**INNOVATION AND QUALITY OF THE OFFER AS THE BASIS FOR THE COMPANY’S COMPETITIVENESS**

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1. **Introduction**

Environment in which companies operate changes dynamically nowadays . Organization’s ability to adapt to these conditions is a prerequisite for survival. This ability is particularly important in times of crisis, which makes the companies without this skill face serious risk of survival or even bankruptcy. In search of ways to solve this problem, executives reach for a variety of methods and tools. The authors believe that an effective way to survival and development of organizations in times of crisis may be drawing attention to issues related to providing customers with exceptional offer which is distinctive from the competition. Undoubtedly a huge role in this context play innovation and an appropriate level of quality. In this unstable situation many entrepreneurs decide to improve competitiveness of the firm by innovation which is of a great importance for growth and development.

1. **Environment of companies in the context of crisis and competitive advantage building**

Crisis always means a breakthrough between two qualitatively different phases of certain process. It can be more or less severe, may have a different scope or duration, but always ends the current way of acting or development of situation and begins the new phase. In this meaning crisis does not have to be unambiguously negative phenomenon. It can be a chance of business development, because intensifying threats and nuisances, forces implementation of changes. In many scientific studies states explicitly that companies develop by crises.

In the economic reality companies may have to deal with different types of crises and their consequences. Crises vary the duration, geographical, industrial and social life coverage. According to the concept cycle crisis is one of the phases of the cycle. Its essence is the increasing economic difficulties with visible symptoms of decline in all major economic indexes[[1]](#footnote-1).

A company wishing to stay on the market is forced to continuous seek of ways to obtain and maintain a competitive advantage over their competitors. In the literature, it is considered that the most elementary sources of competitive advantage are cost advantage and greater value of the product, or a combination of both. In the first case the company seeks to reduce all costs by searching for sources of savings. Such a strategy usually takes two forms. First, it may be related to offering customers lower prices than the competition. Second, assets managed to save as a result of cost reductions are to be invested in research and development or better marketing of the product. In the first situation, the organization runs the risk associated with relatively low profits associated with a reduction of margin. Therefore, this solution works in most cases as part of a survival strategy pursued for example during the economic crisis. While the second solution seems to be more reasonable from the perspective of long-term strategy. According to this concept in order to gain an advantage, the company must offer a product with the highest possible value for the buyer. Advantage resulting from higher value makes the offer unique comparing to competitive products.

In marketing, many features may be used to differentiate the company’s offer. This can be done, among others, by introducing a distinctive change in the product itself, offering additional services, improving the quality of customer service, activities related to distribution channels, brand or product image[[2]](#footnote-2).

Certain circumstances, increasing in the modern economy, such as: rapid scientific and technological development, continuous upgrading of products, striving to raise the economic efficiency of production while increasing the requirements for the utility values, force business organizations to pay greater attention to product and processes quality problems. Among professionals it is believed that improving product quality contributes to the occurrence of many great events, such as increase in labor productivity, reduction of raw material consumption, increase the pace of economic development and better use of the means of production, and thus - to better meeting the growing needs of society. In many countries the quality of production is somehow a symbol of economic efficiency and competitiveness of products on the international market[[3]](#footnote-3).

It is possible to emphasize main factors of competitive advantage - source advantage, positional advantage, performance outcomes - are really important for growth and development of the business. But there is a need of wide looks at all circumstances of the business including marketing activities and its connection to the market making the business more efficient and competitive. Based on the marketing knowledge we can make the performance fit the market and meet the consumer requirements, that is the crucial factor of success[[4]](#footnote-4).

1. **Innovation and quality of the offer as a tool of building a competitive advantage**

The essence of the business in a competitive world is developing strategy and organization that can meet customers needs more effectively than competitors. Companies that can create customer preference growth and prosper. But the customer needs are not static they change with tastes, fashion competitive offers and new technological possibilities. What will be regarded as a good product by costumers today will not be so regarded tomorrow[[5]](#footnote-5).

Especially during a crisis, the company has at its disposal three basic strategies: escape, defend or expansion[[6]](#footnote-6). Most companies choose one of the first two options. This is due to their conservative nature, and less effort with their implementation. The third option is relatively the most difficult to use but seems to be an interesting alternative for companies managed effectively. The strategy of expansion can be achieved inter alia through innovative activities and organizations involved in the issue of ensuring adequate levels of quality bids.

Innovativeness is a really important thing for business all over the world because of its incredible role for competitiveness. Enterprises should pay attention to the new ways of innovativeness process and increasing possibilities of implementation new solutions in the business, one of the way of increasing innovativeness in the enterprises is self managing team work idea.

Self-managed work teams (fig.1.) foster greater autonomy, increase communication among team members, and intensify their commitment to the team and the organization, which in turn enhances innovative behaviors in such teams[[7]](#footnote-7).

**Figure 1. A Model of Innovation and Self-Managing Work Teams (SMWTs)**

P4b

P3b

P2b

P3a

P4a

P2a

Communications

Self-Leadership In self-management work team

Team Members commitment

Cognitive Variety

Innovative Behaviour

P1

Source*:* Muthusamy, S. K., Wheeler, J. V., Simmons, B. L. Self-Managing Work Teams: Enhancing Organizational Innovativeness, Organization Development Journal; Fall2005, Vol. 23 Issue 3, p53-66, (p.60)

Proposition 1: Self-leadership in work teams will be positively related to innovative behaviors in such teams; Proposition 2a: Self-leadership in work teams will be positively related to the extent of communication in such teams; Proposition 2b: The extent of communication will be positively related to innovative behaviors demonstrated by the teams; Proposition 3a: Self-leadership in work teams will be positively related to team member commitment to the organization; Proposition 3b: Member commitment will be positively related to innovative behavior in such teams; Proposition 4a: Self-leadership in work teams will be positively related to the extent of cognitive variety in such teams.

Proposition 4b: The extent of cognitive variety will be positively related to innovative behaviors demonstrated by the teams[[8]](#footnote-8).

For organizations wanting to enhance their innovation capabilities, self-managed work teams offer a structural, cultural, and leadership solution to design and formulate innovation strategies. SMWTs are akin to organic structures that are suggested to be effective in facilitating innovation[[9]](#footnote-9).

It is really important and indisputable that the introduction of new technology transforms the skill requirements and qualification demands of all persons working in a firm. This is jointly determined by the technology involved and its organizational implementation. Although there is a popular sentiment - particularly among those who are somewhat apprehensive about change - that each case of introduction of new technology is unique and that therefore no general guidelines can be established, it is none the less possible to describe some general developmental trends. Common to all applications are the basic characteristics of computer-assisted automation technology, such as:

* storing huge amounts of data;
* shifting and arranging these data in infinite ways;
* keeping the information available at any given time.

To come to full fruition, this technological tool with its capacities needs to be matched by

human skills such as:

* providing input information;
* giving commands for the treatment of data;
* retrieving the information most relevant for any given specific problem.

This implies that all levels of 'users' or 'managers' of the technology should have a cognitive understanding of the structure and functioning of the system as a whole and of the specific technology in particular. This concept of *mutual dependence* is fundamental to understanding the specific and general skill requirements, and in trying to reconcile available learned skills in the workforce with the skills necessary to operate new systems technology effectively to the fullest advantage. Another key concept is that of flexibility. It is one of the most striking in-built qualities of computer-based technology which needs to be matched by room for manoeuvre in work organizational terms and by better qualified, multi-qualified flexible workforces. In order to achieve this new flexible reality - which is complemented by flexibility in the market as a precondition to survive in international competitive situations - all levels of a company have to increase their skill characteristics, be it 'direct' operatives, middle management or upper management. All these levels do experience an increase in task content which necessitates the acquisition of additional skills or the transformation of existing skills to a higher, broader level[[10]](#footnote-10).

There is a need to add that invention is about new products but innovation is about new solutions which offer value to customers. An innovation may, or may not, involve new technology. Opportunities for innovation are created environmental change. Over time people develop new wants and new knowledge enables new solution to be developed[[11]](#footnote-11).

Another problem is how to send new solutions to the enterprises and to the commercial market where it can make money.

Companies striving to achieve and sustain a competitive advantage are forced to change their approach to the management and transition to active engagement in quality issues. Thoughtful and skilful quality management in the enterprise becomes necessary. This does not necessarily mean striving to achieve its highest level at any price. Such action could in fact be economically unjustified. Therefore, organizations are focused on obtaining optimal marketing quality, which expresses a level of quality, that the target market interested is in. Optimal quality marketing leads into the technical quality the level of which depends primarily on the strategy pursued, the goal of which is to offer the consumer the highest quality at acceptable level of price.

Nowadays business should pay attention to Total Quality Management philosophy, it is a really important thing for better performance and attracting the customer, the following are essential characteristics and core values common to most effective TQM systems.

*Customer Focus:* This puts the customer first for real. The essence of customer focus is identifying the external and internal customers, their needs and expectations, and doing whatever it takes to satisfy them. Under TQM, the scope of the customer extends to those who are not directly involved in using the product but may have a legitimate concern such as the regulators, consumer organizations, the community, and the general public, whose concern over safety, health, the environment, and consumer protection are taken seriously by TQM.

*Active Involvement and Support of the Top Management:* The top management of the organization must actively demonstrate by their deeds, and not just words, their dedication to total quality. Their leadership must be informed and visible.

*Active Involvement of All Employees:* Top management must lead everyone, from line workers to clerical employees to professionals and managers, to participate and become actively involved in the TQM process. Such involvement must be supported by policies for training, empowerment, performance measurement, recognition, and reward.

*Prevention Emphasis:* The emphasis of TQM is on prevention of defects and errors, rather than after-the-fact detection and reaction, such as inspection. Defects are proactively eliminated by designing quality into the product and the process.

*Continuous Improvement and Learning:* This basic philosophy includes constant efforts to identify and eliminate non-value adding activities, and to continuously improve product/service, processes, and all the inputs. It also includes education, training, and upgrading of the skills of human resources. *Management by Fact:* This means using facts and data to solve problems, understand sources of variation, and uncover root causes. Analytical tools are used, both intensively and extensively throughout the organization, to collect, communicate, analyze, and share data.

*Business Planning and Performance Measurement:* Quality plans and objectives are integrated with overall business strategies and other objectives. Performance measurement, which includes comparative and competitive benchmarking, is aligned with quality objectives and organizational goals.

*Collaborative Relationships:* This refers to partnerships and alliances with suppliers, customers, educational institutions, and other organizations. It is emphasized that any one of the above characteristics by itself does not imply TQM. They all interact and constitute a total system. Organizations will not realize the full benefits of TQM if they only pick and choose some of the above characteristics and core values for implementation. In order to fully understand what these characteristics imply, we need to consider the evolution of the terms "total," "quality," and "management" in TQM.[[12]](#footnote-12)

Great interest of businesses in context of building competitive advantage in recent years, has a problem of products quality. A growing number the most popular quality management systems compliant with the ISO 9000:2000 series confirms this (tab.1).

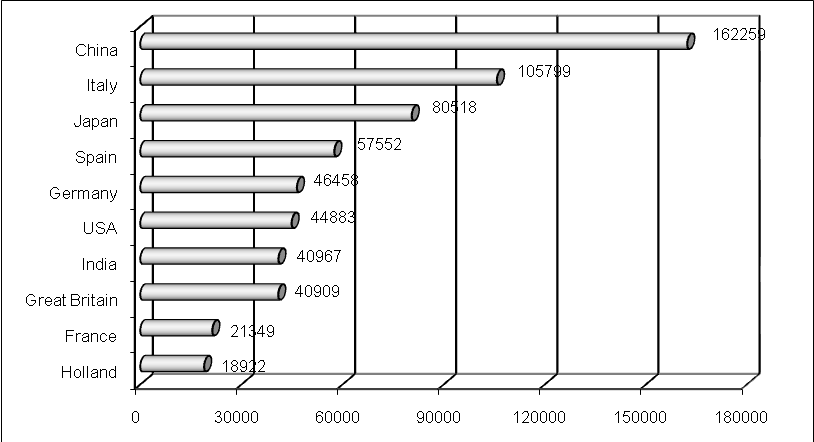
**Table 1. ISO 9001:2000 certifications worldwide**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Specification** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **Dynamics**  **2007/2002** |
| World | 167 124 | 497 919 | 660 132 | 773 867 | 896 929 | 951 486 | 569% |
| **World growth** | - | 330 795 | 162 213 | 113 735 | 123 062 | 54 557 | - |
| **Europe** | 76 572 | 242 455 | 320 748 | 377 196 | 414 232 | 431 479 | 563% |
| **Share in the World (%)** | 38,0 | 45,8 | 48,7 | 48,6 | 48,7 | 46,2 | - |
| **Poland** | 914 | 3 216 | 5 753 | 9 718 | 8 115 | 9184 | 1004% |
| **Share in Europe (%)** | 1,19 | 1,33 | 1,79 | 2,58 | 1,95 | 2,13 | - |
| **No. of countries/economies** | 133 | 149 | 154 | 161 | 170 | 175 | 31,5% |

Source: The ISO Survey – 2007, ISO Central Secretariat 2008, p. 9-16.

Environmentally conscious manufacturing is changing the way design, search for raw materials and manufacturing are conducted. Further the rise of remanufacturing and reuse of durable goods pose new opportunities and threats to manufacturers. Manufacturers such as GM and Ford are adopting environmental management systems (EMS) to improve their environmental record. Companies seek EMS to be seen as "green companies" by discriminating customers and to achieve cost efficiencies throughout the supply chain. Of the many EMS standards, ISO 14001 is the most widely accepted; it is similar to the more-widely known ISO 9000 standards for quality management[[13]](#footnote-13).

For many years a systematically growing interest of business in issues of shaping the appropriate level of quality products and processes is observed all over the world (Pic.1.). Discussed phenomenon is becoming increasingly common irrespective of the type of companies, industry represented, operation scale, the country of origin, or the size of ongoing turnover. After decades of ignoring, product quality has become one of the key factors determining the competitiveness of enterprises.



Pic. 1. Top ten countries for ISO 9001:2000

Source: The ISO Survey – 2006, ISO Central Secretariat 2007, p. 8.

In the nineties, ISO 9000 quality norms became the dominant features implemented by many suppliers in anticipation of gaining customer interest. However, they were often perceived by customers as a general standard, with broad opportunities to implement any types of businesses belonging to a wide range of industries[[14]](#footnote-14).

The survey conducted amongst management staff of Polish oil mining sector companies reveal main reasons of implementing quality management systems.

**Table 2. Benefits of the implementation of the ISO expected by managers**

| **Expected advantage** | **%** |
| --- | --- |
| 1. Increasing the value of the company in customers' opinion | 89,6 |
| 2. Gaining a significant argument in the marketing and advertising | 88,1 |
| 3. Increase of awareness of employees in terms of quality | 88,1 |
| 4. Mobilizing of organization for continuous improvement | 88,0 |
| 5. Improving the management of the enterprise | 85,1 |
| 6. Better organization and increase of efficiency of activities | 83,6 |
| 7. Achieving guarantee of customer satisfaction | 82,1 |
| 8. Increase of the competitiveness of company in the market | 68,7 |
| 9. Increase of flexibility and speed of response to market needs | 52,2 |
| 10. Reduction of quality costs | 43,3 |

Source: own researches.

Among professionals and researchers who are supporters of these standards it is believed that the company which will implement a quality management system can expect a lot of tangible benefits, leading to competitive advantages, among which are:

* improvement of business processes,
* increase of awareness of managers and staff in terms of quality,
* increase the trust of customers and other parties interested in the activities of an organization,
* efficient management of material resources,
* reduction of costs
* better organization of work
* increase of employee morale,
* improvement and harmonizing the information system management and documentation circulation.

1. **Sumary**

Contemporary businesses striving to survive in the rapidly changing market are forced to seek ways of achieving a sustainable competitive advantage. In this context managerial attention towards the pursuit to differentiation of the market offer seems to be particularly worthy of recommendation. This objective can be achieved, inter alia, by offering innovative products. The second way is to focus on issues related to the quality of products and services. This is primarily about the quality in marketing meaning, that is, one that meets the strict requirements of defined target market. The authors believe that compliance with these recommendations in conjunction with other aspects of management can be an effective method of survival in times of crisis, and in the longer term, of the dynamic growth in the period of prosperity.

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