



## ORGANIZATIONAL COMPETENCIES AND THE ENTERPRISE'S EFFECTIVENESS

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### ABSTRACT

*Contemporary companies are facing a necessity of their continuous adaptation to new challenges posed by the environment. In order to provide the company with suitable effectiveness, it is necessary to initiate systematically coherent actions related to achieving a permanent competitive advantage. A significant role in acquiring and maintaining such an advantage is played by the company's internal resources based on knowledge, defined as corporate competences.*

*The paper presents the results of empirical studies performed in order to determine the activities leading to identifying and reducing competence gap in Polish enterprises. The analyses were carried out in 56 companies with the use of a specially designed questionnaire of a categorized interview. While analyzing the obtained results, special attention was paid to the method of interpreting the idea of company's effectiveness, the effect of interpreting effectiveness on company's performance, actions undertaken in order to reduce competence gap and their influence on company's effectiveness.*

*Finally, recommendations for managers are presented, suggesting the directions for corporate changes leading to better identification and reduction of competence gap, taking into account improved effectiveness of companies' functioning.*

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**Keywords:** organizational competencies, competence gap, reducing competence gap, company's effectiveness

Research paper

### INTRODUCTION

The advancement of globalization processes, the growing dynamics and discontinuity of the changes occurring in the environment make contemporary companies face a necessity to accept continuous adaptation to new challenges. A significant role in acquiring and maintaining a permanent competitive advantage by the companies is played by their internal resources based on knowledge, known as organizational competences.

In the economic system based on knowledge the role of such competences is, and most probably will be, increasingly important. Both the competitive position of an enterprise and its effectiveness depend to a high degree on the correct identification of competence gap and on initiating adequate actions aimed at reducing such a gap. The problem is to decide what particular activities should be undertaken and according to what criteria their effectiveness will be evaluated.

## **CORPORATE COMPETENCES**

The term „corporate competences” has been defined in various ways, yet there is agreement that they make a significant factor determining the success of an enterprise. Most generally, competences may be characterized as the capabilities to develop, coordinate and apply the existing resources in order to implement the organization’s tasks and reach its objectives (Amit & Schoemaker, 1993).

M. Bratnicki distinguishes the idea of “capabilities” which are attributed to individuals and that of “competences” which refer to the level of the whole organization. According to him, competences are supposed to integrate knowledge (individual capabilities and resources) in order to achieve some goal. Competences understood in this way are in fact capabilities of the individuals who manage the organization and have influence on taking the most vital decisions (Bratnicki, 2000). They are capabilities to acquire adequate resources, including people, and to use them properly to carry out some adopted strategy. However, they are immanently hard to imitate as a potential follower would have to copy the whole complex process of creating and accumulating such resources (Urbanek, 2011).

Competences distinguish a particular organization in its environment and provide it with a competitive advantage. Similarly to other resources determining competitiveness, competences must be valuable from the perspective of the type of business activities, they need to have the properties of rare goods and must be difficult (or/and costly) to imitate. Thus, corporate competences:

- may be understood as a possibility or a capability to acquire some definite effort at a definite level (a capability to perform particular tasks or to carry out particular objectives),
- are always of relative character and must be referred to a standard, an assumed objective or task (competences to do what? And/or in what area?),
- are manifested by one’s ability to behave adequately to the requirements of a particular situation (Sitko-Lutek, 2007).

A significant role from the perspective of an enterprise is played by the so-called key competences which help companies to compete effectively on the market due to fulfilling in a better way their customers’ needs. Key competences vary from ordinary ones because the former have to:

- possess a potential to be applied on different markets,
- have a significant share in creating values for the customer,
- be difficult to imitate by competitors (Hamel & Prahalad, 1990).

An analysis of key competences may be performed with the use of a model of „core competences” which considers the relationships between the resources, capabilities, competences and key competences (Gierszewska, 2005).

At the lowest level there are tangible and intangible resources as the elements which make a contribution to the chain of values, though they are of a relatively low value to the company. Among intangible assets eight basic categories have been distinguished, and these are related to technology, developing a relationship with the client, the method of drawing up contracts, data processing (e.g. specialist software), human resources, marketing, company’s location and goodwill. The degree of taking advantage of the assets possessed by the company which

at the same time determines the potential of a particular organization is called capabilities. On the other hand, competences are a set of capabilities along with the know-how and result from organizing and coordinating individual links of the value chain.

### **COMPETENCE GAP**

To a contemporary manager, competence gap plays an increasing role and it becomes necessary to identify and to reduce it. This results primarily from the fact that in the contemporary global economy competences become an asset which is decisive for the success. Competence gap may be understood as:

- „a lack or a deficiency of abilities” necessary to reach the goals and tasks of the organization or to achieve the results which the managerial staff regard to be „attainable” with the existing material and personnel resources; or achieving the results obtained by the leader or a group of the best companies in a given industry.
- the difference between the desirable (in managers’ opinion) competences and the actual ones, and between the structure and the level of competences owned by the managerial staff and the desirable or required competences (Sitko-Lutek, 2007; Urbanek, 2011).

Competence gap is of a dynamic character and it seems necessary to adopt a perspective of an analysis which will take into account not only an approach in the context of widely understood organizational “resources” (or the organization’s potential), but also their active utilization in order to understand this phenomenon comprehensively. Since competence gap refers to the unique competences of the organization which determine its chance to gain the competitive advantage over the other organizations and the possibilities of their practical application.

It should be stressed, however, that analyzing competence gaps occurring in the particular competence areas of an enterprise does not fully take into consideration the aspect of complexity and structurization of organizational competences. Ensuring the effectiveness of a number of organizational processes requires that the company should have at its disposal competences which make it possible to coordinate the actions implemented in different competence areas, which means that studying gaps in individual areas is usually insufficient for a full recognition of the competence gap existing in the company.

Thus it is necessary to adequately identify and analyze the signals coming from the environment, taking into account their influence on the current and future situation of the company as a whole, and also predicting on the basis of such signals the directions of the changes in the environment and core competences which condition the company’s functioning in the future. However, in the practice of Polish enterprises, it turns out that although the knowledge acquired in this way is indispensable to prepare the necessary strategy and a consistent construction of a set of adequate competences, then, unfortunately, in case of many firms it does not provide a basis to design the directions for their future activities. The results of empirical studies carried out by different teams suggest that the development of many companies is a consequence of an accident, a sudden opportunity, such as a possibility to buy some exceptionally cheap tangible assets, an unexpected offer of co-operation from a big company, using aid funds from the European Union, finding a new investor, a company merger, favorable systemic solutions,

etc. (Krupski, 2007). Such an opportunity provides an impulse to act, yet it depends on the company's competences whether and to what extent the company will take advantage of it. The identified competence gap may be reduced in many ways which include for example: acquiring tangible assets or financial resources, finding specialists on the job market, co-operation with consulting companies, training (internal and external), outsourcing (Sitko-Lutek & Skrzypek, 2009).

### **ENTERPRISE'S EFFECTIVENESS**

Effectiveness is one of the basic categories used to assess the company's performance, however, there are significant discrepancies concerning its defining in practice. Still quite recently, the effectiveness of an enterprise was identified with its productivity understood as production volume, turnover or sales volume. However, it was observed that the effectiveness of work is affected by qualitative factors, such as e.g. the employees' qualifications, their education or experience. The effectiveness understood in this way should be assessed by means of other measures, e.g. the effects of work (quantity/quality of work) or work expenditure (costs of work, time, laboriousness or the number of the employees) (Kozusznik, 2002).

The diversity of approaches concerning the definition of effectiveness results in a number of approaches concerning its measurement. Generally, it should be stressed that the key role is played by a precise identification of the aims and expectations. The measures used here are of double character:

- predictive – they concern planning some expected results and identifying any interferences which make the results obtained different than those intended (both above and below expectations); such measures play the role of a system of early warning;
- corrective – related to creating standards of improved activities in future projects (Buchanan, 2008).

In order to make the measures genuinely significant, they have to be adapted to the organization's objectives, such as its effectiveness or productivity, and referred to suitable implementers who have real influence on the degree of the objectives' realization. In practice, effectiveness depends on many factors, which makes its assessment much more complicated.

In recent years a growing popularity among the concepts of multi-aspect assessment of the company's effectiveness has been enjoyed by the Balanced Scorecard (BSC) developed by R.S. Kaplan and D.P. Norton, in which they observed a need to adopt a holistic view on the company in the process of formulating its strategic objectives and assessing effectiveness understood as the degree of implementing the company's strategy and analyzed in four areas – apart from the financial aspects, it is necessary to take into account the market perspective (the client), internal processes and innovations and learning (Kaplan & Norton, 2005).

An interesting approach to assessing the effectiveness of an organization was put forward by G.A. Rummler and A.P. Brache (2000). Bearing in mind the fact that an organization is a system and that there are different processes implemented inside it, occurring among the individual spheres of the organization, they paid special attention to the necessity to correlate

the activities within the whole organization and to eliminate problems referring to inter-functional relationships. In their concept the effectiveness of an organization is analyzed in a two-level system – the dimension of the organization and the need for effectiveness. The level of the organization includes :

- the level of the whole organization,
- the level of the process;
- the level of the position (Rummler & Brache, 2000).

The second dimension, the need for effectiveness, is influenced by the results obtained on each level of the organization, which include :

- objectives;
- designing methods;
- management methods (Rummler & Brache, 2000).

As a result, nine variables are distinguished which influence the effectiveness of an organization. Thus it may be claimed that skillful effectiveness management requires a suitable formulation of the objectives, designing and managing each of the three levels: the organization, process and work place, with all the three levels being interrelated, e.g. a job cannot be adequately described without understanding the processes in which it is involved. Any attempt to define the organization's objectives without relating them to the processes and the system of employee effectiveness must end in a failure.

## **ORGANIZATIONAL COMPETENCIES AND THE ENTERPRISE'S EFFECTIVENESS IN THE LIGHT OF RESEARCH**

### **1. Research methods**

The empirical studies aimed, among others, at determining a set of key resources and capabilities necessary to develop and maintain a permanent competitive advantage, the methods of identifying competence gap and to take up activities towards its elimination as a result of corporate learning, to recognize differences in learning processes and also to determine factors which support or hinder the identification of changes in competence gap.

The research was done in 56 Polish companies of different size. The structure of the research sample is as follows:

- 14.3 % of the companies were small firms (employing less than 50 people),
- 51.8 % - medium-size companies (employing from 50 to 249 people),
- 33.9 % - large enterprises (employing more than 250 people);

The competences of the companies were analyzed in 9 functional areas: operating activities (manufacturing, services, trade), technology, research and development, marketing/sales, finance, human resources, supplies, quality and management ( including: strategic planning, operational planning, corporate structure, corporate culture).

### **2. Results**

Definitely, the most popular way of perceiving effectiveness in companies is identifying it with gaining a competitive advantage, increasing number of clients and increasing competitive advantage (see Table 1). None of the respondents representing small businesses believes that gaining a competitive advantage proves the company's effectiveness. In the



situation of the competitive global market gaining a competitive advantage by a small company is extremely difficult. This may be why the managerial staff, being rationalistic, do not assume that this type of organizations may gain a competitive advantage as this is a rather impossible option.

Big enterprises adopt a long-term orientation. What matters to them is implementing the plan (intended objectives). They are less oriented towards obtaining a positive financial result in a short time. As a consequence, the managerial staff in big companies see effectiveness as related to the organization's stable functioning and development.

Table 1. Understanding effectiveness in the studied companies

Specification	Total	Companies		
		Big	Medium	Small
1. Degree to which the intended objectives are met	66,1	73,68	62,07	62,50
2. Efficiency of company's functioning	50,0	52,63	48,28	50,00
3. Promptness to react to challenges and market expectations	48,2	42,11	51,72	50,00
4. Positive financial result	57,1	47,37	62,07	62,50
5. Systematic improvement of the financial performance	48,2	52,63	37,93	75,00
6. Increase in market share	57,1	52,63	58,62	62,50
7. Promptness to adapt to clients' expectations	50,0	47,37	48,28	62,50
8. Increase in clients' satisfaction	46,4	42,11	41,38	75,00
9. Increase in sales income	37,5	31,58	37,93	50,00
10. Implementing the enterprise's strategy	42,9	42,11	41,38	50,00
11. Growing number of clients	21,4	21,05	20,69	25,00
12. Improved image of the company	37,5	31,58	41,38	37,50
13. Gaining competitive advantage	28,6	36,84	31,03	0,00
14. Maintaining competitive advantage	25,0	26,32	24,14	25,00
15. Balanced functioning in the environment	14,3	10,53	17,24	12,50
16. A tool of improving the company's competitiveness	19,6	15,79	20,69	25,00

Source: own work

The companies carried out self-assessment regarding their competences, using a five-level scale (1- very low, 2- low, 3- average, 4- high, 5 – very high). The obtained results are presented in Table 2.

Table 2. The assessment of companies' potential in individual competence areas

No.	Competence area	Total	Enterprises		
			Small	Medium	Large
1.	Operating activities (manufacturing, services, trade)	3,98	4,13	3,83	4,16
2.	Technology	3,96	4,25	3,79	4,11
3.	Research and development	3,00	3,50	2,82	3,05
4.	Marketing/sales	3,79	4,13	3,55	4,00
5.	Finance	3,8	3,75	3,66	4,05
6.	Quality	4,14	4,38	4,03	4,21
7.	Human resources	3,98	4,38	3,83	4,05
8.	Supplies	3,93	4,14	3,86	3,95
9.	Management - average	3,98	4,25	3,83	4,11
10.	Management - strategic planning	3,98	4,25	3,83	4,11
11.	Management - operational planning	4,13	4,38	3,90	4,37
12.	Management - corporate structure	3,87	4,00	3,76	4,00
13.	Management - corporate culture	3,82	4,00	3,69	3,95
	<b>Average</b>	<b>3,86</b>	<b>4,11</b>	<b>3,70</b>	<b>4,00</b>

Source: own work

Respondents assessed the potential competence of its enterprises as almost high (average 3.86). Maximum of their potential has been assessed in small businesses (average 4.11) and only in the areas of operations and finance indicated the highest level of competence in large enterprises. It should be noted that in all areas of competence of medium-sized companies assessed the lowest. Top assessed capacity of competence in the field of quality (average 4.14) and operating activities (manufacturing, services, trade) (4.13), the least in the area of research and development (3.00).

In order to improve the effectiveness in the analyzed companies, different actions were initiated. The present study made use of sets of actions which are regarded as adequate while reducing competence gap. The activities undertaken in the companies and their effect on improving companies' potential (improved resources and capabilities) in particular functional areas in different categories of enterprises are presented in Table 3.

Table 3. The activities undertaken in the companies and their effect on improving companies' potential (improved resources and capabilities) in particular functional areas in different categories of enterprises

Functional areas  Undertaken activities		Operating activities	Techniques and technologies	Research-and-development activities	Marketing/sales	Finance	Quality	Human resources management	Supplies	Management
		1.	Acquiring material resources	3,63	3,91	2,25	3,12	3,15	3,73	3,12
2.	Acquiring financial resources	3,81	3,87	2,65	3,35	3,62	3,44	2,95	2,97	3,21
3.	Introducing elements of knowledge management	3,31	3,58	2,55	3,26	3,28	3,44	3,58	2,94	3,76
4.	Recruiting specialists on the job market	3,47	3,27	2,51	3,29	3,17	3,13	3,46	2,72	3,26
5.	Acquiring competences from a business partner	2,97	3,03	2,29	2,82	2,38	2,74	2,55	2,52	2,81
6.	Cooperation with consulting companies	2,5	2,51	2,24	2,82	3,00	2,68	2,74	2,06	2,92
7.	Cooperation with research institutions	1,83	2,64	2,75	2,12	1,84	2,41	1,9	1,61	2,23
8.	Training courses	3,33	3,22	2,44	3,33	3,26	3,57	3,7	2,7	3,6
9.	Developing research-and-development potential	2,34	2,65	2,83	2,24	1,87	2,33	2,24	1,77	2,03
10.	Learning in action	3,94	3,7	3,03	3,89	3,58	3,89	3,67	3,39	3,71
11.	Outsourcing	2,75	2,17	1,79	2,00	2,13	2,10	2,36	2,00	2,10
12.	Learning from competitors	3,12	3,10	2,26	3,48	2,21	2,82	2,37	2,50	3,11

Source: own work

According to the respondents the greatest influence on the growth potential of enterprises competence was learning in action (on average in all areas of 3.64) and acquiring financial resources (3.32). The relatively least important in the growth potential of competence had cooperation with research institutions (3,15).



In the various functional areas are taken actions aimed at increasing competence potential and their efficiency evaluated in a range from an average of 3.14 in the area of techniques and technologies to 2.45 in area of research-and-development activities.

Among the methods applied to improve the competence potential and reduce competence gap the analyzed companies (see Table 4), the largest influence on improved effectiveness resulted, according to the respondents, from training (42.5%), learning in action (40%) and acquiring additional tangible assets (31.9%). The lowest advantage resulted from the companies' co-operation with research-and-development institutions (11.6%), outsourcing (13.6%) and building their own research-and-development potential (17.5%).

The meaning of the particular methods for improved effectiveness is assessed differently depending on the size of a company. Training was most important in big and small companies, while medium-size companies regarded learning in action as more vital. Big and small businesses decided that introducing elements of knowledge management was second most important issue. Small companies emphasized the role of acquiring financial assets as significantly affecting improved effectiveness of their functioning.

Table 4. Popularity of using the methods of reducing competence gap to improve company's effectiveness

Method used to reduce competence gap	Enterprises			
	Total	Big	Medium	Small
Acquiring material resources	32,85	29,47	32,07	43,75
Acquiring financial resources	31,42	24,74	29,66	53,75
Introducing elements of knowledge management	33,40	36,32	25,86	53,75
Recruiting specialists on the job market	29,64	25,79	26,55	50,00
Acquiring competences from a business partner	18,75	16,84	16,55	31,25
Cooperation with consulting companies	20,00	20,53	16,21	32,50
Cooperation with research institutions	11,61	13,68	9,31	15,00
Training courses	42,69	40,53	38,96	60,00
Developing research-and-development potential	17,48	11,58	20,34	21,25
Learning in action	39,99	34,21	42,42	45,00
Outsourcing	13,57	12,11	10,35	28,75
Learning from competitors	24,43	19,47	21,72	46,25

Source: own work

### 3. Conclusions

To handle dynamically developing requirements of the environment, an organization has to ensure some adequate competence potential. Thus it is necessary to monitor systematically the requirements put forward by the environment and to identify competence gap which is created. The awareness of competence gap releases the processes of its reduction. While selecting suitable actions aimed at reducing the gap, it is necessary to pay attention to the

effectiveness of undertaken activities. The knowledge and skills of the managerial staff in the company may be often insufficient to face new challenges independently. In such situations it is recommended that professional consultants should be asked for help.

The studies revealed that according to the respondents the effectiveness of their companies was influenced primarily by training, much recognition was also given to learning in action. Thus it can be concluded that the role of corporate learning is appreciated.

It seems indispensable to introduce mechanisms which would lead to permanent corporate learning and at the same time guarantee the expected level of effectiveness. In order to achieve this, the following recommendations are suggested:

- Paying special attention to identifying objectives and determining precise measures, as well as correlating them adequately in the company,
- Analyzing the obtained results in due course; when a gap is observed between the results and the intended objectives it is necessary to identify its reason and to initiate suitable corrective actions;
- Regular collaboration with consultants while providing a service, learning from them and also introducing the mechanisms of knowledge transfer in the company;
- Creating a bank of information which should be used while taking decisions and constant improvement of the organization's effectiveness.

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