

Competence-oriented Approach to the Organization's Human Resources Management in the Turbulent Environment

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Abstract

The article reveals the essence of the resource concept as a basis for the organization's strategic resources management; the ratio of its major categories-resources, abilities and competencies-is determined; a classification of organization competencies is suggested; the leading role of human resources in both realization of combined resources potential and formation of organization competencies for achieving sustainable competitive position on the market is justified; the mechanism for control over individual employees' competencies is recommended.

Keywords: resource concept, competence approach, resources, capabilities, competencies, human resources, intellectual resources, management

1. Introduction

Actuality of the stated research is determined by the fact that nowadays, when resources are becoming more expensive and limited, it is important to identify strategic directions of the organization's activity and concentrate sufficient resources on the key business aspects. The main attention should be paid to the resources that promote competitive advantages of the organization, i.e. its key resources. Among the dominant resources that form core competencies of the organization, there are human resources, which serve as a basis for intellectual resources development.

In the turbulent environment the concept of dynamic capabilities is rapidly developing. Due to this concept a priority is set on the organization ability to integrate, work out and renovate its competencies so that to correspond with the turbulent external environment. In turn, dynamic abilities of the organization are primarily determined by its intellectual asset.

A modern practice of resource management, including management of intellectual asset, faces very difficult problems which can be solved by means of a systematic approach implementation.

We consider that decision of the issue is possible within the resource concept, which has become dominant in the strategic management theory. However, it should be noted that the resource management concept is just emerging, so the development of its main provisions as well as transition to the operational level of its application is becoming an urgent task.

In recent decades, the resource concept has become a dominant paradigm in the strategic management theory. By the beginning of the XXI century resource theory, which initially emerged as one of the organization theory trends, has turned into a powerful intellectual flow that covers methodology of economic analysis and economic systems management at different levels of hierarchy and functions.

The development of the resource concept provisions is traced in the works of foreign scholars-E. Penrose, B. Wernerfelt, R. Rumelt, D. Teece, J. Barney, M. Peteraf, K. Conner and C. Prahalad, etc.

As for home science we can say that in the works of Russian authors these questions are reflected to a lesser extent. The greatest contribution to the theory of the issue was made by: L. Grebnev, G. B. Kleiner, V. S. Katkalo, V. L. Tambovtsev.

Resource theory (in the English-language economic literature the most widely used term is (resource-based-view (RBV)); in the V. S. Katkalo's monograph we come across the term (resource concept)) is based on the

assumption that the external strategic position of an economic entity in the market place depends on its inner state, which is primarily characterized by resources which are at its possession or under its control.

2. Main Body

Popularity of the resource approach, which emphasizes internal organization's resources as a source of competitive advantages, is not objectionable. After J. Barney's publication, where the basic theoretical model and criteria of sustainable competitive advantage sources are outlined, resource-based approach turned into a theory that is most frequently used in the field of strategic management research.

The core of the resource concept constitutes features which distinguish one organization from another, due to the fact that each of them possesses a unique set of resources. In this case, the very notion of (resources) within the resource concept is treated differently by various researchers and it takes a variety of forms, ranging from raw materials, which organization can acquire by means of traditional transactions, to the brand, which is being formed during many years. Moreover, the resource concept, along with the concept of (resources), operates similar to concepts of (capacity) and (competence), which should be differentiated.

In the context of the investigated problem a resource classification becomes very important though it is interpreted by different authors in different ways.

The P.M. Grant's approach to the resources classification, which singles out financial, physical, human, technological, organizational (quality control system, corporate culture, etc.) and reputation resources, is considered as a classical one. B. Wit and R. Meyer worked out another popular typology on resources division into tangible and intangible ones. Among tangible resources the authors reckon raw materials, land, buildings, cash; and among intangible there are organizational skills, knowledge, reputation, relations with external parties, organizational culture. It should be noted, that entity's resources shouldn't be seen as a competitive advantage on their own account, they become a merit when the organization uses them while implementing its business processes.

Concerning resources and abilities interpretation scientists offered a lot of options of paired terms: (system) and (digital) resources, (elementary) resources and resources of a (higher level), (peculiarities) and (configurations).

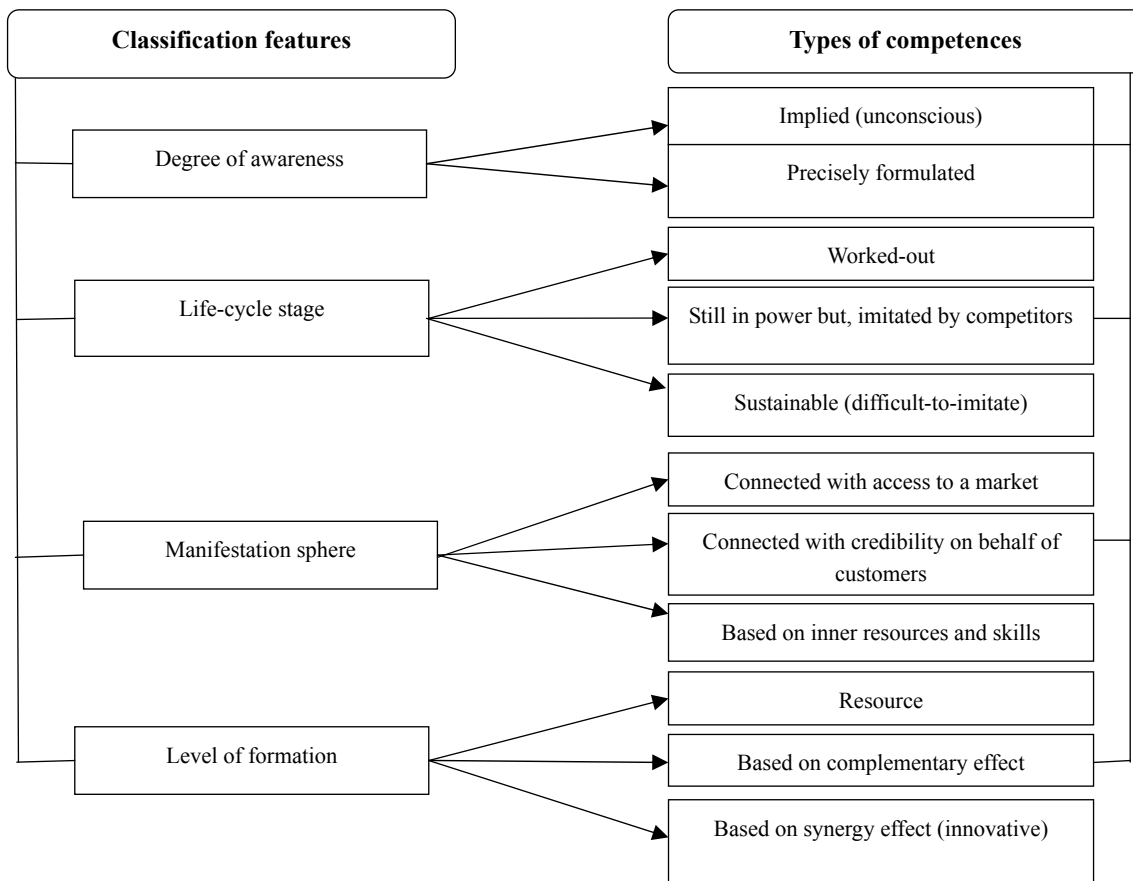


Figure 1. Types of the organization's competences

In literature we come across two approaches used for organization's resources and abilities investigation. One of them is based on a broad interpretation of the resource concept and inclusion of proper abilities into the resources structure. The other one highlights differences between them. In the context of a systemic approach a distinctive interpretation seems more adequate.

There is no a common view on the terms (resources) and (abilities); notions (capacity) and (competence) are also debatable.

Concepts (capacity) and (competence) were traditionally used interchangeably. C. K. Prahalad and G. Hamel introduced the term (core competencies) to describe abilities that determine results and strategy of the organization. Some scientists recommended to separate two types of resource concept competencies. By a competence they understand general skills, abilities and organizational contacts, which in one case are necessary for sustainable operation in a particular market segment, and in the other are oriented to achieving a strategic advantage on one or several markets.

A different understanding of competencies and abilities was built on stating differences between skills, knowledge and technological know-how of the organization; this helps to create special benefits both in some parts of the value chain of goods, and within the chain seen as an integral unit.

The third view point on the relationship between the concepts (capacity) and (competence) was formed in the context of the dynamic nature of modern markets. It is based on the D. Teece's concept of dynamic capabilities that was developed at the end of XX century which divided routines into static and dynamic. Dynamic capabilities can be seen as the firm's ability to integrate, build and reconfigure internal and external competencies so as to fit into the rapidly changing environment. Dynamic capabilities are a priority source of competitive advantage of the organization.

Generalization of theoretical developments on this issue allowed us to build an organization competence classification and identify essential features of core competences as well as their types (Figure 1).

We consider it is necessary to pay special attention to the fact that along with the generally accepted characteristics (degree of competence awareness, life-cycle stage, sphere of manifestation), indication of competencies level formation is of great importance. It is based on the notion of synergy effect that occurs as a result of a simultaneous use of resources in several areas of activity without any damage to any of them. Manifestation of this effect is only possible by means of intelligent (non-material) resources, the basis of which constitute human resources, so theoretical and practical interest to the latter is being reinforced.

Critical analysis of the existing theoretical views on the nature of intellectual resources, intangible resources, intangible assets, intellectual capital allowed us to conclude that the concept of intellectual capital (intellectual resources) is closer to the concept of intangible resources of the organization, and goes far beyond the limits of its intangible assets.

To prove this statement, we emphasize that intellectual resources (non-material resources, intellectual capital) are considered as a set of both formal and informal knowledge, which brings together anything that has value for the organization and is connected with its staff, arises from the production processes and organizational culture. At the same time, intangible assets, in our opinion, are only a part of intangible resources, which is the property of the organization, and does not include non-formalized knowledge, which is the employees' property.

We believe that competences of the organization can be formed as a combination of intelligent (non-material) resources, and as they have synergy properties they can be considered as a special kind of resource, which provides their more effective utilization. They are formed as a combination of both human (competence) capital elements and organization's capital, and serve as a source for client (market) capital creation (Figure 2).

The proposed framework allows selecting both basic (human capital the main part of which constitutes labor force) and targeting (client capital) components of the business system.

To define competences as a special kind of the organization's intellectual resource where human resources serve as its basis, you should create special tools to manage and estimate these resources, identify needs and make well-grounded management decisions on development.

Currently, there are numerous studies in the field of classical resources management (material, financial, etc.), while intellectual resources have become the subject of intensive study not earlier than in the previous couple of decades. However, most of these studies were carried out by psychologists, sociologists and other professionals who are not directly related to the solution of purely economic problems. In this regard, they refer only to the study of factors which can influence the economic indices.

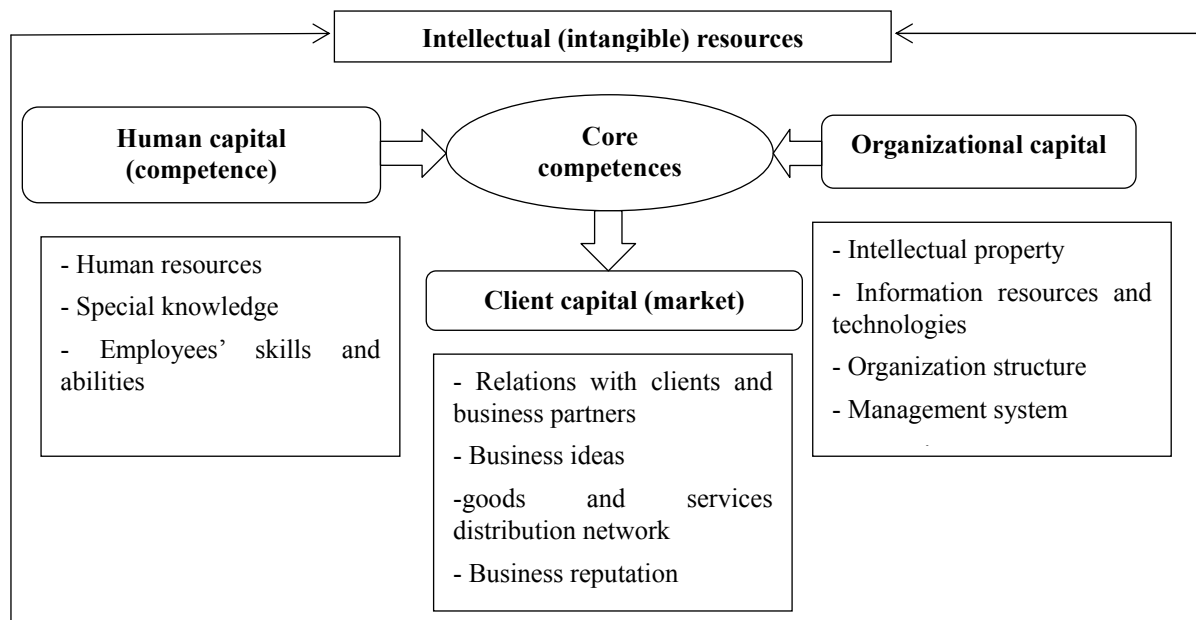


Figure 2. Formation of the core competencies of the organization

Common indicators of the organizations' intellectual resources may include: a proportion of specialists with higher and secondary education, a share of personnel engaged in research and development, a number of inventions, patents, employees' innovation proposals, etc. It should be noted that only a few of the stated indicators can be realistically calculated in consumer cooperative organizations.

Intellectual resources of the organization can be assessed by means of quantitative (valuable) and qualitative indicators. Cost estimation of intellectual resources is difficult due to many reasons: lack of effective market structures that can determine the real market price; existence of unique products for which there are no prototypes and methods of valuation; accounting policies mechanism defectiveness.

While analyzing the level of intellectual resources one must take into account the volume of resources, their value, intensity of resource usage, the extent of resource attaching to the organization.

The indices used for intellectual resources measurement can also be divided into integrated and quantitative indicators for characterizing individual components of intellectual resources. A sociological interview is an effective method for obtaining high-quality assessments.

Tobin's q is used for integral cost estimation of the organization's intellectual resources. It is defined as the ratio between the organization market value and the replacement cost of its real assets (buildings, equipment, and inventories).

If Tobin's q is less than one, it indicates that the organization has negative intellectual resources. Consequently, the level of management, organizational structure, links to consumers do not increase but reduce corporate capital. When Tobin's q values are less than one, it indicates that the organization is undervalued. In each case, the reason is specific, but this fact shows that a business faces serious problems.

Defining and monitoring competences, which are based on human resources, as a special kind of intellectual resources of the organization them requires a quantitative measurement of human capital (personal competence), which can be estimated by means of the following indicators:

- The structure of the human resources of the organization;
- The employees' age and labour experience;
- The extent of staff's satisfaction;
- The volume of sales and the economic value added per each employee;
- The employees' education level;
- The employees' experience (how many years they have been engaged in the profession);

- Training costs per one employee;
- The amount of the costs spent by the organization for the employees’ development of vocational competence;
- The number of working days spent for the employees’ development of vocational competence within a year;
- The proportion of advanced in skill workers in total number of the employees;
- Turnover.

Taking into account the fact that (human factor) either in this or that form is reflected in all the elements of the intellectual capital, human resources usage indicators are beyond just the human capital and should include, among others, characteristics of organizational capital individual elements (organizational structure, system of organization management and employees promotion). On the assumption of this, we agree with R. Bulyga and P. Kohno’s opinion and recommend evaluating human resources usage with the help of the following groups of management indices: indices of total labor force organization; indices of the employee’s knowledge, abilities and skills, indices of the organizational structure and management system.

Development of the strategic management theoretical foundations adjusted for the increasing role of intellectual resources in the process of creating sustainable organizations’ competitive advantages led to the modern trends emergence in the field of strategic management. We can refer to Robert S. Kaplan and David P. Norton’s Balanced Scorecard system methodology and G. Hamel and K. Prahalad’s concept of core competencies in the framework of (resource based view) concept (resource concept).

In our opinion, a promising direction for ensuring competitiveness of the organization’s resource management system can become implementation of competitive management innovative tools, based on intellectual resources management.

Taking into account the fact that the employees’ individual (personal) competencies constitute a basis for the organization’s competencies development and can promote competitiveness increase, in our opinion, it is appropriate to develop a mechanism for controlling employees’ individual competencies (Figure 3).

System of individual competencies assessment is a significant aspect of the proposed mechanism efficient functioning.

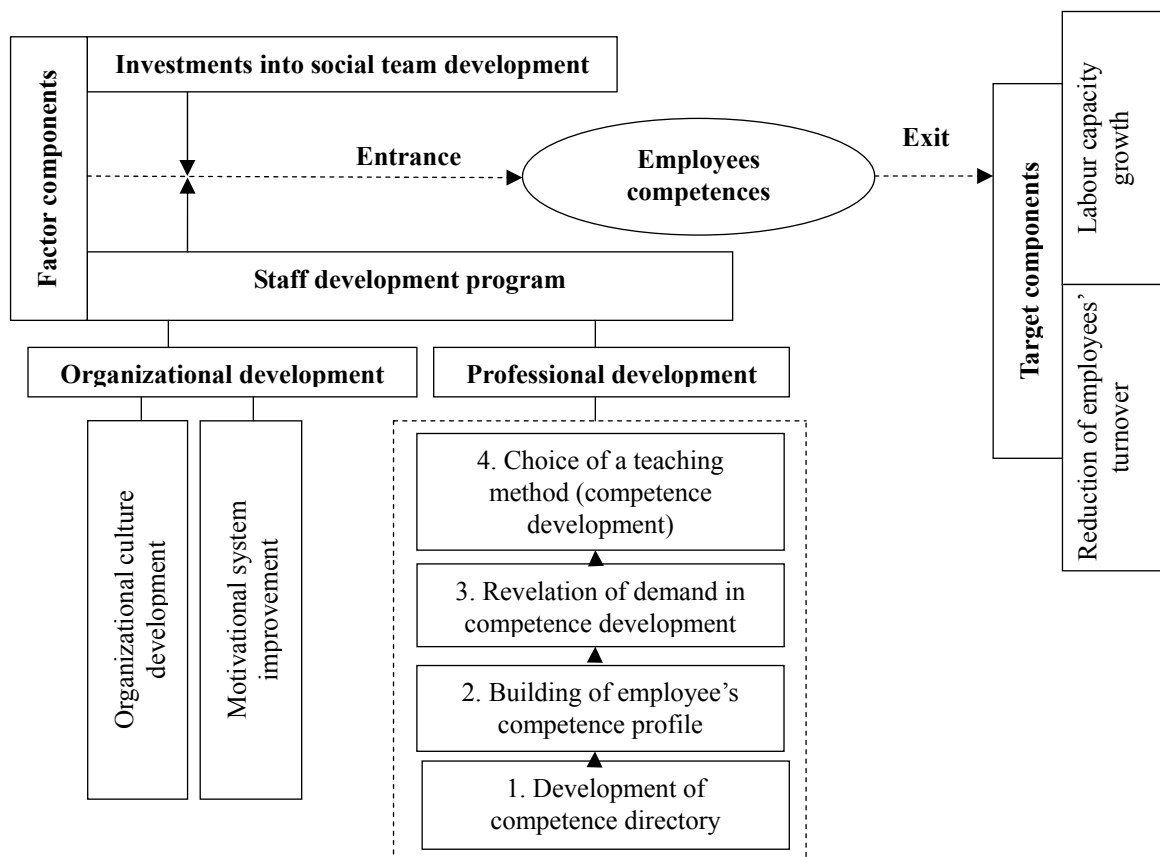


Figure 3. Mechanism for controlling employees’ competencies in the organization

Staff turnover and productivity can be regarded as target components of the proposed employees' competencies management mechanism that functions as the basis for the organization's intellectual resources development. In this case, the input components are: investment in social team development (social investments), staff development programs (investment in the employees' professional development, labor motivation).

Implementation of the needs' identifying phase within the competencies development process, which is a central unit in the structure of the staff professional development block, should be done on the selection basis of the staff's individual competence groups (professional, methodological, social, personal) to be included in the employees' competence directory (glossary); systematization of personnel evaluation methods; choice of the assessment method for defining staff's competence actual level and the results of this assessment for the organization. This information is basic for determining the organization's needs for future development of the employees' competencies.

To develop the employees' competences to the proper extent it is important to compare the required level of competences (as it is stated in the competence reference worked out for the specific position) and the employee's actual level, which should be estimated (whether he or she is taking the position or aspiring to it). This assessment of the actual level can be carried out in the process of the employees' certification or by expertise.

The combination of the employee's competence actual levels, in fact, is a competence profile of the worker.

Significance of the employee's competence for the organization is assessed by expertise. The impact of the analyzed competence on achieving the defined goals, which were set for the employees, should be taken into account. The importance of competence is a kind of competency profile of the positions.

Thus, bearing in mind the dominant role of individual competencies in the process of the organization's intellectual resources development, the role of competence-based approach in resource management functioning as a prerequisite for creating competitive advantages in the market, is to combine individual (personal) employees' competencies and core competencies of the organization, which are considered as a special resource.

3. Conclusion

Currently the resource concept has become dominant both in the resources theory and in the theory of strategic management, as it provides a viable alternative to other scientific schools.

Resource-based approach emphasizes that competitive advantage content allows to develop a strategy based on internal factors, that is on unique resources of every organization and proper usage of their peculiarities.

Under these circumstances, there are significant changes in the organization's resources structure. The emphasis is shifting not just to pure human but specifically to intellectual resources of the organization. To be exact, today labour determines quality and efficiency of all other resources. To achieve the objectives of the organization workers should have a high level of knowledge; in this regard, an effective combination of other resources is impossible without development and implementation of their individual intellectual and creative potential.

The proposed mechanism of employees' competence management could help, in our opinion, to apply competence-based approach to human resources management and a competitive competence portfolio shaping.

In the era of knowledge economy, growth of the intellectual component of the organization's resource basis is the priority for ensuring its market stability. Combination of intellectual resources leads to developing of organizational competences with a synergy property. Human resources should be the basis for formation of core competencies, and exactly employees' individual competences.

The purpose of competence-based approach in the frame of resource management, which was investigated as a prerequisite for of the organization's competitive advantage formation in the market, is to combine both its core competencies and individual (personal) employees' competencies.

Improving of the organization's competitiveness requires an appropriate mechanism to manage employees' individual competencies. It will promote a better realization of intellectual resources' creative component and its transformation into core competencies of the organization that will ultimately ensure implementation of economic objectives and stability in a turbulent environment.

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