Changing of Topicality of Human Competencies within Companies’ Life Cycle

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ABSTRACT
The aim of the paper is to describe the theoretical aspects of company life cycle and model of competencies and present the analysis of the role of human competencies in the context of sustainable development of the company. Research methods such as analysis and synthesis of the relevant scientific literature and logical and comparative analysis are applied as well as the focus group method is used to assess the findings. Based on both the theoretical research and empirical analysis the authors propose their characteristics of the basic groups of competency model, show the level of importance of these groups in different stages of company development and draw conclusions regarding the interconnectedness of organizational culture and human competencies.

Keywords: Company Life Cycle, Human Competencies, Company Development, Human Capital, Organizational Culture.

1. INTRODUCTION
Human competencies and human capital development issues should be evaluated in the global and local context. In order to make human capital competitive, it is of vital importance to be aware of and be able to overcome the obstacles and seek new possibilities for developing and realizing of human competencies. To this end analysis of issues of developing and realizing human competencies that directly influence labour productivity is required. Hence, company growth issues related to the impact of human competency are studied in two aspects: in terms of socio-economic progress and in terms of factors and circumstances which are objectively necessary for the development and growth of society.

Human capital is comprised of a wide and complex set of competencies of a human being as an element of the society. The set of these qualities includes various intrinsic parameters of an individual. For better analysis and assessment of these parameters it would be useful to start with recognizing their components being classified as:
- those referring to a human being only as a physical individual;
- those referring to a human being as an intellectual individual.
The latter ones may be subdivided into qualities and competencies referring to knowledge, thinking and ability to act in a certain way and a particular area.

Alongside with globalization and new competency-based society developments today, new issues related to sustainable development of a company also arise, such as:
- movement to a new dimension of public life that envisages the human being in the centre of socio-economic mechanism (as a producer and consumer) has created the need to develop new approaches to economic and management theories that are closely related to labour and development of human competencies;
- attention is focused on two socio-economic areas – intellectual sphere and consumption, resulting in the need to assess or reassess the importance of human competency for the economic development and progress of society, because it directly affects the formation of qualified workforce and sustainability of every individual company.

In the context of company development compliance with labour market requirements is also to be taken into consideration. It consists of two components:
- set of competencies needed currently for retaining a post;
- competencies ensuring the necessary qualification changes.

The authors link the aspects mentioned to effective and high quality personnel management at different stages of company life cycle and identification of development trends of personnel competencies in the circumstances where vitally important technological, economic and value changes take place both inside the company and in the external environment.

2. MODEL OF COMPETENCIES
Some researchers consider D. McClelland to be the founding father of competency approach. His article in the journal “American Psychologist” in 1973 initiated the development of competency model in USA. D. McClelland believed that traditional examinations and test results cannot predict well enough whether a human is able to perform his job well and that there exist some other ways of how to define competencies ensuring job achievements. He used the concept „competency” to replace a narrower term „skill”, including in it the behavioural aspects and technical abilities. The methodology of behavioural event interviewing and criterion-referenced assessment is also D. McClelland’s contribution to the development of competency approach. [13]

One of the most widely used definitions of the concept of competence in the scientific literature published in Latvia states: „competence is a set of knowledge, skills and attitudes that qualifies for completion of a task of a particular kind or level [19].”

There is no unequivocal agreement about what a competency is or is not. In 1980 D. Clamp defined job competency as „qualities attributed to an individual that manifest themselves as effective or excellent job performance”. He also pointed out that „competencies are indications which are linked by causative reasoning with effective or outstanding job performance.” [8]

Extending this definition L.M. Spencer and S.M. Spencer in 1993 described competency as „traits inherent to an individual that are linked by causative reasoning with effective or outstanding job performance or other situations and may be characterized by certain criteria.” [21] They explained that competencies include motives, character traits, self-image, knowledge and skills.

The competency model is a set of responsibilities and tasks that is a part of work process including standards required for this process. In different sources of literature competencies are grouped and structured, creating different competency models.
appropriate for each situation. Each competency model is made of
different competency groups, which are defined and
and described in a greater detail; moreover, each competency may
be diagnosed by specifically designed assessment methods.
Since each group of competencies covers a wide range of
individual skills and abilities, it is possible to assess each
professionally active person and determine a person’s strengths
and progress, stating which component is more advanced, as
well as which competencies are dominant to achieve
appropriate results in his/her work.[4] Thus, it is possible to
determine personality type, stating whether a person is focused
on professionalism, knowledge, interpersonal skills, activities,
innovation and leadership, or motivation and teamwork.
The notion of competence is rather new in Latvia; thus it is still
rather difficult to define its structure and practical significance.
In fact, human abilities, knowledge and skills are all called
competencies. Authors have divided them into basic groups
consisting of qualities defined in greater detail (see Tab.1).

<table>
<thead>
<tr>
<th>Table 1. Characteristics of competency model groups</th>
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<tbody>
<tr>
<td><strong>Professional competencies</strong></td>
</tr>
<tr>
<td>Self-organization of a person for intellectual and physical activities to address business and other issues. Presentation, project and process management, as well as quality management skills. Orientation towards goals and objectives. Analytical skills. Skills to operate devices and equipment of varying complexity. Problem solving skills, competence judgements. Knowledge management, awareness of results. Ability to synthesize new and strategic ideas and strategic decision-making skills.</td>
</tr>
<tr>
<td><strong>Social and communicative competencies</strong></td>
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<td>Cooperating with others, developing new plans, setting tasks and targets. Ability to express ideas in a well-structured and logical manner. Ability to influence and take responsibility, to motivate, delegate to others and maintain emotional stability in difficult situations. Ability and readiness to act fairly. Integrity, ethical behaviour, objectivity, empathy, autonomy. Ability to instantly integrate various items and solve problems. Identify and tackle conflict situations.</td>
</tr>
<tr>
<td><strong>Personal and responsibility competencies</strong></td>
</tr>
<tr>
<td>One’s ability to self-assess. Willingness to develop oneself as a personality, develop one’s talent. Take responsibility for the quality of the work done. Being able to positively affect the team. Ability to resolve conflicts. Self-control and openness to change. Productive work, adequate behaviour, motivation, general intelligence, operational intelligence, mental flexibility, complex thinking skills, concentration, mindfulness and alertness, good memory.</td>
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<tr>
<td><strong>Innovative, learning and leadership competencies</strong></td>
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<td>Individual’s self-organization for active communication with others. Ability to combine emotions, motivation, abilities and experience. An individual seeking and accepting opportunities to learn and seek advice. Takes responsibility for his/her own training or training of subordinates, as well as understands the need for continuing education and provides such opportunities to others. Actively participates in mentoring and training new employees. Able to make decisions, willing to support innovation. Consistency, persistence and purposeful activity. Planning and management skills, creativity.</td>
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Lately in Latvia the concept „competency” has been more widely used in some other aspects as well. For example, „competency” concept is included in ISO standards. The standard states „Performers influencing product quality should be competent on the basis of adequate education, training, skills and experience”. [18] Competency model in a company may be used to analyze every employee’s individual performance including it into certain competency and development models, thus becoming aware of strengths and weaknesses of the company that would, in turn, help to effectively position and employ the existing human resources.

It may be concluded that not only different definitions of the term „competency” but also different groupings of competencies have been used in literature and in previously done researches. For example, M.A. Armstrong defines competencies taking into consideration two aspects: the action competencies (soft skills) that are characterized as an opinion on how to act to perform one’s job well and the technical and functional competencies (hard skills) that individuals have to know and exercise to perform their jobs in a proper way. [3]

In its essence a competency model is a list of the competencies required for a particular position. Working with the competency models provides the possibility to think about the criteria for how to identify the competencies and at what level of a particular position the relevant competency should represent itself.

When exploring the quality of education, competencies are grouped taking into consideration three criteria:
- to know and understand (theoretical knowledge, ability to understand);
- to know how to act (practical skills and action skills and their implementation in practice);
- to know how to live (values, attitudes, responsibility).

Recently research papers have highlighted general skills and employment core competencies. [22]

Figure 1. Basic groups of competency model and the related components [created by authors]

Summarizing the findings of scientific literature review the authors classify the competencies in the context of human capital and company development into four groups (see Fig.1.). Wanting, Being, Capable to, and Knowledge are all important for competence/competent behaviour [7]. Figure 1 also shows the components that together form an individual’s competency. Analyzing a number of scientific literature sources, it may be concluded that the concept of competence has undergone definite development stages. Fast changes in public life and education make us look at the concept of „competence” from a different point of view, extending its contents and adapting the nature of competence to contemporary requirements.
If before, there existed a rather narrow opinion that the notion of competence implies a set of responsibilities and rights of an official stipulated by law and regulations in a specified field, lately the understanding of this notion has become much broader. For example, considering the skills for a specific real-life standard situation to be insufficient, entrepreneurs ask for team work ability, initiative and readiness to take risks, as well as combination of knowledge and subjective qualities, which managing directors of the companies often call “life skills”.

If an individual performing a job has the education, knowledge and relevant skills required, he/she may be considered a qualified person. If an individual demonstrates an ability to achieve the desired results he/she may be considered to be competent. Thus, qualified and competent are not synonyms. Qualified personnel sometimes may be unable to deliver the results required for a job as he/she may have knowledge and skills, but not apply them properly. Based on this, competency should be understood as a proven ability to apply knowledge and skills in practice.

Summarizing all the above the authors come to conclusion that the principles for assessing competencies and employee “professionalism” or “qualification” have considerably changed. If before it was assessed on the basis of the specific education and qualification level that encompassed mostly technological knowledge and skills related to a particular speciality, then now competency is treated as an ability and skills to solve all issues arising in production or commercial activities, not dealing only with technological issues. Thus, the authors conclude that competence is not only the knowledge learned, acquired and accumulated, skills and attitudes, but also the ability to apply and develop those further. Competence is linked to individual’s abilities to learn, communicate and cooperate in a changing environment. Based on this approach and considering the rapidly changing environment it can be inferred that competence has in fact become one of the key human characteristic features and is closely related to company’s life cycle. Therefore, the authors deem it necessary to analyze changes of topicality of human competencies in the process of formation and development of a company.

3. COMPANY LIFE CYCLE

In economics and management science the „life cycle approach” is widely used for description and analysis of process development. The concept life cycle would ordinarily include the description of a process, product, system or another existing structure in a dynamic development. Most widely known is the product life cycle approach by Ph. Kotler describing the changes in the volume of products sold. [14] I. Mootee, the business strategist and innovation specialist describes the life cycle of a brand by analyzing “the brand power” changes in time. [17] J. Gido and J. Clements analyze the project lifecycle – changes of project efforts over a time span. [11] G. Moore describes the technology adoption life cycle according to types of personalities. [16]

In his publications A.M. Ahmed mentions the business life stage model analyzing company success (its changes and complexity) versus time and efforts. [2] L. Greiner divided enterprise growth into five phases of starting-up, surviving, growing by authorization, taking-off and full-grown, forming the five-phase model. [12] E. Gaile-Sarkane analyzes particularities of different factors and their role in consumer behaviour [9], that forms and influences product consumption and company life cycle features in different countries.

According to J. Bratton, the evaluation of human resources is related to the procedures and processes which are used in order to evaluate the results of human resource management practices in the enterprise. [5]

In fact, we may say that, just like a human being, any company has its own life, life span and life cycle with different stages, starting with foundation and ending with closing the company. Between these two extremes many different phases of development still exist – childhood, growing up, zenith, stability and aging. Conducting company performance analysis it is found that the average life cycle of a company is 20 years. Companies develop, sometimes are sold, change ownership, merge, cooperate, integrate, restructure and often enough liquidate. Business is a process of perpetual changes.

Human competency is a part of human capital (see Fig.2). The total potential of the company consists of Human capital, Social capital, Innovation capital, Spiritual capital and Financial capital [15], where the significance of every type of capital varies in different stages of the company life cycle.

Having analyzed the different approaches to the life cycle theory it is unequivocal that the life cycle theory may be applied to describe different processes and systems defining precisely the variable parameters in time. It should be noted that life cycle is traditionally depicted by a bell shape curve. However, there are some observations testifying that the character of the curve may vary and correspond to several functions. It may be said that the life cycle is changes of one or several parameters over time. Therefore, the authors present a general and simplified life cycle formula, see Eq. (1):

\[ LC = f(Q_{t+n}(t)), \]

where:

- \( LC \) – life cycle
- \( Q_{t+n}(t) \) – changes of the scope of a certain parameter over time.

In this case the parameters could be, for example, macroenvironment, industry, resources, products, etc. Assuming that the scope of performance is directly dependent on organization’s effectiveness that is in turn defined by rational use of resources (or efficiency), and knowing that one of the
most significant resources in a company is employees, the formula mentioned above can be changed into, see Eq. (2):

$$CLC = f_{HC}(t) \rightarrow \text{max},$$

(2)

where:

- CLC – company life cycle
- HC(t) – changes of human competencies over time.

Different favourable and unfavourable company performance processes may develop during the company life cycle. The length of this cycle is influenced by how well the founders and managers of a company are able to analyze and forecast the processes taking place.

E.H. Schein analyzes the development of the organizational culture and points out three development stages: founding and initial development, average age, maturity and decline. [20] The criteria for this classification are manager’s and subordinates’ roles in the process of value formation. During the first stage it is mostly the management that influences the organizational culture of the company, while in the second stage, which is characterized by strong organizational culture and a new manager who is not linked to the previous stage of the development process, mutual impact of both the manager and subordinates on the consolidation process of basic values becomes pronounced.

One of the specific features of Latvian business activities, when compared to Western European countries, is that during the first years of independence very many people who were involved in establishing and managing companies without having acquired professional education in management relied on their own intuition and everyday experience. Part of them were forced to leave business due to mistakes made, but some companies reached great results and have become leaders in their industry. Nowadays due to competition the managers of the successful companies more than ever before need to understand the role and principles of their organization. This understanding may be reached by analyzing the organizational culture.

Scholars of organizational culture are of the opinion that basic values are formed, internalized and consolidated during the company development process or in any of the stages of its life cycle. K.S. Cameron and R.E Quinn tackle the changes of the organizational culture in close connection with its growth. [6]

Knowing that changes of human competencies are associated with the changes of company culture the authors of this research offer representation of organisational changes in a company (see Fig.3) directly reflecting changes of human resources and culture at different stages of company life cycle.

![Figure 3. Organizational Culture in different Companies’ Life Cycle stages [created by authors]](image)

In the earliest stages of development, organizations tend to be dominated by “adhocratic” culture, while during the development stage it is supplemented by clan culture. Increasing the number of workforce and extending the scope of activities creates the need to form substructures and increase formal control to create unified performance standards, thus intensifying the significance of the hierarchic culture. Later the culture is gradually supplemented by elements of market culture, enabling the company to increase its competitiveness. The framework of the organizational culture diagnostics introduced by the above mentioned scholars „photographs the situation”, but does not show how the model identified has been formed and what role has management played in the formation of the organizational culture model.

During the stability and ageing stages the organizational structure frequently becomes dysfunctional. To avoid this, managers should manage organizational culture changes paying particular attention to the development of the most important employee competencies for a given stage of company life cycle. When characterizing manager performance efficiency in different company life cycle stages, the American scholar I. Adidzes presents the concept of ten-staged organizational life cycle which, from the authors’ point view, allows for a more complete understanding of the development process of organizational culture and its management possibilities in Latvia’s context than does the approach of scholars mentioned earlier. I. Adidzes divided the enterprise lifecycle into gestating, nestling, step-learning, adolescence, adult, stabilizing, peering, early bureaucracy, bureaucracy and degenerating, forming the ten-phase model. [1]

The authors are of opinion that I. Adidzes approach makes it possible to analyze the human resource competency changes corresponding to the different company life cycle stages. Thus, for example, when the approach to company management changes (referring to flexibility), the human competencies will change as well.

### 4. Changes in Topicality of Competencies

On the one hand, employee competency is a prerequisite for a company’s development – it determines the company’s ability to be innovative and consequently, the development and future prospects of the company. On the other hand, competency is the result of innovation because employee qualification is directly affected by the changes due to technological, organizational and social innovations.

If human resources are not adequately trained, lack of competencies and qualification may become a bottleneck for the company when introducing the innovation processes, mainly in terms of technological aspects.

Far-sighted and systematic development of knowledge-based society and human competency changes requires active adjustments in the company with the aim to ensure the competitive edge of the company. Human resources become the decisive factor for the company development and innovation process. [10]

Which factors determine employee competence requirements in different stages of company development? These are changing market conditions, such as:

- increasing market globalization, high competition;
- short product life cycle, increasing rate of innovation;
- increasing market segmentation and consumer orientation;
- increasing quality requirements;
- increasing complexity, dynamism and reliance on technologies;
- ageing of knowledge and necessity to acquire new knowledge;
- high requirements on specific issues and employee’s methodological and social knowledge;
- language skills;
- higher degree of responsibility, self-control, etc.

All these factors are a great challenge for innovation strategies in companies that, in turn, determine the requirements for employee competencies.

Human activities take various forms depending on internal and external conditions affecting the company. Moreover, organization may find itself in different stages of development, and so the competence of people in the company should be consistent with the life stage of the given organization.

Focus group method was used to validate results of the authors’ research on human competences and company life cycle. A discussion of this focus group, that involved a number of entrepreneurs, revealed that most of them cannot precisely define topicality of specific competencies in a dynamically changing environment where new challenges and problems to be solved appear constantly. They mostly make routine decisions and pay insufficient attention to changes in human competencies. According to the authors, the reason for the situation is a competence gap which can be defined as the difference between individual (managerial) and institutional (organizational) interests. When both of those types of interest are not coherent, a conflict arises among individuals and the company. Managers and staff often do not possess the knowledge required by the company because management do not systematically perform the diagnosis of their company and, as a result, do not know which stage of life cycle the company has entered. This lack of knowledge often leads to company failure.

Investigating this problem with focus group method the authors have concluded that professional competencies and personal and responsibility competencies are crucial at the beginning stage of company life cycle (see Fig.4), when companies are open to changes and are flexible and able to manoeuvre, but at the same time are comparatively more difficult to control.

![Figure 4. The level of importance of competencies in different stages of company life cycle [created by authors]](image)

A new organization is able to change in a relatively simple way (similar to the desire to develop oneself as a personality, to perfect one’s talent and to take responsibility for the quality of performance), however, its actions may be unexpected due to lack of control.

During the company development stage professional competencies and personal and responsibility competencies continue to retain their leadership role. At this moment the company enjoys the advantages of the starting up and growing stages which means elasticity and controllability. That is, organization finds itself in a superior or highest development stage when innovative, learning and leadership competencies and social and communicative competencies, are not yet relevant and necessary. The main characteristic features of this stage are as follows:

- functionally well-established system and organizational structure;
- result-oriented performance, focusing on customer needs;
- company results are considered good.

With the next life cycle stages being stability and ageing, it is important for every company to reach this stage and be able to stay here as long as possible.

During the stability stage social and communicative as well as innovative, learning and leadership competencies occupy the leading role leaving professional, personal and responsibility competencies behind. Company performance is controllable, but it lacks flexibility and is not so apt to changes and adaptations. This stage may be described as constant, permanent, established and stable process that can not cause great deviations in company’s performance.

The characteristic features of the company ageing stage may be self-satisfaction, lack of interest and low job motivation. In this phase company may be described as having great money resources, but lack of good proposals how to best use them. It is the beginning stage for bureaucracy development and sharp decline, so innovative, training and leadership competencies become most important. It is the time when an individual’s self-organization for active performance together with others impact future viability of the company. An individual (company) seeks for and accepts further training opportunities, consulting possibilities and chances for further development, understands the need for and ensures the future possibilities of continuing education, as well as takes active part in preparing and training new employees (the company seeks innovative solutions). Consistency, perseverance and purposefulness may bring the company back to life.

The small and medium-sized companies of Latvia should not yet be afraid of ageing problems because, notwithstanding the hard work, they are still in the growing stage. A long period of time will pass while Latvia as a state and its companies would reach their youth and zenith. The key prerequisite is that company founders and managers constantly follow which stage of development their company has reached and take the right decisions at the right moment.

5. CONCLUSIONS

In contemporary circumstances it is most important that all employee competency elements would not exist separated from each other, but would supplement each other and inheritance of knowledge and experience would take place so that an employee, finding himself in a new stage of company life cycle, would be able to feel his/her real professional possibilities and qualification level and make competent decisions for the benefit of company development.

There are many objective factors that affect human development, formation of a free intellectual personality and high quality workforce. The authors conclude that human capital formation in a company depends to a great extent on the stage of company life cycle and increase in efficiency of its systems and processes. In the context of competency-based, sustainable company development, the competencies, according to the grouping developed by the authors, can be seen in the following way:

- as the key workforce formation factor;
The role of human competencies in the company development

The role of human competencies in the company development

In conclusion the authors agree with the world experience

Since any process analysis takes into consideration different

requirements of post-industrial development of the society is an

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enhancement of education and human competency is not only the means to reach other aims

countries educating of human resources with the aim to enhance

is shifted from an object to problem orientation where

activity types arise in the cognitive process, the contemporary

cultural environment that creates conditions for interest

harmonization in the company which manifests as a necessity

for everyone to be aware of his/her place in the company;

- as characteristics of workforce quality – everything that

makes an individual a personality and is affected by education as a specific work process.

The role of human competencies in the company development may be assessed by other criteria as well, which the authors propose to group the following way:

- cognitive (ensuring knowledge and competencies);
- methodological (skills to apply knowledge and competencies into practice);
- practical (acquisition of skills and competencies to practically organize and manage processes, i.e., professional competency);
- ideological (identifying the awareness level of human behaviour which directly links education with community interests and aims);
- social (formation of personality, its mental and moral development, personality socialization);
- economic (formation of qualified and competent workforce).

Since any process analysis takes into consideration different aspects and uses various scientific methods, the tendency of integration and synthesis of basic and additional knowledge has become the dominant feature in human capital and human competency development in the contemporary world. Many-sided vision of the process and its examination in conjunction with surrounding „natural” and „artificial” environment is of great significance. If previously branches of science were formed based on object features – i.e., when new areas and activity types arise in the cognitive process, the contemporary science is shifting from an object to problem orientation where new knowledge is created through raising specific significant theoretical or practical multidisciplinary problem. It means that by accelerating the science differentiation the scientific and technological process has become an integrating factor in the field of fundamental and applied sciences.

In conclusion the authors agree with the world experience saying that science cannot contribute to production without education and workforce competencies. In all industrialized countries educating of human resources with the aim to enhance human competency is not only the means to reach other aims but an independent aim in itself. Enhancement of education and human competencies reaching an adequate level to meet the requirements of post-industrial development of the society is an important prerequisite for any company development.

6. REFERENCES