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KNOWLEDGE AND COMPETENCIES OF STAFF AS PART OF BUSINESS CAPITAL OF LOGISTICS COMPANIES

ABSTRACT

Under the influence of globalization the competition on the market of logistics services is getting stronger every day, and the Croatian logistics companies are mainly unprepared for such market competition. Better market position can be realized by better usage of knowledge and competencies of the employees, since only the logistics companies with highly positioned image of a “knowhow company” can survive and develop under the conditions of strong global competition.

KEY WORDS

Logistic company, corporate strategy, human resources

1. INTRODUCTION

What makes a certain logistics company logistic competitive and successful? What are the sources of its survival and growth on the market, i.e. development as continuous self-renewal of success? What separates the successful logistics companies over long term from the less successful and eventually unsuccessful ones? The answer lies in the area of education in logistics: successful logistics companies are those that are innovative, that manage (continuously) to develop and use the innovative potential of their employees, i.e. produce and/or accumulate new knowledge and skills which raise the company above its competition.

The theory of competition conceived in this way starts from the idea of the possibility of fast changes within well-defined set of selection possibilities in production. Successful companies move toward the new business opportunities reacting to the changes in the business environment conditions (above all the change in input prices which determine the supply).

Corporate development is determined by the planned changes in the company as opposed to spontaneous and unintentional changes. Here, over a certain period (often of several years) an attempt is made to reach from a mainly known starting point, a destination point whose nature of the state is not fully known. The changes occur as changes in the structure and processes, in special conditions in which actions are undertaken, and with a certain level of social interaction (communication, management, cooperation) within and among different corporate sub-systems. The basic initiators of corporate development are the shifts in the environment that take place within the economic, technological, social and political sector.

These should be associated to the efforts of the company (achieving a higher level of added value) to create their new corporate identity, and since this is a structural process, many questions arise, as for example: what changes are needed in order to achieve or revive the new identity; what changes should be undertaken in the contents of the task i.e. in the working conditions, and in social interactions. The approach to the planned change is determined holistically, which means that what is underlined is the need of change not only of those external conditions (situation) that partly determine the behaviour, but also of internal structures and conditions of behaviour (habits, preferences, and expectations).

“Excellently managed” companies feature some common characteristics and above all: (1) they show the characteristics of *‘pure culture’*: company members (organization) identify themselves with the mission (goal), corporate (organizational) values and objectives of the company, but, there is also complete readiness to confront the assumptions and the current functioning methods in order to find new, better ones, in order to develop the necessary coherent philosophy for such an organization; (2) *‘pure culture’ characteristics are implemented through everyday language and company working practice*: since mission, namely, is not just a set of coherent ideas, but rather has to penetrate into everyday company practices; (3) *The mechanisms of planning and analysis, as well as control systems are highly developed in such companies*: if there is centralized decision making or the control systems are centralized, it is very important that they allow very fast response, and it is usual that all the decisions are made very fast (usually at the very top of the company); (4) *the emphasis is on the exchange and confrontation of ideas, programs, and projects among teams, groups, organizational units and among hierarchical levels of management*: this directly minimizes the scope of isolation which can be achieved in comparison to others by the powerful groups, i.e. the company elite, or, impose their opinions and operation procedures; (5) *the role of the ‘hero of change’ is important*: in some companies this role can be played by the main or executive manager, although this is not obligatory; and (6) *the company management likes to implement the ‘hands-on’ approach (interfering)*: not keeping only to the strategic level, the management is ready to get directly involved in the significant aspects of strategic policy implementation.

The basic source of constant and sustainable increase in the company efficiency is the process of accumulating the knowhow by acquiring and diffusion of knowledge. It becomes critical for managing successful companies, and among the forms of innovativeness (which only together yield synergic effects) at the company level the highlight is on the technological innovations, above all their “softest” and “most elusive” part – in the knowledge and competencies of people, and only then in other, more tangible forms.

2. KNOWHOW AS SOURCE OF OPERATIVE KNOWLEDGE

In the Republic of Croatia there is still insufficient theoretical research and practical implementation of all the relevant factors that affect the building of market competitiveness of the logistics companies, including their corporate success in the conditions of globalization.

The neglect of the development strategy of knowledge and competencies of the employees is evident, more or less, in all the logistics companies, with the emphasis on unorganized acquiring of knowledge (empirical, for instance). The consequence of such a situation is the weakening of competitiveness, loss of market and deterioration.

The significance of knowledge and competencies of employees as part of corporate capital of the logistics companies assumes qualified, creative, educated, flexible, ethical, and socially responsible managers who will use efficient strategy to be able to improve the knowledge and competencies of other employees, thus raising the level of competitiveness of the logistics companies and enable them to survive and develop in the conditions of strong global competition.

The set hypothesis implies several auxiliary hypotheses:

- development strategy based on knowledge and competencies is the basic factor of competitive advantages and thus also of successful operation in modern conditions;
- consistent knowledge on the influence of knowhow on the corporate results can be used to assess the role of strategic investment into scientific analysis of operation and corporate education in the business success of the logistic companies;
- by considering modern economic megatrends on the global market it is possible to assess the influence of globalization on the market of logistic services,
- by analyzing the influence of globalization on the market of logistic services it is possible to prove the strengthening of competition (both global and regional and local) on the market, and that successful positioning of knowledge is becoming an increasingly significant factor of competitive advantage of logistics company, with emphasis on the significance of the role of manager in this process,
- finally, using consistent knowledge on the basic factors of knowledge influence on the operation of the logistics company it is possible to suggest a development strategy model based on the knowledge and education for successful operation of logistics companies in the Republic of Croatia.

Why is the engagement of “mental” potentials of employees an essential contribution to successful operation of the logistics company on the present market? Numerous arguments speak in favour of this thesis, and the most important are the following:

- not a single economic subject can survive unless there are users of its products and/or services;
- the role of individual sales is increasing in attracting the customers;
- due to the specific character of logistic services, direct contact with customers is especially important for the business success of the logistics companies;
- economic globalization is an unstoppable process of the world market integrations which brings increasing competition on the market of logistic services as well, and consequently imposing the need for high standards of the operation of logistic companies;
- for successful positioning of logistic companies on the market it is necessary to know the employees’ potentials, and to form and apply adequate strategy of construction and improvement of their knowhow and competencies (in short, competition);
- it is in the interest of the Croatian logistics companies to improve the competencies of the employees in order to increase the competitive power in the conditions of increasing competition.

The development of information technology makes it obvious that the power of economy and its development potentials increasingly depend on the quality of people, their education, and creative potentials, briefly, on the available people, and less and less on the power of machines, equipment and capital. The most productive companies have developed

by realizing the premise of active integration of the employees into the company life, with work that they find enjoyable.

The new paradigm brings the human into the core of the interest, especially because the networks are used to transfer and codify both the tacit and the explicit knowledge. Apart from knowledge as the basic guideline of human capital, crucial development factor has become the creativity and imagination, i.e. creative change of knowledge in the new ideas, knowledge and discoveries. Human assets consist of tacit knowledge concretized in the knowledge of the employed. The specific characteristics of human capital lie in the fact that the companies do not own their people, but rather only lease their services.

A completely new management philosophy is developed, and it marks the return to the human as a complex and unique, emotional and irrational, and not exclusively rational being. The philosophy of authorization and its successful implementation requires the manager to respect the valid characteristics: trust, decentralization and distribution of information and knowledge, education and training of skills, clear roles and responsibilities, freedom of action, feedback, motivation and support and resources necessary for action.

3. THEORETICAL CHARACTERISTICS OF THE DEVELOPMENT STRATEGY OF MENTAL CAPITAL OF THE EMPLOYEES

The times we are living in are the times of comprehensive, deep and above all fast changes. They encompass all the spheres and areas of action and life: technology, economic and non-economic activities, science and education, market, organization and other structures of the society. Contemporary logistic companies are facing the question of how to survive and operate successfully. The assumption of successful operation today is to attract and keep the customers, and regarding the strong market competition this requires differentiation from the competitors with the assistance of adequate strategy of building and improvement of mental capital of the employees.

Today's environment is dynamic and unstable (globalization, demand transformation, the increasingly demanding customers, computerization of operation, strengthening of competition, market fragmentation, etc.). Therefore, it is necessary to strengthen the powers which increase the quantity and the quality of supply which will enable creation of competitive advantages. This requires strategic management of the knowledge and competencies of employees, which includes three key factors, which influence each other through the feedback, as shown in figure 1.:

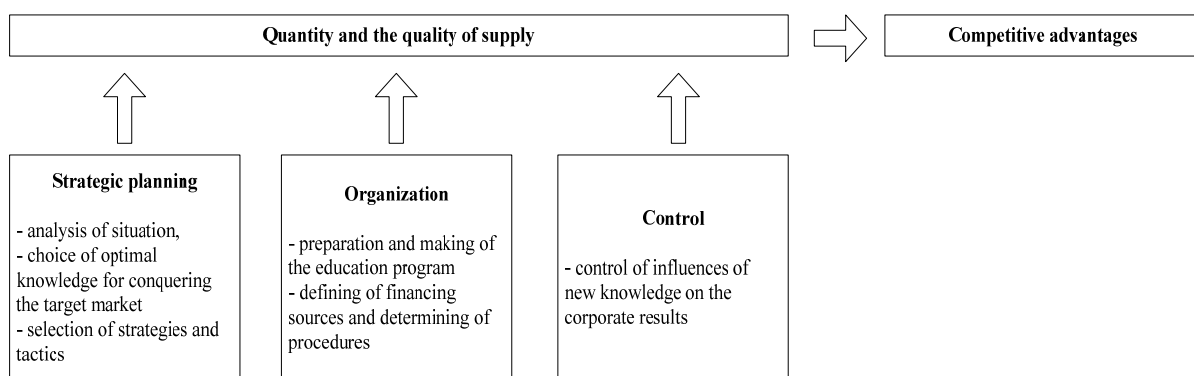


Figure 1 - factors that influence the strategic management of employee's knowledge and skills
Source: author

The basic factor of high-quality logistics operation in the advanced economy is the quality of service, since the customer satisfaction, competition, corporate image and service characteristics have the most significant influence on the service marketing results. Therefore, the corporate strategy of the logistics company lies in the interdependence with three forces: customers, competition and corporation (3Cs)¹).

4. STRATEGY OF DIFFERENTIATION

In the modern world, characterized by change, insecurity and complexity, the differentiation is the method for finding the optimal way to the customers.

The term differentiation is derived from the Latin noun *differentia*,² which means difference, type, so that it may be said that differentiation is a set of measures and efforts of a company to achieve the desirable level of distinction in relation to the competition. The differentiation advantage can be realized by unique products (innovations and high-quality products, services and serving, developed service, guarantees), high technology, technical support, strong brand, corporate image, good location, special distribution system, lower costs, etc. and sometimes only the change in the marketing communication system is sufficient. The contents of distinctions rely on the knowledge about the desires, needs and preferences of the customers (demand for logistic services), in order to position the logistics company, in the awareness of the current and future customers, in a way that will ensure competitive advantage on the market. Thus, the logistic company, by communication with the market tries to focus on those properties of the enterprise which make it different from the others.

The basis of differentiation is the economic strength of the company, investment into the development, knowhow, image, etc. and its strongest weapon lies in the knowledge and competencies of the employees.

5. CONCLUSION

Corporate strategy, structure and systems form the hardware and knowledge and competencies of the employees, their skills and common values that are recognized by the customers as qualitative distinction of one logistic company from the competition, represent its software. This means that the company employees have adopted a common code of behaviour and thinking (which is recognized by the customer through the quality systems), that the employees have acquired the necessary knowledge to realize the corporate strategy, that the company has employed competent people, that it has provided them with good training and given them jobs with which, using their knowledge and competencies, they will realize the advantage over their competitors. Finally, the common values understand that the employees at the company are motivated by the same values and missions, acceptable for the logistic service users.

In order to survive and develop in the extremely dynamic business conditions, the logistic company has to be able to continuously improve its market strategy. The corporate strategy is not a static system or model, pure theoretical or methodical approach to corporate

¹ Jain, S.C.: Marketing Planning & Strategy, 5th Edition, South - Western College Publishing, Cincinnati, 1997., p. 21

² Bekavac-Basić, I.: Odrednica *Diferencijacija*. Latinsko-hrvatski i hrvatsko-latinski školski rječnik. Školska knjiga, Zagreb, 1998, p.80

activity on the market, but rather a creative process, a dynamic system based on the system of values which, owing to the knowledge and competencies of the employees, is continuously changing and developing (depending on the available resources) in relation to the competition and in accordance with the variable conditions of the macro environment.

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