

**ORIGINAL SCIENTIFIC PAPER**

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## **The Role of Employee Competencies in Organizational Competitiveness**

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### **ABSTRACT**

*In the modern business environment, organizations are faced with rapid market changes, technological advancements, and shifting consumer needs. In this context, employee competencies become a crucial factor that influences organizational competitiveness. Continuous education and employee development are not only tools for improving individual skills, but also become a strategic element for organizational success. This paper explores the significance of employee competencies in maintaining an organization's competitive advantage, emphasizing how investing in human capital directly impacts innovation, productivity, and an organization's ability to adapt to changes.*

**Keywords:** employee competencies, competitiveness, education, organizational success, innovation

**JEL classification:** M21, D23, J5

## INTRODUCTION

The search for factors that explain the competitive advantage of organizations has revealed that individual competencies are resources that enable organizations to achieve profit and maintain their competitive advantage [1]. Employee competencies, which include knowledge, skills, abilities, and attitudes, have become a key factor in sustaining and achieving competitive advantage. Many studies have pointed out that employees' abilities are positively correlated with organizational performance. Employees who possess the necessary competencies are better able to meet the demands of the job, which can result in increased productivity, product quality, better customer services, and the introduction of innovations. Employee competencies, of course, are not the only aspect that affects organizational performance. Some studies also include strategy, leadership, and culture.

According to Truss and colleagues, employees' educational qualifications directly impact the quality of products and services that the organization provides [2]. In addition to formal education, continuous education and training have become key tools for improving employee competencies, enabling organizations to successfully adapt to the dynamic market and constant technological innovations. Pourrashidi et al. [3] state that the growth and development of organizations today depend on the proper application of employee competencies. Yun [4] argues that employees, with their competencies, are an important tool for organizational change and development and are key factors for the success or failure of organizations.

## LITERATURE REVIEW

Competencies are considered a fundamental element for improving organizational growth and development. Spencer and

Spencer [5] define competencies as characteristics of a person that are causally related to superior or effective job performance. This includes both technical and interpersonal skills, such as problem-solving abilities, leadership skills, and communication among people. Developing these competencies enables employees to perform their tasks effectively, which directly contributes to productivity and organizational success.

Research shows a strong connection between employee competencies and organizational performance. Many authors highlight that organizations with highly competent employees are better prepared to face challenges and can seize new business opportunities. Employees with strong competencies not only enhance their personal value but also contribute to the value of the organization. Organizations that invest in the development of employee competencies are likely to see improvements in innovation, efficiency, and the quality of their products and services. Innovation has long been recognized as one of the key sources of competitive advantage in business firms [6]. In today's business environment, innovation is considered one of the most important factors for the survival and development of companies [7]. Some authors argue that the development of competitive advantage should not be increased by cost reduction but through quality production, innovation, continuous development of products and services, a comprehensive concept of services, or the ability to respond quickly to customer demands [8], and that competitive advantage is an important issue emphasized in management and strategic planning in recent years [9].

Innovation is a key factor in competitiveness in today's fast-paced business environment, and employee competencies are essential for fostering a culture of innovation within organizations. Competent employees bring different perspectives, creative problem-solving abilities, and necessary skills to develop and implement innovative ideas. Prajogo [10] points out that

organizations with employees who possess high levels of creative thinking, technical knowledge, and adaptability are more likely to succeed in innovation and adapt to changes in the market. Competencies that enable innovation include critical thinking, risk-taking ability, and collaboration. Employees with these competencies can recognize new trends, propose new approaches to problems, and collaborate effectively across different sectors.

Employee competencies also influence the shaping of organizational culture, which in turn affects the competitiveness of the organization. Organizational culture is defined as a set of shared values, beliefs, and norms that guide behavior within the organization [11]. Furthermore, employees who demonstrate leadership abilities, teamwork skills, and effective communication contribute to creating a positive work environment. Also, a culture that encourages continuous learning and development is essential for developing competencies. Organizations that emphasize the education and development of their employees ensure that their work teams are continually enhancing their skills and competencies, which allows them to maintain or improve their competitive advantage. According to research by Argote and Miron-Spektor [12], organizations that promote a learning culture are more successful in adapting to changes and fostering innovation. The importance of innovation for acquiring competitive advantage within organizations underscores the necessity of detailed and analytical planning of this process [13].

Saks's study [14] shows that when employees recognize that their skills and competencies are valuable and utilized within the organization, they are more likely to be engaged in their work. Additionally, employee competencies are linked to higher job satisfaction and lower turnover rates, which is crucial for the long-term competitiveness of the organization. Many authors have analyzed the impact of innovation [15][16][17][18][19] and its effect on organizational competitiveness, highlighting its

significance in today's business environment and noting that the use of new technologies provides an opportunity to enhance the competitiveness of countries [20]. Shormaz [21] states that innovations directly influence increased productivity and enhanced competitiveness, and continuous business innovation involves constant adaptation and the ability to navigate a competitive market. Furthermore, Vemić, Hrechyshkina, and Samakhavets [22] argue that proper innovation management allows businesses to maintain the necessary level of change and creates the potential for performance development and business growth. Innovations also influence the development of employee skills, which evolve over time, responding to environmental demands, structured behavior components in coherent models, and, ultimately, cognitive demands decrease as skills grow. Becker [23] believes that employees are key to the functioning of organizations, and ensuring that they feel confident in what they do is essential for maintaining their work efficiency. Organizations with highly competent workers often experience lower employee turnover and higher levels of engagement, contributing to the stability and growth of the organization.

In recent decades, one of the key transformational trends in the field of human resource management has been the development of digital human resource management (e-HRM). The evolution of information and communication technologies (ICT) has enabled organizations to improve efficiency, transparency, and strategic workforce planning.

Marler and Fisher [24], in their research, emphasize that e-HRM enables the integration of the HR function with the broader goals of the organization. They highlight the importance of data recording, analytics, and digital communication in the decision-making process. Their findings support the view that e-HRM contributes to strategic HRM by allowing the alignment of human resource policies with organizational objectives. Levenson [25]

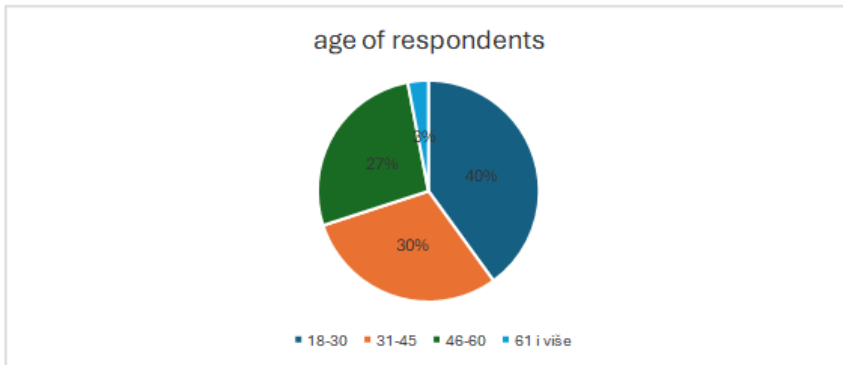
underscores the importance of analytics in HRM. He points out that digital tools, through the analysis of performance data, employee engagement, and turnover patterns, can provide leadership with insights into how to better allocate personnel and align organizational capacities with strategic priorities. Many authors emphasize the importance of digital technologies for employee development [26][27]. Beer and Mulder [28] highlight the importance of vocational education and training in equipping workers with the necessary skills to thrive in a rapidly digitalizing workplace.

Together, these sources underscore the need to foster a culture of lifelong learning and innovation in order to fully harness the potential of digitalization and artificial intelligence for increasing productivity and ensuring sustainable economic growth.

### **Empirical Research on the Role of Employee Competencies in Organizational Competitiveness**

In order to investigate the role of competencies in organizational competitiveness, an empirical study was conducted through surveys with a sample of 158 respondents from the territory of the Republic of Serbia. The research was carried out from February to May 2024. The questionnaires were distributed to the respondents in both written and electronic forms. The Likert scale (1 - strongly disagree to 5 - strongly agree) was used to measure the respondents' attitudes.

The research covered various demographic groups to provide a comprehensive picture of the importance of employee competencies for organizational competitiveness. Of the 158 respondents, 62% were male and 38% were female. In terms of age distribution, 40% of respondents were between 18 and 30 years old, 30% were between 31 and 45 years old, 27% were between 46 and 60 years old, and 3% were 61 years old or older.



*Chart 1: Age of Respondents*

Regarding education level, 19% of respondents have primary education, 43% have secondary education, 30% have higher education, and 8% have a university degree.

## RESEARCH RESULTS

The results of the research show that the vast majority of employees participated in competency development programs organized by their employers. Specifically, 85% of respondents stated that they had undergone at least one form of training or education in the past year. Among the most common forms of education are:

- Online courses – 42% of respondents,
- Workshops and seminars – 37% of respondents,
- Internal training within the organization – 21% of respondents.

These data suggest that organizations are increasingly investing in flexible forms of education, such as online courses, as well as in traditional formats like workshops and seminars that enable direct interaction and knowledge transfer among

employees. Through data analysis, the research showed that training programs had a significant impact on the development of key employee competencies that directly affect organizational competitiveness. Specifically, the most progress was recorded in the following areas: Communication skills: 75% of respondents believe that the training organized by their organizations significantly improved their communication skills. Communication is key for the efficient functioning of teams and for maintaining good relationships with clients and business partners. Employees with developed communication skills are better able to identify client needs and collaborate more effectively with colleagues, contributing to better work organization and increased competitiveness in the market. Adaptability: 69% of respondents believe that the education they received increased their ability to adapt to changes, whether related to new technologies, business processes, or market conditions. In today's fast-changing business environment, organizations with employees who can quickly adapt to new challenges gain a competitive edge.

Teamwork and collaboration: 63% of respondents stated that their organization worked to improve their ability to work in teams. Developed teamwork skills lead to greater mutual trust, better task distribution, and quicker problem-solving, enabling organizations to function better and remain agile in competitive market conditions. Innovation and problem-solving: 58% of respondents stated that organizations made efforts to develop their ability to creatively and innovatively solve problems. Innovation is crucial for organizations that want to differentiate themselves in the market, develop new products, or improve their processes. Developed employee competencies directly impact their work performance, which in turn reflects on the overall competitiveness of the organization. Key research findings in this context include:

Increased productivity: 72% of respondents believe that thanks to the training organized by their organization, they have become



more productive in performing their work tasks. Developed competencies allow employees to use technology more efficiently, better manage their time, and optimize work processes, leading to better business outcomes for the organization.

**Career advancement:** 67% of respondents stated that their organizations worked to help employees secure better positions within the organization. This suggests that employees who invest in developing their competencies have greater chances for advancement, which can contribute to higher motivation and engagement in the organization. When employees develop their competencies, it has a positive impact on their engagement and job satisfaction, which further contributes to the organization's competitiveness. The research showed that:

**Engagement:** 76% of respondents stated that they became more engaged at their workplace after attending various seminars and completing training programs organized by their organization. Engaged employees have a higher level of motivation, take initiative, and actively contribute to achieving the organization's goals, which directly improves business results.

**Job satisfaction:** 69% of respondents believe that their job satisfaction reduces their likelihood of leaving the organization, which reduces employee turnover and enables the organization to retain talented individuals.

The implementation of employee education and competency development programs plays a key role in improving the competitiveness of organizations. While many results are positive, there are challenges that may affect the improvement of competitiveness:

**Lack of standardization and quality:** More than 50% of respondents stated that they encountered issues related to inconsistent quality of education and competency development programs. To achieve maximum results, organizations must ensure that these programs are of high quality, relevant, and aligned with

market needs, so employees acquire competencies that allow them to contribute to increasing the efficiency and competitiveness of the organization.

Recognition of competencies compared to formal qualifications: 58% of respondents believe that competencies acquired through educational programs are not sufficiently recognized within the organization compared to formal qualifications. The lack of a clear connection between developed skills and career advancement can negatively affect employee motivation to continue their education and develop new competencies. If organizations do not recognize the value of these competencies and link them to opportunities for advancement, employees may lose motivation for further development, which could decrease the organization's competitiveness in the market.

Therefore, the key to success lies in aligning education programs with real market needs, as well as in creating a clear connection between acquired competencies and professional advancement. This will contribute to greater employee engagement and increased competitiveness of the organization in the market.

## CONCLUSION

Research clearly shows that employee competencies are a key factor for the competitiveness of organizations. Organizations that continuously invest in the development of their employees' competencies become more agile, innovative, and productive, enabling them to successfully respond to market challenges. However, in order to realize the full potential of competency development, it is important to provide high-quality, relevant, and standardized training that will be linked to employees' professional advancement, thereby increasing their motivation and engagement at work. Employee competencies have become a key factor in the competitiveness of organizations in the modern business

environment. Organizations that invest in the development of their employees through education not only improve their skills but also create motivated, engaged, and loyal teams, which is crucial for long-term competitive advantage. In the future, organizations that continuously develop their employees' competencies will be better prepared for market challenges and able to respond quickly to changes in the business environment.

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