## https://doi.org/10.31891/2307-5740-2023-324-6-53 UDC 658.64 (045)

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# COMPETITIVE MODEL PROPOSAL FOR THE AZERBAIJAN WINE INDUSTRY: TALENT-BASED ORGANIZATIONAL MODEL

The main aim of this study is to develop a talent-based model proposition in line with the resource-based approach by assessing the strategic position of Azerbaijan's wine industry, which is globally recognized as an important wine producing country. It is noted that in the context of very important changes and events taking place in the world today, the phenomenon of

competition expresses competition in all spheres of life and day by day increases its intensity and challenges modern business. The article widely uses methods of comparative analysis of the experience of foreign countries, analysis of statistical

dynamics, and in-depth analyzes of economic growth in a competitive environment.

The author notes that in order for businesses to compete and, moreover, achieve sustainable competitive advantage, they need to understand that the basis of competition has changed, and accordingly everyone must reconsider their approaches and define a new road map for themselves as strategic support with new methods in management. This new understanding of strategy allows companies to be unique, inimitable and responsive to define their strategy and prepare action plans to meet changing customer needs, create customer value and provide quality and low-cost products and services.

The author emphasizes that businesses now realize that it is impossible to compete and survive using old methods. It is noted that the resource-based view is used as a new approach, which involves the harmonization of resources and business capabilities with their external environment to produce unique products and services.

Azerbaijani wine industry businesses that can redefine their boundaries and develop external relationships using a talentbased model can expand their reach and influence to new groups of employees and entrepreneurs. In this way, Azerbaijani wine industry enterprises can create great new opportunities and offer these groups opportunities to participate in the global economy. This perspective, which sheds light on the dominant organizational logic of powerful players who influence or share the behavior of others, includes foreign competitors, suppliers and employees in the global economy. In this regard, it is very important for the Azerbaijani wine industry to have a good understanding of the interaction between global and local dynamics.

Key words: resource-based approach, competitiveness, strategy, talent-based organizational model, Azerbaijani wine industry.

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# КОНКУРЕНТНА МОДЕЛЬНА ПРОПОЗИЦІЯ ДЛЯ АЗЕРБАЙДЖАНСЬКОЇ ВИННОЇ ПРОМИСЛОВОСТІ: ОРГАНІЗАЦІЙНА МОДЕЛЬ, НА ОСНОВІ ГЛИБИННОГО АНАЛІЗУ

Основна мета даного дослідження - розробити модельну пропозицію, що ґрунтується на талантах, відповідно до підходу, заснованого на ресурсах, шляхом оцінки стратегічного стану підприємств виноробної промисловості Азербайджану, які в усьому світі визнані важливою країною-виробником вина.

Зазначається, що в контексті сьогодні дуже важливих змін і подій, що відбувається в світі, явище конкуренції виражає конкуренцію у всіх сферах життя і з кожним днем збільшує її інтенсивність, кидає виклик сучасному бізнесу.

У статті широко користуються методи порівняльного аналізу досвіду розвинених країн, аналіз статистичної динаміки, глибинні аналізи економічного зростання умовах конкуренції.

Автор зазначає, що підприємства щоб могли конкурувати і, більше того, досягати стійкої конкурентної переваги, їм необхідно зрозуміти, що основа конкуренції змінилася, і відповідним чином всі повинні переглянути свої підходи та визначити для себе нову дорожню карту як стратегічну підтримку з новими методами управлінні. Це нове розуміння стратегії дозволяє компаніям бути унікальними, неповторними та оперативними для визначення своєї стратегії та готувати плани дій, задовольняючи мінливі потреби клієнтів, створюючи споживчу цінність та надаючи якісні та недорогі продукти та послуги.

Автор підкреслює, що тепер бізнес усвідомлює, що неможливо конкурувати та вижити, використовуючи старі методи. Зазначається, що ресурсно-орієнтоване уявлення використовується як новий підхід, який передбачає гармонізацію ресурсів та можливостей бізнесу з їх довкіллям для виробництва унікальних продуктів та послуг.

Підприємства виноробної галузі Азербайджану, які зможуть перевизначити свої межі та розвивати зовнішні зв'язки, застосовуючи модель, засновану на талантах, можуть розширити свою діяльність та вплив на нові групи співробітників та підприємців. Таким чином, азербайджанські підприємства виноробної галузі можуть створити нові великі можливості та запропонувати цим групам можливості для участі у світовій економіці. Ця точка зору, що проливає світло на домінуючу організаційну логіку впливових гравців, які впливають або поділяють поведінку інших, включає іноземних конкурентів, постачальників та співробітників у глобальній економіці. У цьому відношенні для підприємств виноробної галузі Азербайджану дуже важливо добре розуміти взаємодію між глобальною та місцевою динамікою.

Ключові слова: підхід, що ґрунтується на ресурсах, конкурентоспроможність, стратегія, організаційна модель, заснована на талантах, виноробна промисловість Азербайджану. 1. **INTRODUCTION.** Recently, competition and business have undergone a radical change with a new developing concepts. While the traditional approach emphasizes the profitability resulting from the external positioning of the business, the resource-based competition approach emphasizes the role of the company's internal resources as the source of competitive advantage. Many advantages are equally important in creating a successful position. Some of these are external-sectoral, requiring cooperation, and some are internal-the resources, talents and basic competencies of the business (Papatya, Papatya, Beşirov, 2006).

Resource-Based View (RBV) offers a perspective to reveal the analytical logic of how businesses can simultaneously capture opportunities and competitive advantage (Papatya, 2003). This perspective suggests that success or competitive advantage can be achieved with the effective management of business resources (Hitt and Ireland, 1985).

RBV is based on the assumption that businesses can have multiple (heterogeneous) and specialized resources within a certain period of time, and four key features of resources that can provide sustainable competitive advantage are highlighted (Barney, 1991). Accordingly, resources must be valuable and rare in order to create competitive advantage. In order for a resource to be a source of sustainable competitive advantage, it must be inimitable or difficult and/or costly to imitate.

Once businesses recognize and control valuable, rare, inimitable and irreplaceable resources, it is possible to benefit from these resources continuously in the future. Therefore, while the resource profile of businesses is very important for success, it is important that these resources are positioned and integrated effectively, that is, with appropriate strategies, in order to achieve competitive advantage. However, resources alone cannot create sustainable competitive advantage. More precisely, resources must be managed appropriately in order to produce value. Additionally, effective locating and integrating resource stacks makes it difficult for competitors to imitate these resource stacks and develop replaceable ones. Resource management, which explains the effective management of resources, includes evaluating, subtracting, adding, accumulating and taking advantage of the leverage effect of resources to achieve competitive advantage (Papatya, Papatya, 2007).

Although business resources can be classified in many ways, they can generally be examined under five headings. These are human capital, social capital, permanent financial capital, life-sustaining capital and the quality of the governance structure (Papatya, Papatya, 2007).

Human Capital; Human capital describes a person's skills, abilities and acquired knowledge to enable unconventional activities and uniqueness. The quality and amount of human capital in businesses is limited to employees. In addition, the cultural infrastructure of the business and qualified managers may be obstacles to the emergence of this knowledge, skills and abilities, for example, poor perception of professionalism, limitations on the transfer of wealth, limited potential for professional growth. However, human capital in businesses includes some positive characteristics or the potential for friendship, special relationships or business-specific tacit knowledge. Therefore, management of both negative and positive human capital characteristics of businesses is of great importance for their future success.

While human capital focuses on the characteristics of individuals, social capital includes relationships between individuals or organizations. Social capital can be effective in important activities of the business, such as the exchange of internal resources, the creation of intellectual capital, internal learning, supplier interactions, product innovation and entrepreneurship. Social capital, which also provides the business with technological knowledge, informatics and opportunities to reach the market, is a very important resource for the business. Social capital is a three-dimensional component. These are structural, cognitive and relational components. The structural component is based on ties and forms in networks, the cognitive component is based on sharing language and stories, and the relational component is based on norms, obligations and trust. Businesses interact with suppliers, customers, supporting organizations and etc. They can increase their social capital by establishing more effective relationships with financial institutions and connections with various social structures.

Permanent financial capital is financial capital that can be invested without the threat of liquidation in the long term. Permanent capital therefore differs from the typical financial capital because of the intended timing of investment. Many businesses try to develop long-term relationships with investors. However, it is impossible to do this in markets that are not defined by investment strategy. However, businesses with permanent financial capital tend to pursue much more creative and innovative strategies. Therefore, permanent financial capital is a valuable asset for businesses.

Life-sustaining capital refers to the pool of personal resources. It is the willingness of business members to participate, share and lend. These personal resources may also take the form of unpaid work, loaned labor, additional brand investments, or monetary loans. This pool of external resources can be obtained through mutual business relationships. Survival capital can help a business survive in periods of poor economic health, such as new market exposure or unsuccessful expansion.

In order for businesses to create competitive advantage, they must have and maintain common shared goals. Additionally, intermediary costs may cause variability in the life cycle of the business. For example, thinking of others before oneself when replacing a top manager in a business may grow by increasing agency costs. However, substitution is not common in businesses. Therefore, low governance costs in businesses can be a source of competitive advantage.

Therefore, unique resources can multiply the management of enterprises' resource profiles (evaluation, subtraction, addition, accumulation and leverage effect). Moreover, the management of these resources may differ depending on the low or high performance of the business.

The main purpose of this study is to propose a road map for structuring within the framework of talentbased management and developing a unique Talent-Based Organizational Model for Azerbaijani wine industry businesses in order to achieve sustainable competitive advantage by using the resources and talents of Azerbaijani wine industry businesses effectively and efficiently.

In this study, the modeling of a regional model to create competitive power in the winemaking industry is being discussed, where competition is intense, because of that it reveals the originality and difference of the study. It is thought that it will contribute to the field since there are limited studies in this context in scientific literature.

2. THEORETICAL GROUNDING FOR THE MODEL: RESOURCE-BASED VIEW

Traditional competitive elements maintain their importance in new competitive conditions. However, strategies and policies implemented at the global level require a different approach for competition. Until the 1990s, the competitive advantage of enterprises was considered primarily in terms of the characteristics of the enterprises and was evaluated as a positioning activity against existing competitors. Then, the resources and basic capabilities of businesses began to be examined in determining, developing and maintaining business strategies.

Firstly, based on the important works of Penrose (Penrose, 1959) and Selznick (Selznick, 1957), very important studies have been carried out to produce theory about the resources and capabilities of a business and to show its value to managers. To these; (Prahalad and Hamel, 1990; Wernerfelt, 1984; Barney, 1986; Dierickx, 1989; Teece, Pisano and Shuen, 1997) contributed with their studies.

This was seen as combinations of product/market positions and strategies in new competitive areas for resource-based competition. The Resource-Based View has enabled the emergence of a new theory of competition by considering the very important component of competitive advantage among superior strategic methods and evaluating it as learning a competition based on special differences for the business rather than researching competitive advantage based on the structural characteristics of the sector (Oliver, 1997).

The resource-based view (Grant, 1991; Amit and Schoemaker, 1993), which has been inspired by economic theory since the late 1980s, accepts that competitive advantage lies in the resources of the enterprise and states that when combined and coordinated, resources contribute to the realization of the optimal level of competition at the organizational level. Until this period, management theories were generally considered as business-oriented (internal) and environmentally-oriented (external). Resource-based competition theory combines the internal analysis of the business with the external analysis of the industry and the competitive environment. Accordingly, RBV theory builds on previous approaches by combining internal and external perspectives. However, it did not replace them.

The critical elements of RBV theory are resources, capabilities, and strategy. These elements form the basis of RBV theory. The specified sector/business resources are divided into physical (financial resources, buildings and equipment, distribution channels, real assets) and non-physical assets (intellectual capital, brand and recognition, business models, connection and network, naturally created talents). Effective use of these resources in the business is related to the development and promotion of managers' talents. There is a flow of value from physical assets to non-physical assets. Thus, a sustainable competitive advantage is achieved (Bharadwaj, Varadarajan and Fahy, 1992). Business resources are shown below.

t used by the business he business, the raw materials and materials used
and harmony between business managers and employees
s of the business, control and coordination systems and reports

Figure 1. Business Resources

Reference: (Papatya, Nurhan, 2003)

According to RBV theory, resources represent the basic capabilities that the business can use. In this respect, capabilities are the collective knowledge of the business that enables initiating or responding to change through organizational processes, systems and processes that take the form of behavioral models, internal networks and interpersonal relationships (Collis, 1991). All invisible capabilities are developed as a result of specific investments and relationships that continue over many years (Lado et al., 1992). Capabilities and resources are difficult to define, isolate and measure. Because they are generally non-verbal and inimitable, collective, interactive and complementary.

RBV theory, like all theories, adopts various assumptions. Although this theory is compatible with other strategic theories, it creates two additional assumptions. These are uniqueness of resources and non-transferability

of resources. In particular, although the two hypotheses suggest that unique and non-transferable resources may exist, they do not claim that all entities will always be unique in this way. Essentially, these assumptions state that some businesses may have resources that can make them much more effective with the strategies they adapt or implement and develop from other businesses at certain times, and that these resource differences can last forever. No significant research has been found on this subject in recent years.

## 3. CURRENT SITUATION OF AZERBAIJAN WINE INDUSTRY

Azerbaijan's wine industry has an important place in the country's economy, along with grape growing, which cannot be considered separate from the wine industry. As a matter of fact, during the Soviet period, grape production in Azerbaijan was in second place after the oil industry. Today, the Azerbaijani wine industry is considered among the main sectors of the country. The share of the wine industry in the country's economy is 3.2%. This rate constituted 36% of the national income of this sector, with the contributions of grape growing, between 1981 and 1985 (Eliyev, 97).

The distribution and production amount of total grape crop fields in Azerbaijan between 1991-2021, covering the independence period, are shown in the table below.

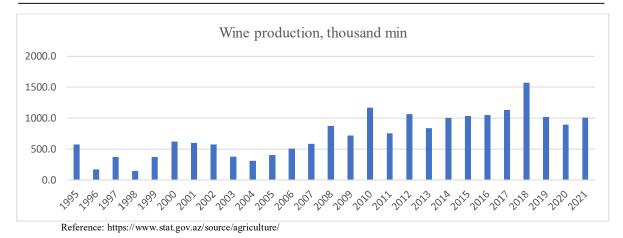
Table 1

Years	Crop field	At the age that gives him a bar	Production	Productivity, from 1 hectare
	thousand ha		thousand tons	sentner
1991	171.0	148.6	1125.6	75.3
1992	146.3	132.3	607.0	45.8
1993	140.1	133.1	411.3	30.9
1994	110.3	105.1	313.8	29.8
1995	97.7	94.7	308.7	32.6
1996	83.3	79.1	275.0	34.7
1997	66.3	65.4	145.3	22.2
1998	35.1	34.5	144.2	31.4
1999	20.5	20.3	112.5	35.6
2000	14.2	13.9	76.9	35.8
2001	11.5	11.4	68.1	39.9
2002	8.9	8.9	62.1	43.8
2003	7.7	7.4	65.0	50.9
2004	8.0	7.3	54.9	38.9
2005	9.6	7.2	79.7	61.8
2006	10.0	7.5	94.1	76.7
2007	12.4	7.8	103.4	70.1
2008	13.3	8.9	115.8	74.0
2009	15.0	10.1	129.2	74.7
2010	15.4	11.2	129.5	74.7
2011	15.9	12.0	137.0	81.5
2012	16.3	12.4	151.0	88.6
2013	16.1	13.1	148.5	88.9
2014	15.9	13.5	147.7	82.5
2015	16.1	13.5	157.1	86.6
2016	16.0	13.9	136.5	74.4
2017	16.1	14.1	152.8	84.1
2018	16.1	14.4	167.6	92.8
2019	16.1	14.5	201.8	104.8
2020	16.1	14.9	208.0	99.4
2021	16.0	15.1	209.8	98.2

Crop Areas (ha) and Grape Production Amount (Thousand Tons) in Azerbaijan

Reference: https://www.stat.gov.az/source/agriculture/

The independence period also manifest themselves in wine production. The lowest level of wine production was 146 thousand dkl in 1998 (stat.gov.az).



As can be seen, wine production shows a fluctuating graph. Wine production, which entered a period of rise until 2000, experienced a decline in the following years. With the launch of new economic reforms in 2004, especially the adoption of the state program for the development of the regions, there was a rise again in the production of wine products in 2005.

#### 3.1. Sector Map of General Activities

While structuring the sector map, first of all, the organizations in the wine sector, the place of the sector in the country's economy, the existing capacity and usage, relations with other sectors and sub-industry, the status of foreign trade and the structure and texture of the workforce in the sector were discussed in the article.

#### **3.1.1. Organizations in the Sector**

According to official records, there are 135 enterprises in the Azerbaijani wine industry. All businesses were transferred to private ownership within the scope of privatization. In addition, the Scientific Research Institute of Viticulture and Winemaking in Mehdiabad town near Baku is one of the important institutions in the sector. However, wine producers are required to obtain a license from the Azerbaijan Ministry of Agriculture to produce any product. The distribution of organizations and regions in the sector is shown in the table.

Table 2

#### Important Organizations in the Azerbaijani Wine Industry

Name of the Organization	Area
Ganja Wine-2	Ganja-Kazakh
Baku Champagne Wines	Absheron
Baku Wine-2	Absheron
Ismayilli Wine-1	Mountainous Shirvan
Naiqin Co.	Absheron
Shamkir Sharap-2	Ganja-Kazakh
Shahnigar	Mountainous Shirvan
Shamkir Sharap-1	Ganja-Kazakh
Baku Wine-1	Absheron
Dream	Absheron
Shamkir Cognac	Ganja-Kazakh
Absheron Wine	Absheron
Aran	Ganja-Kazakh
Khachmaz Wine	Guba-Khachmaz
Ağsu Wine-3	Mountainous Shirvan
Time Production Association	Mountainous Shirvan
Shamakhi Sharap-1	Mountainous Shirvan
Shamakhi Sharap-2	Mountainous Shirvan
Total Production Amount	

Reference: https://www.stat.gov.az/source/agriculture/

#### 3.1.2. Current Capacity and Usage

In general, sector enterprises established with a focus on domestic capital produce well below normal capacity. While Baku Champagne Wines, one of the most important enterprises, produced 30 million bottles of

wine per year during the Soviet period, it could only produce 1316470 bottles of champagne in 2005. This clearly shows that all businesses in the sector produce well below their capacity.

## 3.1.3. Relations with Other Sectors and Sub-Industry

Grape producers supply fresh wine grapes, which are the main raw material of the wine industry. For this reason, it is important for grape producers to grow grape varieties suitable for the production of qualitative wine. The situation of grape producers in Azerbaijan could not meet expectations in this respect until recent years. However, in 2004, grape varieties were developed by switching to vineyards with a high training system brought from France and other countries. The sector meets its fresh grape needs entirely from the domestic market.

On the other hand, the purchase of machinery and yeasts such as mills, presses and pumps required for wine production is generally made from abroad. Additionally, in addition to the quality of the wine, supplying qualitative packaging materials is also important. Therefore, it is in constant contact with organizations that produce bottles, corks, plastic stoppers, aluminum, hoods, labels and boxes regarding the packaging of products. Here too, the sector enterprises meet the need for glass bottles and corks, since their production is new in the country, and they import most of them.

The sector also has close relationships with transportation, marketing, tourism and promotion organizations in delivering the final product to the customer. After Azerbaijan gained its independence, there were significant positive developments in these sectors with the transition to a free market economy.

3.1.4. Foreign Trade Status

4. Table 3

	Exportation			Imported	
Years	Quantity thousand.	Thousand dollars	Quantity thousand.	Thousand dollars	
1994	4904.80	14589.20	58.70	357.30	
1995	2562.50	4101.50	95.00	557.00	
1996	1760.90	3611.90	24.30	357.70	
1997	3876.10	9344.60	8.50	119.20	
1998	1235.70	2775.00	20.70	216.80	
1999	358.60	650.70	4.20	72.60	
2000	213.90	320.30	2.80	29.80	
2001	148.70	360.30	3.40	38.00	
2002	16.60	64.30	88.50	473.50	
2003	49.00	208.30	103.70	754.00	
2004	44.30	275.20	105.50	876.50	
2005	49,40	494.70	253.90	1672.20	
2006	160.80	1726.20	88.50	980.80	
2007	167.60	2435.40	472.60	3772.30	
2008	183.30	3056.70	406.90	3424.60	
2009	142.00	2445.00	106.00	1314.80	
2010	223.90	4034.00	201.50	1831.40	
2011	338.40	5963.30	152.20	1496.00	
2012	389.40	3125.20	238.60	3125.20	
2013	409.40	6895.10	151.10	2590.20	
2014	337.00	6137.90	176.50	2114.60	
2015	194.50	3794.70	23,10	1140.00	
2016	189.50	3585.30	46.80	2386.70	
2017	375.00	6008.60	73.10	3147.20	
2018	657.60	7721.70	27,20	2557.50	
2019	532.30	7339.90	40,40	3234.90	
2020	227.30	4038.00	37.80	2875.10	
2021	263.40	3961.00	47.00	3861.10	
2022	300.60	5566.50	55.80	4532.00	

#### 5. Foreign Trade Status

6. Reference: <u>https://www.stat.gov.az/source/agriculture/</u>

As can be seen, exports decreased continuously in quantity and value in the first years of independence, reaching their lowest level in 2002. After this year, especially with the intervention of the state in 2004, exports continue to develop until today. As can be seen from the table, exports have always surpassed imports.

## 3.1.5. Evaluation of Strategic Position and Sector Problems

Viticulture and winemaking is the field of activity that provides the most added value and the most employment among agricultural pursuits and agriculture-based industry. In this respect, the Azerbaijani wine industry is also an important sector for the country's economy. There is no privatization problem in the sector.

When evaluated over a century, the sector, which was developing until 1985, has experienced significant declines in the last 20 years. During the Soviet period, the Azerbaijani wine industry ranked first in terms of production amount. Azerbaijan, which has been an important wine-producing country throughout the world history, today is not considered a wine producer in terms of either production amount or product exports. There has been an improvement in the sector since 2005. However, this improvement is still insufficient in terms of competition. In

fact, the Russian Federation and Ukraine, which are the traditional markets of Azerbaijani wine industry enterprises, have lost their markets.

Today's Azerbaijani wine industry enterprises are in various problems. The important problems of the sector can be listed as follows:

- The main input problem of the sector is the lack of qualitative raw materials. As a result of the destruction of vineyards for many years, wine grape varieties were not available in the desired quantity and quality,
- Poor qualitative production and inability to bring it to a competitive level as a result of production technology becoming obsolete in businesses and not being renewed due to lack of capital,
- High taxes applied in the country, resulting in increased production costs,
- Sub-industry products are not produced in the country (for example: glass bottles, corks, etc., which are important inputs), as a result of this, inadequacies in the packaging of the products and increased costs
- The sector businesses are not flexible and the marketing of the products cannot respond to today's conditions,
- The insistence of existing enterprises on preserving their traditional competitive premises, having little competitive power and therefore weak competitiveness,
- The increasing number of unregistered production and imports and the unregistered bringing of wine products into the country remain the biggest problems for the country's businesses.
- Inability to be start to new technology, inability to manage change and create a new vision,
  - Problem of coordination between activities and lack of strategic direction of trained and qualified manpower,
    - Businesses do not focus on new developments and capabilities to meet competitive conditions

# 4. A COMPETITIVE MODEL PROPOSAL FOR THE AZERBAIJANI WINE INDUSTRY: TALENT-BASED ORGANIZATIONAL MODEL

The proposed model for the Azerbaijani wine industry includes businesses developing their distinctive capabilities, operating effectively in new competitive conditions and achieving sustainable superiority by focusing on global competitiveness. Particularly in this model, it is emphasized that businesses can simultaneously achieve the flexibility, quality and cost reduction they need. Therefore, in this model, businesses' strategies are based on three basic talent management bases; How to achieve the objectives in terms of flexibility, quality and cost reduction will be discussed in an integrated manner. In this respect, the proposed model can be considered as an "*integrated organizational model*". New competitive goals emerge from the change in environmental conditions, and businesses that implement talent-based organizational strategy can achieve these goals and develop permanent competitive advantage.

When evaluated from a strategic perspective, improving quality in today's markets is of great importance for businesses to strengthen their competitive position. Improving quality not only reduces production losses and costs, but also enables the business to create customer value and gain competitive advantage by offering high qualitative products compared to its competitors (Üreten, 1999). Cost leadership is important in terms of competitive advantage and provides the ability to respond to prices faster/more, giving the company the ability to produce products at lower costs than competitors and increase capacity, thus giving the opportunity to earn profits with high margins. Flexibility, on the other hand, is the ability to make differences in products or quantities of products, to enter the market quickly, to meet customer demands quickly, to change the product range of the business quickly and at low cost, and it gives the company a competitive advantage. Environmental conditions where the rate of change is high and require businesses to re-evaluate their perspectives on competition and competitiveness. In other words, in new competitive conditions, it is necessary for businesses to re-evaluate their structures and processes in order to see and create their future (Hanan, 1993). Because traditional practices and processes are measured and balanced, they can be easily imitated by competitors and endanger the future of businesses. Existing in the competition of the future requires being unique and thinking differently. Being unique, thinking differently means developing a dynamic perspective. Developing a dynamic perspective also envisages managing organizational knowledge that will create a competitive advantage in the axis of development and innovation. Additionally, developing a dynamic perspective requires creating new business values. It will be possible for businesses to produce value-creating products/services and to prevent business resources and capabilities from being imitated by competitors, along with new organizational functionalities (Moore, 1997). This is important for sustainable competitive advantage.

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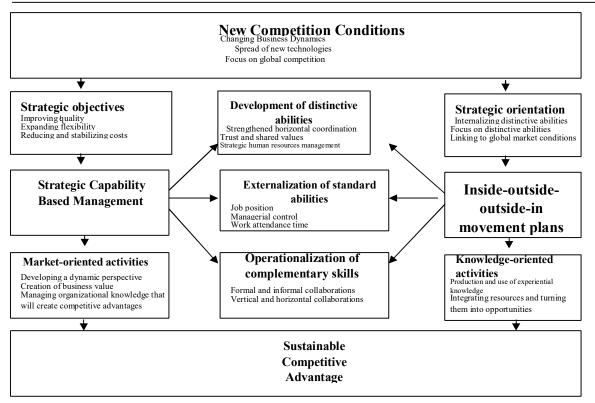


Figure 2: Skills Based on Azerbaijan Wine Industry Businesses Organizational Model Reference: Papatya, Nurhan, Papatya, Gürcan, Beşirov, 2006,

## 4.1. Roadmap Proposal

Here, an attempt has been made to create a road map in terms of determining the directions of Azerbaijani wine industry enterprises within the framework of the recommendation model. In this context, the strategies and action plans of sector enterprises are discussed.

## 4.1.1. Strategies

Basic strategies for the "*Integrated organizational model*" *proposal* for Azerbaijani wine industry enterprises; It is evaluated in three dimensions: (1) internal development of distinctive capabilities, (2) externalization of standard capabilities (that is, management according to market connections), (3) internalization of complementary capabilities.

## **4.1.2.** Inner Development of Distinctive Abilities

Internal development of the distinctive capabilities of sector enterprises is vital. Because the distinctive capabilities of sector businesses are unique and inimitable by competitors. Here, coordination, trust and shared values, and strategic human resources management are primarily evaluated as the distinctive capabilities of the sector enterprises.

a) Strengthened Horizontal Coordination

Horizontal coordination is defined as organizing relationships and ensuring cooperation and communication between various departments and people at the same organizational level (Akat, 1999). Horizontal coordination is of vital importance for Azerbaijani wine industry businesses. For example, in a wine business, the purchasing department must provide the raw materials needed by the production department on time. If there is no coordination between these two departments and less or more raw materials are purchased than necessary, either the production flow will slow down or a problem of raw material excess will arise. Likewise, the efforts of the sales department should be aligned with those of the advertising department. Otherwise, failure to sell or wasted advertising will result.

Horizontal coordination can be a distinctive type of capability of wine industry businesses. Because, this will make it possible to be unique and inimitable by rival businesses. Strengthening horizontal coordination will enable Azerbaijani wine industry enterprises to provide trust-based mutual assistance in the context of competitive advantage and value creation, in the development of new ideas and their dissemination within the organization, in solving problems by acting together, and in the axis of value creation. Moreover, strengthening and successfully implementing horizontal coordination is the duty of the business manager and should be considered as a continuous process.

#### b) Trust and Shared Values

It is clear that creating a system of values that will not lose their validity easily and sharing these values based on trust will create a privileged source for sustainable competitive advantage in Azerbaijani wine industry enterprises. Because the values defined as the patterns that people adopt in evaluating and judging their situations, actions, objects and other people, and the element of trust, defined as the sum of active values such as mutual understanding, shared values and behaviors between people, represent the distinctive ability that differentiates and makes the sector businesses unique. It does.

Trust and shared values are the source of criteria that help sector businesses to qualify, evaluate and judge the transactions and actions of employees, helping them adapt and integrate with changing environmental conditions and the business environment, and make routine activities valuable and important. Trust and shared values would be appropriate to create a competitive advantage for sector businesses in the context of creating customer value by ensuring that the business connects to the values that the society considers important for individual and organizational success. In this context, managers of sector businesses need to pay great attention to shaping shared values based on trust and reflecting them to the organization. For example, if employees in a wine business where an 'open door policy is implemented' can meet with their superiors whenever they want, this practice shows that communication can be achieved with other businesses at a higher level in the organization (Sabuncuoğlu, 1998).

#### c) Strategic Human Resources Management

New competitive conditions force Azerbaijani wine industry businesses to have advantageous factors in terms of sustainable competitive advantage that are difficult to imitate by competitors. In this regard, one of the most important resources that sector enterprises have, even the most important, is human resources. Evaluation of strategic human resources is of vital importance for sector businesses.

Strategic human resources management is defined as interconnecting human resources with strategic goals and objectives in order to increase the performance of employees and to internalize and develop the organizational culture that encourages innovation and flexibility. With strategic human resources management, Azerbaijani wine industry enterprises will ensure that customer expectations are met in the context of sustainable competitive advantage, that innovation and creativity are internalized by all employees in creating their future, and that employees participate in the strategy creation process. In addition, strategic human resources management will enable sector businesses to maximize the rational use and development of individuals' knowledge, talents and skills.

4.2. Externalization of Standard Abilities

In order to limit investments in resources and reduce costs, which reduce the maneuverability and hinder the Azerbaijani wine industry enterprises, activities that are independent of the distinctive capabilities of the enterprise must be externalized, that is, they must be managed according to market connections. In this context, an attempt has been made to evaluate the sector's business position, managerial control and work attendance period.

a) Job Location

Azerbaijani wine industry businesses need to evaluate their business position very well in order to achieve sustainable competitive advantage both locally and globally. Competition, which becomes more intense day by day, forces businesses to operate in the field in which they have special knowledge, skills, experience and expertise and to move away from inefficient activities. Sector businesses should try to renew their processes and get rid of redundancies by simplifying their activities. In this way, it will be possible to use resources rationally to increase efficiency and quality in the current business position, reduce errors and reduce costs in products with which they have experience (Hammer, 2001).

In order to create customer value as their main business, sector businesses must determine the needs and demands of customers, constantly monitor the market, develop new values, and use their own technical knowledge and skills while carrying out activities that will carry these values to the customer. Because such skills will help sector businesses to successfully add the added value they create in the organization to the product with the basic skills they have in their current job position. Focusing strategically on the business position will give sector businesses the opportunity to be better than their competitors and differentiate themselves in the market (Hymes, 2001).

#### b) Managerial Control

In new competitive conditions, it is obvious how important it is for Azerbaijani wine industry businesses to follow new initiatives in terms of their 'competitiveness'. In this context, it is clear that new managerial strategies will create opportunities for sector businesses to make room in the competitive environment. Managerial control is one of them (Akın, 2004). It defines managerial control as a process focused on determining and evaluating the performance of employees, especially covering all managerial levels of the organization (Daft, 1998).

It is important that the purpose of managerial control is to direct, authorize and motivate the employee to strengthen the position of the wine business in the market and to evaluate its performance within this framework. Considering the importance of the relationship between the business and the customer, managerial control depends on sector businesses, employees' product/business knowledge, sales expertise/mastery, etc. It will have an impact on the development of individual talents and skills, and by empowering its employees in this direction, it will enable individuals to improve their performance by providing them with opportunities to acquire talents and skills

that allow them to be successful.

c) Business Duration

Duration of business determines the time the company has been in the industry and expresses the unique conditions inherited from the past. In other words, the legacy of the business (brands, resources, patents, facilities, distribution channels) is unique and cannot be imitated by competitors. This situation provides significant advantages to the business in terms of competitive advantage. Businesses can obtain, develop and use their resources and capabilities depending on their history. Businesses that do not have a deep-rooted history face a significant cost disadvantage in obtaining and developing resources that depend on space and time. Because they need to create resources based on place and time in recreating their history.

Azerbaijani wine industry enterprises also have a deep-rooted history. For example, the history of Ganja Wine-1 business is about a hundred years old. In new competitive conditions, it is important for wine industry businesses to utilize their deep history and inimitable valuable resources and talents, and this will help industry businesses benefit from the experience economy. Because these resources cannot be imitated by competitors and they are unique.

#### 4.2. Internalization of Complementary Skills

Considering the importance of cooperation for Azerbaijani wine industry enterprises, the importance of internalizing complementary capabilities emerges. What is important for sector businesses here is to evaluate cooperation in formal and informal forms, or vertical and horizontal cooperation.

#### a) Formal and Informal Collaborations

In order to be effective in the markets and gain sustainable competitive advantage, Azerbaijani wine industry businesses emphasize the importance of cooperation in terms of improving their capabilities through formal and informal collaborations between business units. Formal collaboration will help them develop flexibility, low cost and quality improvement capabilities in creating competitive advantage by collaborating between departments/businesses. For example; The work carried out together by the R&D and the marketing department within the formal organizational structure can provide the ability to develop new wine products.

In addition, through formal and informal cooperation, sector enterprises will gain an advantage in creating/diversifying inter-departmental strategic resources and capabilities, and will enable the said resources and capabilities to be shared by other departments and used in cases where they cannot share.

b) Vertical and Horizontal Collaboration

Considering that it may be difficult for Azerbaijani wine industry businesses to survive in rapidly changing global markets, the importance of horizontal and vertical cooperation emerges. In this respect, it is deemed appropriate for Azerbaijani wine industry businesses to engage in horizontal cooperation by pooling their resources in order to create a sustainable competitive advantage. Horizontal collaboration requires working with competitors. It is important for sector businesses in terms of preventing new entries to the market, reaching economies of scale, increasing efficiency, facilitating the transfer of technology and knowledge, access to new markets, improvements in the standards and quality of products, acceleration in the emergence of innovations, taking advantage of opportunities and creating new opportunities (Khemani and Waverman, 2000).

Vertical collaboration includes the relationships of businesses with customers, partners, suppliers, distributors, advertising agencies, universities and other elements in the immediate environment. Vertical cooperation relations are becoming important elements of Azerbaijani wine industry enterprises within the framework of flexibility and adaptation strategy in today's competitive conditions. Vertical cooperation can be considered as a competitive advantage as it will enable sector businesses to gain a privileged position compared to their competitors in providing inputs, reducing costs, protecting their intangible resources, increasing customer value, and making new entries difficult (Türkkan 2003).

## 4.3. Action Plans

The Capability-Based Organizational Model specifies two aspects of the action plans of Azerbaijani wine industry enterprises. In this context, the operational direction of the sector enterprises includes 1) the functionality direction of the sector enterprises and 2) the information-oriented activity direction.

#### 4.3.1. Functionally Oriented Actions

The functional activities of sector enterprises suggest internalizing core competencies, focusing on distinctive capabilities, and contextualizing these capabilities globally.

a) Internalization of Basic Skills

Azerbaijani wine sector enterprises need to use core competencies as catalysts to achieve sustainable competitive advantage.

The internalization and development of core competencies in sector businesses, as elements that cannot be easily imitated and provide competitive advantage, should be seen as helpful in revealing new strategic values or improving existing values and creating organizational learning processes. Internalizing and developing core competencies in sector businesses requires significant investment in resources such as capital, people, and managerial vision (Carolis, 2003).

Sector businesses should not ignore the creation of strategic intent in achieving their goals and objectives. Strategic intent is long-term and covers the vision of sector businesses about where they want to reach. It can be said that strategic intent will serve as a compass for sector businesses in creating tension in businesses, in the context of catching or realizing change, in developing basic capabilities in opening up to global markets, in meeting the demands, desires, needs and priorities of the market in order to benefit from the opportunities of the future. In addition, it helps wine industry businesses to internalize and develop basic competencies in order to respond more quickly to changing customer values by specializing in certain subjects, to reduce costs, to achieve continuity in product quality, to create a pool of experience, knowledge and systems, to differentiate the business by making it difficult to imitate its products, and thus to gain an advantage over its competitors. It is clear that it will provide an advantage. For long-term competitive success, Azerbaijani wine industry enterprises should be strengthened by renewing their basic capabilities, contributing to product success and becoming more skilled than their competitors in this regard.

## b) Focusing on Distinctive Abilities

The distinctive capabilities of Azerbaijani wine industry businesses play a very important role in determining the business's history and experiences, qualifications and culture, strengths and competencies, and successful strategies (Campell and Luchs, 2002). It can be said that focusing on distinctive capabilities will guide sector businesses in redefining their boundaries in new competitive conditions, finding opportunities in variable and global markets, and how to use resources defined as knowledge, skills, characteristics and corporate processes to create value (Grant, 1996). Why and how some businesses are competitive is largely due to their unique, hard-to-imitate, differentiating, distinctive capabilities and their focus on activities based on these capabilities (Capelli, 1996).

Strategically distinctive capabilities constitute the source of competitive advantage of Azerbaijani wine industry enterprises; because they are valuable, rare and difficult to imitate (Hoopes, Madsen and Walker, 2003). Many physical resources can be imitated; Competitors may create similar production areas or imitate a created technology. However, within the framework of strategic human resources management, distinctive capabilities based on group work, culture or organizational activities are quite difficult to imitate, because they are often formed as a result of a business's own history and small but important decisions made over time, thereby creating the business's own capabilities.

#### c) Contextualizing Global Market Conditions

The survival of Azerbaijani wine industry enterprises depends on the interaction between organizational, local and global dynamics. It is important for businesses in the sector to benefit from the opportunities that globalization and developments in information technologies offer to businesses of all sizes. Azerbaijani wine industry businesses are naturally affected by global competition and face significant problems in this respect.

Azerbaijani wine industry enterprises need to gain sustainable competitive advantage in the global arena and strengthen their distinctive talents in global market conditions. For example; It can be said that sector businesses will enable business employees to redefine their boundaries and develop their external connections by developing a shared vision within the framework of trust and shared values, which are considered as distinctive talents. By having a global vision and helping to develop it, sector businesses can expand the activities and influence of their employees in creating shared vision, superior value and communicating this value to their customers. Thus, Azerbaijani wine industry businesses can create new and great opportunities and provide opportunities for participation in global economies.

#### 4.3.2. Activity-oriented Actions

Within the framework of the proposed model, the operational actions of Azerbaijani wine industry enterprises are evaluated in the context of identifying opportunities by observing the changes in the environment in order to achieve sustainable competitive advantage, producing and using the experiential knowledge they have in order to reach these opportunities, integrating their resources and directing them to opportunities, and structuring their core competencies.

#### a) Production and Use of Experiential Knowledge

In an economy where the only certainty is uncertainty, information is the only reliable source of sustained competitive advantage. When markets change, technologies proliferate, competitors proliferate, and products become obsolete almost overnight, the businesses that manage to succeed are those that consistently create new knowledge, disseminate that knowledge widely throughout the organization, and rapidly leverage new technologies and products. These activities reveal the nature of knowledge-creating businesses whose only job is to constantly innovate (Desouza and Evaristo, 2003). Creating and disseminating knowledge and creating an environment where it can be continuously produced is a necessity rather than a strategy for Azerbaijani wine businesses. In this context, the production and use of experiential knowledge in the context of creating and maintaining a positive difference in terms of sustainable competitive advantage will allow to benefit from the experience economy. Experiential knowledge, unlike other categories of knowledge, constitutes a type of knowledge that can only be revealed by doing and repeating. Obtaining this type of information cannot be obtained easily or quickly because it requires time, energy and resources.

It is mandatory for Azerbaijani wine industry enterprises to produce information internally. In other words, it should be aimed to increase efficiency by redesigning business processes in the context of increasing quality, service and speed in creating customer value. All processes should be rationalized (production, management,

marketing, growth, etc.) and cumulative efficiency should be increased faster than competitors. Therefore, it will be possible to save cost and time through such actions. In order to produce experiential knowledge, businesses in the sector must provide the necessary mental preparation or training to ensure positive changes in processes, based on the assumption that employees are experts because they have detailed knowledge of how things are done and therefore they are the best people to improve business processes. For example, employees can use effective teamwork, brainstorming, problem identification and creating cause-effect diagrams, project management, statistical analysis tools, etc. They need to be trained on the subject. When they are trained on the mentioned subjects, employees will be able to put forward ideas about where and how change and development should be made and be able to implement them. In other words, questioning and developing existing ways and methods of doing business and finding alternatives will lead to radical changes. This change and development will not be a one-time event and will be transformed into a corporate culture to ensure continuity.

b) Integrating Resources and Addressing Opportunities

It is important for Azerbaijani wine industry businesses to engage in entrepreneurial activity and turn to opportunities by integrating their financial, human, financial and organizational resources in achieving sustainable competitive advantage. Resources are the values that sector businesses have to carry out business activities and business processes (Naktiyok, 2004). The resources of sector businesses form the basis for future product/market positioning and achieving the company's goals.

Resource use should be directed towards practices that enable sector businesses to effectively identify and use the opportunities in the environment for their existing resources for new products and processes. Integrating resources and managing them for opportunities will enable sector businesses to focus on market areas with rare, valuable and inimitable products/services that are different from their competitors (Fahy, 2000).

#### c) Constructing Distinctive Abilities

In new competitive conditions, Azerbaijani wine industry enterprises' ability to gain sustainable competitive advantage depends on structuring their distinctive talents within the framework of a talent-based management (Lado, 1992). The production of experiential knowledge as a distinctive ability in creating customer value and the ability to benefit from opportunities by integrating resources require the structuring of capabilities by sector businesses. In this context, it is possible to present and evaluate the customer value produced by the sector enterprises to the customers.

By structuring distinctive capabilities, sector businesses must first segment the markets they want to enter and select their target markets, and then deploy in those markets. It is deemed appropriate for Azerbaijani wine industry enterprises to carry out their activities towards market cells consisting of small customer groups with special needs, which provide significant market opportunities. Because developing their ability to create superior customer value through their experience and increasing their efficiency by integrating their resources, thus achieving sustainable competitive advantage by differentiating from their competitors, depends on their customercenteredness. Narrower and more specific market cells will allow sector businesses to know their customers better, meet customer needs and ensure customer satisfaction. On the other hand, encountering fewer competitors in these market cells will help sector businesses to position themselves strategically and differentiate themselves through branding. This is important for sustainable competitive advantage in the sector.

5. CONCLUSION. Environmental uncertainty and complexity surrounding businesses deeply affect the business environment and businesses themselves. Businesses want to continue their existence by changing and transforming their structures and processes in this environment. The search for sustainable competitive advantage by businesses continues. Because it is no longer possible to compete with old paradigms and gain competitive advantage over competitors. In short, competition conditions have changed and renewed.

In order to create sustainable competitive advantage, today's businesses need to take the initiative to produce value for customers, use their resources and talents efficiently, acquire and retain customers with innovative and creative approaches, identify threats and identify opportunities and address them. In this regard, it is important for businesses to analyze environmental variables, especially challenges, very well. In addition, business dynamics, which are the source of environmental changes, should also be examined in detail.

Moreover, for sustainable competitive advantage, it would be more meaningful to focus on future competition, not only today's competition. Concentrating on the future requires looking at it from a different perspective, not by being a prophet, but in order to choose between global and local dynamics based on knowledge, analysis and synthesis.

Therefore, in order for businesses to see their future, it is important for businesses to restructure all their processes on creating customer value as the main factor affecting competition in new competitive conditions and to carry out activities in this direction. This automatically requires being different and unique and enables businesses to use their resources and talents more efficiently.

In new competitive conditions, being unique and different requires new competition models. The new competition models in question are 'Working Together', which proposes cooperation between businesses to create the future, and the Resource-Based View approach, which suggests that the most discussed source of competitive advantage in recent years is business resources and capabilities. Until now, management theories have generally

been considered as business-oriented (internal) and environmentally-oriented (external). The Resource-Based Competition model combines the internal analysis of the business with the external analysis of the industry and the competitive environment.

The Resource-Based View has two assumptions about businesses: unique and inimitable. According to these assumptions, in order to achieve sustainable competitive advantage, businesses must be unique and inimitable and produce customer value. The basic elements of the Resource-Based View are the resources that businesses have, their basic capabilities and their strategies. This approach argues that businesses that can utilize their resources and core competencies will achieve sustainable competitive advantage.

In this study, in order to ensure sustainable competitive advantage by using the resources and talents of Azerbaijani wine industry enterprises effectively and efficiently, we structure the recent developments in the strategic management literature regarding distinctive capabilities within the framework of talent-based management and develop a unique Capability-Based Organizational Model for Azerbaijani wine industry enterprises. An attempt was made to propose a road map for businesses.

Discussing the change in strategies of today's businesses is determined by the high level of willingness and flexibility in market changes. In this respect, businesses' ability to externalize their independent or standard capabilities and develop their existing and potential capabilities within the orbit of internal cooperation in developing their distinctive capabilities plays a very important role not only in terms of concentrating on global competition, but also in achieving permanent competitive advantage. In this respect, it is important for businesses to have an opportunity-seeking attitude in the face of environmental changes. These businesses need to analyze the changes in market structures well and implement diversification strategies accordingly. Again, following technologies closely and focusing on global competition with a talent-based management strategy can enable them to stay one step ahead of environmental changes.

This situation does not change for Azerbaijani wine industry enterprises. The sector's businesses are experiencing various problems and the recent improvement in the sector is still insufficient in terms of competition. If the sector is to be oriented towards global competition or to be accepted, developed and progressed in the world, it is inevitable for it to carry out a different and important work. In this context, the 'Capability-Based Organizational Model' for Azerbaijani wine industry enterprises is about evaluating various aspects of the organizational strategies of enterprises. The model in question involves (1) the development of distinctive capabilities based on strategic human resources, trust and empowerment, (2) the externalization of standard capabilities through market-based relationships with indirect employees and/or secondary suppliers, and (3) complementary relationships through the collaboration of relationships within the business with the value chain. It involves a similar internalization of abilities. In this model, it is based on how Azerbaijani wine industry enterprises can apply strategies in this direction to structure their dominant positions. However, Azerbaijani wine industry enterprises are able to organize their production networks by developing cooperative links and complex market mix, focusing on core activities on service-intensive functions, controlling complementary activities according to network relationships, and structuring the interaction between local and global dynamics to organize network activities. In addition, it seems possible for sector businesses to change their competitive dynamics and develop sustainable competitive advantage.

Azerbaijani wine industry enterprises that can redefine their boundaries and develop their external connections by applying the Capability-Based Organizational Model proposal can expand their activities and impact for new groups of employees and entrepreneurs. Thus, Azerbaijani wine industry businesses can create new and great opportunities and offer these groups opportunities to participate in global economies. This perspective, which sheds light on the dominant organizational logic of powerful actors who influence or share the behavior of others, also includes foreign competitors, suppliers and employees in global economies. Therefore, it is very important for Azerbaijani wine industry businesses to understand the interaction between global and local dynamics very well.

On the other hand, it is inevitable for the sector enterprises to use and develop its distinctive talents and competencies for global competitive success. It seems difficult for wine industry businesses to achieve global competitive advantage with the understanding of cost superiority. In other words, it requires sector businesses to carry out their global norms-oriented activities in a way that meets product preferences and customer expectations, and moreover, to engage in serious and disciplined work. In this direction, cooperation with both universities and expert organizations in this field can provide great support in the development of the sector.

Finally, in order to gain a strategic advantage and maintain this advantage, Azerbaijani wine industry businesses must evaluate their resources and talents and use them for the determined purposes. Identifying talents can be achieved by effectively evaluating the information obtained as a result of internal analysis. Because talents are not very obvious elements within the business, and not all of the strong resources that emerge are basic talents. Sector businesses should implement new strategies by creating new strategies based on the talent information they have obtained or by developing talents suitable for the strategy they have determined. In order for this to happen, business owners and managers need to analyze their individual abilities and make good use of the resources they have.

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