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## Competency enterprise management in the context of European integration

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### ABSTRACT

In this article it was systematized the theoretical basis of competency enterprise management. In the context of European integration, a significant attention is granted to the formation and practical use of competency in the management of Ukrainian enterprises. The complexity of these definitions as management, competency management and competency enterprise management characterized by a large number of definitions, methods, principles, types that do not always reflect the change in their substance under the influence of macro and micro factors. Due to the fact that the concept of "competence" reflects to a greater extent the ability of an employee on the basis of its existing knowledge and skills to solve complex problems he should resolve, it is gradually replacing the concept of "qualification", but, consequently, the concept of "competence" is broader than "qualification". The scientific instrumentation of the HR-manager is based on the use of the compound of the specific principles that are closely related to the laws, but not objectively existing in the nature, and are created in the process of the knowledge systematisation. The principles must comply with the general term of the management and its constituent elements: objectives, methods, tools and effects, as well as the policies of the subject and object of development management of the enterprise. Competency-based management is a process of binding of all of the necessary components of the enterprise through the implementation of management functions to achieve a certain result by taking into consideration the current "management knowledge" and "managerial competences" by managers in a changing environment.

**Keywords:** competence; competencies; competence management; European integration; principles of enterprise management

## **1. INTRODUCTION**

The establishment of the “competency” concept in European pedagogical education took place in the late nineteenth century; at the end of the twentieth century, this idea was considered as a competency approach in education, whereas the teachers are being trained throughout their entire professional career. This is objectively related to the development of the modern European societies, accompanied by civilisation challenges caused by globalisation, scientific and technological revolution, rapid dynamics of the modern life and others. Every European citizen should constantly evolve, improving his/her professional and human qualities. The competency approach is thus considered to be a key innovative idea in the modern education. In the modern context, a significant attention is granted to the formation and practical use of competency in the management of enterprises. The theoretical and practical aspects of this issue are being under the research since 70<sup>th</sup> of twentieth century.

## **2. MAIN PART**

In Ukraine, there are three directions of the views on the competency approach in education among scientists and pedagogues. According to the first one, the competency approach is considered as a kind of trend for competency, which is a tribute to the European tendencies. The essence of the second direction is expressed by the fact that the competency approach is not completely new to the national education. The casualties of the post-Soviet education resulted in a simplification of the concepts on this issue already developed by the researchers, whereby they lost their methodological significance. The necessity for a new description of the educational quality within the competency approach appears for this reason. Representatives of the third trend believe that the competency approach is one of the bases of the educational upgrade. New terms determine the direction of the development and modernisation [1].

The American psychologist D. McClelland published an article “Measurement of the competency instead of measuring the intelligence” in 1973, in which he first proposed to study competence in order to predict the level of performance [2,3].

The essence of any phenomenon is in some way reflected in its definition. The complexity of such notions as enterprise, business administration, competency-based management and competency-based business administration is characterised by a large number of definitions, methods, principles and types that do not always reflect the change in their essence under the influence of macro and micro factors.

A collective agreement, which regulates production, labour and social relations of the employees and the administration, must be concluded between the owner and the labour collective at each company that uses hired labour.

Various researchers revealed the definition of the competence through the concept of “knowledge”, “abilities”, “skills”, “the experience gained” and abilities achieved and developed through education. The “competence” is also identified with the range of issues, which are well known to a person. Therefore, competence is a certain rate, the achievement of which may indicate the possibility of a correct solution of a problem, and the competency is an estimate of the achievement (or failure to achieve) of this rate. Consequently, the

competences have a much narrow nature and constitute a part of competency or form a basis for building the competency [4,5].

Due to the fact that the concept of “competence” reflects to a greater extent the ability of an employee on the basis of its existing knowledge and skills to solve complex problems he should resolve, it is gradually replacing the concept of “qualification”, which is primarily associated with education, within the labour management [6]. In our opinion, these two notions are complementary. Value concepts of the “competence” and “qualification” are represented in the Table 1.

**Table 1.** Correlation of the notions "competence" and "qualification".

Competence	Qualification
Appears only in action, is oriented on outcome	Is an integral part of the subject
Reflects the ability of the employee to solve the specific production tasks	Is a documentarily certified training level
Is detailed by nature	Covers diverse activities
Is used in the plural (the employee may have a number of competences)	Is used in the singular (the employee cannot have a number of qualifications)
The preservation and development of the competence in a certain area is subject to a constant effort of the employee	Is more stable, in particular, more often mentioned in terms of improvement, rather than confirmation or certainly more often than the change of qualification

The term “qualification” includes therefore the professional skills (knowledge, skills, abilities, experience, etc.), whereas the term “competence” additionally to professional skills contains the personal qualities (independence, proactivity, creativity, responsibility, ability to work in a team etc.). Consequently, the concept of “competence” is broader than “qualification”.

Due to the fact that the specialist can have a range of competences it becomes necessary use the term that has a complex nature – “competency”.

Nowadays the main factors of economic growth of enterprises include intelligence, knowledge and competences that a personified in the employees. In this connection, it significantly increased focus on HR-based modelling, development and use of skills.

The company’s employees are the carriers of the innovations, and their total competency is a source of the competitive advantages of the enterprise and formation of its competitive position [7].

Competitive position and the competitive advantages that are based on the key competencies give the enterprise the opportunity to create the unique value for the consumer using the specific skills or technologies. Provided the proper use the key competence shall allow to specify the stable and resistant sources of the competitive advantages.

The existence of examples of successful use of the competency approach in personnel management of the company is very important for improving the competitiveness of enterprises. Companies interact with each other, support each other, leading to a strengthening of their competitive positions and thus of obtaining a competitive advantage. The use of competency approach in personnel management enhances the competitiveness of the enterprise as a whole.

Application and successful implementation of competency approach will increase the pace of innovation and competitiveness of the enterprise [8].

The success of the company in the competitive struggle is determined by the ability of the enterprise to form the unique competences, which are also hard to reproduce for the competitors and which by their application in the production of new products and services become a source of competitive advantages and a basis for an effective competitiveness. Resuming this, it is possible to consider that the competences of the enterprise can be used in the competitive positioning of the company, because they determine the uniqueness of the created products and ensure it in the competitive environment [9].

The scientific instrumentation of the HR-manager is based on the use of the compound of the specific principles that are closely related to the laws, but not objectively existing in the nature, and are created in the process of the knowledge systematisation. The principles must comply with the general term of the management and its constituent elements: objectives, methods, tools and effects, as well as the policies of the subject and object of development management of the enterprise.

The following stages of the formation and development of the competency management are proposed in order to solve the mentioned issues:

1 stage. Evaluation of qualitative and quantitative parameters of the competency-based management using the proposed indicators: quality (number of employees, the share of categories of workers, work experience structure, etc.), quantitative (organisational skills, creativity, teamwork, resistance to change, responsibility, flexibility etc.).

2 stage. Evaluation of the formation and development of the management competences. Herewith the correspondence of the achieved level with the needed one according to the company development level using the regulatory method of evaluation.

Using the ten-staged model of the enterprise life cycle by I. Adizes, it is possible to specify the competences, which the personnel must have at every stage of development. For the maintenance at the stage of maturity for example, which is characterised by stable development, the personnel should possess the following competences: flexibility, openness to the new; generating new ideas; rapid response to change; creativity; ability to achieve the results; focus on the search for new areas of investment activities.

3 stage. Determination of the basic directions of competency-based management. For a high level of personnel's commitment, its interest in the final results and desire to contribute to achieving the overall objectives of the enterprise, it is important to effectively motivate employees and to take into account their needs and motives. It is possible to use both external and internal sources for this.

4 stage. The establishment of the management competences for maintenance of the company's competitiveness. At this stage it is possible to offer a model of payment for performance, which will consist of two components, namely the agreed results (enterprise profit, performance criteria) and agreed requirements for the competency (competences at a

certain stage of enterprise development, determination of the level of competency, level of competences, proof of achieved competency). The evaluation and payment for performance follow as a result of this process. The comprehensive evaluation of the enterprise competences leads to the formation of the enterprise competencies management system.

The practice of enterprise management has appeared a long before the theoretical justification of the concepts. The concepts of management have thus passed through the evolution of their subject from production to the environment, whereas the person (the employee) is considered as a main resource of the enterprise, not only as a physical but also as an intellectual one. This acknowledges the progress of the modern directions of the management development.

The one of the most common modern management concepts is thus a concept of the management of human resources, within which the theory of knowledge management has become more popular. This theory appeared in the late 90<sup>th</sup> of the last century and is a confirmation of the fact that the leading place in the enterprise management is taken by the people with their personalised potential. Herewith depending on the tasks encountered by enterprise, the approaches to work organisation can vary. Consequently, there are three types of the knowledge management concepts: process concept, environmental concept and personality concept (Table 2).

**Table 2.** Comparative characteristics of the approaches to the knowledge management concept. Based on [10].

Process concept of the knowledge management	Environmental concept of the knowledge management	Personality concept of the knowledge management
<ul style="list-style-type: none"> <li>• formalisation of the personal knowledge and the experience of the personnel into organisational knowledge</li> <li>• acceleration of the employees' learning/training</li> <li>• ensuring the technological process of the knowledge receipt and exchange</li> </ul>	<ul style="list-style-type: none"> <li>• studies the organisational environment of the enterprise, which is necessary for the effective creation of the knowledge and its further exchange</li> <li>• collects the knowledge, as well as the experience of the employees (even in case of their dismissal)</li> </ul>	<ul style="list-style-type: none"> <li>• is concentrated on the employee's personality</li> <li>• creates the conditions for integration of the employee into the organisational environment</li> <li>• simplifies the process of the internal communication of the personnel</li> <li>• ensures the effective knowledge exchange</li> </ul>

It is worth mentioning that “as a reaction to the organisational changes and the movements in the direction of the higher production levels” the concept of knowledge management was a resumption of the competence concept developed in the 80<sup>th</sup> of the twentieth [11].

The other concept appeared along with the concept of knowledge management, namely the concept of reasonable organisation (organisational learning). Unlike the concept of

scientific management, which is focused on the fact that the company must have a limited number of innovators, it for instance emphasises the need to “create conditions for the training and development of all employees”.

The modern practice of enterprise management confirms the feasibility of the concept of education that is expanding the range of opportunities to continue the life cycle, reducing the probability of “collapse” and “death”, which means to be “safe”.

From the “strategic planning” point of view the company has to “survive” in the competitive fight, to focus on the long-term perspective, to be ready for changes and react to them flexibly due to the human potential as a basis of a business entity. The importance of the personal potential in the formation of the company development strategy was highlighted by the authors of the “education school”, which leading idea is the gathering of the people thinking about future in one group, who additionally have specific competencies.

Competency-based management is a process of binding of all of the necessary components of the enterprise through the implementation of management functions to achieve a certain result by taking into consideration the current “management knowledge” and “managerial competences” by managers in a changing environment.

### **3. CONCLUSION**

The modern concept of business administration is concentrating more and more on the personnel, individual – personality. Consequently, due to the technological complexity of the processes, production automation, the constant increase of the competitiveness level and the desire to conquer new markets, as well as due to the increasing amount of information, globalisation and integration processes the enterprise is facing a challenge when using a new management concept, through which it aims to make the best use of the resources, changing the internal and external environment in a strategic perspective. The competency-based management is therefore a new concept of management of ensuring the economic security, which allows the use of some “managerial knowledge and competences” to the leaders under conditions of the unstable environment.

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