

## THE PREMISES OF THE EVOLUTION AND DEVELOPMENT OF FIRM COMPETENCES IN STRATEGIC MANAGEMENT

Rafał MATWIEJCZUK

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

**Purpose:** The aim of the article is to identify the premises of the evolution and development of firm competences in strategic management.

**Design/methodology/approach:** The article indicates the key role of competences in strategic management. An extensive literature review and an identification approach were used.

**Findings:** 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 results of the research presented in the article show the significant importance of the firm competences in strategic management and business practice.

**Originality/value:** The most important conditions for the development of the firm competences in the field 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

The strategic potentials of a firm, which comprise resources, capabilities and competences, play a significant role in strategic management. The abovementioned potentials contribute to the expected market as well as economic outcomes achievement by a firm. The particular importance in achieving such outcomes is assigned to the firm competences. Competences are often perceived as the most important strategic potentials in achieving the expected outcomes and building firm competitive advantage. The aim of the article is to identify the premises of the evolution and development of firm competences in strategic management.

## 2. The nature of the term “competences”

In the recent years, in the area of business management, especially in strategic management, one may notice the growing importance of the so-called strategic potentials of the firm (Day, and Wensley, 1988; Christensen, 1996; Day, 1994; Foss, 1996; Knudsen, 1996). Strategic potentials, which include the resources, capabilities and competences of the firm, are the factors affecting the achievement of the expected market outcomes (customer satisfaction, customer loyalty, market share) as well as 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 favorable than those achieved by the competitors, strategic potentials may lead to the creation of a competitive advantage of the firm.

Among the strategic potentials considered in the context of achieving the expected market and economic outcomes by the firm, as well as gaining and maintaining a long-term competitive advantage, the key importance is assigned to the firm competences.

The notion as well as the concept of the firm competence has not been always clearly defined so far. Apart from the differences in the definitions of the “competences” term, there is a noticeable difference in the interchangeable use of the term “competences” and related terms and concepts such as “key competences”, “core competences”, “distinctive competences”, “critical competences”, etc. There are also situations in which the authors equate the term/concept of competences with other terms/concepts, especially with capabilities, dynamic capabilities, resources or assets (Hamel, and Prahalad, 1994; Leonard-Barton, 1995; Drejer, 1996, 2002; Chiesa, and Manzini, 2000; Spanos, and Prastacos, 2004), and even suggestions in which the significance of differences between these terms/concepts is questioned (Barney, and Clark, 2007).

In striving to explain the nature and essence of the competences, one may notice some symptoms of tautology. For example, O. Williamson (1999) draws attention to the occasional attempts to define or describe key competences as the competences that are key, without further defining and/or explaining their specific characteristics, which further exacerbates the terminological ambiguity in relation to this notion/concept. Sometimes there are also some symptoms of identifying or reducing the notion/concept of competences to narrower notions/concepts, e.g. to the so-called routine activities carried out by the firm (Teece, Pisano, and Shuen, 1997). An overview of the definitions of competences is presented in table 1.

**Table 1.**  
*Definitions of the term “competence”*

<b>Author/Authors (year)</b>	<b>Definition</b>
R.E. Boyatzis (1982)	Competences are the features of persons that enable/lead to the effective and/or distinctive performance of specific tasks
R. Hall (1992)	Competences are the knowledge of employees and other stakeholders of the firm as well as shared capabilities that make up the organizational culture
V. Chiesa, M. Barbeschi (1994)	Competences can be defined as a unique combination of knowledge, skills and technologies leading to the production of a series of profitable innovations
D. Turner, M. Crawford (1994)	Competences reflect combinations of skills, knowledge and behavior, widespread both within the firm as well as among individual employees, based on systems, processes and structures occurring in the firm
N.J. Foss (1996)	Competences constitute – usually idiosyncratic – knowledge capital that allows its owner to carry out activities and solve problems in a specific way and usually perform it more effectively than others
R. Sanchez, A. Heene, H. Thomas (1996)	Competences are the capabilities leading to ensure the coordinated use of resources, which are the prerequisite for achieving the goals set by the firm
B. Eriksen, N. Foss (1997)	Competences can be defined as the unique knowledge of the firm related to the processes of effective development, production and marketing of properly defined products and services, concerning in particular the organization and management of these processes
M. Javidan (1998)	Competences are the result of a cross-functional integration and coordination of capabilities related to activities and resources implemented and used in the firm scale as well as in the entire value chain scale
The Concise Oxford Dictionary of Current English (2002)	Competences are the capabilities to perform a given task, which are the characteristic features for a given person
J. Mills, K. Platts, M. Bourne, H. Richards (2002)	Competences are the capabilities to perform specific tasks and activities, which may be strong (high) or weak (low) in relation to a given firm. A firm has strong (high) competences when it is able to achieve more favorable outcomes than competitors in terms of the customer value creation. The firm has weak (low) competences when it is not able to achieve more beneficial outcomes than its competitors in terms of the customer value creation
J.D. Brazell, T.M. Devinney, D. Midgley (2005)	Competences can be defined as the complex combination of assets, resources and processes that enable firms to meet customer needs
T.J. Lehtonen (2005)	Competences are persistent capabilities that are or may be of strategic importance in the firm's efforts to achieve success, taking into account the current and future conditions of competition
S. Ray, K. Ramakrishnan (2006)	Competences can be defined as a combination of resources possessed by a firm in the form and quantity securing its operations, the integration of which – thanks to appropriate management processes as well as routine activities – leads to the achievement of the firm's goals
G. Guallino, F. Prevot (2008)	Competences are a set of resources possessed by a firm, related to the performance of activities leading to the achievement of the assumed goals, through the development of adequate capabilities to perform tasks

Source: Based on: Bove, Harmsen and Grunert, 2000; Boyatzis, 1982; Brazell, Devinney, and Midgley, 2005; Chiesa, and Barbeschi, 1994; Foss, 1996; Guallino and Prevot, 2008; Hall, 1992; Javidan, 1998; Lehtonen, 2005; Mills et al., 2002; Moore, Cheng, and Dainty, 2002; Ray, and Ramakrishnan, 2006; Sanchez, Heene, and Thomas, 1996; Turner, and Crawford, 1994.

The definitions of competences presented above indicate the considerable variation in the views of individual authors, which is not without influence on the terminological ambiguity regarding the nature of competences.

In the opinion of some authors, competences are only the characteristics of people who can/are able to perform specific tasks or activities in the way that is expected from them. Other authors reduce the term of competences to knowledge, or possibly to knowledge and capabilities, which are the distinguishing features not only of people, but of the firms as well. Still, the other authors take the view that competences are resources and/or capabilities used by individuals and/or firms to achieve the set goals. The authors who believe that competences are the results of the integration of resources (including knowledge) and capabilities, which create the premises for achieving the expected market and economic outcomes by a firm, move relatively the furthest in their interpretations.

### **3. The roots of the “competences” term**

The term “competences”, or more precisely, “distinctive competences”, was introduced in 1957 by P. Selznick, by “embedding” the issue of competences in the area of sociology (Selznick, 1957; Eden, and Ackermann, 2010). In the area of management, and more specifically, the area of strategic management, the term “competences” was firstly used by I.H. Ansoff and K.R. Andrews (Ansoff, 1965; Andrews, 1971; Eriksen, and Mikkelsen, 1996). J.T. Mahoney and J.R. Pandian (Mahoney, and Pandian, 1992) emphasize that the competences, especially those introduced by P. Selznick, and then developed by I.H. Ansoff and K.R. Andrews, i.e. distinctive competences, have evolved towards constantly gaining importance strategic potentials of the firm, playing a significant role in its value chain as well as affecting the competitiveness of the firm, including, in particular, the possibilities of achieving and sustaining the firm competitive advantage.

The term “competence” comes from the Latin word “competere”, which means “appropriate” (Nordhaug, and Grønhaug, 1994). Bearing in mind the sociological origin of this term, as well as taking into account the individual skills of people enabling the performance of tasks assigned to them in accordance with the adopted goals (guidelines), the original perception of the term “competences” was reduced to the characteristics of a person who was able to effectively and efficiently carry out the assigned tasks and, consequently, achieve the set goals.

After being “transferred” to the area of management, the term of competences has gained a number of, often significantly different, definitions and interpretations. A. Collin draws attention to the variety of approaches appearing in the studies devoted to the essence and significance of competences in management (Collin, 1989). In his opinion, the diversified use of “competences” term not only significantly complicates the explanation of their nature,

but also influences the recognition of the possibility of using competences in the efforts of the firms to achieve the expected outcomes. As A. Collin points, on the one hand, the key role of competences as factors affecting the achievement of the expected market and economic outcomes by a firm has been emphasized for a long time, but on the other hand, for many years of evolution and development of the “competences” term, relatively little attention has been paid to the very essence of this notion, methods of its precise definition, or directions of its development.

In this paper it was assumed that the firm competences are the long-term capabilities concerning the using of the resources involved in the implementation of the goals and tasks set by the firm, leading to the achievement of the expected market and economic outcomes by a firm as well as to the creation of its competitive advantage. The basis for the development of competences understood in this way is the integration and coordination of the firm resources and capabilities, also taking into account the knowledge as the very specific as well as significant type of resources (Matwiejczuk, 2014).

O. Nordhaug and K. Grønhaug (Nordhaug, and Grønhaug, 1994) emphasize that in the case of the competences one can speak of their progressive and – at the same time – diversified and multidimensional impact on various aspects and processes concerning business management. This is related not only to different ways of perceiving and interpreting competences, but also to different, although sometimes – at least to some extent – complementary sources and directions of the firm competences development.

#### **4. Conditions for the development of the firm competences in strategic management**

According to O. Nordhaug and K. Grønhaug (Nordhaug, and Grønhaug, 1994), in the process of the competences development in the context of business management, two basic issues should be highlighted.

Firstly, when speaking about the firm competences in the context of business management, the managerial features and/or properties of competences are often emphasized, concerning the conditions, possibilities and ways of using them for more effective and efficient business management. From the point of view of the competences development, this trend also extends to the psychological and sociological foundations of building and forming the firm competences, which support the achievement of firm goals.

Secondly, taking into account the evolution and development of the contemporary management, it can be said that the competences have permanently “entered” one of its most important areas, which is strategic management. Within the area of strategic management the concepts as “core competences”, “key competences”, “dominant competences”, “distinctive

competences”, “critical competences” or “metacompetences” came to be considered as the the mostly significant.

R. Durand and B.V. Quelin, as well as M. Hülsmann and Ch. Wycisk emphasize that along with the development of various management concepts that are based on the use of competences leading to the achievement of the goals set by a firm, competences are more and more often associated with integrated (“aggregated”) sets of capabilities, enabling efficient and effective implementation, both operational and strategic processes and activities that affect the forming of the firm competitiveness, as well as creating a competitive advantage by a firm (Durand, and Quelin, 2000; Hülsmann, and Wycisk, 2008).

In the recent years, more and more attention has been paid to the fact that competences are one of the most important and valuable strategic potentials of a firm, which should not only be permanently developed, but also protected from the competitors. Competences may be a significant determinant of creating a long-term competitive advantage of a firm.

The issue of the competences as the strategic potentials of a firm that have a significant importance for the creation of the firm competitive advantage has been more and more often “included” in one of the contemporary trends in strategic management, referred to as the “Resource-Based View (RBV)”. Without going deeper into the assumptions and areas of the RBV concept, it is worth noting that competences are currently perceived as the key strategic potentials of the firm, which include integrated sets of capabilities that enable the use of the firm resources in creating a long-term competitive advantage.

It can be said that in the recent years there has been a noticeable shift of the “center of gravity” from broadly understood firm resources (material, non-material, financial, personal) towards the firm competences, which “constitute” unique – compared to the competitors – compositions of resources and capabilities, affecting the achievement of the expected market and economic outcomes, and – as a result – the firm success as well as the sustainable, long-term competitive advantage by a firm. Therefore, the issue of competences requires further in-depth research, concerning not only the integration of resources and capabilities on which competences are “embedded”, but also the forming and development of business models based on the strategic potentials of the firm.

## **5. Conclusion and further research**

The article presented the premises of the evolution and development of the firm competences, “embedded” in the area of strategic management. The firm competences play a very important role in strategic management. Competences may significantly affect the achievement of the expected market and economic outcomes by a firm, as well as building a long-term competitive advantage of a firm.

The issue of the firm competences undoubtedly deserves further research. In particular, it is worth focusing the future research on the determinants and circumstances of shaping and developing business models based on the firm success potentials, including – in particular – the firm competences.

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