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## FIRMS UNDER NEW COMPETITION CONDITIONS AND STRATEGIC MANAGER CAPABILITIES

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### ABSTRACT

The purpose of this article is to determine as a whole the strategic firm capabilities required by the new competition conditions and the main managerial capabilities which may bring the strategic capabilities to the firm; therefore to contribute to the related literature. For this purpose, the main approaches for developing strategies that would bring competitive advantages to the firms and the 'firm capabilities' concept have been investigated. The capabilities descriptions in the literature have been analyzed and categorized successively. In addition, the major types of capability, the strategic firm capabilities required by the new competition conditions, together with their relations and organizational conditions required in the firms have been determined. At the end of the study, a model showing main managerial capabilities which may bring the strategic and organizational capabilities to the firm and their relations with each other have been proposed.

**Keywords:** Strategic Firm Capabilities, Strategic Managerial Capabilities, Organizational Learning, Employee empowerment, Managerial Time.

**JEL Codes:** D21, D80, M10.

## YENİ REKABET KOŞULLARINDA İŞLETMELER VE STRATEJİK YÖNETİCİ YETENEKLERİ

1

### ÖZ

Bu çalışmanın amacı, yeni rekabet koşullarının gerektirdiği stratejik işletme yeteneklerini ve bu yetenekleri işletmeye kazandırabilecek başlıca yönetsel yetenekleri bir bütün olarak ortaya koymak; ilgili literatüre katkıda bulunmaktır. Bu amaçla, işletmelere rekabet avantajı sağlayacak strateji belirleme yaklaşımları ve işletme yetenekleri kavramı incelenmiştir. Literatürdeki yetenek tanımları analiz edilip gruplandırılmıştır. İşletmelerdeki başlıca yetenek türleri, yeni rekabet koşullarının gerektirdiği stratejik yetenekler, bu yeteneklerin birbiriyle etkileşimleri ve gerektirdiği örgütsel koşullar belirlenmiştir. Çalışmanın sonunda, İşletmelere stratejik yetenekleri kazandırmada etkili olabilecek başlıca yönetsel yetenekleri ve birbiriyle etkileşimlerini gösteren model önerilmiştir.

**Anahtar Kelimeler:** Stratejik İşletme Yetenekleri, Stratejik Yönetici Yetenekleri, Örgütsel Öğrenme, İşgöreni Güçlendirme, Yönetsel Zaman.

**JEL Kodları:** D21, D80, M10.

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## INTRODUCTION

There have been important changes in the market conditions and in the elements that affect competition. In the 1960s, there was a competition based on the “production” power. During the subsequent decade, the subject of competition also changed and “price” based competition became more prominent with the coverage of demand gap and establishment of supply-demand balance. With the start of 1980s, the resulting oversupply in the market moved the competition to a new area “customer oriented” (Kavrakoğlu, 1992: 92). Competition has been globalized by the transition of countries to market economies and enlargement of free movement area of capital and goods among countries.

The competition exacerbated by the increase in customer expectations and in the number of strong firms that have entered the race to meet those expectations. The qualities of the firm capabilities necessary to withstand the competition and maintain the race have changed.

In the race for gaining customers, some firm capabilities which will bring power, endurance and superiority to the firm came to the fore. In parallel terms, the managerial capabilities with a role in establishing, operating and developing system which may bring strategic capabilities to the firm increased importance. To succeed competitively, firms have to redesign and shape of their organization structure, management understanding and company competences according to these strategic capabilities in a more effective and timely manner than their competitors.

The relevant literature includes studies on strategic approaches related to firm capabilities, competitive firm strategies, competitive importance of some firm capabilities, managerial capabilities, management strategies and firm functions. However, no study has been found which reveals the structure and functioning of strategic firm and management capabilities as a model. The starting point of the present study is to draw attention to this gap in the literature and to contribute to the literature.

This study aims to determine the strategic firm capabilities that are increasingly gaining importance and the list of managerial capabilities that can add these capabilities to the firm as an interrelated whole.

For this purpose, first the theoretical infrastructure was established by examining the strategy determination approaches that may provide competitive advantage, and the concepts of firm and managerial capabilities. The second stage includes the list of strategic firm capabilities according to the criterion of providing competitive advantage. The third stage includes the list of strategic managerial capabilities according to the criterion of providing the firm with strategic firm capabilities. The fourth stage proposes the model that indicates the structure and the interaction of the strategic capabilities that may provide competitive advantage in firm and management

### 1. STRATEGIES FOR ACHIEVING COMPETITIVE ADVANTAGES

Understanding the factors that provide sustainable competitive advantages to firms has become a very important part of research in the field of the strategic management. Since 1960s, only one model has been used in many of the researches. This model, using SWOT analysis, suggests that firms obtain competitive advantages by implementing the strategies that exploit advantage of their strengths, through responding to environmental opportunities, while neutralizing external threats and remove their weak sides (Barney, 1991: 99).

In determining strategies to bring competitive advantages to firms, there are two opposite approaches. The first approach requires the development of a strategy based on the analysis of the environmental factors. The most remarkable example of this approach is Michael Porter’s model known as “positioning approach” or “Porter Analysis” (Grant, 1991:114) ; Kırım, 1998:18). This model aims at analysing the environmental factors in terms of competitive advantage and providing the most effective competitive position (Barney, 1991: 100).

The second approach requires the development of strategies based on the analysis of the resources and capabilities within the company. Seminal studies have been produced by Penrose (1959), Wernerfelt (1984), Rumelt (1984), Barney (1991), Selznick (1959), Grant (1991) and Peteraf (1993) about the latter approach, which is known as Resource Based View (RBT) in the literature, (Korhonen & Niemelä, 2005: 12).

This approach aims at analysing resources and capabilities in the company with a view of providing competitive advantage and to ensure most effective composition and position (Grant, 1991:115).

### 2. FIRM CAPABILITIES

When the strategic management literature is examined, the capabilities concept has been appreciated to be in the forefront for more than 20 years (Dixit et al., 2007:3). The concept has its roots in the seminal

work of Penrose (1959) where the role of internal resources for the growth of company is emphasized (Dixit et al., 2007:3; Mahoney, 2005:167). However, the capabilities concept was recreated by the works of Wernerfelt (1984) and Barney (1991), which has become a core for Resource Based View (Dixit et al., 2007:3).

**Table 1:** The Example Definitions Emphasizing Different Qualities Of Capability

<b>Capabilities</b>	<b>The Example Definitions</b>
<b>Capability as resource</b>	<p>According to Makadok, capability is a special type of resource with a function to improve the productivity of other resources (Brits, &amp; Botha, 2007: 153).</p> <p>According to Barney, capabilities such as organizational processes, firm attributes, information and technology are among the resources that are in control of the firm. And those organizational processes enable the firm to design and implement the strategies that increase its efficiency and effectiveness (Barney, 1991: 102).</p> <p>According to Hamel and Prahalad, capability is the resource of maintaining competitive power and superiority which is created by sharing based organization in the firm with all kinds of knowledge, mastery, experience, cultural codes and technical processes (Altuntuğ, 2009: 449).</p>
<b>Capability as Knowledge</b>	<p>According to Loasby , capability is a special type of knowledge. (Brits, &amp; Botha, 2007:155)</p> <p>According to Spender, capability is knowledge which is obtained collectively. (Brits, &amp; Botha, 2007: 155)</p> <p>According to Lei et al., capabilities are encapsulated knowledge created and accumulated by the firm. (Brits, &amp; Botha, 2007: 155)</p> <p>According to Richardson, capability is the knowledge, experience and skills of the firm (Zawislak et al., 2011: 4).</p>
<b>Capability As Process And Action</b>	<p>According to Marino, capabilities are firm specific practices, work processes and culture (Zehir &amp; Acar, 2008: 107).</p> <p>A capability has dimensions of an operational and processes as an element of actions not an element of stocks (Korhonen &amp; Niemelä, 2005:16).</p> <p>Capabilities, indicators of what a firm can do, are organizational activities rather than individual skills (Korhonen &amp; Niemelä, 2005: 16).</p> <p>Capabilities are individual skills, transformed forms of knowledge to attitude and behaviour, social relations that are embedded in a firm's routines, managerial processes, forms of communication and culture (Brits, &amp; Botha, 2007:153).</p> <p>Capabilities are the complex models of coordination among people and between people and other resources (Grant, 1991:123).</p> <p>Capabilities are the power for a team of resources which fulfil some duties and actions (Grant, 1991:119).</p> <p>The capabilities of a firm are what it can do as a product of composition of resources working together in the firm (Grant, 1991:120).</p>
<b>Other views</b>	<p>Capability shows the identity of a firm as perceived by both employees and customers (Brits, &amp; Botha, 2007:152).</p> <p>Capability is to be able to use the capacity better than competitors by employing a set of a firm attributes that is distinctive and difficult to replicate (Brits, &amp; Botha, 2007:152).</p> <p>Capability is the capacity for a set of interactively resources to perform a task uninterruptedly (Brits, &amp; Botha, 2007:152).</p> <p>According to Hitt et al. and Hunt and Morgan , capabilities are firm assets that are often complex and difficult to change over time. They have high capacity to produce sustainable competitive advantage (Korhonen &amp; Niemelä, 2005:14).</p> <p>According to Halfat and Peteraf, firm capabilities are the capacity of using organizational resources and carrying out tasks that require coordination in order to reach a certain result (Zehir &amp; Acar, 2008:108)</p>

The definition examples include the following main qualities that are highlighted in firm capabilities: Knowledge, experience, skill, procedure, culture; use of resources, a resource that enables work production and task performance; information that has turned to action and process; special type of information created and accumulated by the firm that created by organizing and consisting of technical processes.

Using the qualities highlighted in the definitions, the concept of firm capabilities can be defined as follows. **Firm capabilities** are the qualities, knowledge, skill and culture possessed by the firm and the power to create and use them.

**Capabilities in the firm can be classified according to different principles:**

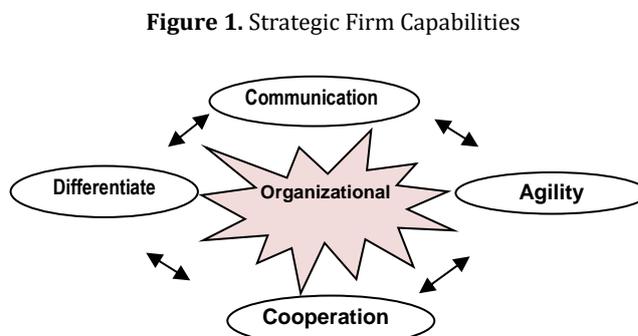
1. *Based on basic firm functions:* Capabilities like marketing, production, management, finance, human resources etc. (Korhonen & Niemelä, 2005:18)
2. *Based on levels in the firm:* Individual, team, department and the firm capabilities. (Dixit et al.,2007:6)
3. *Based on scope:* Capability that is created as a whole by the organization, total (organizational) capability (such as meeting customer satisfaction) and that is supplementary by the division or units of the firm, partial capability (Korhonen & Niemelä, 2005:18).
4. *Based on capacity to provide competitive advantage:* Strategic capability and operational capability that ensure routine functioning of the firm (Zawislak et al.,2011:18).
5. *Based on domination:* Managerial capabilities determining all capabilities in the firm and organizational capabilities depending on managerial capabilities (Zawislak et al.,2011:7).
6. *Depending on the level of relation to the basic work of the firm:* Basic (directly related to the basic work) capabilities and those supporting the basic work or that can be outsourced (Zawislak et al.,2011:6).

**3. STRATEGIC FIRM CAPABILITIES**

In the light of definition and classification of the above firm capabilities, the strategic capabilities in the firms can be defined as follows:

*It is a body of capacity, capability, power, knowledge and processes related to creation, positioning and using resources that may provide sustainable competitive advantage to the firm in terms of quality, price and speed and after sales services.*

According to this definition, a firm capability can only be strategic if it has functions providing the firm with competitive advantage in terms of quality, price, speed and after sales services. According to these criteria, the main firm capabilities can be as follows: 1. Organizational learning: providing the knowledge and capability that enables competitive advantage. 2. Organizational communication: providing the communications that enable competitive advantage. 3. Agility: Rapid and competent response to the expectations and changes in the market. 4. Differentiate: creating differences that provide competitive advantage. 5. Cooperation: establishing cooperations that provide competitive advantage. The basic strategic capabilities required by the new competitive conditions in firms are as follows (**Figure 1**) :



**Source:** Edited by the author.

### 3.1. Organizational Learning Capability

This capability is the capacity or ability of all employees in the firm to access the information required by the job, to understand and interpret necessary information, to produce new interpretation-based information, to transfer produced information to the database of the firm by sharing with other employees, to use the database in the solution for the problems of the firm and production of new goods/service (Koçel, 2003:435).

Learning is a vital capability for all living creatures as well as humans, known as the most intelligent creature in nature and the units/organizations created by humans.

In order to become a strong competitor in the new competitive conditions, the firm should learn to constantly follow the changes in the internal and external environment, provide regular data, process data and convert them into usable knowledge, reflect the change required by conditions to systems, functions, processes and management understanding. At the same time, the speed of this learning should be equal to or more than the speed of change in the environment.

Survival of firms depends on their speed to learn the change required by the developments and warnings related to its environment or reflect it to their applications and management understanding. Firms with learning speed not less than the speed of change in the environment will be able to obtain the rights to stay in the competition arena (Kırım, 1998:80).

The main factors determining the learning speed and capacity of the firms are the individual learning capabilities of the senior managers as priority including the CEO, power of the learning system established in the firm and individual and team capabilities of all employees for learning.

Firm's ability to obtain and develop necessary capabilities depends on its learning capability. Therefore, the learning capability of the firm is in the centre of its firm capabilities and is the source of other capabilities.

### 3.2. Organizational Communication Capability

It is the firm's ability of fast and systematic exchange of all kinds of knowledge and data required by the job. In other words, this capability is the sensitivity to perceive and respond to the qualities, expectations, messages and related changes of all groups like customers, employees, competitors etc. which it is in interaction due to its work.

The firms should provide regular input of knowledge related to both inside and outside of the firm in order to reduce uncertainties, take proper decisions, foresee problems and take necessary measures without delay.

On the other hand, one of the elements to bring competitive strength and superiority to firms is the public image of firm which is reliable, successful, strong, innovative and worth of support. This image is important for purposes like attracting talented employees to the firm, to find easy credit in appropriate circumstances and firms willing for cooperation, to become a brand preferred by customers, to create loyalty and motivation for employees. The basis of creating an image with preferred qualities by the public opinion is provided by placing systematic efforts of publicity, announcing the firm and its activities and meeting the expectations of the public.

Communication capability requires a system infrastructure with aspects of receiving and providing knowledge, based on principles like effective participation of all employees, worthy of public support, persistence and respectability, having horizontal and vertical, formal and informal dimensions within and outside the firm. With these qualities, communication capability is an integral element determining the strength of capabilities such as learning, differentiate, cooperation and agility.

### 3.3. Capability of Agility

It is the firm's speed to perceive and agility to respond to the changes in the market conditions, customer requests, competitors' behaviour and technology (Stalk et al., 1992: 62). This capability is the ability to meet the goods and services in accordance with the change emerging in customer expectations in the fastest manner at high quality and lowest price (Ustasüleyman, 2008:162).

Main elements of agility (Kasap & Peker, 2009:67):

- *Response sensitivity*: Noticing, perceiving and fast responding to expected and unexpected changes; sensitivity.
- *Flexibility*: Ability to make changes in works, processes, organization structure, output models and

quantities, human resources, targets, market position and technology.

- *Speediness*: Being fast in issues like introducing new products to market, product delivery, processes completion, change of market position, decision making etc. (Stalk et al.,1992:62).
- *Effectiveness*: To provide the necessary response in a restrained, sufficient, productive, accurate and aesthetic manner.

The followings are the main managerial and organizational conditions in the firms required by agility:

- ❖ Providing employees with authority, knowledge and motivation required by the job done and making them as the owner of the job.
- ❖ Removing actions and positions without added value from the structure of the organization, shortening all processes, flattening organization structure, creating lean organization structure.
- ❖ Determining works that comply most with the capabilities of the firm and buying the works other than core competence done by other firms; reducing the organizational structure
- ❖ Having communication system providing systematic flow of knowledge, closely following developments and expectations within and outside of the firm.
- ❖ Having fast learning capability of other organization

### 3.4. Differentiate Capability

It is the ability to make innovations or differentiate in the management approach, inputs, processes, outputs and image for providing customers with added values which are effective in choices of firm and its' products.

The firms face the obligation to shape the organization structure, management understanding, capabilities and outputs according to market conditions in order to succeed in demanding competition conditions. The fact that the elements of this shaping are common for the firms in the same market, has created the trend of transformation to similar characters in firms working in the same market conditions (Ataman, 2003:16).

This trend increased the price competition and reduced the profitability rate as it multiplied similar products in the same market (Kırım, 2005:6). Differentiate is the most effective way to save the firms from the vortex of price competition based on sameness which rapidly destroys firms (Argüden, 2006).

The followings are the main elements that are the infrastructure of the differentiate capability in firms:

- Powerful employees with high potential of creativity, having different capabilities and points of view.
- Organizational structure and management understanding that support and motivate differentiate
- Level learning and communication capacity

### 3.5. Cooperation Capability

It is the ability to establish/develop solidarity, cooperation and partnership with other firms to increase the competitive power and superiority of firms (Zehir & Acar, 2005:112).

Firms are able to cooperate with their rivals due to reasons like to be able to meet orders that are impossible to meet on their own, to limit price competition and increase profitability and to enter new markets with less risk. Partnerships can be established with the suppliers (outsourcing) to secure the quality of the basic inputs and to reduce the input and stock costs. This type of cooperation on market share, cost share of establishing research and development units, reduction of input cost and obtaining new capabilities bring a significant synergic power and competitive superiority to firms.

Hamel and Doz emphasized the importance of the cooperation capability in their book (Alliance Advantage) by stating that "one of the most important indicators determining whether today's companies will survive in the future is the fact whether they have cooperation capability or not" (Arat, 2006:100).

## 4. MANAGERIAL CAPABILITIES

**Capability** is defined as a distinguishing quality of a person which ensures effective and/or highly succeeded conclusion of the work being done (Altuntuğ, 2009:449). Bratton defined capability as knowledge, mastery, characteristics, motive, value, attitude and behaviour or other qualities that have roles in fulfilling a work (Abraham et.al. 2001:843).

Accordingly, managerial capability is the bunch knowledge, mastery, characteristics, motive, value, attitude and behaviour that ensure effective and successful achievement of managerial duties. It is clear that the size, structure, field of activity, objective and hierarchical structure of the managed organization will change dimensions and importance of the managerial capabilities required although it does not change the basic management tasks.

Taking in a rather comprehensive framework, it can be said that management requires three types of capabilities i.e. **technical, human and conceptual**.

**Technical capability** is the capability of using special knowledge, management and techniques related to the functional expertise of the manager and its importance is reduced with higher level of management. **Conceptual capability** is the capability to evaluate, combine and integrate the organization with a system point of view. Its importance rises with the increase of management level. **Human capability** is the capability to understand, impress, move and cooperate with others with care not varying by management levels (Can et.al. 2005:136; Koçel, 2003:20).

The managerial capabilities list created by a more detailed viewing angle includes the followings (Abraham et.al., 2001:847; Ataman G. 2001:14; Eren, 1991:11; Dai & Yu, 2010:371).

- *Communication, problem solving, time management, information management, self-awareness and understanding others, employee empowerment, team setting, comprehensive thinking, coordinating, self-control, quality and customer orientedness, assessment, innovation, fast adaptability, flexibility, reliability*

## 5. STRATEGIC MANAGERIAL CAPABILITIES

*Strategic managerial capabilities are the body of capacity, skill, power, knowledge and processes related to establishing, operating and developing systems which may bring a sustainable competitive advantage to the firm in terms of quality, price, speed and the after sales services.* In other words, it is the manager's capabilities with a key role in the acquisition and use of strategic capabilities by the firm.

According to this definition, a managerial capability can only be strategic if it has functions that can provide the firm with strategic firm capabilities. According to this criterion, the main strategic managerial capabilities can be as follows:

1. Managerial learning: Providing the knowledge and capability for strategic system development and operation
2. System development: Strategic system development and operation
3. Time management: Allocation an important part of managerial time for system development
4. Employee empowerment: Bringing the employee to a position that supports the functioning of strategic systems.

### 5.1. System Development

It is the capability of the managers to establish, develop and operate in line with the system objectives to realize the firm objectives. The ability of the management and firm to acquire strategic capabilities depends on *developing and operating effective systems to produce these capabilities – learning, time management, cooperation, differentiate and agility*. System establishment and development are among the leading tasks and responsibilities of managers (Donaldson & Joffe, 2014:38). The importance of the responsibility of establishing and developing systems increases as the management level increases.

Dr. J.M. Juran, who has had an experience of management consultancy for more than fifty years and important contributions to the philosophy of Total Quality Management, has stated that the success of an organization is determined by two factors: system and human. For him, the effect of "system" on result is 85%. Dr. Deming, one of the most significant pioneers of TQM, suggested the idea that the effects of the "system" and "human" factors on result are respectively 98% and 2% (Kavrakoğlu, 1992:16).

The simplest criteria to use to determine the extent of performance of management responsibility by a manager is the time spared by the manager to develop system and to work in the current system. As the management level increases, it should be expected that the time spared by the manager to system development becomes more than work in the system (**Figure 2**).

System development capability is based on the functioning of managerial capabilities like learning, time management, communication, information processing, innovation, team setup, comprehensive thinking, harmonization and conceptual capability.

**Figure 2.** Time Usage Areas of the Managers based on Management Levels

Management Levels	Area of Time Use
HIGH	To develop system
MEDIUM	
LOW	To work within system

Source: Kavrakoğlu, 1992:16

## 5.2. Managerial Learning Capability

Senge defined learning as “body of attitude and thought changes which make possible to do something which cannot be done by a person” which is different from the popular meaning of “obtaining information” (Yazıcı, 2001:64).

Learning capability is the ability to obtain, perceive, understand, and interpret information by using intuitions or cognitive processes, to obtain experience with this information, to conceptualize the achieved result and to reflect it in application. Accordingly, *the indicator of learning* is the attitude or applications; *the power of learning*, level of reflecting information to behaviour (practice); while *the speed of learning* is the speed of reflecting information to behaviour (Koçel, 2003:20).

The managerial learning capability is the basis or the source of developing and using other managerial capabilities. At the same time, it is the basic element determining the existence and strength of organizational learning that is the source of strategic firm capabilities. This capability ensures that managers understand the new management approach required by the competition conditions, works, structures, processes and systems to be redesigned; to be able to make self-criticism, to constantly learn from achievement and failure and to increase its value in the organization (Ulrich & Lake, 1991 :82)

The learning capability is based on managerial capabilities like system development, communication, and the information management, conceptual and analytic capability.

The indicators of learning capability of a manager are as follows: 1. To be able to establish a system constantly monitoring and assessing the developments related to data, warnings and management understandings about the firm and environment of the firm. 2. To have a high level and speed of reflecting of evaluation results to managerial understanding and practice.

## 5.3. Time Management

Time is the scarcest and most valuable one among the resources used by the managers. The manager’s skill of using time productively for the most important managerial tasks with highest priority is a strategic management capability. Hence it is very important for a manager to spare sufficient and productive time to establish, operate and develop systems that may bring sustainable competitive advantages.

A manager who lacks time management capabilities does not fully fulfil his priority managerial tasks like system development despite extensive work time over the normal work time. That type of manager who lacks time management capabilities also does not create time for rest, family, hobbies and self-development. The weakness is based on insufficiencies of managerial capabilities like priority learning and system development, the employee empowerment and setting teams.

## 5.4. Employees Empowerment

It is the process of increasing the employees’ authority in his work and his knowledge, skill, opportunities, self-confidence and motivation to use this authority in order to satisfy the internal and external customers and of ensuring the perception of this increase (Ugboro & Obeng, 2000 :249).

Employee empowerment is a process which constitutes a basis for the firm to acquire strategic capabilities like learning, agility, differentiate and cooperation. At the same time, it is a strategic manager

capability which has a key role for the manager to acquire capabilities to use time productive and to develop system.

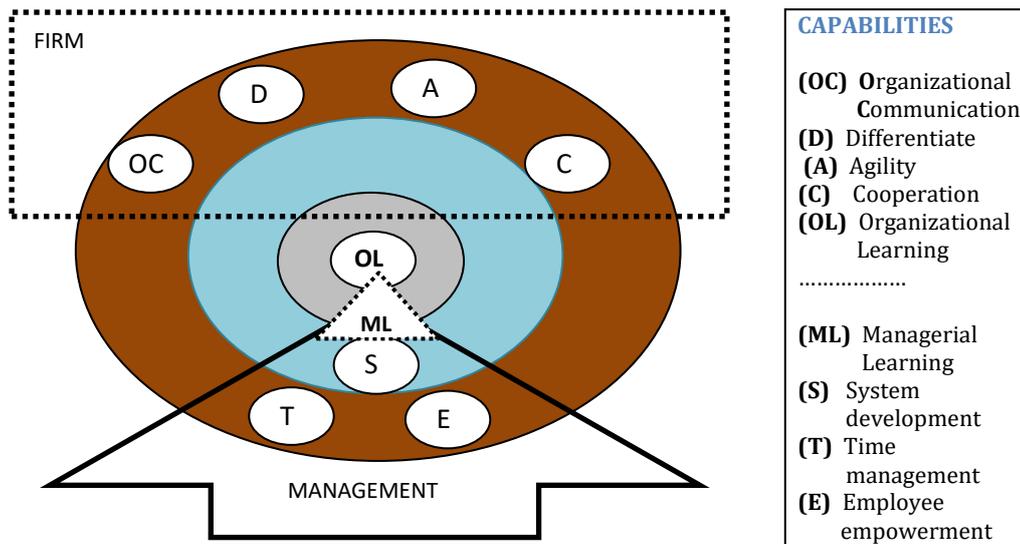
The managers who are able to empower employees not only for resource and knowledge but also for power will have an increase in their power rather than a decrease. The reason is that the managers will have a position to effectively manage the authorities that can be used by their subordinates instead of directly using these authorities by providing this empowerment to their subordinates.

The ability of a manager to acquire employee empowerment capability is based on level of development of their capabilities like learning, being customer-focused, the fast adaptation to innovations and system development.

### 6. STRUCTURE AND FUNCTIONING OF STRATEGIC CAPABILITIES IN FIRM AND MANAGEMENT

Strategic capabilities in a firm and the managerial capabilities to provide these capabilities and their relations can be shown as in **Figure 3**. As shown in the Figure, the strategic capabilities to be acquired by the firm are determined by managerial capabilities. Management is shown with an arrow in figure-3 to indicate that it is the dominant force in the organization. Organizational learning (OL) and managerial learning (ML) capabilities are the source of all capabilities fed by the information input in the centre (core) of firm and management capabilities. The source of organizational learning is managerial learning and system development. Accordingly, management must first learn and develop the system, so that the organization can learn. The system development capability of management (S) is (shown in the circle between the center and the outer circle) a capability that takes its energy from managerial learning and provides the mechanism to bring all capabilities including organizational learning to the management and the firm.

**Figure 3.** Strategic Capabilities in Firms and Management



Source: Edited by the author

The structure and interaction model of the strategic capabilities that may provide competitive advantage in firm and management have been indicated in Table 2.

**Table 2:** The Structure and Interaction Model of the Strategic Capabilities in Firm and Management

<b>A. Strategic firm capabilities</b> Provides a sustainable competitive advantage to the firm .	<b>B. Strategic Managerial Capabilities</b> Provides the company with strategic capabilities that may provide competitive advantage.
<p><b>1. Organizational learning</b> Providing the knowledge and capability that create competitive advantage.</p> <ul style="list-style-type: none"> <li>• <b>Functions:</b> Access to information, producing new information, sharing information in the organization, creating the firm database; solving the problems of the firm, design new product / process and developing capabilities by using the database</li> <li>• <b>Relations:</b> It is supported by organizational learning, organizational communication and system development.</li> </ul>	<p><b>1. Managerial learning</b> Providing knowledge and capability for strategic system development and operation.</p> <ul style="list-style-type: none"> <li>• <b>Functions:</b> Access to knowledge, creating new information, sharing information in the organization, creating knowledge store, developing capability by using knowledge store.</li> <li>• <b>Relations:</b> It supports and is supported by other managerial capabilities.</li> </ul>
<p><b>2. Organizational communication:</b> Realizing communication that provides competitive advantage</p> <ul style="list-style-type: none"> <li>• <b>Functions:</b> Providing systematic message exchange within and outside the firm, creating an image that will provide respectability in public and that will encourage cooperation.</li> <li>• <b>Relations:</b> It is supported from organizational learning and system development. All capabilities are supported.</li> </ul>	<p><b>2. System Development</b> Strategic system development and operation</p> <ul style="list-style-type: none"> <li>• <b>Functions:</b> Designing, developing and operating systems that provide strategic capabilities</li> <li>• <b>Relations:</b> It is supported from organizational communication and other managerial capabilities. It supports all firm and managerial capabilities.</li> </ul>
<p><b>3. Agility:</b> Fast and competent response to the expectations and changes in the market</p> <ul style="list-style-type: none"> <li>• <b>Functions:</b> Fast detection of the expectations in the market and changes in the production technologies, fast response to the changes in the market conditions, fast and competent fulfilment of customer requests.</li> <li>• <b>Relations:</b> It is supported by organizational learning, organizational communication, cooperation, system development and employee empowerment. It supports differentiate.</li> </ul>	<p><b>3. Time management:</b> Sparing time for system development.</p> <ul style="list-style-type: none"> <li>• <b>Functions:</b> Determining way of time use, transferring routing works, sparing large and efficient time for system development.</li> <li>• <b>Relations:</b> It is supported by other managerial capabilities. It supports system development.</li> </ul>
<p><b>4. Differentiate:</b> Creating a difference that provides competitive advantage.</p> <ul style="list-style-type: none"> <li>• <b>Functions:</b> Making changes or innovations that create a difference in the design, production and sales of the goods and services of the firm.</li> <li>• <b>Relations:</b> It is supported by organizational learning, system development and employee empowerment.</li> </ul>	<p><b>4. Employee empowerment:</b> Bringing the employee to a position supporting the functioning of strategic systems.</p> <ul style="list-style-type: none"> <li>• <b>Functions:</b> Empowering the employee with regards to authority, expertise, resource and personality.</li> <li>• <b>Relations:</b> It is supported by managerial learning and system development. It supports all firm and managerial capabilities</li> </ul>
<p><b>5. Cooperation:</b> Cooperation that provides competitive advantage.</p> <ul style="list-style-type: none"> <li>• <b>Functions:</b> Cooperation with customer firms, supplier firms, neighbour firms and rival firms</li> <li>• <b>Relations:</b> It is supported by organizational learning, organizational communication and system development. It supports agility.</li> </ul>	

## CONCLUSION

The firms are in a competition to sell goods and services to customers with ever increasing awareness and expectations, which is not easy to be satisfied. This competition takes place in an environment where the number of strong firms with high potential meets the customer expectation increases constantly.

The competition conditions become more severe with the addition of new crisis winds of global dimension threatening the market shares. The possibilities to maintain competition have been narrowed down with methods like all year long uninterrupted price reductions, closing down announcements, cost sales etc. which are no more reliable by customers. Under the new competitive conditions, customers prefer firms which provide trust and satisfaction not only during purchase but also after that.

In the new market conditions that are subject to change, the importance of strategic firm capabilities that provide competitive advantage and managerial capabilities bringing these capabilities to firm have increased.

This study examines the strategic firm capabilities and managerial capabilities required by the new competitive conditions. The results of the study are as follows:

1. Strategic firm capabilities that create competitive advantage are organizational learning, agility, differentiate and cooperation. Organizational learning is decisive in developing other capabilities.
2. Strategic managerial capabilities enable the firm to acquire and use strategic capabilities. These capabilities are managerial learning, system development, time management and employee empowerment. Managerial learning is decisive in developing the other capabilities. It has the qualities of system development, creating and maintaining all strategic capabilities.
3. Strategic firm capabilities are determined by strategic managerial capabilities. These two capability groups are an interconnected whole. Presence of one indicates the presence of the other. Each one of strategic capabilities has to be considered to be parts of a whole that has interaction with other strategic capabilities. The managerial success will not be determined by the acquisition of these capabilities which are complementary to each other and in a close interaction between their qualifications but by the speed of acquisition.

Bringing strategic capabilities to the firm require the managers to learn the total quality management understanding and to make it prevail in the firm; to establish the organizational structure in a simple and organic structure, working according to core competence; to give the employee a position of strategic firm element. This change will direct the managers to their original work – system development –, instead of working with the traditional habits in the existing system. The most important obstacle before the managers is their traditional habits and the anxiety that the change will reduce their power in the organization

This study may provide an opportunity to the managers to evaluate which strategic capabilities they have in the proposed model, their strong and weak capabilities, and the relation of them with the success and failure.

This study may become an inspiration and starting point for the works to be carried out with regards to strategic firm capabilities and cause the introduction of new model proposals. The first study to be recommended may be an extension of this study where a scale of the strategic capabilities in the proposed model is developed and where the strategic capabilities of firms are measured. A field study may be conducted associating the level of possession of these capabilities and the achievements.

A second subject of the research to be recommended can be related to theoretical and field study that examines the relation levels of the managerial and firm capabilities individually and collectively using a scale to be developed for strategic capabilities.

These researches may cause the testing of the functionality of the proposed model, development of new models and hence an increase of the contribution to the literature and managers.

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