

AN ATTEMPT TO THE CLASSIFICATION OF FIRM COMPETENCES

Rafał MATWIEJCZUK

University of Opole, Institute of Management and Quality Studies, Chair of Logistics and Marketing;
rmatwiejczuk@uni.opole.pl, ORCID: 0000-0001-8638-3273

Purpose: Among the strategic potentials of a firm affecting both market and economic outcomes achievement by the firm, as well as gaining and maintaining a long-term competitive advantage by a firm, the key importance is assigned to the firm competences. The aim of the article is to identify the premises as well as the criteria and cross-sections of the classification of firm competences.

Design/methodology/approach: The article indicates the key criteria and types of the firm competences within strategic management. An extensive literature review and an identification approach were used.

Findings: Competences should be classified using different criteria. Individual competences may significantly affect the achievement of the expected market and economic outcomes, as well as building a long-term competitive advantage of a firm.

Practical implications: The research outcomes presented in the article show the importance of the different types of the firm competences in strategic management.

Originality/value: The most important criteria of the classification of the firm competences in the area of strategic management were presented. The article is addressed both to researchers as well as managers and other business practitioners.

Keywords: competences, strategic potentials, strategic management.

Category of the paper: Conceptual paper.

1. Introduction

Within the area of strategic management in the recent years one may notice the growing significance of the so-called strategic potentials of the firm, comprising, among others, firm competences (Day, Wensley, 1988; Day, 1994; Christensen, 1996; Foss, 1996; Knudsen, 1996). Strategic potentials, which apart from firm competences also include firm resources as well as firm capabilities, are the factors affecting the achievement of the expected market outcomes (customer satisfaction, customer loyalty, market share) and economic outcomes (profit, profitability, return on invested capital) by the firm.

The expected outcomes are the result of undertaking and implementing the planned tasks by the firm, both at the strategic as well as the operational level, in accordance with the structure of the adopted goals and the firm capabilities, as well as taking into account the market, competitive and macroeconomic conditions. Such outcomes, related to the achievement of planned results, may constitute the basis for the firm success. In a situation where the market and economic outcomes achieved by the firm are more favourable than those achieved by the competitors, strategic potentials may lead to the creation of a competitive advantage of the firm.

The aim of the article is to identify the premises as well as the criteria and cross-sections of the classification of firm competences. In particular, the article indicates the most important criteria as well as types of the firm competences within strategic management.

2. The nature of the firm competences

The concept of the firm competences is perceived from two points of view (perspectives): (1) from the personal perspective and (2) from the managerial (business) perspective.

From the personal perspective competences refer to the characteristics or features of people that allow them to perform the tasks entrusted to them. The issue of competences from this perspective has been the subject of detailed consideration in the area of Human Resources Management (HRM) for many years (Dubois, 1993; Illeris 2009).

In turn, from the managerial (business) perspective, which is typical for the resource-based strategic management area, competences comprise the diverse capabilities of the firm, allowing the effective use of resources that the firm has or is able to obtain. In this case one may say about the firm competences (Matwiejczuk, 2014), and – in a broader sense – about Competence-Based Strategic Management.

Within the resource-based strategic management area it is emphasized that resources are the basis for the firm as well as strategic business units market activities. The primary condition for the effective use of resources is the development of adequate firm capabilities. Such firm capabilities create firm competences. The condition for the development of the firm competences is the integration and coordination of the firm resources and capabilities. At the same time, the firm knowledge should be taken into account as a key type of firm resources.

According to R. Sanchez and A. Heene (Sanchez, Heene, 2004) competences are the capabilities (sets of capabilities) thanks to which the firm is able to use its resources in a coordinated manner and, consequently, actively manage its resources, enabling and/or stimulating the achievement of assumed goals. J. Wallin (Wallin, 2005) points out that the firm capabilities are the result of the operationalization of the firm competences, which manifests itself in detailing and “breaking down” competences into specific capabilities.

R. Sanchez emphasises four significant criteria concerning the conditions which the firm competences should fulfil (Sanchez, 2004):

1. Competences should enable a proper reaction to the dynamic changes taking place in the firm environment as well as within the firm.
2. Competences should take into account the assumptions and elements of the systematic approach to business management and its relations with other firms.
3. Competences should contribute to value creation both for the customer and the firm.
4. Competences should take into account the holistic nature of a firm relationships with its stakeholders.

From the perspective of the resource-based strategic management area, competences are the long-term firm capabilities (sets of capabilities) for the firm resources use, involved in the implementation of the set goals and tasks of a firm, leading to the achievement of the expected market and economic outcomes by the firm, as well as to the long-term competitive advantage creation. The basis for the development of competences understood in this way is the integration and coordination of the firm resources and capabilities, taking into account the knowledge perceived as the specific type of the firm resources (Matwiejczuk, 2014).

3. Criteria and sections of the firm competences classification

In the literature devoted to the issue of competences one can find various ways of the competences classification. The criteria and cross-sections of the classification of competences refer to the levels of the competences development, concerning the assessment of the competences significance in a firm, as well as the other ways of the competences presentation, including (Mikus, 2003):

- 1) Basic dimensions of competences.
- 2) Scale of forming and developing of competences.
- 3) Specificity of competences from the tasks performed perspective, the firm perspective as well as the sector perspective.
- 4) Possibilities of competences influence on a firm.
- 5) Phases of the value creation process in which the firm competences are involved (table 1).

Table 1.*The most significant criteria and sections of the firm competences classification*

Criteria of competences classification (Author/Authors)	Types of competences
Dimensions of competences (G. Cheetham, G. Chivers)	<ol style="list-style-type: none"> 1) Cognitive competences 2) Functional competences 3) Personal competences 4) Competences concerning firm ethics and social responsibility 5) Metacompetences
Scale and level of forming and developing of competences (F. Delamare – Le Deist, J. Winterton)	<ol style="list-style-type: none"> 1) Cognitive competences (knowledge) 2) Functional competences (capabilities) 3) Social competences (attitudes and behaviours) 4) Metacompetences (knowledge improvement and development)
Specificity of competences from the perspective: <ol style="list-style-type: none"> 1) performed tasks 2) firm 3) sector (O. Nordhaug)	<ol style="list-style-type: none"> 1) Metacompetences 2) General sectoral competences 3) Firm competences 4) Standard technical competences 5) Universal (nomothetic) technical competences 6) Special (idiosyncratic) technical competences
Possibilities of the competences impact on a firm (G. Hamel)	<ol style="list-style-type: none"> 1) Competences affecting the firm access to the market and cooperation with customers 2) Competences affecting the performance of processes and activities 3) Competences enabling the forming of unique functional features of products and services
Phases of the value creation process (A.A. Lado, M.C. Wilson)	<ol style="list-style-type: none"> 1) Competences related to the inputs involved in the value creation processes 2) Competences related to the transformation of inputs incurred in the value creation processes into the outputs of these processes 3) Competences related to the outputs of the value creation processes
Significance of competences in a firm (W. Bucholz, T. Olemotz)	<ol style="list-style-type: none"> 1) Basic competences <ul style="list-style-type: none"> – Firm-wide competences – Competences covering specific processes performed by the firm – Metacompetences as learning capabilities by the firm 2) Key competences
Importance of competences in a firm/two sections of classification/ (W. Krüger, C. Homp)	<p>First section:</p> <ol style="list-style-type: none"> 1) First-order competences 2) Second-order competences 3) Third-order competences <p>Second section:</p> <ol style="list-style-type: none"> 1) Basic competences 2) Metacompetences 3) Key competences
Importance of competences in a firm (E. Zahn)	<ol style="list-style-type: none"> 1) Competences 2) Key competences 3) Metacompetences

Source: Based on: Cheetham, Chivers, 1996, pp. 20-30; Cheetham, Chivers, 1998, pp. 267-276; Delamare – Le Deist, Winterton, 2005, pp. 27-46; Hamel, 1994, pp. 11-33; Lado, Wilson, 1994, pp. 699-727; Mikus, 2003, pp. 239-240; Nordhaug, 1998, pp. 10-12.

Striving for a comprehensive approach to competences, G. Cheetham and G. Chivers list their five most important dimensions, which, according to these authors, integrate the competences of a firm and personal competencies. These dimensions make it possible to identify five groups (types) of competences (Cheetham, Chivers, 1996, 1998; Hodkinson, Issitt, 1995):

- 1) Cognitive competences, which take into account theories and concepts spanning on competences and constituting the basis for their development, as well as informal, tacit knowledge, which is of decisive importance in the formation and development of key competences,
- 2) Functional competences, which comprise the skills and knowledge of persons (managers, employees) performing the assigned tasks related to individual processes and/or functions (functional areas) of a firm,
- 3) Personal competences, related to individual characteristics, i.e. features and skills of persons, affecting their behaviour, ways of doing, as well as the methods and ways of performing the assigned tasks, including the effectiveness and efficiency of performing the above tasks,
- 4) Competences concerning firm ethics and social responsibility, as well as its managers and employees, affecting, among others, the compliance with standards and values in the process of tasks performance by managers and employees of a firm,
- 5) Metacompetences, which comprise broadly understood capabilities concerning the responding to unpredictable events, the creation of scenarios for securing and developing both existing and new competences, as well as the collection and use of the knowledge by a firm and its employees.

F. Delamare – Le Deist and J. Winterton present their own classification of competences, which is based on two main components (Delamare – Le Deist, Winterton, 2005):

- 1) Scale of forming and developing of the competences, which allows to distinguish between competences related to the tasks performed and competences related to the role of human resources in a firm,
- 2) Level of forming and developing of the competences, for which they mention the strategic level and the operational level (figure 1).

F. Delamare – Le Deist and J. Winterton point that three groups (types) of competences: (1) cognitive competences, (2) functional competences and (3) social competences are universal, that manifests itself in forming the knowledge, skills and capabilities, attitudes and behaviour of persons (managers, employees), that can be used in various assigned tasks performance. The triad “knowledge – capabilities – attitudes and behaviour” is the basis for forming and developing the firm competences using the opportunities inherent in personal competencies (Delamare – Le Deist, Winterton, 2005).

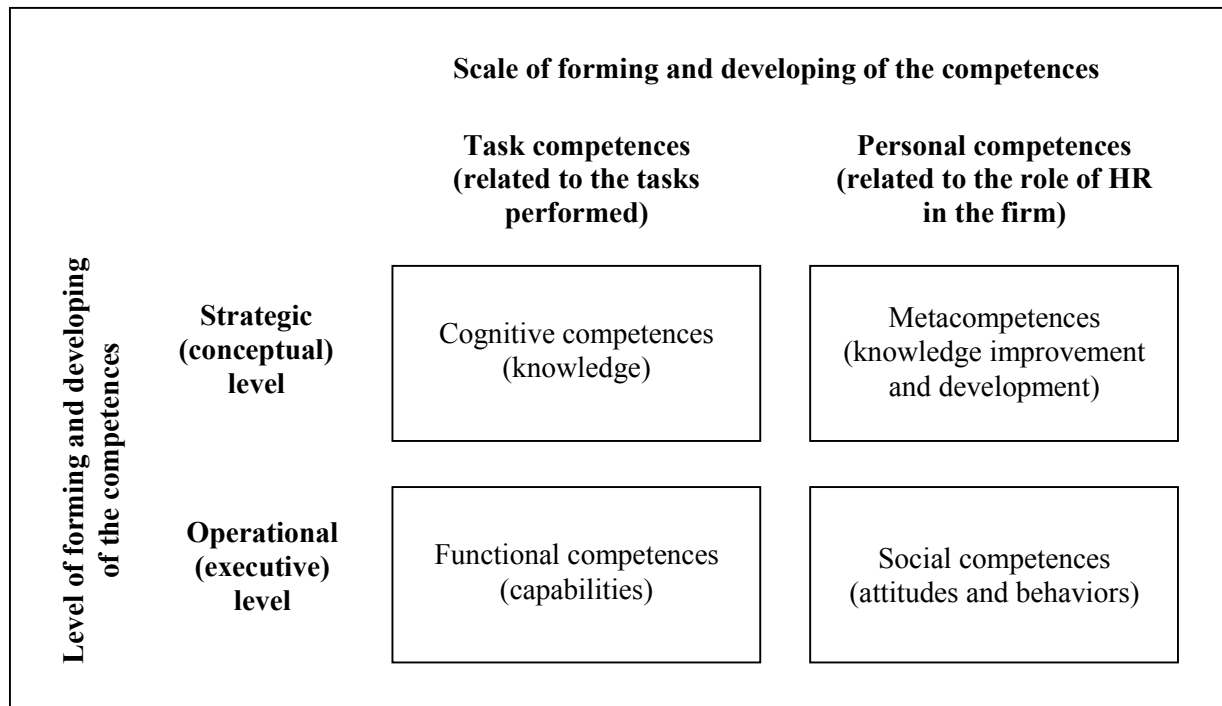


Figure 1. Typology of competences based on the level and scale of competences formation and development.

Source: Based on: Delamare – Le Deist, Winterton, 2005, pp. 27-46.

In turn, metacompetences, as pointed out by the above-mentioned authors, are characterized by different features, related primarily to the orientation of metacompetences to securing the existing firm and personal competences, as well as the development of the new firm and personal competences. Within such a point of view, metacompetences may be conventionally defined as competences leading to the development of the other competences.

Broader classification of competences is presented by O. Nordhaug, according to whom efforts leading to distinguish individual types of competences should comprise their specificity, taking into account three perspectives (Nordhaug, 1998):

- 1) Specificity of the competences from the task performed perspective.
- 2) Specificity of the competences from the firm perspective.
- 3) Specificity of the competences from the sector perspective.

Specificity of the competences perceived from the task performed perspective is understood as the degree to which individual competences are assigned to the specific tasks performance. High specificity of competences means the need to formation and/or development of the specific competences, relating exclusively or almost exclusively to a given task or group of tasks. In turn, low specificity of competences means the possibility of using relatively universal competences, i.e. competences that may relate to many, often significantly different tasks carried out by managers/employees of a firm.

Specificity of the competences perceived from the firm perspective is related to the fact that some competences may be largely or even completely limited to specific firm, while other competences may be characterized by a high degree of universality, manifested in the possibility of their use in various firms. From this perspective one may take into account several characteristics of a firm, such as mission, strategic directions of development, domain of activity, strategies and operational programs, organizational structure, organizational culture, etc., related to the market activity of a firm.

Finally, specificity of the competences perceived from the sector perspective means the need to determine to what extent the characteristics of a given sector (e.g. its potential, size, capacity, absorbency, attractiveness, innovation, etc.) require the development of specific (special) competences, and to what extent they enable the use of competences characterized by their universality.

The briefly presented perspectives allow, according to O. Nordhaug (Nordhaug, 1998), to identify six types (groups) of competences, which are presented in the figure 2.

		Specificity of the competences from the firm perspective		
		Low		High
		Specificity of the competences from the sector perspective		
		Low	High	
Specificity of the competences from the task performed perspective	Low	(1) Metacompetences	(2) General sectoral competences	(3) Firm competences
	High	(4) Standard technical competences	(5) Universal technical competences	(6) Distinctive technical competences

Figure 2. Typology of competences based on the level of specificity of the competences from the task performed perspective, the firm perspective and the sector perspective.

Source: Based on: Nordhaug, 1998, pp. 8-29.

The first type (group) of competences, i.e. metacompetences, characterized by a low degree of specificity perceived from each of the above-mentioned perspectives, can be used in the implementation of many different tasks. Thus, metacompetences, covering a wide spectrum of capabilities, knowledge and attitudes, are characterized by a relatively high degree of universality and as such determine the formation and development of other competences.

The second type (group) of competences, referred to as general sectoral competences, is primarily characterized by a relatively high adjustment to the requirements of a given sector. This means that this type of competences primarily takes into account the characteristics of the sector affecting the activities of a firm just in this sector.

The third type (group) of competences, defined strictly as firm competences, is characterized by a relatively high adjustment to the conditions and requirements concerning the activity of a particular firm. This type of competences includes (integrates) resources and capabilities that are unique comparing to other firms, and thus constituting the basis for sustainable, long-term competitive advantage creation.

The three remaining types (groups) of competences, each of which is referred to as technical competences, are characterized by a relatively high degree of specificity perceived from the perspective of tasks performed by managers / employees of a firm. The standard technical competences, universal (nomothetic) technical competences and distinctive (specific, idiosyncratic) technical competences appearing here relate especially to the operational level of management. With the increase in the specificity of these competences perceived from the perspective of the sector, and then from the perspective of the firm, their individualized character increases, manifesting itself in the possibilities of their use in the implementation of more and more strictly defined tasks (Nordhaug, 1998).

In the opinion of G. Hamel, the classification of competences should primarily take into account the broadly understood possibilities of their impact on a firm. Taking this criterion into consideration, G. Hamel distinguishes the following types (groups) of competences (Hamel, 1994):

- 1) Competences affecting the firm access to the market, as well as cooperation (proximity) with customers – these competences comprise e.g. competences in forming and developing the brand, sales, marketing, distribution, logistics or technical support.
- 2) Competences affecting the effectiveness of processes and activities, including e.g. the speed, flexibility and reliability of the processes and activities performed, assessed in comparison to competitors – this group includes, among others, competences in ensuring the required quality of products, services and customer service, order cycle management as well as inventory management.
- 3) Competences enabling the development of unique – compared to competitors – functional features of products and services, allowing for meeting the individualized preferences and expectations of customers, as well as influencing the achievement of specific benefits by customers (creating value added for the customer).

A.A. Lado and M.C. Wilson emphasize that the classification of competences should include the criterion regarding the phases (stages) of the value creation process, primarily because the value creation is to the large extent related to the creation of a firm competitive advantage. In this context, these authors list the following types (groups) of competences (Lado, Wilson, 1994):

- 1) Competences concerning the inputs in the value creation process,
- 2) Competences concerning the transformation of inputs into outputs,
- 3) Competences concerning the outputs of the value creation process.

Competences concerning the inputs in the value creation process include the integration of physical resources, organizational resources and human resources, as well as the integration of knowledge and capabilities that enable the firm to implement transformation processes, conditioning the creation and delivery of products and services that are of value to the customer.

In turn competences concerning the transformation of inputs into outputs comprise the firm capabilities allowing for effective and efficient transformation of the inputs into the outputs. These competences are co-created, e.g. through the capabilities to develop innovation, entrepreneurship, organizational culture or organizational learning.

Finally, competences concerning the outputs of the value creation process comprise all knowledge-intensive, intangible assets of a firm, such as firm reputation, firm image, product quality, service quality, or customer loyalty.

4. Conclusion

The significance of the strategic potentials of the firm, including firm competences is growing. The aim of the article was to identify the premises as well as the criteria and cross-sections of the classification of firm competences.

The research outcomes presented in the article show the importance of the different types (groups) of the firm competences in strategic management. As it was pointed in the article, competences should be classified taking into account different criteria. Different types (groups) of individual competences may significantly affect the achievement of the expected market as well as economic outcomes by the firm, and – as a result – building and sustaining a long-term competitive advantage of a firm.

References

1. Cheetham, G., Chivers, G. (1996). Towards a Holistic Model of Professional Competence. *Journal of European Industrial Training*, Vol. 20, No. 5, pp. 20-30.
2. Cheetham, G., Chivers, G. (1998). The Reflective (and Competent) Practitioner: A Model of Professional Competence which Seeks to Harmonise the Reflective Practitioner and Competence-Based Approaches. *Journal of European Industrial Training*, Vol. 22, No. 7, pp. 267-276.
3. Christensen, J.F. (1996). Analysing the Technology Base of the Firm. A Multi-dimensional Resource and Competence Perspective, In: N.J. Foss, Ch. Knudsen (Eds.), *Towards a Competence Theory of the Firm* (pp. 111-132). London: Routledge.

4. Day, G.S. (1994). The Capabilities of Market-Driven Organizations. *Journal of Marketing*, Vol. 58, No. 4, pp. 37-52.
5. Day, G.S., Wensley, R. (1988). Assessing Advantage: A Framework of Diagnosing Competitive Superiority, *Journal of Marketing*, Vol. 52, No. 2, pp. 1-20.
6. Delamare – Le Deist, F., Winterton, J. (2005). What Is Competence? *Human Resource Development International*, Vol. 8, No. 1, pp. 27-46.
7. Dubois, D.D. (1993). *Competency-Based Performance Improvement: A Strategy for Organizational Change*. Amherst, MA: HRD Press.
8. Foss, N.J. (1996). Introduction. The Emerging Competence Perspective, In: N.J. Foss, Ch. Knudsen (Eds.), *Towards a Competence Theory of the Firm* (pp. 1-12). London-New York: Routledge.
9. Hamel, G. (1994). The Concept of Core Competence. In: G. Hamel, A. Heene (Eds.), *Competence-Based Competition* (pp. 11-33). Chichester: John Wiley and Sons.
10. Hodkinson, P., Issitt, M. (1995). *The Challenge of Competence*. London: Cassell Education.
11. Illeris, K. (Ed.) (2009). *International Perspectives on Competence Development: Developing Skills and Capabilities*. Abingdon-New York: Routledge.
12. Knudsen, Ch. (1996). The Competence Perspective. A Historical View. In: N.J. Foss, Ch. Knudsen (Eds.), *Towards a Competence Theory of the Firm* (pp. 13-37). London-New York: Routledge.
13. Lado, A.A., Wilson, M.C. (1994). Human Resource System and Sustained Competitive Advantage: A Competency-Based Perspective. *Academy of Management Review*, Vol. 19, No. 4, pp. 699-727.
14. Matwiejczuk, R. (2014). *Kompetencje logistyki w tworzeniu przewagi konkurencyjnej przedsiębiorstwa*. Opole: Wydawnictwo Uniwersytetu Opolskiego.
15. Mikus, B. (2003). *Strategisches Logistikmanagement. Ein markt-, prozess- und ressourcenorientiertes Konzept*. Wiesbaden: Deutscher Universitäts Verlag/GWV Fachverlage.
16. Nordhaug, O. (1998). Competence Specificities in Organizations. A Classificatory Framework. *International Studies of Management and Organization*, Vol. 28, No. 1, pp. 8-29.
17. Sanchez, R. (2004). Understanding Competence-Based Management. Identifying and Managing Five Modes of Competence. *Journal of Business Research*, Vol. 57, No. 5, pp. 518-532.
18. Sanchez, R., Heene, A. (2004). *The New Strategic Management. Organization, Competition, and Competence*. New York: John Wiley and Sons.
19. Wallin, J. (2005). Operationalizing Competences. In: R. Sanchez, A. Heene, (Eds.), *Competence Perspectives on Managing Internal Processes. Advances in Applied Business Strategy*, Vol. 7 (pp. 151-179). Oxford: Elsevier Ltd.