used effectively (Matwiejczuk, 2015; Norena-Chavez and Guevara, 2020), as well as their diversification and flexible allocation to places where they are most desired.

Distinctive competencies are the capabilities that set a company apart from other firms and which are unique to the firm within its competitive landscape (Carpenter and Sanders, 2009), at the same time enabling the organization to achieve its objectives (Sanchez, 2004). In turn, key competencies are sets of various capabilities, skills and complementary resources, which form the basis allowing the firm to compete and achieve an advantage in a particular business area (Teece and Pisano, 1994). Creating a competitive advantage becomes possible thanks to the selection of the organization's resources in a way to enable the firm to achieve a market advantage.

Qualifications and capabilities are categories which are often mentioned in the theory of competencies. However, qualifications and capabilities have a narrower meaning than competencies, the latter resulting from the possession of both a number of various capabilities and qualifications. Capabilities include the things that the organization "does well" to a certain limited extent, comprising specific actions, e.g. in the value-added chain. When discussing competencies, Rokita (2005) refers to the whole organization, and in this context enterprises may be characterized by numerous capabilities but few competencies. According to the author, single-segment corporations are an exception, because in their case capabilities are at the same time competencies.

The literature presents various types of enterprise competencies. Hamel and Prahalad (1997) distinguish three categories of competencies market access competencies, integrity-related and functionality-related competencies. The authors point out that thanks to such competencies the organization has a more flexible contact with the clients and is capable of providing a faster and more effective response to their expectations. It is compatible with Sanchez's (2004) postulates, who also adds the

necessity of creating value for the client and the enterprise itself, as well as a holistic treatment of the enterprise, its stakeholders and remaining elements of the environment. The author specifically emphasizes the necessity of abandoning a statistical approach to competencies in favour of articulating the interactions of different kinds and levels of organizational activities which often are critical in building and leveraging the firm's competencies (Sanchez, 2004).

Rokita (2005) identifies the following key competencies of enterprises rarity, permanence determining difficulties to imitate it, ability to negotiate with the consumers the types of functionality of products and services, ability to acquire knowledge essential in creating a competitive advantage, and generating diversity used in products and processes. The literature also equates competencies with knowledge, and as such distinguishes three sets knowledge and skills of the employees, knowledge and skills included in technological systems and the management system, and knowledge as a collection of values and norms in which the knowledge is contained (Rokita, 2005). The elements constitute Barney's worldwide-known VRIO framework, forming the VRINE model (Barney, 1991; 1995). This analytical framework describes firm resources for their value, rarity, inimitability, non-substitutability and exploitability as the main source of a competitive advantage. In fact, the subject area of competencies of enterprises is such a broad issue that it is impossible to be exhaustively discussed in this paper. The authors' principal intention here is to lay foundations for further theoretical considerations concerning the competencies of global corporations.

## **2. From Competencies to a Global Mindset**

The literature outlines numerous study results of competencies in the global dimension. The studies may be divided into two groups. The former includes research into competencies in the personal dimension, analysing competencies of global leaders, global managers and globally described soft competencies in management. Examples include e.g. studies conducted by Caligiuri and Di Santo (2001). They distinguish the following competencies of global leaders ability to transact business in another country, ability to change leadership styles based on the situation, knowledge of the company's worldwide business structure, knowledge of professional contacts worldwide, knowledge of international business issues, openness, flexibility and ethnocentrism. The research proposals focus on personal characteristics and are related to leadership studies, a concept which is not broadly developed in RBV research.

The latter group comprises research in the field of organizational competencies, analysing the firm's knowledge and experience defined as the core competencies of the organization constituting its competitive advantage. This research trend has developed particularly on the basis of the resource-based view, and its results are the main issues of concern in this paper. Examples of research in this area include studies conducted by Yenyurt, Cavusgil, and Hult (2005). They point to the

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significance of the following factors shaping the competencies of global corporations (Yeniyurt *et al.*, 2005):

- external antecedents: the global market knowledge competence (i.e. customer, competitor and supplier knowledge processes and inter-functional and value chain coordination);
- internal antecedents: the global orientation of the managerial team, understood as the ability to perceive the whole world in relation to management teams, not only markets or regions;

and also:

- the global customer knowledge competence, global competitor knowledge competence, global supplier knowledge competence, inter-functional coordination within the firm, value chain coordination across the globe; the authors collated those factors with the global responsiveness, and global market advantage (i.e. brand value, distribution base, market coverage, global partnerships), which constitute important value indicators of the effectiveness of competencies of global corporations.

Interestingly, in their deliberations the authors went on to establish measurable indicators, pointing out that the global market advantage depends on strategic performance, and ultimately – financial performance. It is an interesting theoretical proposition, not implemented but noteworthy as a study in competence of global corporations, presenting a set of measurements in a causal chain, identifying basic features of the global mindset of global corporations and emphasizing the role of individuals as those shaping the competencies. It is a further confirmation of the fact that it would be a mistake to consider competencies on the basis of the organization, in relation to which the authors have decided to use the term global mindset, i.e. “a way of being rather than a set of skills. It is an orientation of the world that allows one to see certain things that others do not.

A global mindset means the ability to scan the world from a broad perspective, always looking for unexpected trends and opportunities that may constitute a threat or an opportunity to achieve personal, professional or organizational objectives” (Rhinesmith, 1993). Such a point of view seems to be the only rational approach, especially in the light of the concept of strategizing and return to the empowerment of organizations. Consequently, we propose an original set of competencies of global organizations resulting from the examination of the literature, developed on the basis of the RBV and leading to a global mindset. The idea of identifying processually described competencies may help establish the advantage of a global corporation, thus leading to the development of a unique global mindset. In a top-down analysis, the concept includes:

- competencies resulting from knowledge and capability to achieve experience curve effects,
- competencies connected with diversification capabilities and vertical or

- horizontal integration,
- competencies connected with building the organization through external development,
  - process-related competencies: management of a selected, specific process, extension, contraction, connection of processes,
  - competencies targeted at selected processes from the entire value chain, e.g. customer service processes, data processing, sales, logistics etc.,
  - competencies connected with the use of special intangible resources: brands, culture, relational resources, know-how, organizational identity etc., related to the economic rent exploiting rare resources,
  - competencies constituting the organization's possibilities of adaptation, integration, internal and external reconfiguration of organizational capabilities, resources, functional competencies (Teece and Pisano, 1994),
  - competencies connected with continuous experimentation capabilities, risk and time reduction, minimizing investments and simultaneously maximizing market influence (Prahalad and Ramaswamy, 2004).

It is an open set of key competencies of individuals, aiming to achieve a global mindset in the context of global competitiveness, especially on dynamically changing markets. In this way, we eliminate the perception of competencies from the organizational perspective. The distinguishing characteristics may lead to changing the character of the firm from a relatively stable competitive context to a dynamic and vibrant one (Carpenter and Sanders, 2009). Therefore, to return to the preliminary reflections of this study – all the competence-related elaborations have a personal character because organizations cannot gain a competitive advantage without making use of unique qualities of individuals they employ (or more precisely – of managerial groups).

### **3. Global Competencies Model – Specific Approach**

This part of the paper is a detailed analysis of a model of global competencies of teams identified in global corporations, resulting from an analysis of the resource-based view and analyses of strategies of global corporations available in the case of companies listed on the stock exchange.

The first group of competencies are those resulting from knowledge and capability to achieve experience curve effects. The experience curve is one of the oldest archetypes in economics and management. At the same time, it belongs to one of the most explicit ways of increasing efficiency. It has been a basic ingredient of global strategies for years. It guarantees success. Its incorporation into a management system is not difficult, as long as the continuity of operations is assured. In the 1950s, it took decades for an organization to achieve experience curve effects, whereas this period has now been shortened to several years. It is enough to compare the development rate of global US car manufacturers with their Japanese, Korean or Chinese counterparts. In the case of the Chinese firms, the time has been reduced

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from a few decades to about ten years. The experience curve was the cornerstone of success of many firms in the period of industrialization of production. In the 20th century, it was essential to the success of global retail chains, and nowadays it is the basis of success of global B2B service providers. The potential of this management archetype still seems inexhaustible. The development of companies like Amazon, Google or Facebook proves that such a growth does not have to be limited to a sector, and globalization may refer to the entirety of economic structures.

The next category of competencies are connected with diversification capabilities and vertical or horizontal integration. The ability to diversify or integrate firms on the global level is not easy to achieve. The variety of markets, legal systems, political systems, economic systems, degree of technological development and quality of infrastructure makes competing as global players possible for very few companies. Vertical or horizontal diversification and integration is a classical way in which a global firm is built. It has always been indicated by specialists in management science as an alternative to development based on product or process specialization. The strength of diversification and integration is connected with various strategies of action. It may be searching for sales markets for a new product or products resulting from the use of economies of scope, or a form of risk diversification based on portfolio analyses, e.g. searching for a field of multiplication of intangible resources.

In their vertical or horizontal dimensions, diversification and integration are slowly becoming historical solutions, replaced by global processes, project and network structures, as well as ecosystems. The third group of competencies includes those connected with building the organization through external development. Knowledge and capabilities to manage development through M&A processes is a competence which may substantially build the value of an organization. The knowledge of M&A processes includes knowledge of own objectives and motives, ability to perform due diligence, ability to negotiate, ability to draw up formal documentation, knowledge of the integration process, knowledge about post-trade activities and capabilities to carry them out. If we follow the literature and acknowledge that the majority of M&A attempts fail, predominantly due to mistakes in M&A process management, then we must accept it as a source of competitive advantage. This competence is especially important in the resource-based view, in which increase in company value is an indicator of success. It is quite a common phenomenon in this approach that the increase in value results from the integration itself rather than a real growth in combined revenue following the merger or acquisition. The most common reasons for M&A listed in the literature include (Schoenberg, 2003):

- strategic motives (consolidation of market power, economies of scope and overcoming barriers to entry, leveraging existing resources and competencies, acquiring new resources and competencies);
- financial motives: tax reasons, financing efficiency, asset sales;
- managerial motives hubris, imitation.

It is easy to notice that the classification, which was proposed at the beginning of the 21st century, is already outdated. The motives fail to include orientation towards processes, projects, networks; it does not concentrate on new business models; its financial motives do not include value creation for the stakeholders or value assessed from the perspective of sustainable development. Only the managerial motives remain unchanged.

The knowledge of M&A and capability to carry out the process is a rare resource, hence the low ratio of success in conducting effective mergers or acquisitions. Nevertheless, numerous firms were founded and have been operating predominantly on the basis of external development. Examples include e.g., all the firms which intend to enter the Asian markets, where the only possibility is often to buy an existing local firm or form a joint venture.

Process-related competencies are another interesting proposition. They focus on the selection of a particular process, as well as extending, shortening and combining processes. The processual approach is closely related to the resource-based view. What connects processes with the RBV is the client orientation. Clients define the process and it is the managers' job to identify their expectations. The process understood in this way may be treated as a competence of the organization. Learning and refining processes consolidates the competitive advantage. Process-related competencies build the advantage better than product competencies. Processes are more difficult to copy than in the case of an advantage based on products. Moreover, processes may build the organization's value in a multi-channel way, whereas products tend to increase sales revenue only. Processes are more flexibly managed than product orientation, a feature which allows processes to be reconfigured, divided, connected, shortened or lengthened. In this way, the firm can appropriate various markets more flexibly because it operates on the basis of a value chain. Examples of organizations basing their strategies on processes include e.g. fast food companies, construction firms, training companies and service providers, especially in the financial sector.

Processes are also connected with the competence targeted at selected processes from the entire value chain, e.g. customer service processes, data processing, sales, logistics, etc. This group of competencies is based on processes but – contrary to the competencies mentioned earlier – it specializes in performing parts of processes in the form of services for other recipients. Nowadays, the performance of practically every part of a process may be outsourced due to low transaction costs of such a reorganization. Organizations specializing in selected processes operate mainly on the B2B market. They have dominated the enterprise market in the 2020s, a consequence of the development of IT technologies, which allow organizations to outsource many parts of processes without harming the value chain. In management, it is known as the industrialization of B2B services. Due to the fact that such processes are easy to standardize and replicate, they have become a basis for building global service providers. Examples include firms providing corporate

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finance management, marketing, HR management, sales management and other services. The firms reproduce the success of those which conquered the world markets 80 years ago as a consequence of the industrialization of manufacturing and commerce.

The competencies connected with the use of special intangible resources: brands, culture, relational resources, know-how, organizational identity etc., are related to the economic rent exploiting rare assets. Another classification distinguishes: micro-level competencies – the managers' general and professional knowledge, know-how, technologies, databases, patents, special procedures, formulas, experience resulting from past activity and ability to learn (Sudolska, 2006) mezzo-level competencies – a combination of tangible and intangible resources, knowledge, skills and abilities set in an organizational structure, technology, processes and interpersonal relationships (Głuszek, 2004) and macro-level competencies – structures, objectives and values of an organization.

In the process of building the value of an organization, each of the resources may be claimed to have successfully replaced the tangible resources. Contrary to tangible resources, they are easier to transfer between markets and more easily transformed into other resources. The organization's value is also easier to build on their basis as they are more susceptible to speculation activity. Technology companies are the best examples – the brand, relationships, image and intangible assets have a large share in their valuation. This applies particularly to significant global players whose brands define their value.

The concept of dynamic capabilities is a continuation of the RBV theory and includes competencies within the scope of adaptation, integration, internal and external reconfiguration of organizational capabilities, resources and functional competencies (Teece and Pisano, 1994). The essence of dynamic capabilities is organizational knowledge, or more precisely – the concept of organizational creativity, a quality which is closer to capability (Dyduch, 2013). It is therefore worth approaching dynamic capabilities from a broader perspective – as meta-competencies conditioning the effective use and design of new competencies of the organization, and more narrowly – as routine protocols of action aiming at effective reconfiguration of resources. Examples of global firms featuring such competencies include mainly those technology companies which are still looking for new solutions in their external and internal development.

The final group includes competencies connected with continuous experimentation capabilities, risk and time reduction, minimizing investments and simultaneously maximizing market influence (Pralhad and Ramaswamy, 2004). These are the competencies of the future and are based on complexity theories. Firms of that type implement protocols of action which put them on the right track to achieving a goal. In global companies using such competencies, development arises from autonomous decisions of parts of the organizations, taken on the basis of patterns of best



practices. The solutions often resemble those from the Austrian economy.

#### **4. Discussion and Conclusions**

Achieving a real global mindset means acquiring skills of effective management in the diversified and dynamic world (Sołoducho and Sulich, 2020). For a corporation, it also means a necessity to develop a certain set of qualities (competencies) of teams in order to ensure a high degree of co-ordination, integration, specialization, and as a consequence – gaining a competitive advantage and competitiveness (Kedia and Mukherji, 1999). The types of competencies presented here form a certain chronological pattern: from competencies characterizing a production-driven economy to operations based on information sets; from an economy building value founded on tangible resources to an organization preferring intangible resources; from an organization concentrating on setting precise strategic objectives to an organization concentrating on systems of preferred values and actions. And finally, from a highly hierarchical organization to a network organization. The competencies presented here may be found in global organizations based in developed countries.

However, a recent trend is that firms from developing countries have also been successfully implementing strategies of structural globalization. It is clearly an effect of ongoing divergence processes accompanying the flow of information and knowledge characteristic of the second decade of the 21st century.

The model presented in this paper is a starting point for a thought process which, first of all, negates analysing the category of competencies in terms of an organization and, secondly, initiates a discussion in the literature concerning subsequent elements of the proposed set of characteristics, at the same time laying the groundwork for further empirical research.

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