



## REDUCING COMPETENCE GAP AND THE ENTERPRISE'S EFFECTIVENESS

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### **Abstract:**

*The growing intensity of globalization processes, the increasing complexity or dynamics and the discontinuity of the changes occurring in the environment make contemporary enterprises face the need to continuously adapt to arising challenges. In order to ensure adequate effectiveness of an enterprise it is necessary to undertake repeatedly some coherent actions leading to reaching a permanent competitive advantage. Thus, it is necessary to identify continuously the environment's requirements – in the context of key competencies indispensable to create and strengthen a permanent competitive advantage, as well as the company's adequate reaction through the processes of corporate learning. 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 paper presents the results of empirical studies performed in order to define the actions aimed at identifying and reducing competence gap, the factors which support or hinder such activities, the results obtained and the course of the processes of corporate learning in Polish enterprises. The studies were carried out in 56 enterprises, with the use of a specially developed questionnaire. Finally, the work presents some recommendations for managers, concerning the directions of changes that should be made in the approaches to identify and reduce competence gap in such a way that these activities should take account of attempts to achieve both the adequate competitive position and the enterprise's effectiveness.*

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

## 1. INTRODUCTION

The growing intensity of globalization processes, the increasing complexity or dynamics and the discontinuity of the changes occurring in the environment make contemporary enterprises face the need to continuously adapt to arising challenges. In order to ensure adequate effectiveness of an enterprise it is necessary to undertake repeatedly some coherent actions leading to reaching a permanent competitive advantage. An important role in gaining and maintaining such an advantage by enterprises is played by their knowledge-based internal resources, known as corporate competencies.

The idea of “corporate competencies” has been defined in many different ways, however, it can be stated generally that they are the enterprise’s specific skills referring to the placement of its resources, together with its cognitive abilities which make it possible to undertake activities leading to reaching assumed goals. Corporate competencies of an organization include elements such as its unique, specific knowledge, experience and skills which have all been developed by this organization and which give it a competitive advantage. In the environment of knowledge-based economy, the role of competencies is increasingly important and it can be assumed that this tendency will continue.

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.

## 2. ORGANIZATIONAL COMPETENCIES

The idea of „organizational competencies” is defined in many different ways, however, there is an agreement that they are one of the vital factors determining the company’s success. In the most general definition, competencies can be described as abilities to develop, co-ordinate and apply the available resources in order to implement the tasks and reach the objectives set by the company (Amit & Schoemaker, 1993).

Competencies have been understood from two different perspectives, namely:

- as assets, skills, or resources belonging to the company that allow an activity to be performed systematically (Collis, 1994, p. 145; Winterscheid, 1994, p. 266; Sanchez et al., 1996, p. 8; Sanchez & Heene, 1997, p. 7);
- as the activities themselves, that is, the operations that the firm is able to carry out by integrating a series of assets (Aaker, 1989; Hall, 1992; Hamel, 1994), emphasizing what the company does as opposed to what the company has.

Bogner and Thomas (1994, p. 113) consider that both perspectives form part of the concept of competencies. They identify the cognitive aspect, which is related to the knowledge and the skills the firm possesses, and the action aspect, oriented toward the activities the firm undertakes. Therefore, competencies can be defined as the abilities and specific skills that the firm possesses in the deployment of its resources, as well as its cognitive characteristics, which are geared toward the accomplishment of activities that permit the attainment of certain objectives.

M. Bratnicki (2000) distinguishes the idea of “*abilities*” which are attributed to individual human beings and the idea of “*competences*” which refers to the level of the whole

organization. According to him, competences consist of integrating knowledge (the abilities of the individuals and resources) to reach a particular objective. Competences understood in this way are in fact the abilities of the people managing an organization, who have an influence on taking the most important decisions. These are the abilities to acquire the right resources, including people and to use them adequately to implement the adopted strategy.

Competences distinguish an organization in its environment and equip it with a competitive advantage. Just like in case of other resources which determine competitiveness, competences have to be assessed from the perspective of the type of business activity, they need to have the quality of rare goods and they must be difficult (or/and costly) to imitate. Thus competences of an organization (Sitko-Lutek, 2007):

- may be understood as an opportunity, an ability to reach a definite result on a particular level (an ability to perform particular assignments or to reach definite objectives),
- are always of relative nature and have to be referred to some standard, an assumed goal or assignment (competences to do what? and/or within what range?),
- are manifested through the ability to react in a way which is adequate to the requirements of a particular situation.

To sum up the considerations concerning competences, they may be defined as a combination of knowledge and abilities which reflect both the layers of basic (hidden) knowledge and the abilities which are indispensable to implement all the necessary tasks. Competences are based on the knowledge inherent in the sets of abilities of individual employees and the knowledge remaining at the disposal of particular organizational units. Generally, it may be said that competences make the company's specific abilities concerning the distribution of its resources, its cognitive potential, enabling it taking up actions leading to reaching its goals.

A vital role in an enterprise is played by its core competences which are developed in the process of corporate learning. Learning and competences are mutually interrelated. The learning process depends on the character of the company; it includes accumulating specific resources, skills and experiences and transmitting them onto new products and processes. An analysis of core competences may be carried out with the use of a model called "core competences", developed by R. M. Grant and M. Javidan, which takes into account the relations between resources, skills, competences and core competences (Gierszewska, 2005, pp. 29–86). The lowest level consists of tangible and intangible assets as elements which have a relatively lowest value for the enterprise. Intangible assets include eight basic categories related to technologies, building relationships with the client, the methods of negotiating agreements, data processing (e.g. specialist computer software), human resources, marketing, the company's location and the company's property (the so-called goodwill). The level of using the company's resources which determines the potential of a particular organization is known as its abilities. Competences are a set of abilities and know-how and are the effect of organizing and coordinating the individual links of the chain of values.

### **3. 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 (Sitko-Lutek, 2007):

- „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.

Thus, competence gap is the difference between the current status of the company’s competences and their desirable level. The idea of a “gap” understood as a lack, a deficiency has a pejorative tone as such. Likewise, competence gap which result in the following key, negative effects in the company:

- it hinders or even makes it impossible for the company to develop, or even poses a threat to its further existence,
- it hinders improving the company’s competitive position,
- it hinders creating innovation: of products, processes or business models.

It should be noted, however, that competence gap may be motivating to introduce changes in the company and it orientates the processes of the organization’s improvement.

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. Reducing the competence gap may occur due to a systematic introduction of the processes of organizational learning and thanks to knowledge management.

The differences in the approaches to defining organizational competences and thus the ways of identifying the competence gap cause a lot of difficulties in its practical definition. Managers usually recognize the gap as a deficiency in the competences possessed, which means in practice the discrepancy between the competences that are possessed and those desired, required or necessary to a different degree.

Identifying the above phenomena and reacting to them may lead to a fragmental treatment of the problem of the competence gap and reducing the problem to selected aspects of competence areas which, as a result, may hinder the solution of the problem. Typical competence spheres of a company, interesting to managers, include (Gorynia, 1998; Stankiewicz, 2005): operating, information, research and development, quality management, supply, distribution, marketing, finance, organization and marketing, personnel.

#### **4. 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).

Specialist literature offers different approaches to the interpretation of this term. According to some authors, effectiveness means (Bielski, 2004; Ziębicki, 2007):

- in the economic formulation – the relationship between the results and the expenditure expressed through basic measures, such as productivity, effectiveness, profitability etc.
- in the target formulation – the assessment of the extent to which the intended objectives have been implemented, taking into account the existing resources; this concept is derived from praxeology and it means that the higher degree of implementing the company's objectives and the lower expenditure of tangible assets, the more effective the company becomes and less time is consumed to reach these objectives;
- in the systemic formulation – the assessment of the company's potential to survive and develop, resulting from the strength and density of the system, its position in the environment and the chances to maintain and improve this position; the basic source of effectiveness is the ability to acquire rare and valuable resources (understood as the sum of the assets remaining at the company's disposal, both tangible and intangible ones, such as the employees' knowledge and skills, technologies, know-how etc.) which are useful for the company in its functioning and relations with the environment; the effectiveness is referred to the company itself, which means that the evaluation from the point of view of the whole organization and its internal or external groups of interest may be different;
- in the formulation of interest groups (stakeholders) – the assessment of the organization's potential to meet the needs of stakeholders (individuals or groups of people, inside and outside the enterprise who are interested in the results of its functioning; the main stakeholders include the owners (investors, stakeholders), employees, clients, suppliers, creditors, local communities, local authorities etc.); this is a broader perspective on the organization's objectives because it takes into account both the relationships of the company with its environment and the results of its functioning; it should be noted that almost each group of stakeholders communicates different needs regarding the company and, consequently, assesses its effectiveness differently, which proves that effectiveness is a complex and multi-dimensional idea and should be evaluated on the basis of different criteria and measures;
- in a multi-criteria formulation – the organization's potential to achieve varied objectives which can be formulated in different ways e.g. in the form of final goals (assets and their use, similarly to the target formulation), the effectiveness of entering – transformation processes – exiting (in a way similar to the systemic formulation), the effectiveness of economic measures and behavioural measures (indicating the functioning of the social sub-system) etc.; in practice varied detailed concepts of effectiveness assessment are offered, taking into account its different aspects.

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 (Buchanan, 2008):

- 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.

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 order to help an enterprise meets the changing requirements of the environment and also the owners' expectations, managers have to care about its effectiveness. In these conditions the company has to be very flexible to continue functioning, and significant difficulties are faced when trying to transmit a formulated strategy onto actual, practical actions, as well as measuring the effectiveness of their implementation in the context of the company as a whole.

## **5. COMPANY'S EFFECTIVENESS IN THE LIGHT OF RESEARCH**

### **5.1. Research methods**

The empirical studies performed were supposed, among others, to determine a set of key resources and skills necessary to create and maintain a permanent competitive advantage, to identify the company's competence gap and to initiate actions directed towards reducing it as a consequence of corporate learning, to recognize differences in the learning process and also to determine the factors which support or hinder the identification of changes in the competence gap.

The research was carried out in 56 Polish companies of varied size. The structure of the research sample is as follows:

- 14.3 % - small businesses (employing below 50 people),
- 51.8 % - medium-size companies (staff between 50 and 249 people),
- 3.9 % - big companies (employing above 250 staff).

### **5.2. Results**

#### *Respondents' interpretation of company's effectiveness*

The professional literature, as it was mentioned earlier, presents the idea of effectiveness in a number of different ways. The results of the empirical studies confirmed the fact that managers also interpret the idea of effectiveness in a varied way.

The respondents could select a number of different ways of understanding "effectiveness", presented in a list. The results, presented in Table 1, show that the perception of the essence of effectiveness is slightly different in different companies, depending on their size.

**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

A prevailing number of the respondents (66.1 % on the average, and 73 % in the group of big enterprises) sees effectiveness as effective actions, that is the degree to which the intended objectives can be reached.

More than 57 % of the respondents believe that a company is efficient when it obtains a positive financial result and when it increases its market share. Identifying effectiveness with a positive financial result is least common in big companies (47.4 %).

A relatively low percentage (19.6 %) of all the respondents understand effectiveness as a tool for improving the company's competitiveness. Only 14.3 % of the respondents believe that effectiveness is related to the company's balanced functioning in the environment.

In comparison to big and medium-size organizations, managers in small companies pay more attention to their clients' satisfaction and how fast they adapt to the latter's needs. What is vital to them, is also an increase in sales income and a systematic improvement of the financial performance.

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. For an organization which is market oriented understanding effectiveness in such categories is less typical.

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.

*Action undertaken for reducing of the competence gap to improve company's effectiveness*

In research enterprises one noted the increase of the competence in the explore period (before the entry of Poland to EU and in the year 2008). With the sentence of respondents competences increased fairly about above 15 % (cf. the table 2), whereat the greatest growth of the competence noted large enterprises, in small enterprises this increase was considerably smaller (8,3 %), but one ought to underline, that representatives of small enterprises evaluated the level of their own competences at most in both investigated periods. The increase of the competence had influence on the improvement of the efficiency of research enterprises.

For the purpose of the improvement of the efficiency of investigated firms were undertaken various activities. For research purposes one used the set of operations, found indicated at reducing of the cognitional (Sitko-Lutek, 2007) gap , namely: acquiring additional tangible assets, acquiring financial assets, introducing elements of knowledge management, acquiring specialists on the job market, acquiring competences from a business partner, co-operation with consulting agencies, co-operation with research-and-development institutions, training, building your own research-and-development potential, learning in action, outsourcing, learning from competitors.

Among methods of reducing of the cognitional gap , used in research enterprises, the greatest influence on the improvement of the efficiency had, with the sentence of respondents: trainings (42,5 %), the learning in action (40 %) and gaining of additional material (31,9 %) resources. Least investigated enterprises use the collaboration institutions scientific-exploratory (11,6 %), the outsourcing (13,6 %) and the construction of the own research-and-development (17,5 %) potential.

The meaning of individual methods for the improvement of the efficiency of the operation differs somewhat depending on the size of the enterprise. Trainings have a greatest meaning for firms large and small, in average firms one found the most essential learning in action. In enterprises large and small for important, one acknowledged in the next order, the introduction of elements of the management with the knowledge. In small enterprises one underlined the meaning of gaining of finance resources as indeed influencing on the improvement of the efficiency of their kilter.

**Table 2:** Popularity of using the methods of reducing competence gap to improve company's effectiveness

Method used to reduce competence gap	Companies			
	Total	Big	Medium	Small
1. Acquiring additional tangible assets	32,85	29,47	32,07	43,75
2. Acquiring financial assets	31,42	24,74	29,66	53,75
3. Introducing elements of knowledge management	33,40	36,32	25,86	53,75
4. Acquiring specialists on the job market	29,64	25,79	26,55	50,00



5. Acquiring competences from a business partner	18,75	16,84	16,55	31,25
6. Co-operation with consulting agencies	20,00	20,53	16,21	32,50
7. Co-operation with research-and-development institutions	11,61	13,68	9,31	15,00
8. Training	42,69	40,53	38,96	60,00
9. Building your own research-and-development potential	17,48	11,58	20,34	21,25
10. Learning in action	39,99	34,21	42,42	45,00
11. Outsourcing	13,57	12,11	10,35	28,75
12. Learning from competitors	24,43	19,47	21,72	46,25

## 6. CONCLUSION

So that the organization is able to equal dynamically changing environmental requirements, must retain the suitable cognitional potential. Necessary is the therefore constant monitoring of requirements placed by the environment and the identification appearing gap of cognitional. The consciousness of the occurrence of the gap liberates processes of her levelling. At the choice of suitable activities directed on her liquidating indispensable is the calling attention on the efficiency of undertaken activities.

As result of carried out research one ascertained that with the sentence of respondents, the greatest influence on the improvement of the efficiency of enterprises had trainings, the large balance was attached also to the learning in action. One can therefore ascertain that is perceived the meaning of processes (trials) of the organizational learning.

Indispensable becomes so the introduction of mechanisms making possible the permanent organizational learning and simultaneously warranting the awaited level of the efficiency of the activity. Accordingly indicated it would be:

- Returning of the special attention on formulating of aims (targets) and the definition of precise measures and suitable their correlating in the all enterprise;
- The analysis on currently attained results; in case of the statement of the gap between results and placed aims (cells), one ought to identify their reasons and to undertake suitable activities correcting;
- The creation of the information bank which should be used at the decision making and the constant lifting of the efficiency of the organization.

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