Owner/Manager Core Competencies in Enterprise Performance in SMEs – Selected Competency Models

Joseph Ohimor

Introduction

Prevailing global economic processes since the second half of the 20th century can be understood as a departure from the industrial era of Taylor’s management theory, thus paving way for the emergence of intensified roles of knowledge economies. Existing literature in the field of economics and management have witnessed intensified studies in Knowledge-Based Approaches to enterprise management. Although Knowledge-Based Approach is considered a derivative of the Resource-Based View Theory, often associated with large/ or multinational companies, it is being increasingly applied in reference to small and medium scaled enterprises (SME) due to their increasing propensities towards innovation.

Small and medium scale enterprises are, undoubtedly, key players in national as well as international markets in our intensively globalized economy. They contribute immensely to national GDPs, generate employment and bring about social developments in their local communities. Data sourced from the Annual Report on European SME 2015/16 indicate that the sector accounts for as much as 99.8% of all enterprises in the non-financial sector of the EU-28 [2015]. The SMEs catered for about 67% of employment in the non-financial business sector and an overwhelming 92.8% [EC 2016: 6] of these were micro enterprises. The data from the USA is equally imposing as SMEs accounted for 98% of all manufacturers, employing two-thirds of the workforce in 2000 [Hsu, C-C. et al. 2011: 2]. This unquestionable role of SMEs in both national, regional and international economies unequivocally calls for studies intent on the identification and greater understanding of factors that contribute to the increased performances of enterprises.

Existing literature in enterprise management, especially in terms of SMEs, abound with various definitions and explanations of what constitutes core competencies in general and if there exist a single across-the-board model of such competencies. There also seem to exist inconclusive reasons for the diversity of opinions regarding competency constituents. One of the objectives of the paper is, therefore, to present a critical literature review of current research findings to ascertain the existence of core competencies, including their constituting elements, that SME owner/ managers should possess and develop as the need arises for efficient enterprise performance. The paper will also identify if there exist differences of competency types regarding job / role responsibilities.

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1 Joseph Ohimor, Center for Foreign Languages, University of Rzeszów; e-mail: ohimor@univ.rzeszow.pl
As the survival of modern enterprises is increasingly dependent on their innovativeness, the paper shall, specifically, identify reasons for the lack of unanimity amongst theorists and practitioners regarding competency models by presenting some selected models that have been applied in designing the core competency profiles of owner/managers of enterprises engaged in innovative activities. The paper will hopefully contribute to the systematization of knowledge in the subject area, thus contributing to scientific exploration in enterprise management studies.

Competencies: Incoherency of Definitions

SMEs are, in contrast to larger companies, specific in terms of their human resource availability and its related competencies. Any achievement of higher performance is strongly influenced by the role played by the owner/manager – the entrepreneur – as most of them are family-run micro enterprises with less than ten employees. The owner/manager’s level of competence should indisputably bear its impact on levels of performance in such enterprises. This corroborates with Mohsin et al. [2017: 2] view that “competencies are the underlying characteristics that are casually related to effective and / or superior job performance”.

Various definitions of competencies exist in literature as they often reflect the specific field of study in question. The US Department of Labour, Employment and Training Administration [2005: 22–28], for example, defines competency as the ability to apply or use a set of related knowledge, skills, and abilities required to successfully perform “critical work functions” or tasks in a specific work environment. While David C. McClelland’s [1973: 7–9] definition sees competencies as both attributes of any individual as well as predictors of a human’s observable behaviours, McBer & Boyatzis R. [1982: 11–26] in their “Competent Manager: A Model for Effective Performance” understand competency as an essential and fundamental feature that culminates in more efficient and better accomplishment of job and role-related responsibilities. These characteristic descriptors of competencies, make them useful tools for setting skill standards for levels of acquired knowledge and skills, including abilities deemed necessary for efficient performance. However, Springer A. [2011: 5] in her treatise on whether competence is knowledge-based or skill-based concludes that competencies cannot be identified with only a singular element like knowledge, skills, personality or attitude, but rather it is their co-existence/ functioning that constitutes competencies. This view does seem to suggest a more holistic approach in defining competency and its constituents. Other definitions have treated competency as an embodiment of skills, capabilities, knowledge, learning, coordination and relationships [Sanchez 2004: 2], including personal traits, experience, behaviours and attitudes [Walkowiak 2007: 21]. Competency can, based on these definitions, be described as a combination of knowledge, skills and attitudes together with observable behaviours that enhances effective job performance. These definitions have, without mentioning others, clearly shown that views on constituents of what competencies are can vary amongst authors as well as with respect to areas of their application. This has, undoubtedly resulted in inconsistencies and inconclusiveness of lists of competencies required for effective task or role performance.
Attempts to eliminate or minimize inconsistencies regarding constituents of competencies in the fields of management and HR development have resulted in studies to identify specific (core) competencies crucial to effective job or role performance. This is specifically more critical for SMEs and their owner/managers as the environment in which they operate is rather volatile, very often devoid of long-term stability. Core competencies are also referred to as organizational competencies or distinctive capabilities. The concept, however, gained in popularity following the publication of “The Core Competence of the Corporation” by Hamel G. & Prahalad C.K. [1990: 123] in which they asserted that the existence of business entities as well as attempts to meet the needs of customers rested squarely in core competencies of the entrepreneurs, who display their person-related skills and abilities. Bratnicki [2000: 23] in his studies, relying on the Resource theory of Knowledge-based enterprise argues that core competencies are sets of resources, processes and capabilities on which enterprise’s competitive advantage hinges, facilitating its penetration of important markets (…) or enabling it to create a strategic framework, including its management. It is hence assumed that core competencies are the pillars of an enterprise’s competitive advantage. Existing literature suggest that a manager’s core competence actually consists of his managerial (soft) as well as his functional (hard) competencies. The soft (managerial) competencies relate to his ability to manage jobs/positions, initiate and grow relations with other people. Examples of such skills include problem solving, leadership and communication, etc. Hard (functional) competencies on the other hand relate to the owner/manager’s functional capacity, the technical aspects of the job as well as the required technical skills (knowledge). Examples of functional competencies include financial analysis, book-keeping, computer programming, market research, etc.

The focus on core competencies that enable enterprises to attain sustainable competitive advantage through efficient resource utilisation is rooted in the Entrepreneur Competence (EC) Theory. The preference for EC theory in studying the roles played by entrepreneurs, who are themselves owners and/or managers is that they are attributes of individuals whose behaviours can be both observed and measured. It is, in contrast to resource-based view which is work-centred, “person-related”, namely his skills and abilities, thus commanding a comparative edge over the latter that had been associated with traditional HR practices. The guidebook on competency modelling and profiling [PAHRODF 2016: 24–25] shares a similar view, listing some advantages of EC theory (see below) over traditional work-centred traditional HR practices. The EC theory

- Focuses on performance, which is quantifiable,
- Is reliable for comparisons, as measurable standards can be put to use,
- Is flexible to apply and adapt to technological and managerial changes, -an inherent weakness of work-centred practices,
- Enables easier matching of employees capabilities to expected performance levels, leading to more efficient talent utilization’
- Enables easier identification of competency gaps and therefore training needs. The concept is not the only attempt in management studies to classify / identify competencies relevant to effective performances of enterprises and their owner/managers,
- Serves as norms in areas of abilities, skills and knowledge for successful accomplishment of roles or jobs assigned.
Competency Models: Definitions

The need to reconcile what constitutes competency lists is, besides the inconclusiveness of competency lists, the growing drive to identify sets of competencies suitable for professional and/or organizational roles in an increasingly cross-functional and multi-tasking work environment. Such sets of competencies are referred to by using various terms in current literature. They include competency models [Pocztowski & Miś 2014: 54; Juchnowicz & Sienkiewicz 2006: 54] structure [Whyndett & Hollyforde 2003: 21] as well as portfolio or profile by [Pocztowski and Miś 2014: 54]. The need for competency modelling/ profiling argues the Philippines Australia Human Resource and Organisational Development Facility (PAHRODF) arose from interests in work performance, as well as the need to identify factors that make some excellent performers while others remain mediocre or fail to achieve. This resonates with Boam & Sparrow [Man 2001: 46] who postulates that the greater attention drawn by competency approach in enterprise management could be the result of the non-performance of much treasured programmes in large corporations.

A competency model/ profile is, in literature, defined as a detailed, behaviourally specific description of the skills and traits for work efficiency expected of employees [Mansfield 1996: 7] or as a set of all competencies required of an organization’s employees, grouped according to positions or organizational roles [Juchnowicz & Sienkiewicz 2014: 54] or a set of domains consisting of competencies and behavioural determinants or expected performance [Whindett & Hollyforde 2003: 43]. Indications from the first two definitions are that competency models, besides suggesting desired types of behaviours a specific staff should have to successfully accomplished his professional obligations, do also provide insights into what levels of competencies are expected of a would-be employee [Staniszewska 2014: 54]. The third, however, suggests the inclusion of expected measurable performances, thus enabling the comparisons of outputs from similar positions in different departments or sectors. The measurability of performances could definitely serve as a useful tool in the comparative analysis of enterprises in a given sector, for example, in SMEs. Based on these definitions, it can be postulated that competency profiling /modelling enables enterprises to identify and develop the core (organizational), and functional competencies to effectively compete and survive in a continuously transforming market.

Competency models, especially their definitions and comprehension, have, in similarity to other areas of scientific studies generated and have continued to generate controversies. This has, in Whindett & Hollyforde’s opinion been due to the use of ambiguous terms, non-abidance with set standards as well as the complexity of designs. The controversies notwithstanding, competency models are today useful management tools in 21st century organizations, including SMEs. Available literature, for example, Mansfield [1996] and US Dept. of Labor, Employment & Training Administration [2015] provide reasons for their suitability as management tools, some of which are presented hereunder:

– they offer useful set of criteria for employee recruitment and evaluation process,
– they enable the comparison of present competencies with future needed competencies helps to identify training needs for specific employees or job roles,
– they provide definition of competencies in line with organizational mission and goals, set criteria for decision-making processes, as well as designing business policies,
– they make available commonly accepted definitions of factors impacting on staff efficiency thus enhancing a company-wide understanding of issues concerning enterprise performance,
– they provide knowledge about what factors (skills, abilities and knowledge) are relevant for work efficiency and its associated consequences, it becomes motivational for skills acquisition and attainment of higher levels of performance.

As has already been mentioned earlier, interests in competency modelling evolved from the need for improved organizational performance, hence the design process of competency models cannot be disembodied from the organization’s strategic goals and mission. Compliance with this tenet in Whindett and Hollyforde’s view means keeping with some standards such as having:

a) a transparent, clear, simple but logical structure and a language that is devoid of ambiguity,
b) a clearly demarcated and separated constituent parts,
c) the capability to accommodate future changes in respect of company vision, and technological advances,
d) the capacity to fulfil the needs and expectations of all employees, irrespective of position and role,
e) the capacity of being seen as just.

**Competency modelling: Theoretical insights**

Competency models are essentially focused on measurable performances in relation to expected outcomes by identifying and defining competencies (managerial and functional) required for a certain level of job or role performance. Various competency models exist in management publications, including that developed by McClelland together with McBer and Company in the 1970s, which is considered pioneering. McClelland’s model was later validated by Hay/McBer Associates, the result of which was code-named “Integrated Competency Model” or ICM [Boyatzis 1982] – a popular referral in managerial role studies. It is worthy of mention, though, that the ASK competency model initially designed by Bloom [Quan 2014: 20] does seem to have set the foundation for further studies in this area. A list of selected models and their descriptions is provided in table 1 below.

Even though the constituent competency elements in the presented models may seem divergent, they generally refer to the domains (clusters) of knowledge, skills and attitudes in Bloom’s original model. Despite the fact that Bloom’s ASK model (1956) was intended for educational purposes, it has found its usefulness in management studies. For example, attitude defined as the ability to receive and respond to phenomenal changes, including response to other people’s behaviour (affection) can be likened to analysing and interpreting in Bartram’s model. Skills, on the other hand, is a psychomotor domain defined as the ability to apply and create, similar to the creativity and conceptualisation, executing and performance domains in Bartram or the productivity cluster in the ICM model. Finally, knowledge as the ability to seek out and understand information, its analysis and application (cognitive domain) is similar to reasoning, visioning and know-how clusters (ICM model), as well as analysing and interpreting in Bartram’s model. The
ASK model has, thus been transformed in other studies such as Campbell [1997] and Jeffrey & Jon [2003] into a pattern for assessing leadership competencies [Quan 2015: 20]. The foregoing clearly indicates that competency models are developed, based on similar components – the domains/clusters – irrespective of field or area of its application.

<table>
<thead>
<tr>
<th>Model (authors)</th>
<th>Descriptive constituents</th>
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<tbody>
<tr>
<td>Bloom, 1956*</td>
<td>Developed the ASK model, identifying three learning domains i.e., the cognitive domain (knowledge), the affective domain (attitude) and the psychomotor domain (skills).</td>
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<tr>
<td>Campbell, 1997*</td>
<td>Using the ASK model, he identified 7 executive competencies, including strategic vision, decision-making, communication, empowerment and entitlement, promotion and encouragement and understand ability.</td>
</tr>
<tr>
<td>Jeffrey &amp; Jon, 2003*</td>
<td>Developed twenty-one competencies, which included being open-minded, tolerant, reflective, principled, communicating, cooperating, etc., relying on the three ASK categories.</td>
</tr>
<tr>
<td>Bartram, D., (2005)**</td>
<td>Identified and defined the so-called “Great Eight Competencies”, including leading &amp; deciding, supporting &amp; cooperating, interacting &amp; presenting, analysing &amp; interpreting, creating &amp; conceptualising, organising &amp; executing, adopting &amp; coping, enterprising &amp; performing.</td>
</tr>
<tr>
<td>Hay/McBer Associates, (1982)***</td>
<td>Integrated Competency Model (ICM competency model). It consists of four themes i.e., understanding what needs to be done; influencing and gaining support, producing the results, achieving against the odds. Each theme is described with a cluster (domain) of competencies.</td>
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![Diagram showing the relationship between competencies, domains, skills, abilities, knowledge, observable behaviours, and the competency model.](image)

**Fig. 1. Building blocks in developing competency models**


The idea of grouping competencies into domains/ clusters is yet another step towards minimizing inconsistencies or inconclusiveness in competency lists and in Bartram’s [2005] view, it enables a clearer perception of existing bonds between competency predictors and work performance. Since competency models require clusters of competen-
cies (domains), the primary constituent elements, then the respective domains can safely be referred to as building blocks [US Dept. 2015: 22–28]. Such a perspective view of the development of a competency model, based on the clusters (building blocks) and their associated observable / measurable behaviours can be graphically represented as seen in figure 1.

Majority of existing literature present competency models as a pyramidal structure in contrast to that presented above with its base made of the building blocks namely, abilities, skills and knowledge domains. It needs to be emphasized, though, that a domain is a cluster of competencies suited to a given role or job to be accomplished and it is the specific proportionate mix (aggregation) of domain’s constituent elements that create the job/ role specificity of competency models and not the domain itself. Moreover, competency models/ profiles often contain descriptions of behaviours as well as observable performance(s) expected from the employee assigned with a given job/role responsibility. For example, two people may be employed in similar positions, requiring similar qualifications and skills, but in different departments (clerical staff in customer relations and marketing). The descriptive behaviour and observable performances will clearly be different, hence the aggregation of the constituent elements cannot be expected to be identical. The suitability of competency models for defining work outputs in measurable terms as well as its flexibility in response to technological changes has helped to overcome the innate weaknesses of traditional HR practices, especially in the era of knowledge-based economies [PRAHRODH 2017: 24–25].

Competency modelling approaches

The design of competency models, irrespective of the types, seems to follow some widely accepted approaches such as the “single-job approach”, “one-size-fits-all approach”, and the “multi-job approach” [Mansfield 1996: 8–10]. A brief comparison, stating their major strengths and weaknesses of the single-job and one-size-fits-all approaches to competency modelling is provided in table 2.

A major distinction between both approaches is that while the single-job approach is both position and person targeted, the one-size-fits-all is not person-targeted as it is applicable across various job positions. In a knowledge economy, the need for continuous employee development seems paramount and in consequence the ability to identify future knowledge/ skills needs compared to current resources and planning for their accomplishment should be seen as necessary in a visionary organization. In the light of the above, the single-job approach turns out to be more practical, especially in organizations operating in very competitive markets. Many micro and small enterprises may not have the technological wherewithal to compete favourably with larger counterparts, but their owner/ or manager’s ability to foresee and capture moments of change and its efficient adaptation can result in competitive advantage. For SMEs owners /or managers, it will also involve being able to transfer these new ideas or impending changes to employees, encourage and imbibe the spirit of change (continuous improvement) in them. SME owner/ managers should exemplify capabilities of absorbing changes and interpreting the rapidly evolving business environment [Nordhaug 1993: 14–16] in order to success-
fully perform its entrepreneurial, managerial and functional roles [Ahmad 2007: 37]. It is also noteworthy that for smaller, micro and small organizations that lack the capacity and resources to develop elaborate competency models, the single-job approach can be within their reach and can easily be adapted to their specific conditions. The continued search for models more suited to larger, non-hierarchical organizations has resulted in the modification of existing models giving yield to the multi-job approach which relies on a common set of building blocks, but the behaviours spelt out have no bearing either to the location or by whom the competencies are to be demonstrated. Despite being claimed in management literature as cost effective and capable of being customized, its complexity has been a deterrent in its adoption.

Table 2. A comparison of modelling approaches, strengths and weakness

<table>
<thead>
<tr>
<th>Type of Approach</th>
<th>Description</th>
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<tr>
<td>Single-job Approach</td>
<td>A very popular approach that lists behaviours for specific positions and a particular employee from whom they are expected.</td>
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<tr>
<td></td>
<td><strong>Strengths:</strong></td>
</tr>
<tr>
<td></td>
<td>1. Since it involves engagement of all employees, it makes them feel responsible for the outcomes,</td>
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<tr>
<td></td>
<td>2. It is a resource for defining major job requirements,</td>
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<tr>
<td></td>
<td>3. Informs employees of competency requirements for higher performance as well as possible competency gaps.</td>
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<tr>
<td></td>
<td><strong>Weaknesses:</strong></td>
</tr>
<tr>
<td></td>
<td>1. Demands lots of time and effort,</td>
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<td></td>
<td>2. Threats of non-reconciliation of specific activities with overall company practices,</td>
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<tr>
<td></td>
<td>3. Need to be changed / or redesigned each time due to changeability of work or organizational patterns,</td>
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<td></td>
<td>4. Difficulty in comparing competency requirements between jobs and hence their assessments even within one organization.</td>
</tr>
<tr>
<td>One-size-fits-all Approach</td>
<td>It entails identifying one set of competency requirements (building-blocks) for varied jobs, e.g., all secretarial positions. It is not a person-specific approach.</td>
</tr>
<tr>
<td></td>
<td><strong>Strengths:</strong></td>
</tr>
<tr>
<td></td>
<td>1. Describes concepts aimed at efficient behaviours applicable to several employees,</td>
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<tr>
<td></td>
<td>2. Ease of alignment with organizational goals and values,</td>
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<tr>
<td></td>
<td>3. Justifiable as all employees concerned are evaluated based on the same competency needs,</td>
</tr>
<tr>
<td></td>
<td>4. Job reorganizations do not necessarily result in the redesign of such models. Cost efficient.</td>
</tr>
<tr>
<td></td>
<td><strong>Weaknesses:</strong></td>
</tr>
<tr>
<td></td>
<td>1. Fails to define their practical application hence employees do not see their relevance, relative to their job performance,</td>
</tr>
<tr>
<td></td>
<td>2. Employees do not view them as skills needed for effective performance,</td>
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<tr>
<td></td>
<td>3. Does not specify individual job requirements, making selection for jobs difficult,</td>
</tr>
<tr>
<td></td>
<td>4. Fails to identify technical requirements – a requirement for successful selection of candidates for specific tasks.</td>
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</tbody>
</table>

Source: Own illustration based on: [Mansfield 1996].
Conclusion

Competency profiling/modelling have continued to serve as useful tools in enterprise management, including small and medium scale organizations. Despite the wide scope of studies in respect of the significant role of owner/manager’s core competencies in enterprise (SME) performance, managerial studies have continued to experience diversity of almost irreconcilable forms of competency domains – the building blocks of competency models due to inconsistencies and inconclusiveness of definitions of key concepts.

This notwithstanding, available knowledge, through competency modelling, does enable enterprises to identify and define organizational, leadership (managerial) and functional job and person-related competencies. Knowledge of required competencies and expected performances can be motivational to employees as they understand values attached to their work. It also facilitates managerial efficiency as it enhances employee selection and justifiable evaluation. In-depth studies into competency modelling is useful, not only to SMEs innovative drives, but also for educational and staff training as they help to identify skill gaps and needs for skills upgrades. Knowledge-Based Enterprises, a common feature of contemporary economies stands to benefit from more in-depth studies in this area, especially as it relates to cross-functional team-works.

The paper aimed to identify the cause(s) of inconsistencies in defining key concepts used in competency profiling without recourse to any form of comparative analysis to determine the impacts of varied approaches, especially in respect of owner/manager performance. Hence, if SME owner/managers are to continue in their roles as key economic and social players in their regional and national economies, then more intensified studies, not only in identifying and mapping their core competencies but also in how they impact on enterprise performance, need to be undertaken to enhance knowledge in the subject area.

Bibliography


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Kluczowe kompetencje właściciela/menadżera a efektywności funkcjonowania przedsiębiorstw w sektorze MŚP – wybrane modele kompetencji

**Streszczenie**

Małe i średnie przedsiębiorstwa odgrywają znaczące role w gospodarkach regionalnych i krajowych. Rozpoznawanie kompetencji właściciela/menadżera, które przyczyniają się do osiągania doskonałych wyników przez niektórych, podczas gdy inni osiągają wyniki przeciętne lub gorzej, jest istotne w zarządzaniu przedsiębiorstwem we współczesnej gospodarce opartej o wiedzę. Łatwo jest zauważyć w istniejącej literaturze przedmiotu różnice w zastosowaniu tych samych pojęć, co jest wynikiem braku spójności w ich definicji. Budowanie kompetencji właściciela MŚP jest jeden ze sposobów uporządkowania wiedzy w tej materii. Jest to również sposób zbadania czynników kompetencyjnych wpływających na efektywności działania MŚP. Celem pracy była identyfikacja i analiza modeli kompetencji, ich elementów składowych, których rozpoznajanie jest niezbędne dla lepszego rozumienia tego zjawiska. Narzędzie badawcze stanowił przegląd literatury obejmującej aktualne badania naukowe.

Słowa kluczowe: kluczowe kompetencje, modele, MŚP, domena kompetencji.