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**COMPETENCE MANAGEMENT AND  
DEVELOPMENT IN AN  
INTERNATIONAL GROUP'S FINNISH  
SUBSIDIARY**

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## ABSTRACT

In today's global business world, the competition is brutal, leaving no room for errors in judgement. The one matter that makes a company to stand out from its competitors, providing it a competitive advantage, is its competent and skillful personnel. An organization's competence management and development should be based on its strategy and values, therefore creating a solid base to stand on.

This thesis was conducted by using qualitative research method, with a case study approach and it focused on the competence management and development from the case company's point of view. It studied the concepts of competence, competence management, and competence development to find out, how they could be utilized beneficially and intelligently in the daily operations of the case company.

The aim of this study was to depict the processes and models of competence management and development. The objective was to find ways to exploit those processes and models to improve competence management and development within the case company. The primary data for this thesis was collected by conducting form interviews to the white-collar employees of the company, and the secondary data was collected through the literary review which was divided in three sections: competence, competence management, and competence development.

The collected data provided not only answers to the research questions, but also suggestions for future research and development subjects. This thesis offers first-hand knowledge of what are the issues within the case company that need to be changed, as well as suggestions on how to change them, in order to improve competence management and development within the case company. This research provided the case company usable data that they can exploit in the future, when creating new processes and procedures, or when revising their old ones, because shining a light is the first step to influencing change.

**Keywords:** competence, competence management, competence development, organizational learning, intelligent organization.

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## 1 INTRODUCTION

In today's business, organizational learning and competence development are a crucial part of the company's strategy. The companies perceive strong employee competence as a resource, ensuring their success by providing them strategic leeway. (Viitala & Jylhä 2011, 285.) This is why efficient competence management and development are needed. Successful competence management aligns the company's business goals with their employees' professional attitudes, skills, and knowledge, enabling both the company and its personnel to develop alongside each other. (Mulder 2019.) Coherent competence development comprises of all the procedures and methods that are needed for developing the necessary employee competences for the prosperous business operations (Viitala 2021, 102). Today's business environment is becoming ever more challenging. The world is moving and changing rapidly, and the companies either rise or fall, due to the competence of their personnel. (Bell 2019.) In order for the companies to successfully compete in this era of knowledge, they need to be ready to embrace new management methods, which enable the improvement of their employees' performances. They need to become an intelligent organization. (Bone 2017.) For organizations to operate continuously, they must ensure that their personnel are doing the correct tasks in the correct way. That is the most important objective of competence management. When it is done in a correct way, it is an efficient procedure for generating highly committed, effective, and prolific employees. (Hunt 2014, 151.) The competence development of the employees is one of the most crucial functions of the Human Resources Management. It aims to the improvement of both individual abilities and organization as a whole. In other words, when the employees develop their competence within the organization, they simultaneously develop their organization, which will thrive, and this in turn will increment employee competence. So, there can be found a direct link between the competence development and work performance of the personnel. (Hameed & Waheed 2011.)

For the company to be able to reach the point, where it can start developing its employees' competencies, it needs to know how to manage it first. This thesis focuses on the competence management and development from the commissioner

company's point of view. It studies the concepts of competence, competence management and competence development to discover, how they can be utilized beneficially and intelligently in their daily operations, thus defining the best tools for competence management and development for the case company to utilize.

## **1.1 Research background**

Research topic is a wide conception, which attaches the phenomenon into its branch of science. One specific phenomenon can be researched from various points of view. (Kananen 2017, 51.) When choosing a topic, the researcher needs to ponder thoroughly and define exactly, what the research problem is. What it is, that they are striving to find out by way of research? It is crucial to have a distinct comprehension of what the study is all about, and what the researcher is attempting to accomplish. A clear-cut research aim together with an exact manifestation of the research objective will give onset sense of what course to take. (Moore 2006, 3-4.) The researcher should choose a topic which is relevant and intrinsically satisfying to study. They should also be passionate about it, enabling to convert their passion into a creative and rigorous research. (Sumerson 2014, 13.) However, it is good for the researcher to bear in mind that the chosen topic needs to be defined in a way which is feasible to implement. Nothing too broad in scope, as well as within the limitations of available human resources, funding, and time. (Saldaña 2011, 67.)

The author of this study has been working at the company, within HR and finance departments, simultaneously observing issues broad up by continuous organizational changes. All of these changes have caused an increase in the personnel turnover. This has resulted in the loss of human capital, causing decline in overall competence. This in turn, has led to increased costs, due to the required usage of recruiting agencies, conducting complex and lengthy recruiting processes, orientation and training of new recruits, and utilizing temporary employment services. All of these have a negative impact on the company's operating result, as well as on the employees' wellbeing at work, due to the fact that the only constant factor in their work life is continuous change.

This research topic was chosen in collaboration with the HR Manager in order to find ways to improve this problematic situation on the long run.

## **1.2 Aim, objective, and research questions**

The aim of this study is to depict the processes and models of competence management and development. The objective is to find ways to exploit those processes and models to improve competence management and development within the case company, providing tools for the managers to perform their jobs to their full potential to get the best outcome possible.

The main research question is:

- How can competence management and development be improved at work?

The sub-questions are:

- How can the manager influence employee competence management and development?
- What type of leadership methods would encourage and motivate learning and development?
- How can the organization's core values be utilized in the competence development?

It is vital for the company's daily operations that every department has the necessary, competent personnel. It is just as important for the managers to be able to foresee and prepare the necessary staff for every department, on every occasion. However, everything cannot be predicted in advance. This global situation with Covid-19 is a perfect example of things happening beyond our control. People become ill, and it is crucial for the companies to be prepared for situations in which many of their employees have fallen ill, and yet, the daily operations still need to continue. In this situation, competent employees are urgently needed. The results from this thesis can be exploited in every process and function related to the company's employee management, and they will also provide potential future development proposals for the case company, and idealistically they can be utilized in other companies within the Group as well.

### 1.3 Structure of the research

Theoretical framework leads the way of the thesis, and it provides the basis for verifying its plausibility. It is meant to make the research results more significant and assure their ability to be generalized. It is a blueprint for the research, presenting the researcher a design, indicating how to specify their thesis methodology, philosophically, epistemologically, and analytically. It helps the researcher to situate and contextualize official theories into the thesis as a guide. It also acts as a focal point, and therefore is connected to the research problem which is being studied. The theoretical framework helps to find a suitable approach to the thesis, as well as the analytical instruments and necessary procedures needed for the study. (Dickson et al. 2018.)

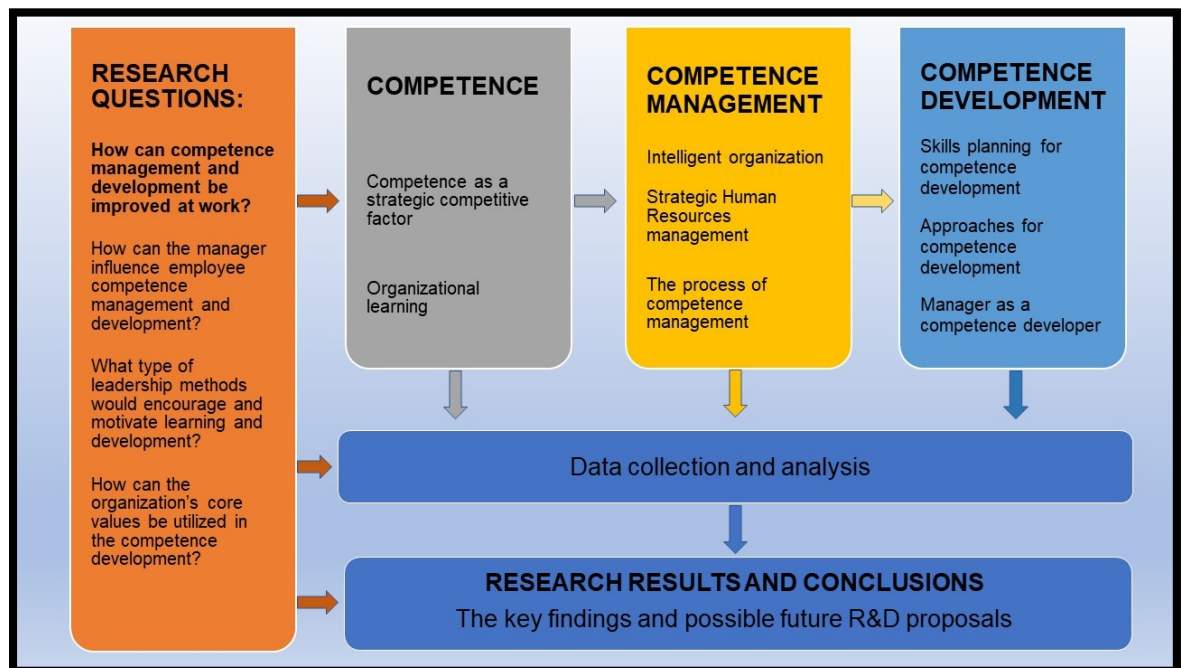


Figure 1. Structure of the research

Whereas the theoretical framework addresses the research problem on a general level, the conceptual framework dives into the specifics of the research. It rests upon the concepts defined as the main variables in the research. It provides the frame of reference showing logically, how the study enquiry needs to be set out. It is the researcher's justification to the way how the research problem will be studied. It emphasizes the grounds for why the research subject is worth exploring. The aim of conceptual framework is to contribute to the evolvement of a theory, which could

be beneficial to the professionals in the field. (Dickson et al. 2018.) The structure of this thesis is based both on theoretical and conceptual frameworks, and the paradigm of the study structure is shown in Figure 1 on page 8. This thesis will provide clarification for concepts of competence, competence management, and competence development. Data will be collected and analyzed while bearing in mind the research questions and providing answers to them as well as defining key findings and potential future research and development proposals.

#### **1.4 Research methods**

Qualitative method in research is a means of getting to know social reality. It can be used both in the behavioural and social sciences to depict, study, or explicate social occurrences. It is a diverse research method including a variety of research procedures and outcomes. (Leavy 2014, 2.) The purpose of qualitative research is to comprehend the idea that relevance is socially built by individual people who interact with their world, where occurrences are not single, fixed, measurable, or agreed upon (Merriam & Grenier 2019, 21). Case study concentrates on examining an occurrence or chain of events. It gives a thorough and exact description of the studied object, which may be an individual, community, organization, city, government, civilization, or a course of events. The starting point of the case study is to gather as versatile data as possible and to describe the object of the research thoroughly. One of the most important questions, when conducting a qualitative case study is “what can we learn about the case?” The researcher is often propelled by feeling or a preliminary knowledge of the case being important – usually the significance of the case reveals itself during the research process. (Laine et al. 2015, 9-10.)

The qualitative research method was chosen, since this thesis studies how to improve competence management and development in a Finnish manufacturing company undergoing the challenges of many organizational changes as well as coping with the implementation of the restraining Group regulations. The approach method was narrowed down to a case-study, since this thesis studies mainly the possibilities for the competence management and development in the Finnish subsidiary, although the results can be exploited in other companies as well.

## 1.5 Introducing the case company

This thesis is commissioned by Recticel Oy, a production company located in Kouvola, Finland. The company was formerly known as Espe Oy, but in 2007 a Belgian Group called Recticel purchased Espe Oy, making it a part of this international Group. According to Recticel Group (2021a), they have multiple factory sites and offices (Figure 2) all over the world, employing a few thousand people. Recticel Group is a European leader in manufacturing diverse products from polyurethane foam for global B2B markets. It produces numerous amounts of diverse products according to their customers' needs, and has a high-performance and sustainable business, which generates substantial added value, and stable, lucrative growth for its customers and stakeholders. The Group's aspiration is to contribute to everyday well-being for everybody. (Recticel Group 2021b.)

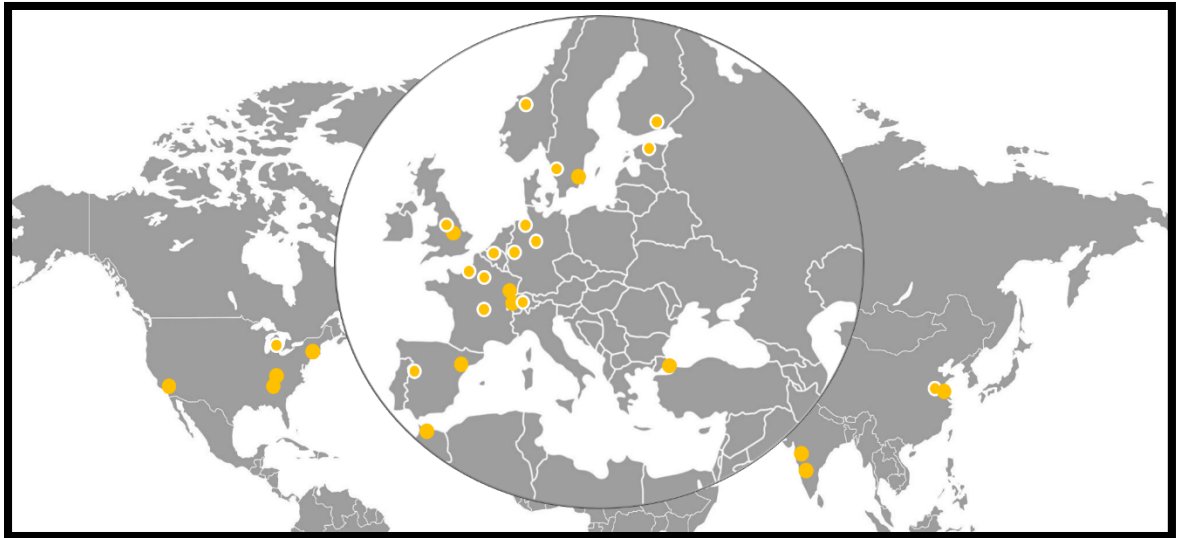


Figure 2. The global activities of the Recticel Group (2022)

The Group's **mission** is to leverage their significant know-how in polymer procedures by dispensing high value-added and competitive resolutions to their customers in order to increment their daily convenience as well as to create shared value for the stakeholders. Their **vision** is to be the prominent global manufacturer of comfort solutions in their every core market by replying to essential global challenges. The Group has five **core values**, which form the basis for daily functions and behaviours, both individual and collective. These are (Recticel 2021c):

- We take ownership and feel accountable
- We strive for results
- We innovate to create value
- We act with respect and integrity
- We cooperate to win

The definitive objective of acting upon these values is to line up the organization's operations and demeanours across both external and internal stakeholders in a way which makes it plausible to productively fulfil the company strategy and fundamentally actualize the organizational objectives (Recticel 2021b). After the Espe takeover, the Recticel Group started to implement its strategies and procedures into the daily operations of their Kouvola plant. During the last several years, there have been many changes in the company, both operational and organizational, which have caused multiple issues to work with. There has been an implementation of the new ERP-system, a part of the HR and finance-related tasks have been outsourced, the employee resources have been decreased, and the organizational structure has been transformed to a matrix. All these changes have caused plenty of stress for the employees. They have had to adapt themselves to constant changes and fluctuations in their daily work routines and tasks at hand. These issues have caused an increase in the personnel turnover, which continuously creates more problems, when it comes to sustaining the necessary work experience and competence within the employees, let alone reaching to the point of further, as well as continuous, development of their skills and competencies.

## **1.6 Limitations of the research**

Although the theoretical framework covers the subjects of competence management and development as a whole, this case study is limited to the subjects of competence management and development for the white-collar employees within the company. Nevertheless, the results of this research can be exploited, when planning for the competence management and development processes within the blue-collar employees in the future. This thesis will also limit gathering the data concerning the case company to a general level. Since the case company is a manufacturing company operating in highly competitive global markets, no

classified data of the company, its products and operating procedures will be published in the thesis. The results will be processed and published in general form, which can benefit every company, no matter what their line of business is.

## 2 COMPETENCE

What is competence? People oftentimes think that competence equals skill, but that is not the case. Competence has wider significance than skill. It is ultimately the sum of skills, knowledge, attitudes, and traits. (Van Echtelt 2020.) It is a mixture of knowledge, skills, experiences, contacts, and attitudes, which makes it possible for a person to perform well in specific situations (Figure 3). A person's competence is the result of their learning process, which can be both exercised and developed. (Sydänmaanlakka 2005, 150-151.)

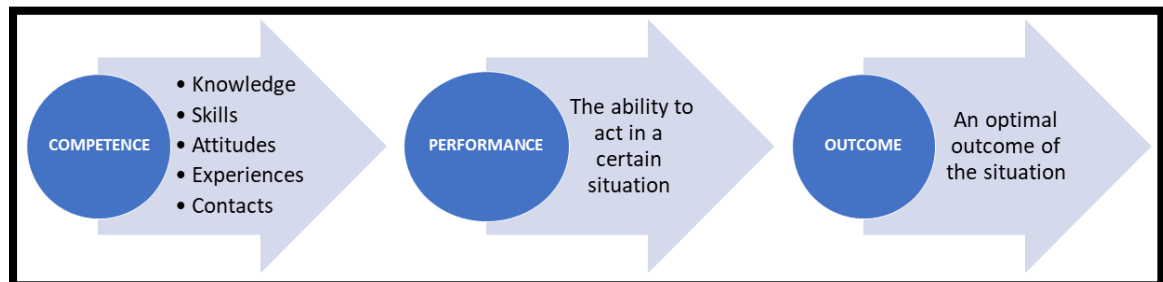


Figure 3. Definition of competence according to Pentti Sydänmaanlakka (2005).

Competence is shown to others as a skillful and appropriate activity, which can be assessed from the employee's, team's, or company's perspective and which a manager not only has to consider, but also needs to combine with each other to succeed in developing competences (Kupias et al. 2014, 50).

### 2.1 Competence as a strategic competitive factor

Strategic competence is defined as know-how, knowledge, skills and experience within the company's business units, teams, and individuals, which ensures the realization of the company's vision and strategies on the long run. By utilizing and allocating competence correctly, the company can implement its business plans according to their strategy, therefore obtaining competitive advantage on the market. (Lankinen et al. 2004, 35.) The theory of the company personnel being an

important success factor rests on the resource-based strategic thinking. It believes that a company is more competitive as it enables to create capabilities, which are more rare and harder to duplicate. The competence, innovativeness, efficiency, and other features, which are engaged to personnel, form a foundation for competitiveness, which differs within the companies in the same industry, thus making it difficult to duplicate or swiftly comprise. Therefore, the human resource management plays a strategic role, being also a competitive factor for the company. (Viitala 2021, 18.) The roots of competitive advantage in several industries have transferred from efficient performance and trustworthy procedures to the capability to change and innovate. To put it simply: what was sufficiently good execution yesterday is seldom sufficiently good today – and will nearly ever be sufficiently good tomorrow. This means that the best way for companies to rise to the occasion is to concentrate on their human capital by putting competence as their most valuable resource for gaining competitive advantage. The personnel's talent and skills provide companies with the necessary expertise and ideas, which are essential to innovation. Equally important is having competent personnel, who embrace change and can learn and perform new procedures. (Lawler 2008, 4-5.)

Strategic learning relies on the suggestion that the capability to learn and comply is the key for enduring competitive advantage in the present-day business world. To transform the company's strategic learning into measurable production volume, a competence model is needed. It determines the primary set of knowledge, skills, individual capabilities, and attributes required for the employees to execute their jobs and to contribute to accomplishing the company's goals. It also constructs a strategic Human Resource Development (HRD) base for the company's succession planning, development, and performance management procedure. (Opperman 2015, 32.)

### **2.1.1 The four types of competency models**

According to Sarder (2016, 75-76), competency models are frameworks, which depict the crucial factors that the company needs to succeed in its business. It specifies what the employees must be able to do and what they must know to perform their jobs at the ultimate level. The competency models can be viewed in

the shape of four wide clusters: core competencies, functional competencies, job competencies and leadership competencies (Figure 4).

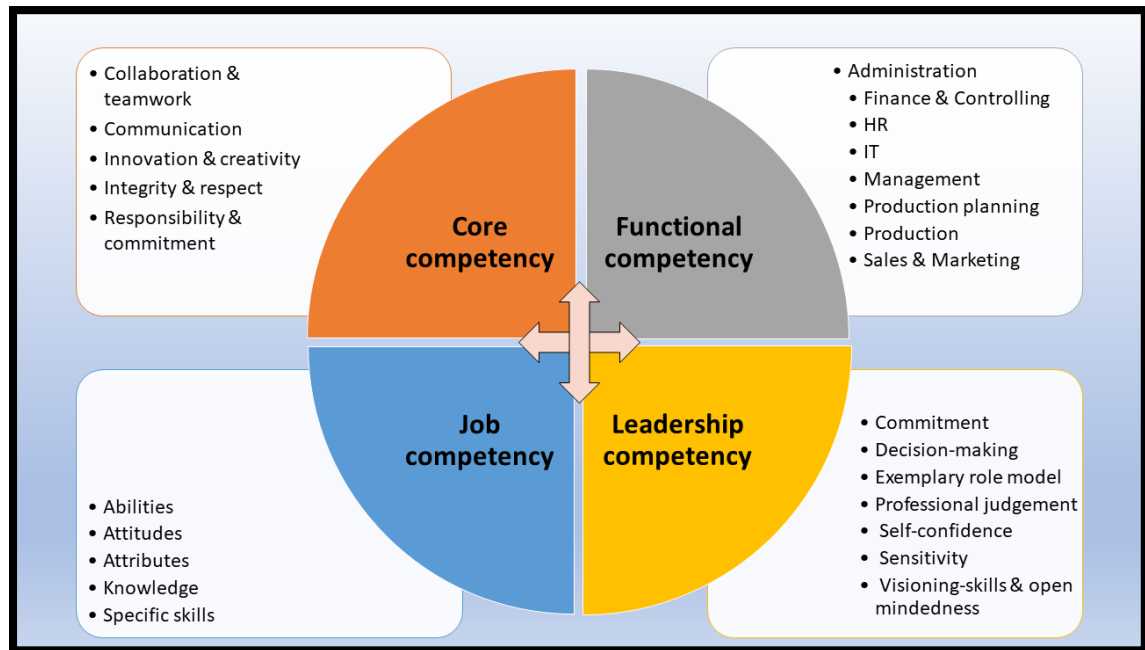


Figure 4. The four primary types of competency models (Sarder 2016)

**The core competency model** depicts the necessary competencies that the employees within the company need to possess. They contain a comprehension of what the company is, and what it does: its values, mission, strategies, services, and products. (Sarder 2016, 76.) Back in 1990, C.K. Prahalad and Gary Hamel presented their conception of core competence in their Harvard Business Review article *“The Core Competence of the Corporation”*, where they determined the organizational core competences as the communal learning within the company, being the complex mixture of know-how and resources, which makes the company stand out from others in the industry. According to Viitala & Jylhä (2011, 286) core competences can also be called as strategic competence since it holds what is essential to implementing the company’s competitive strategy. It takes a long time for a company to develop its core competences, hereby becoming the focal point of the company’s operations and creating the customers added value.

**The functional competency model** depicts the necessary competencies required, when working in a certain team, unit, or a department within the company. They are more or less generalized across a particular industry or within the same

type of companies. (Sarder 2016, 77.) The functional competencies are usually technical skills needed for the employees to accomplish their jobs successfully within the specific function (Jaynes 2016a).

***The job competency model*** contains competencies needed to perform a certain job within a particular operational area of the company. They depict the certain capabilities, skills, knowledge, attributes, and attitudes required for a top performance in that certain job. Those competence requirements guide the company's recruiting process and set the standards for the employees' performances to be measured against to. The required job competences differentiate to a certain degree from job to job, function to function, and company to company. (Sarder 2016, 77.) The utilization of job competencies is becoming more important with transformation in the business environment. For instance, when companies become leaner, the chances for improvement fall fewer, but the accountability increases. (Sanghi 2016, 16.)

***The leadership competency model*** depicts the necessary competencies required when working as a team leader, manager, executive, or in some other leadership role. Those competencies enable the company to design its organizational culture, because the leaders contribute to characterizing the company image. (Sarder 2016, 77.) For the company's leadership development to be efficient, they need a competency model which is constructed on their particular necessities, depicting the objectives and values of the organization (Mattone 2020).

Competency modelling demands a considerable investment of money and time, and companies should always commence such a project based on a powerful necessity. It is vital to know distinctly what is needed, and to create a model which is reliable and valid for implementation. (Opperman 2015, 36-38.)

### **2.1.2 How to create and implement a competency model**

An excellent competency model is exquisite to the company and its goals. It is a means to improve strategic diversification. When it is done right, it is an effective

tool providing a compulsive lens to view through into the company and its operations, offering the answers to the following questions (Forth 2019):

- Does the organization have the necessary skills for winning?
- What feasible skills could the organization generate?
- How is the organization utilizing the skills they have?
- Where does the organization have gaps currently and in the future?
- Where does the organization need to invest in improvement?

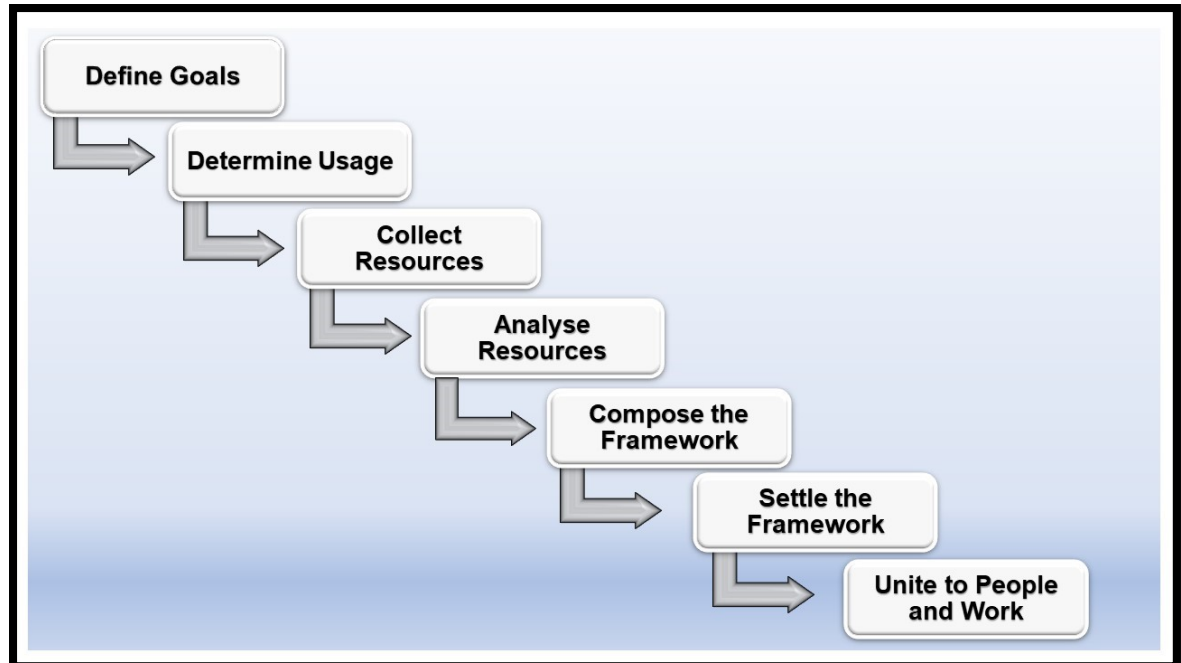


Figure 5. Steps for creating a competency model (Forth 2019)

According to Forth (2019), the steps for creating and implementing a competency model are as follows (Figure 5):

1. **Define goals.** The company needs to be specific in choosing its goals. Too many will easily cause confusion and chaos, so it is vital to choose just a few for the primary implementation. It is important for the company to ensure that the chosen goals are in line with the organizational strategies.
2. **Determine usage.** This means linking the goals to results. The company must determine how the competency model will be utilized, and by whom. The answers to those questions should chart back to the compiled goals.
3. **Collect resources.** A competency model can be created by using several resources, such as job descriptions, organizational design records, learning plans, project reports, and performance reviews to name a few. It is important for the company to use realistic and valid information to achieve a successful result.
4. **Analyse resources.** The aim is to comprehend which skills are utilized in each job, and how they are furthering to success now and in the future.

5. **Compose the framework.** There are several ways to arrange competency models. The design work is to select and coordinate the factors of the model and determine their relationships.
6. **Settle the framework.** After the framework has been created, the company needs to build the essential competency model by using one of the three following basic modes:
  - a. **Top down** – This is the ordinary approach, where intelligent people assemble to recognize the jobs, behaviours, or competencies, recognize the skills demanded along with the standard of expertise and dismantle the jobs into segment roles, and reconstruct everything back up into a complete model.
  - b. **Bottom up** – This is the incremental approach in which the skills recognized by employees while working, are recognized. The model is created from the bottom up by charting those skills crucial to job roles, projects, and ideal business results.
  - c. **Document driven** – This model exploits the recent developments in language handling, linking them to skill databases to allow semantic rationalization. Because this approach is a machine-based regime, it demands thorough human handling.
7. **Unite to people and work.** Competency models are materialized when personnel utilize them at work and learn. When competency models are linked to personnel's skills and experience, they can recognize gaps in competence, as well as evaluate the coverage of the company's learning resources.

A company-wide commitment helps to guarantee that the competency models precisely depict the competencies that the company's personnel need and supports developing a collective comprehension of the crucial behaviors, which have an impact on the company's success. The implemented competency models must be reviewed on a regular basis and updated when matters change. The company must bear in mind that the meaning of creating and implementing competency models is to enable the company to operate successfully and prosper on the market. (Sarder 2016, 85-88.)

## 2.2 Organizational learning

*“Knowledge is our most powerful engine of production; it enables us to subdue Nature and force her to satisfy our wants.”*

– Alfred Marshall, *Principles of Economics*, 1890

Organizational learning is the purposeful utilization of learning procedures at the individual, system, and group levels in order to continuously change the organization into a course, which is ever more satisfactory to the company's stakeholders (Dixon 1999, 6). It constitutes the development occurred within the company in the long run, which makes it an important part of their knowledge management strategy (Oragui 2020). As the company's business procedures obtain experience, they also ought to improve along the way, generating an extensive basis of knowledge that can be transferred within the organization (Roder 2019). Organizational learning can be defined by three essential actions: conceive, act, and reflect. First, an idea is conceived. Then the company acts on that idea, and a product or service will be created. For the final action, the company will reflect upon the whole process and its outcome. Through this contemplation learning will take place. (Valamis 2019.) For organizational learning to occur, the company's problematic issues must be overtly recognized, and the reasons behind them need to be efficiently examined, so that the organizational processes can be corrected accordingly. Oftentimes the organizational management ignore the warning signs of dissatisfying outcomes because they either believe that changes are not feasible, or they lack the will to engage in problematic or unpopular transformation. (Mahler & Casamayou 2009, 18-19.) However, successful organizational learning provides many competitive advantages, such as (Oragui 2020):

- Increment productiveness
- Decrease personnel turnover by increasing employment satisfaction
- Maximize personnel commitment
- Enabling adaptation to change
- Increment customer contentment
- Increment employees' skill levels
- Increment profitableness
- Enabling to learn from previous mistakes

In order for the company to ensure the successful organizational learning, it needs to secure the competent flow of knowledge throughout every level and department of the company. This is where the competency of leaders emerges. The managers need to set up learning objectives which resonate within the employees and fortify the type of organizational culture which remunerates the capture and sharing of

knowledge. This way the employees will engage themselves in establishing instinctive processes enabling it all to unfold. (Milway & Saxton 2011.)

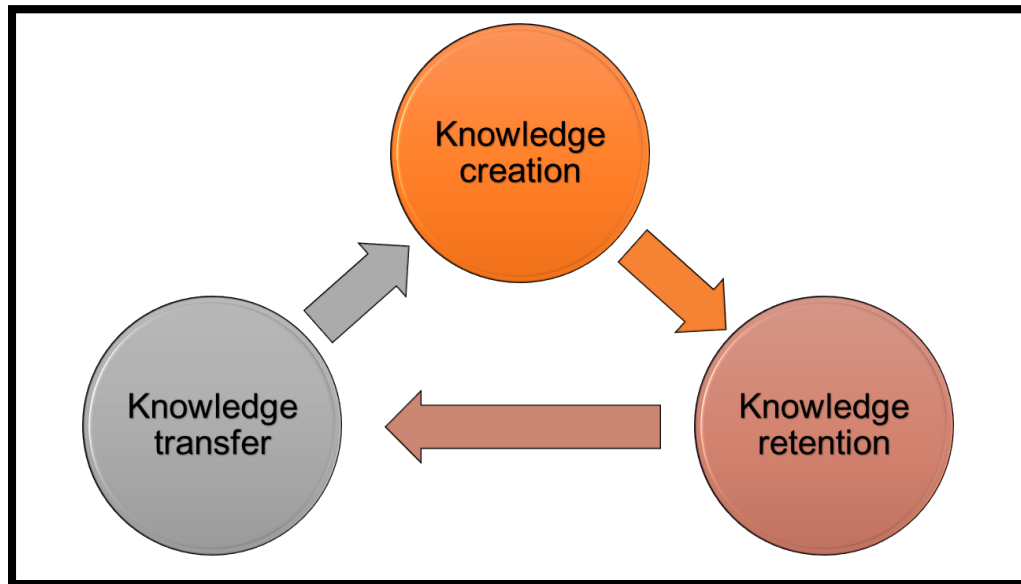


Figure 6. The key procedures of organizational learning (modified from Valamis 2019)

Organizational learning comprises of three key procedures (Figure 6), which are: knowledge creation, knowledge retention, and knowledge transfer (Valamis 2019). Organizational learning is a procedure where the past knowledge is adapted to the contemporary challenges at work (Kimiz & Liebowitz 2011, 390). It forms the base for the company's competitive advantage. How lasting and firm that base is, depends on the company's capability to continuously create new knowledge. (Nonaka 2007.)

### 2.2.1 Knowledge creation

Knowledge creation indicates to the constant composition, conversion, and transmission of diverse types of knowledge. This happens when employees interact, study, and practice. In other words: it is the construction of ideas, which is the central part of the organization's competitive advantage. (Market Business News.) Knowledge creation is establishing new conceptions by way of interrelations between tacit and explicit knowledge within individual minds. The creative flow of ideas within the employees can be generated into functional new products, services, or processes, therefore furthering innovation. (Garfield 2016.)

Tacit knowledge is the intelligence that the employees have gathered from their professional and personal experiences. It contains information that is most challenging to articulate, document, or show in a tangible conformation. At work it is the application of the implicit knowledge that is particular to the employee's company. This application will differentiate according to the changes in employee's job description. (Alexander 2018.) Explicit knowledge is the opposite of tacit knowledge. It is knowledge that can be easily articulated, documented, or showed in a tangible form, thereby being easily quantified. Explicit knowledge is said to be the place of birth for tacit knowledge, due to the innovative minds of people who learn explicit knowledge and adapt that knowledge in their everyday life in order to improve the outcome. (Newth 2021.)

We live in time of uncertain markets, where the company's ability to survive let alone thrive relies on its capacity to constantly generate new knowledge, distribute it thoroughly within the organization, and swiftly adapt it into its new products and technologies. Knowledge creation always starts with the individual employee, whose know-how is converted into organizational knowledge invaluable to the company in its entirety. (Nonaka 2007.)

### **2.2.2 Knowledge retention**

Knowledge retention is converting and capturing the tacit knowledge within the company into explicit knowledge in order to retain the silent information within their personnel (Oragui 2020). It is efficiently the process of constructing the organizational memory by tackling the genuine threats of lost knowledge in a pragmatic way (DeLong 2004, 24-25). Knowledge retention enables the information to be transferable, thus making sure that the critical information stays within the company instead of its employees (Gleason 2019).

The company's knowledge retention strategy cannot be solely founded on financial matters. It must also include how the employees are governed and treated every day, and how they are engaged in their jobs and the company. (Brelade & Harman 2003, 37.) When the companies strategize their knowledge retention and employee

competence development, they need to discourse the following questions (DeLong 2004, 57-58):

1. What is the existing level of skill and knowledge in the organization, and how does it need to be modified accordingly?
2. How clear is the substitute planning for critical employees? How has the company ensured that those substitutes have been sufficiently prepared for working in their organizational key positions?
3. Does the company culture contribute to behaviors required for continuous retention of knowledge?
4. How can the company motivate their skillful, yet older personnel to remain within the organization longer?

In today's business world knowledge retention has become a primary issue, since too many times the employees leave the company taking their information with them, creating a knowledge loss for the organization. To avoid the loss of this crucial information, companies should take measures in retaining this knowledge, such as (Haberman 2012):

- Document every company process and procedure in detail
- Document encountered problems as well as their solutions
- Create workplace questionnaires for employees and customers

The retained information needs to be stored in a place which is easily accessible to the company's employees (Roder 2019).

### **2.2.3 Knowledge transfer**

Getting the correct knowledge to the correct people at the correct time is a vital part for the organization and its success on the long run. Understanding the employees' quality of individual knowledge, the necessity of who must know and what, and the means to transmit the needed information is critical to the company's success. (Cancialosi 2014.) Knowledge transfer is sharing and disseminating the invaluable information across the company. It is vital for the company, since it contributes to innovation, enhances employee collaboration, and cultivates comprehension within the organization. It obtains the solution for the company's issues concerning knowledge loss. (Bhasin 2021a.) Knowledge transfer consists of both practice and theory, and it can be adapted to the organizational culture and the company's regimes (Brown 2019). When it comes to the employees, the procedure of knowledge transfer comprises of sharing and capturing their

knowledge and most valuable customs. This contains competences (implicit knowledge), processes and procedures (explicit knowledge), and experiences (tacit knowledge). The organization's responsibility is to compile all the knowledge, so that it can be forwarded anywhere within the organization, when necessary. (Manfredi 2020.) According to Maestro (2020), a company needs a distinct knowledge transfer plan. It should be based on the following factors:

1. Recognizing the vital knowledge, which must be collected
2. Acquiring the essential knowledge
3. Determining how to distribute and carry out the knowledge transfer plan
4. Share and transfer knowledge, as well as measure and estimate the results

When the company has a solid knowledge transfer plan in place, it will minimize the loss of critical information. It makes it easier to substitute vital employees when necessary, and new recruits can be swiftly get familiarized with their work. It also saves time, when people at work know where to find knowledge, when its needed. (Bhasin 2021a.)

### **3 COMPETENCE MANAGEMENT**

Maximum capitalization of the contemporary competences as well as accessing to the employees' potential is crucial to the company's survival, let alone to their success. For the company to excel in utilizing their employees' competences, they need to have a functioning competence management. (Van Echtelt 2020.) Competence management can be described as an ensemble of estimating, assigning, and monitoring the experience, knowledge, and abilities needed for fulfilling certain functions as well as comprehending the key positions steering the company and its goals (Avilar 2019). It is a methodology striving essentially at exploiting on personnel's knowledge, skills, and professionalism to the maximum extent feasible in compliance with the company's goals (Van Echtelt 2020).

It is crucial for the company to have competent and motivated personnel dedicated to their jobs. They already possess certain features required in their work, but there are multiple possibilities for improving their competencies, enabling them to carry out their work even better. This is where competency management comes in. It makes it possible for the company to line up their business goals with their

personnel's competences. This elucidates the competences needed, so that the company can adapt their HR policies accordingly. (Mulder 2019.) Competence management incorporates HR planning with the company's strategic vision in order to achieve the mission and the objective of the company. It is utilized in every process of HR management, such as recruiting, career planning, succession planning, training, benefits, and remuneration. (Bhasin 2020). The definition of competence management also includes the core competencies of the company. Every company ought to have a competency framework specifying four to six essential core competencies. It tends to fortify and elucidate the core culture within the company, while emphasizing divergences from competition. (Valamis 2020.) According to CEO Monthly (2020), competent management is defined as the capability to lead personnel and hearten them to use their competencies in order to further organizational objectives, which provides the company a competitive advantage on the market. A proficient manager makes well-founded decisions from employment to development to employee retention, thus earning the esteem of both the personnel and the employer.

### **3.1 Intelligent organization**

Intelligence is the fundamental entity that allows a biological being to battle for their survival, to go through evolution, and to save themselves and their species from becoming extinct. The solution to survival is the act of emergence, evolution, and adaptation. Those fundamental principles also guarantee that people organizations survive and perform better in the competitive markets in this new era of knowledge-based economy. (Liang 2009, 36-37.) In contemporary world intelligence is usually conceived as a capability to comprehend and accommodate to the environment by utilizing inherited capabilities and acquired knowledge (Spotts 2021). Therefore, the intelligent organization can continuously regenerate itself, foresee changes, and learn rapidly. It resembles a living organism, which can regulate its own operations. (Sydänmaanlakka 2007, 218.) It is designed to generate circumstantial awareness with the means, enabling the analysis of disparate information in the realest time possible (Bone 2017). It is simultaneously efficient, able to learn, and sensitive to its personnel's well-being. It is vital for the company to succeed in

balancing those three dimensions: well-being, learning, and efficiency as shown in Figure 7. (Sydänmaanlakka 2005, 100.)

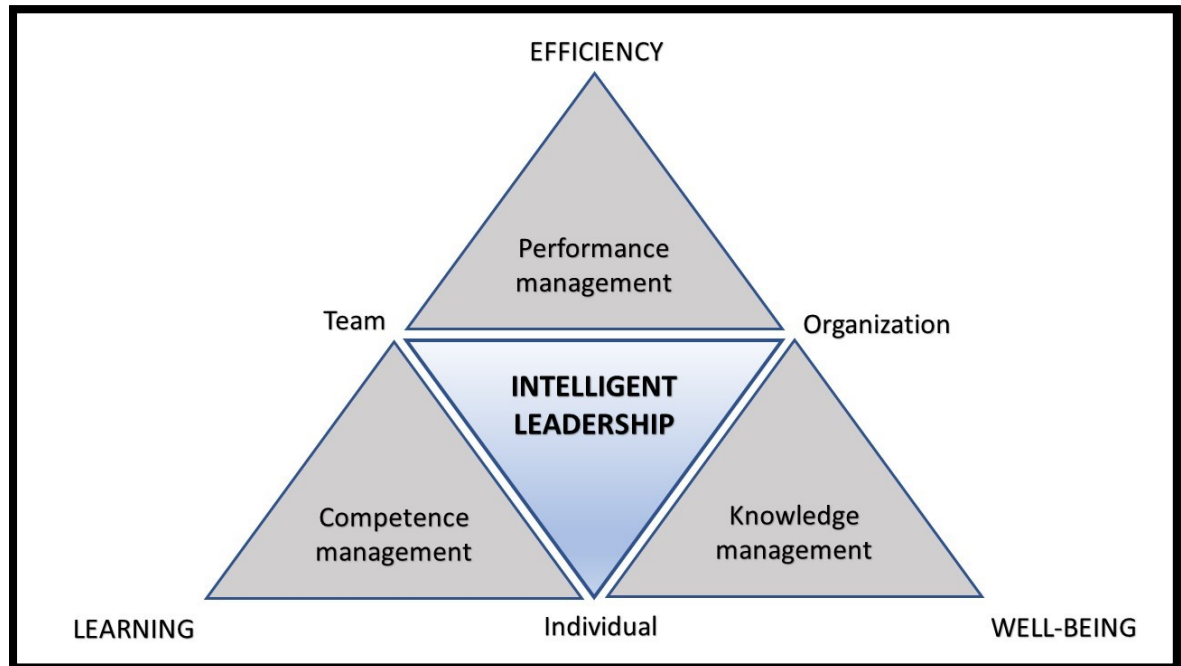


Figure 7. An intelligent organization (Sydänmaanlakka 2005)

Efficiency is the point of origin for all businesses. If there is no efficiency, the company has no chance of survival. (Sydänmaanlakka 2017, 143.) It is essential to the company to view efficiency both in the short-term, as well as on the long run. It is also important, that the organization shifts their focal point from maximizing results to optimizing them. When it comes to learning and continuous renewal, it is known that with the markets continuously changing, the employees need to keep up with those changes, and if possible, be a little quicker than the competition. This means that the company needs to invest in maintaining and developing their employees' competences. Well-being in organization boils down to the fact that if the company wants their business to run smoothly and efficiently, they need to look after their employees' well-being. This is where long-term efficiency interacts with employee well-being. Burnt out employees inevitably decrease the efficiency of the company. These three dimensions may be contradictory at times, but an intelligent organization is capable of creating a balance between them. (Sydänmaanlakka 2005, 100-102.)

An intelligent organization needs to be established primarily on intelligent communication, which nowadays is way more than just forwarding information. It means actively participating in discussions to comprehend the ever-changing environment. (Jarcho 2015.) An intelligent organization possesses the following traits (du Vignaux 2021):

1. **Aim.** An intelligent organization has clear objectives.
2. **A focal point on empowering the employees to their best performances.** In an intelligent organization the information flows freely.
3. **Continuous improvement.** An intelligent organization continuously utilizes information and analysed data in order to determine what works for the company and what does not, making open and honest, data-based decisions.
4. **A focal point on scaling accession to knowledge.** In an intelligent organization, the data and knowledge are structured in a way which is accessible to every employee within the company.
5. **An organizational regime in order to manage it.** An intelligent organization possesses explicit company structure with well-determined leadership, responsibilities, and roles, aligning the compensation schemes against the structure.

Intelligent organizations have adaptable work regimes that constantly self-tune to the market demands. They depend on self-organizing, dexterous teams, and being customer- and stakeholder-centric companies. They operate and experiment courageously and do not shy away from failure. They learn from previous mistakes, and rapidly accommodate their operations accordingly. In an intelligent organization, the people and machinery always enhance each other. (Young 2019.) An intelligent organization is value driven, and its values are clearly defined, guiding the organizational operations. It aspires continuously to develop a company culture, which supports the achievement of the goals set for them. It also comprehends that the defined culture is a framework, through which the employees perceive the reality. An intelligent organization relies on its operations not only for their own values, but also for the universal values, such as respecting the individuals, continuous learning, and sustainable development. In the future, the employees will be more aware of the values that the companies represent, when choosing a working place. (Sydänmaanlakka 2007, 222-223.)

### 3.1.1 Intelligent leadership

In contemporary world, we need to perceive organizations as an open regime, which are continuously living organisms possessing the capability to self-organize. Company hierarchies ought to be disassembled, yielding to collaborative and equal networks, where the focus on leadership has shifted from centralized management to shared leadership. This evolution engenders plenty of challenges for leadership, due to rendering the old management framework obsolete. There needs to be developed a new framework for management, which is intelligent enough to take into consideration modern day requirements and circumstances for leadership. (Sydänmaanlakka 2017, 141-142.)

Intelligent leadership is a design which incorporates developing the soul, mind, and heart in order to introduce outstanding leadership talent to the company (JohnMattone Global 2017). It is innovation of leadership as it challenges the long-standing hidebound management model, and creates a new sophisticated one to replace the old framework. This enables the utilization of innovative methods to organize efficient and inventive collaboration, which in turn furthers innovation and creativity. (Sydänmaanlakka 2017, 137-138.) Intelligent leaders listen to what other people say, factoring in their opinions and feedback. Their capability and willingness to utilize this valuable information improves results and enhances employee morale resulting in better performances. (Dhake 2015.)

In utilizing intelligent leadership, the managers strive to lead their personnel at three different levels: emotional, rational, and spiritual. Emotional leadership equals improved communication, whereas rational leadership comprises of management by aspirations, and spiritual leadership comprises of management by purpose. (Sydänmaanlakka 2005, 114.) This leadership type equals transpersonal leadership. It generates leaders who act without their ego getting in their way, therefore continuing their personal learning and development. Transpersonal leaders are authentic, ethical, and radical, yet caring, and emotionally intelligence. They are the driving force within the company, when it comes to generating an organizational culture which embraces performance enhancement that is sustainable, caring, and ethical. (Knights 2021.)

### 3.1.2 Transpersonal leadership

Transpersonal, as commonly recognized, “means the path one takes with willingness, commitment, and dedication in evolving to a person that is beyond mundane and common experiences”. It indicates or affiliates to a form of awareness beyond the boundaries of personal identity. (Legakis 2020.) Great leadership is the capability to alleviate the changes stipulated by the contemporary world. The organizations need managers who are emotionally intelligent and self-aware, as well as capable to utilize diverse styles of leadership in various circumstances in order to succeed in creating performance-enhancing company cultures. (Knights & Young 2022.) Transpersonal leaders need to be authentic, ethical, and radical whilst emotionally intelligent and solicitous to generate sustainable, performance-advancing company cultures. This necessitates a combination of spiritual, emotional, and rational intelligence as shown in Figure 8. (Knights 2018.)

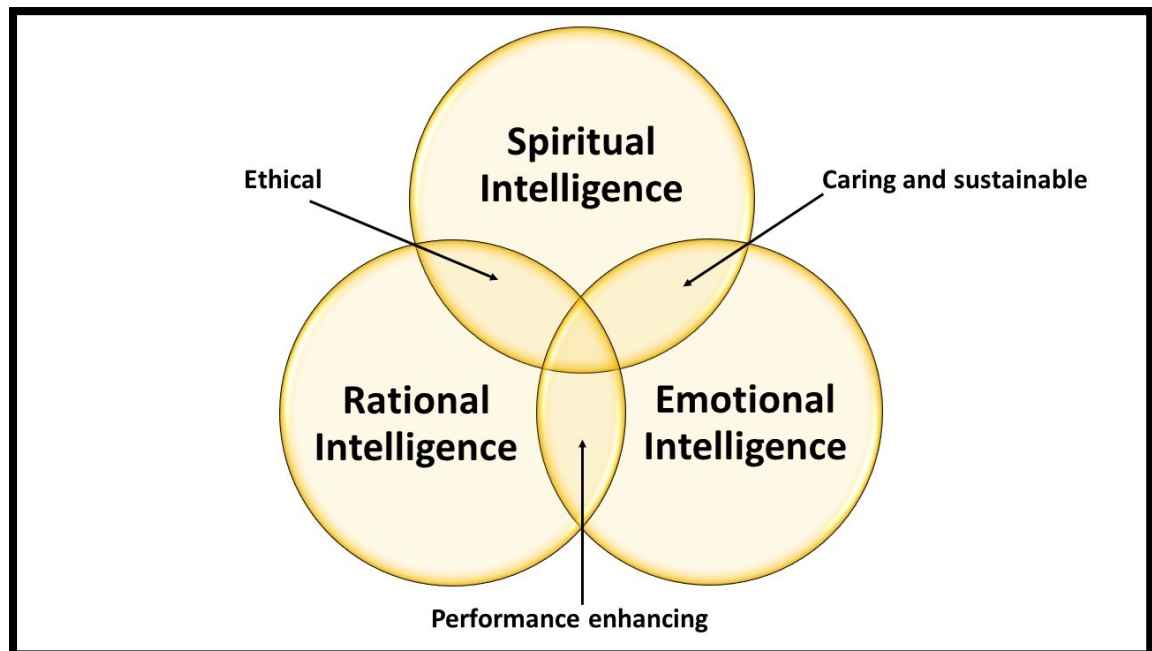


Figure 8. Transpersonal leadership model (modified from Knights 2021)

**Spiritual Intelligence** is a skillset that links personnel to their own resources of significance, objectives, and ethics. It is the capability to conduct oneself with compassion and wisdom whilst sustaining outer and inner peace, no matter what the circumstances are. (Metcalf 2015.) Spiritually intelligent leaders possess self-

awareness and integrity. They are also dispassionate and value-driven, and though they do not compromise on the business outcome, they do comprehend, that the course is equally significant. (Ganesh 2017.) Spiritual Intelligence can be perceived as especially significant to a leader in inspiring and motivating, in renewal and creativity, and in having respect for fellow individuals. These elements avail the work to become invigorating. Spiritual intelligence enables the leader to be motivated and enthusiastic, becoming an appreciated role model who leads by example. (Sydänmaanlakka 2017, 153.)

**Emotional intelligence** is the capability to comprehend and manage one's own emotions along with identifying and effecting on the emotions of those surrounding oneself (Landry 2019). It permits people to deal with interpersonal relationships empathetically and judiciously. Emotional intelligence has four key factors which are: self-awareness, social awareness, self-management, and relationship management. (Thompkins 2020.) According to research done by Human Capital Institute in accordance with Multi-Health Systems, emotional intelligence contributes to the organizational culture, as well as to the effectiveness of the leader, therefore impacting eventually to the overall business performance, improving the financial result (Wiete 2013).

**Rational Intelligence** is the capability to function in practice (Sydänmaanlakka 2017, 153). It concentrates on unbiased analysis of figures and hard facts. It utilizes reasoning and logic, and is based on the idea that people should try to view the world as it really is, instead of how they desire it to be. (The University of Southern California.) There are different outcomes, when two of the intelligences are working together (Knights 2019):

- When emotional intelligence is combined with rational intelligence, it generates performance enhancement. This is where the organization connects the correct structures and procedures with elective and motivated employee service.
- When spiritual intelligence is combined with emotional intelligence, it generates a sustainable and caring company culture.
- When rational intelligence is combined with spiritual intelligence, it generates the ethicalness.

Transpersonal leadership is the linchpin which integrates all of these intelligences (Knights 2019). Transpersonal leaders are capable of anticipating the mutuality and interplay of the past and present realities, as well as the future ones, without forfeiting the quiddity of now. They are encouraging visionaries who indicate their visions by factoring in the benefit and well-being of everyone contributed along with generating and re-generating more powerful bonds within the different stakeholders. (Legakis 2020.)

### **3.2 Strategic Human Resources management**

Strategic human resources management is utilized to increment business efficiency. It differs from other HR procedures, which are more or less administrative by nature. Strategic HRM incorporates a diversity of procedures, such as recruitment, skill management, performance management, training, development, succession, and remuneration. It is crucial for accomplishing business goals coherently and efficiently, and it has a considerable bearing on the company's profitability, growth, and long-standing sustainability. (Hunt 2014, 2-3.) It concentrates on longer-term personnel concerns, aligning resources to upcoming demands, and extensive issues about values, commitment, structure, culture, structure, and quality (Gifford 2021). According to Seven Consultancy (2018), strategic HRM is the link between the organization's human resources and its strategies, goals, and objectives. Its aspiration is to:

- Develop pliable innovation, and competitive advantage
- Advance appropriate organizational culture
- Enhance business execution

There is not just one certain HRM strategy for a company to implement in order to ensure success in every case. The companies need to determine and customise their own strategy in accordance with their own particular context, culture, and goals. HR professionals are crucial in utilizing their expertise to comprehend organizational conditions, and plan the value chains of human capital, which depicts the requirements of the stakeholders. (Gifford 2021.) Strategic human resources management search ways for human resources to have a direct effect on the organization's growth. Strategic HRM interacts with other divisions within

the company to comprehend their objectives, enabling the generation of strategies that line up with those goals, both divisional and organizational. It is perceived as an affiliate to the organizational prosperity, as object to the necessary evil existing for legal compliance. It makes other divisions stronger and more efficient by capitalizing talent and potential within the HR division. (Seven Consultancy 2018.)

It is well known that companies with the ideology of people-first, drive remarkably higher performance, than companies which are not concentrated on their personnel and the organizational culture. If companies want to comprehend their personnel's full potential, they must invest in their employees as well as their culture. This is where strategic HR leaders need to step in and show the way. (Musilek 2019.) There are several benefits for successful strategic human resources management, such as (Seven Consultancy 2018):

- Incremented job complacency
- Superior working culture
- Better amount of customer contentment
- Effective resources management
- Anticipatory manner of an approach to managing personnel
- Enhance productiveness

Strategic HRM makes personnel analyses, and assesses the necessary actions needed in order to increment their value to the organization. It also utilizes the outcome of those analyses for advancing HR methods to deal with the shortcomings of their personnel. (Seven Consultancy 2018.) When companies concentrate on improving their competencies, abilities, and knowledge resources, particularly in composition with their powerful organizational strategy, human resources will become a high-value contributor in managing methods, that utilizes profound and extensive human capital magnificence (Lawler & Boudreau 2012, 163).

### **3.2.1 The view of international HRM**

International human resources management (HRM) differs from domestic in a way that the employees are transferred across borders into multiple roles within the international group's overseas operations (Dowling et al. 2009, 3-4). Increasing

internationalization is dismantling both geographical and organizational boundaries, causing business procedures and organizational structures experience total transformation. This has put the division of human resources to the frontline, as the global market competitiveness is reliant on HRM's capability to adjust and plan the human resources strategies, which are able to maintain global subtleties and dynamics. For international corporation to survive in today's global markets, it mostly needs to depend on the ability of its international human resources management to guarantee their organization's global success. (MBA Knowledge Base 2011.) According to Donnelly (2021), an effective international HRM denotes setting a strategy to efficiently manage organization's global labour. There are few suggestions on how to strategize beneficially company's international HRM:

- **Hire appropriate talent.** Whether it is domestic or foreign, the international HR needs to accentuate in a manner where the global expansion is capable to enhance the company's hiring policies.
- **Increment global movability.** There are remarkable advantages in letting the employees migrate between different field offices within the corporation across the world, such as:
  - Transferring crucial technological expertise where necessary.
  - A chance for the employees to develop their competence.
  - Supervising new branch's compliance with the organization's policies and procedures.
  - Having employees in foreign country to execute market intelligence.
- **Optimize personnel remuneration and benefits.** Personnel remuneration and benefits have a remarkable influence on employee wellbeing, but they are also a significant cost of business. When managing international functions, the HRM needs to consider the following:
  - Compliance requirements.
  - Benchmarking remuneration and benefits properly.
  - Cross-organizational fairness.
- **Concentrate on training and development.** The organization needs to regard how to make sure that their whole personnel get the training and development necessary for the company to thrive. In order to do that, the international HRM must consider cultural and linguistic differences in foreign countries.
- **Select the correct organizational structure.** The way that an international organization is established, will have a remarkable effect on how to conduct their human capital.

The most fundamental organizational structure of a company functioning worldwide, has a headquarter situated in their country of origin, and at the very least one, oftentimes several, foreign subsidiaries, which may conduct a selection

of functions, such as sales, call centres, research and development, production, distribution centres, and similar. The company organizes the affiliations amongst its subsidiaries as well as with the headquarter in three prevalent ways: by business units, by geography, or by way of matrix structure. (Caligiuri et al. 2010, 3.) Versatile and international teams are one of the most coherent causes of competitive advantage within the global business. The ability to comprehend different points of view, utilizing diverse methods, and co-operate in multicultural teams are essential to the organization's prosperity. (Luthans & Doh 2012, 166.)

The foundation for a company's success in the global markets is their ability to transfer their competence efficiently from one country to another. In order for the international human resources management to support the achievement of the competitive advantage, it needs to determine the following matters:

- Which personnel issues will be handled similarly in every country within the Group?
- In which matters can the local practices be applied?
- Which personnel decisions will be centralized, and which will be decentralized?
- Which organizational matters will be handled in-house, and which will be outsourced?

Organizing international HRM is seeking a constant balance between standardizing and differentiation, as well as centralization and decentralization, making it constantly fluctuating state. (Viitala 2014, 224-225.) Organizational culture constantly changes, developing in accordance with the demographics, workplace regulations, industrial forces, and other relevant elements, impacting everything from productiveness and morality to commitment and brand image. Human resources effects on organizational culture, having a vital role in guaranteeing that it remains essential, enabling it to maximise its effect on the company's business result. (Alton 2018.)

### **3.2.2 Organizational culture**

Organizational culture is the combination of values, customs, and expectations that direct and report the activities of all employees (Wong 2021). It is coherent, distinguishable models of behaviour within the company, concentrating the attention on the powers, which modify employee conduct (Watkins 2013). In other

words, it is the personality of the organization, which plays an essential part in the overall complacency of the employees. A powerful organizational culture entices competent employees and keeps them committed to the company. According to the competing values framework (Figure 9) created by Kim S. Cameron and Robert E. Quinn, there are four types of organizational culture. (Heinz 2021.)



Figure 9. Quinn and Cameron's Competing Values Framework Model (modified from Heinz 2021)

### Type 1 – The Clan Culture:

This is a company culture where the personnel treat one another like family, sharing their knowledge with each other (Ramirez 2019). It provides a working atmosphere, which encourages teamwork and collaboration, and where leaders are more like mentors (Boogaard 2020). The clan culture values individuals, and it prioritizes the employees' needs. This resonates to the personnel, who are happy and committed, and therefore more willing to put in extra effort in their work. This in turn has a positive impact on the business growth as well as the productivity. (Down 2019.) Clan culture is the most relaxed of the company cultures, providing social and friendly surroundings, which enhances personnel well-being (Ramirez 2019). The benefits of the clan culture are that it embraces changes due to its extremely adaptive working environment, thus rendering opportunities for business growth. The clan culture also has high employee commitment rates, which alleviate

employee retention. (Heinz 2021.) The drawback of the clan culture is that having the concentration on individuality may cause personalities to collide without the often-necessary hierarchy required for making decisions. The obvious shortage of rules may lead to unsuitable behaviour, due to the fact that the personnel think there are no rules in place at all. (Down 2019.)

### **Type 2 – The Adhocracy Culture:**

The “ad hoc” is the key word here. This culture provides a working environment which is innovative and dynamic. (Grensing-Pophal 2018.) In this culture the managers are inspiring innovators, who acknowledge challenges, take chances, and can shatter organizational presumptions (Deepon Roy 2021). The adhocracy culture is founded on energy and creativity, and it adjusts to change. It enhances entrepreneurship by supporting personnel initiative and concentrating on rapid development. It encourages the personnel to freely experiment, providing the company the ability to persevere at the top of their business. (Ramirez 2019.) The benefit of the adhocracy culture is that it advances profitability and innovation as well as employee motivation and psychological safety. This encourages the personnel to create and attempt new ideas. (Boogaard 2020.) This culture also provides the personnel a shared engagement to innovation throughout the whole organization, therefore providing the company a competitive advantage in the business (Deepon Roy 2021). The drawback is that it can increase competitiveness between co-workers, which can be extremely motivating, but it can also backfire as employees become extremely stressed and anxious due to the fear of being outdone by co-workers or failing in general (Herman 2021). There is always a possibility that the risk-taking will not pay off, and the task at hand will eventually end up damaging the business (Heinz 2021).

### **Type 3 – The Hierarchy Culture**

This is a culture which is extremely structural and authoritarian, establishing a formal working environment with stern procedures to secure predictability and coherence (Ramirez 2019). The Hierarchy culture concentrates on internal organization, and it values a distinct chain of command. It is established with several tiers of management meant to differentiate the workers from leadership.

(Heinz 2021.) The management's responsibility is to guarantee that the company operates smoothly, fixating their attention on stability, reliability, and results. Their decisions are based on valid company regulations, which does not leave much room for freethinking or innovation. (Boogaard 2020.) The benefit of hierarchy culture is that due to its clear structure the company operations are organized, coordinated, and efficient, therefore striving stable growth. For the personnel, the hierarchical structure provides security, as they know clearly, what their job is. (Herman 2021.) The drawback is that the structural environment may come across as unsupportive and rigid, suppressing innovation as well as growth due to the personnel's fear to think creatively (Boogaard 2020). This makes the organization slow to adjust to the fluctuations of the markets, hereby diminishing its competitive advantage within the field of industry (Herman 2021).

#### **Type 4 – The Market Culture**

This organizational culture is the most aggressive one. It establishes a working environment which concentrates on results achieved by firm objectives and deadlines. (Herman 2021.) It is result-oriented culture, where lucrativeness is the highest priority. Every function is valued with the financial result in mind, and the focal point is set on the external prosperity instead of internal contentment. (Heinz 2021.) This is usually an extremely competitive culture, in which the company aims to defeat their rivals while obtaining proper share of the markets (Ramirez 2019). The managers in this culture are strict and demanding as they guide the employees to achieve the objectives set by the company. At the same time, the employees are extremely goal-oriented and engaged in succeeding. (Boogaard 2020.) The benefit of the market culture is that the company is constantly ready to adapt to the market fluctuations, guaranteeing them their share of the markets, and a place on top (Deepon Roy 2021). This results in maximum profit while providing the company a competitive advantage, as well as ambitious employees (Ramirez 2019). It is a rewarding culture, offering its personnel financial inducements as well as advancing continuous learning and improvement (Heinz 2021). The drawback is that, for the company to stay a step ahead of its competitors, it needs to invest highly in market research. Also, the highly competitive working environment may induce burnout and stress among the employees. (Ramirez 2019.)

The organizational culture declares the values of the company (Heinz 2021). Therefore, there is no certain culture which is the best, so much as the organizational culture should always be contextual, and it should be based on the company's strategy (Hofstede Insights). For a company to stay competitive and sustainable, it must have an organizational culture, which is adjustable to whatever changes there may occur. This requires that every employee understands clearly, what type of organizational culture they have, as well as committing to cultivate it together in a purposeful and joint aspiration. (Yohn 2021.) For this reason, the organizational culture has a significant impact on employee retention, commitment, and motivation, which all in turn influence the quality of competence within the company (Sharpe 2021).

### 3.3 The process of competence management

Competence management is neither a procedure nor a project but a continuous process. Systematic competence management is based on an idea of organizational learning, ergo the personnel's individual abilities to develop the systemic entirety in a way, which makes knowledge creation possible and desirable. (Hanhinen 2018.) According to Hyppänen (2013, 97), the process of competence management (Figure 10) has seven steps.

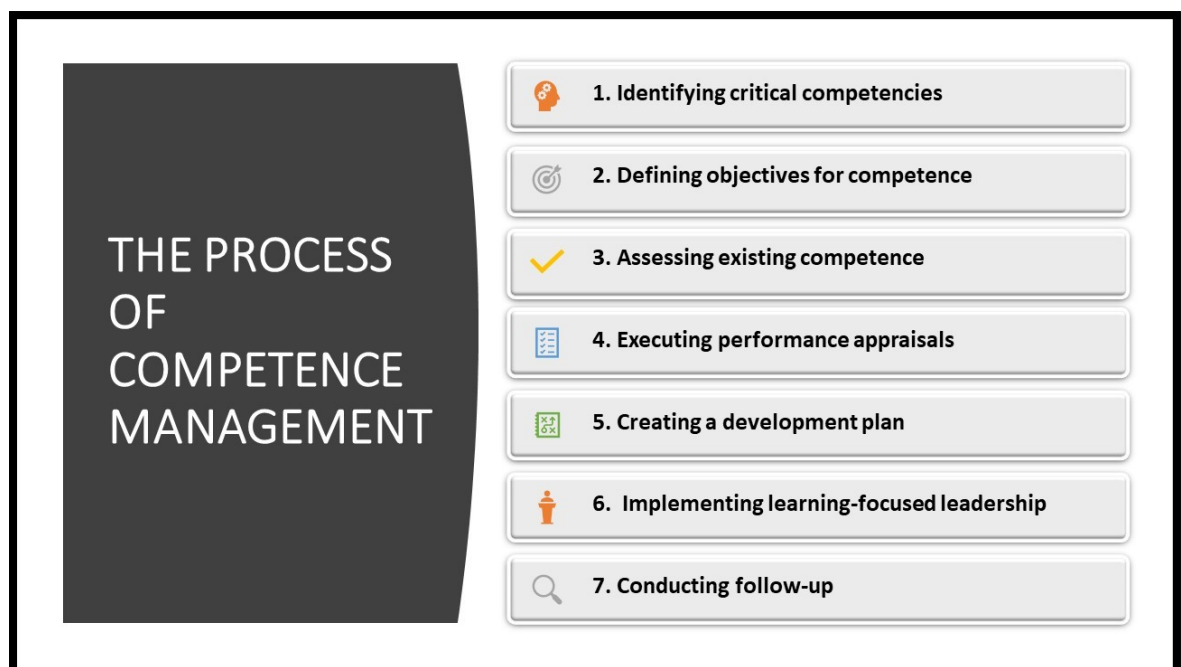


Figure 10. The process of competence management (modified from Hyppänen 2013)

**Step 1 - Identifying the critical competencies.**

Identifying the set of skills that are unquestionably necessary for the successful performance of a certain role or task within the organization. A competency model can be utilized to evaluate employee performance precisely and comprehensively, enabling the company to identify the gaps in the competencies necessary for their operations. (Brown 2019.) Critical competencies ought to be limited for two or three per competency model, and once they have been specified, the company needs to carefully recognize the primary behaviours that contribute to every critical competence defined for that certain competency model (Sanghi 2016, 144).

**Step 2 – Defining objectives for competence.**

The company needs to estimate what type of know-how they need in the future to secure the possession of their critical competencies. This ought to be done on organizational-, team-, and individual levels: what do the determined objectives for competence mean for the personnel? What does the company need to particularly invest in? (Hyppänen 2013, 97.) Categorizing work into different families enables the company to assess whether it possesses the essential abilities required in accomplishing the maximum effect as well as to pinpoint where to discover such abilities (OECD 2014).

**Step 3 – Assessing existing competence.**

The employees' skills and abilities need to be evaluated against their job requirements defined in the competency model. These assessments provide the company knowledge of their current level of competence, as well as the quality and quantity of possible gaps in their employees' skills and abilities. (Lasse 2020.) Based on the assessment results, the company can determine if they need to recruit new employees, or train and develop their existing personnel (Lestal 2021).

**Step 4 – Executing performance appraisals.**

Performance appraisals are cyclical evaluations of the personnel's work performances as gauged by the predefined expectations of competence within the organization (Valamis 2018). They produce the company's management valuable input on employees' performances at work as well as their need for training and

development. The feedback also helps the company to determine how to allocate their personnel's raises and bonuses correctly. (Van Vulpen 2019.)

#### **Step 5 – Creating a development plan.**

A development plan looks to bridge the competence gaps within the employees, and it also strives to align the personnel training with the organizational objectives along with training the workforce for essential certifications and compliance (Jaynes 2016b). The performance appraisal lays a foundation for a personal development plan. It provides a framework for employee's objectives for development, and it defines the measures and tools needed for accomplishing those objectives. (Hyppänen 2013, 97.)

#### **Step 6 – Implementing learning-focused leadership.**

Learning-focused leadership is not a style as much as an approach, where the focus is on comprehending the value of continuous learning. Learning-focused leaders trust, that learning is the gateway to one's growth and prosperity. They also believe that people's intelligence can be incremented, and by way of aspiration the employees can become smarter. That is why they search for and embrace new challenges. (Hebert-Maccaro 2019.)

#### **Step 7 – Conducting follow-up**

Implementing competence development plans tie up a significant part of the company's time and money. That is why it is crucial that the company knows how to measure and evaluate their competence and its effectiveness. (Hyppänen 2013, 101.) After the evaluation is done, the company can adjust their actions and plan for future procedures for continuous development (Viitala 2021, 114).

The process of competence management includes all the operations within the company, which furthers utilization and development of competence. It can be reviewed as maintaining and incrementing the personnel's knowledge, skills, and competence in a way which results in achieving the organizational objectives. (Viitala & Jylhä 2011, 290.)

## 4 COMPETENCE DEVELOPMENT

Competence development aims to improve the know-how of personnel, thus obtaining, developing, and renewing the organizational competence (Viitala & Jylhä 2011, 236). It is the custom of developing one or many competences in a certain way, and in a specific direction. It can be done by enhancing existing competences, or by learning something new. Competence development makes the alignment between the employees' competences and the company's strategic objectives better, and it also inspires as well as develops employee engagement within the company. (Jochem 2020.) It is a strategically important part of operation, including all the organizational procedures and methods, which enables the development of the know-how necessary for the company. The company's competitiveness relies on its employees' competences, how they are utilized, and how quickly they are capable to learn new abilities. (Viitala 2021, 102.)

Due to modern day's digital, knowledge-based economy, the energetic workforce has become more significant than ever before. This means that the companies are starting to emphasize the importance of their intangible assets, such as knowledge, brilliant leaders, and competent employees. (Brassey et al. 2019.) When the organization's objectives are to enhance the quality of its core competencies, profit, and employee retention, they need to create a competence development scheme. It enables the company to improve the skills of their existing personnel, decrease the employee frustration, and create better teams via multiple learning solutions. (Jaynes 2016b.) It is crucial for the company to comprehend, how to determine and measure their core competencies, because they have an impact in incrementing the organizational efficacy. That is why successful competence framework needs to be designed and implemented. (Alveyra 2021.) The cycle of competence development (Figure 11 on page 40) is a framework enabling the organization to contemplate, manage, and alleviate efficient and effective employee competence development. It includes a constant cycle of operation, deliberation, and learning, which can be utilized in order to (World Vision):

1. Identify the organizational strengths as well as the need for development
2. Create a plan to efficiently engage the company employees in the necessary competence development procedures

3. Support and monitor the progress of the implemented competence development plan
4. Evaluate the effect on employee behaviour and performance at work and clarify possible developmental requirements for the future

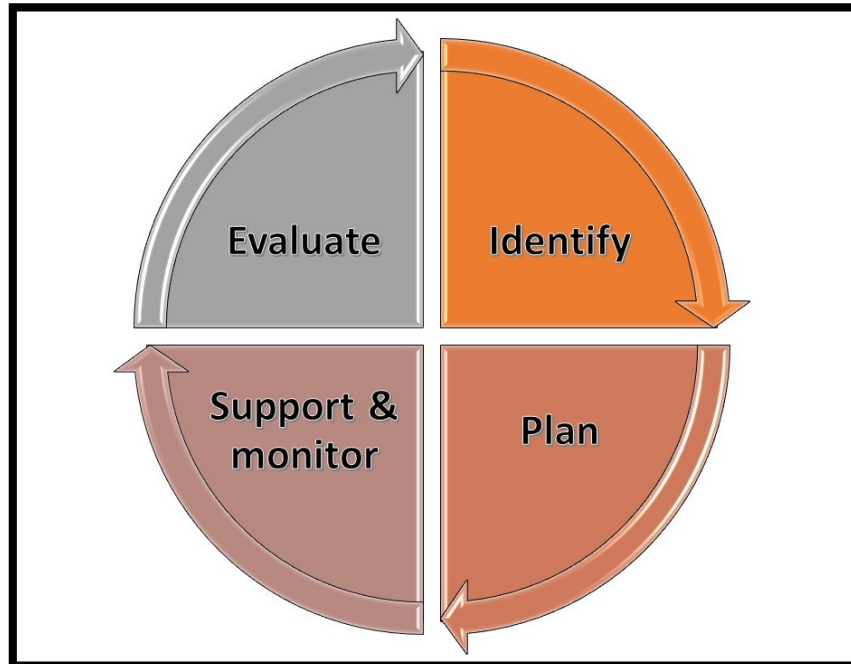


Figure 11. The competence development cycle (World Vision Guidance for Development Programmes)

Skills, competence, and experience transfer very slowly from one individual to another, as well as from one department to another within the organization. It is crucial to find new ways and programs which enable the transformation of acquired skills and competence as quickly as possible to as many employees as possible. (Lankinen et al. 2004, 34.)

#### 4.1 Skills planning for competence development

Nowadays, the demanding business environment reminds the companies that their competence management, where personnel's skills are duly capitalized in order to maximize performance, is a crucial function. Skills planning is a vital tool enabling the company to indicate their necessities for learning and development. (Bell 2019.) It determines how the company manages their skills development and their need for training within the company (Gerber 2018). Implementing a strong skills

plan provides the company with many benefits, such as (Carpenter et al. 2015, 22-23):

- Improved satisfaction rate among the personnel.
- Generate new skills, which itself increases proficiency within the personnel.
- Stronger culture for learning, which in turn increases personnel satisfaction, providing more efficient services. This is how innovation thrives.

In Finland, it is mandatory for companies to annually prepare during co-operation negotiations a personnel and training plan to uphold and develop the necessary occupational skills. *The Act on Co-operation within Undertakings* set the minimum content for this plan. (Ministry of Economic Affairs and Employment of Finland.) While making the personnel and training and development plan, the company needs to take into consideration the foreseeable changes happening within the company's operations, that may have an impact in the structure, amount, or competence of the personnel (Ammattiliitto Pro 2020).

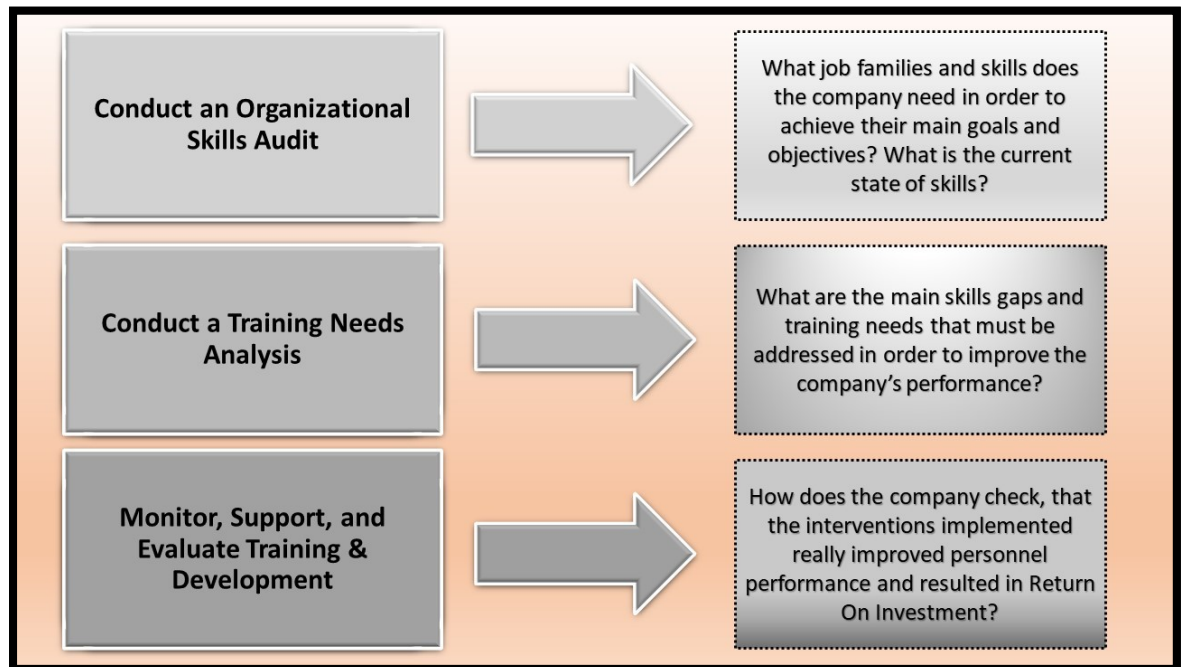


Figure 12. Interrelated skills planning processes (modified from Hattingh 2014)

There are three separate, yet interrelated processes (Figure 12) that enable the company to design employee development procedures that enhance the effects of training and development on their personnel as well as the organisational performance (Hattingh 2014, x-xi):

- The organizational skills audit
- The training needs analysis
- The monitoring, supporting, and evaluating of the training & development schemes

Even though each of the processes can be utilized on their own, the company will receive the most value, when using an integrated method which utilizes the data collected from every process in order to enhance the others (Hattingh 2014, x-xi).

#### **4.1.1 The organizational skills audit**

With modern digital interference, and continuous change in customer behaviours, the companies are in need to discover the correct balance between fostering innovation and proceeding business-as-usual. For many companies, this necessitates a transfer in the skills needed in order to succeed with the complex analytical, problem-solving and communication skills, along with the strong knowledge of technology. (Half 2017a.) Organizational skills audit is a procedure in which skills and job requirements are identified in respect of what is required now and in the future in order to attain the company's goals and objectives (Hattingh 2014, 1). It enables the company to recognize the possible knowledge gaps within their organization, which could have an impact on the growth of their employees', or their organization's long-term schemes (Half 2017a).

An efficient skills audit makes the skills planning process easier and more precise, as well as optimizing the company's investment in their competence development (Dane 2013). By estimating the level of the existing knowledge within the company on a regular basis, the company is able to develop their employees' careers, increasing their employee retention, while recognizing the skills needed by new recruits (Half 2017a). The skills audit is usually facilitated by HR, though the personnel related with skills planning might take part in it. There are multiple steps to take when conducting a Skills Audit, but it is not essential for every company to complete all of them. It is depended on what is in place and what the company wants to accomplish with the Skills Audit. The audit process is not a fixed one, so every company can customize it according to their needs. (Hattingh 2014, 2-9.)

The result of the skills audit ought to be a gap analysis, with guidelines on adequate HR management and other interferences to deal with the recognized gaps. Such interferences might contain personnel deployment, modifications to the organizational structure, strategies for employee retention and skills procurement, along with training and some other skills development procedures. This information is crucial for coordinating the staffing of the company. (Hattingh 2014, 2.) Gathering the information on the company's skills base will guide wise decisions when it comes to recruiting or establishing new teams (Half 2017a). There are several benefits for conducting a successful Skills Audit, such as:

- It provides the company beneficial insight into their present workforce.
- It enhances employee learning and development.
- It helps the company in their recruitment and strategic labour planning.
- It generates a competitive advantage.

It is extremely beneficial for the company to make sure that their personnel carry out the intrinsic qualifications of their precise job roles to attain the organization's mission and goals. This in turn will benefit the personnel in respect of the organizational growth alongside with their own as well. (Van Den Berg 2021.)

#### **4.1.2 A Training needs analysis**

Employee training is crucial to the companies. It has the ability to transform the business by providing the employees the know-how and skills they require in order to thrive at their jobs. It can render the company the edge it needs to remain ahead of its competition. (Growth Engineering 2021.) Although many companies comprehend the importance of personnel training, they tend to just "dive right in", thus skipping a vital step, which is executing a training needs analysis (Bleich). If the company wants their personnel's training to be effective, it needs to thoroughly conduct the training needs analysis. If the analysis is executed poorly, it can cause the company considerable problems due to training of the wrong people with the wrong competencies by the wrong learning procedures. (Greenberg.)

Training needs analysis is the procedure of assessing and deciding what type of training would be most useful for the company's personnel to undertake in order to fulfil the gaps in their knowledge (Lo Iacono Symonds 2021). It recognizes the company's current level of skills, knowledge, and competencies, comparing them

against the established or expected levels within the company (Bhasin 2021b). There are many benefits for the company, if the training needs analysis is conducted successfully, such as (Morrison 2019):

- It recognizes the gaps in employee competencies before they turn to problems.
- It enables the company to plan their training for the upcoming year.
- It emphasizes training, which the company might not have considered relevant.
- It guarantees, that the company's selected training is concentrating on the right issues.
- It helps the company to decide who needs to participate and in which training courses.
- It helps the company to prioritize their training needs.

When training needs analysis is done correctly, the company is capable of providing correct training, in the correct way, to the correct people. As an outcome, the company embarks driving behavior change, performance development, and authentic business impact. (Growth Engineering 2021.) The training needs analysis process needs to be executed on an annual basis, and the results ought to be utilized to plan the schemes, which need to be implemented during the next year in order to improve the personnel's skills required within the company. (Hattingh 2014, 43.) There are several techniques which can be used for gathering information for training needs analysis, such as (Lo Iacono Symonds 2021):

- Observation
- Employee feedback
- Considering the company goals, objectives, and mission statement
- External appraiser
- The utilization of Skills Matrix

When a company conducts a structured training needs analysis, they will secure that their training as well as other development objectives are concentrated on precisely recognized skills needs. The process of training needs analysis can be customized to meet every company's own needs. (Hattingh 2014, 41.) It will also enable the company to have a proactive approach instead of waiting for matters to go sideways before realizing they have problems (Morrison 2019).

### **4.1.3 Monitor, support, and evaluate training and development**

The third phase of skills planning process is the monitoring, supporting, and evaluating training and development. Evaluation and monitoring, in particular, are especially important segments in any process because they aid companies in judging and monitoring the results and outcomes by providing the management concrete information about their employees' performance improvements. (Hattingh 2014, 89.) It aids the company to stay humble to the intricacies of behavioral changes and learning of the people. It also helps in sharing what the employees have learned across the organization. (Haddock 2015, 21.) The company ought to measure the impact of the implementation of the skills planning process by using three different key performance indicators, also known as KPIs. The first indicator considers the business excellence: how tightly the learning and development initiatives and investments are aligned with the business priorities. The second key performance indicator considers the learning excellence: if the learning interventions alter employees' performance and behavior. The third KPI looks at the operational excellence: how well the company utilizes its resources and investments. (Brassey et al. 2019.)

Companies need to reserve resources and time in order to monitor and evaluate the results of their skills planning process. Otherwise, they are not able to determine, if the investments they have made for personnel's training and competence development have had any positive effect on their performances or on the company's accomplishment of its business objectives and goals. (Hattingh 2014, 108.) Monitoring, supporting, and evaluation is a continuous function for management in order to estimate, whether the company has achieved the anticipated results, as well as to recognize the possible bottlenecks concerning implementation, and to emphasize if there are any unintentional consequences from the process (Food and Agriculture Organization of the United Nations).

The management, supervisors, and team leaders must comprehend the important roles that they play in supporting their employees in applying their workplace learning. If needed, they must be educated for providing the required support in order for their employees to be able to convert their learning into enhanced job

performances. (Hattingh 2014, 108.) The most efficient organization's make investments in innovative learning and development programs, remaining agile and flexible, enabling them to develop the necessary employee competence required to master this era of digitalization (Brassey et al. 2019).

## **4.2 Approaches for competence development**

Competence development is strategically important part of the business, seeing that the company's ability to exist and compete on the market is depended on their level of competence: what type of competence they have, how it is utilized, and how quickly the employees learn new abilities (Viitala 2021, 102). Employees are the keystone of every organization. Directing and managing personnel is a crucial element in determining whether the company will succeed or fail in their business. Therefore, every organizational management should comprehend how important it is to measure their personnel's performance and ensure that their job execution follows their pre-set norms. (Abdou 2022.) Competence development is a continuous process, which includes not only learning new abilities but also unlearning matters that are no longer valid. The endless changes of these contemporary times require from people lifelong learning, whether it is formal training in guided programmes, or informal learning at work or in their leisure time. (Viitala & Jylhä 2019, 233-234.)

### **4.2.1 Linking organization's core values to competence development**

An organization's core values represent how the company does business, interacts, and works together to develop as a company as well as individuals. The objective of the core values is to line the organization's operations and stances towards external and internal stakeholders in a way enabling the company to successfully perform their business strategy and accomplish their organizational objectives. (Recticel Group 2021c.) They are profoundly embedded principles, which guide every function within the organization, practicing as their cultural backbone (Lencioni 2002). That is why they need to be defined clearly, otherwise the company will stay struggling in a continuous reactive situation, with employees having no clue on the company's purpose or course (Levin 2017). Many companies

have strong, meaningful, and concise words describing their core values, such as excellence, integrity, respect, and communication. Too often, however, they are just that, hollow words that have no bearing whatsoever to the company's daily operations. This can be destructive to the company, because empty and dishonest value statements engender dispirited and cynical personnel, debilitate the management's credibility, and eventually drive off customers. (Lencioni 2002.) Particularly important are the actions and behavior of the top management. There is no use to reinforce values which the managers are neither willing nor ready to respect in every situation. (Laamanen 2008, 72.)

Competence development is most efficient when it is adhered to the company's core values in its entirety. If the company's learning and development plans do not fit their organizational culture, the much-needed outcome will not probably be accomplished. Therefore, the organizational culture must inspire learning. (Rice 2020.) When the company's culture and values support learning and development, it typically has the following traits (Ojala 2008, 279):

- Cultivating open atmosphere and a culture of trust.
- Inspiring and energizing work.
- Agitating curiosity and supporting the desire to seek knowledge and solutions.
- Having a positive ambiance, though constructive criticism is allowed, and even desired.
- Mistakes are seen as learning opportunities and are addressed openly.
- Supporting the transference of silent knowledge.
- Enticing to go beyond the comfort zone.
- Valuing everyone's viewpoints, encouraging people to share ideas, novel solutions, and improvement suggestions, supporting innovativeness.
- Valuing diversity and different kind of opinions, therefore everyone feels respected and being heard.
- Encouraging personnel to ask questions, and to question anything.
- Emphasizing organization and community.

Company values can make the company to stand out from its competition by elucidating its identity and conducting as an assembling point for their personnel. But it necessitates real strength to contrive strong values and to hold on to them. (Lencioni 2002.) Learning and development are powerful assets in the company's arsenal for enticing key talents and enhancing the employee experience. Educational opportunities and growth are factors that the companies exploit in

order to stand out from their competition to the potential job seekers. The companies that entice top talent possess a company culture and values which embrace competence development. (Rice 2020.)

#### **4.2.2 Methods for competence development**

Learning and development at work occurs in various situations of which all do not require special arrangements or money (Viitala 2014, 153). There are multiple types of methods for developing employees' competences, and they all have distinctive style of stances, but what they all have in common is the capability to change the personnel's lives for the better (Hodgeson-Soule).

**Orientation** is meant to help the new employee to become familiar and efficient in their job as quickly as possible. In addition, the orientation helps the employee to become a member of the organization and the working community, feeling themselves welcome at their new job. (Viitala 2014, 156.) It benefits the new employee by providing them new preparedness to operate successfully in their new job (Hyppänen 2013, 127). A comprehensive orientation includes informing the employee before the employment begins, providing a warm welcome and organizational introduction, employment introduction, and job orientation (Viitala 2014, 156). Providing advice and guiding also enhances the tutor's own competence. That is why good tutors may eventually grow into excellent managers. (Hyppänen 2013, 127.) When companies invest enough time to offer a well-planned job orientation, they will receive considerable gains in their employee productivity and retention (Taylor).

**Employee performance appraisal** is a procedure where the employees are given feedback concerning their work performance (Williams 2021). It is based on a pre-set content which includes at least main themes, objectives, and a timetable, and it should be executed at least annually between the employee and their immediate manager (Viitala 2021, 104). The purpose of employee performance appraisal is to combine the daily observations of competence and development to discussions about the challenges of the future (Kupias et al, 2014, 87). The focus in the employee performance appraisal should be concentrated on the employee and

their needs. The procedure should include constructive dialogue, which will also provide the immediate manager valuable information and support for their own leadership development. (Viitala 2021, 104.) It is an evaluation occasion for mutual development, where trust is built, and the future milestones are agreed upon (Kupias et al. 2014, 87). There are many benefits to employee performance appraisals: it helps the personnel's individual growth, as they attempt to conquer their weaknesses while improving their strengths. It also helps the management in organizational planning by aiding to define the company's future objectives and goals. The employee performance appraisals also create positive impacts on the personnel's motivation by providing a sense of significance and appreciation to them. (Abdou 2021.)

**Coaching** is constant bidirectional feedback between the coach and the employee with the idea to work on areas for development and fortify the strengths in order to uphold the employee's performance improvement (Francisco 2021). It is passing the information back and forth between the coach and the trainee. The coach replies to the information concerning the trainee's needs, whereas the trainee gets help in the shape of profound questioning, active listening, or substantial guidance from their coach. (Schultz 2021.) Coaching empowers the company personnel to become the best versions of themselves (Francisco 2021). The objective of coaching is to increase the employees' quality of knowledge and competence, and to utilize all the know-how within the organization, as well as to further develop the collective competence (Lankinen et al. 2004, 83). Coaching not only improves employee performance, but it also allows the management to address the unknown. The best part of coaching is that the managers do not have to have all the answers to be efficient, they just must know how to inspire the people around them. (Schultz 2021.) Predominantly, coaching is about presenting the employees how to apply their existing knowledge into daily operations at work (McKenna & Beech 2002, 233). It offers a chance to serve as a sounding board, to manage derailing behavior, and facilitate change. Coaching enables the managers to communicate imminent changes or measures to be taken by personnel which can enhance their performances, whether it is a question of an individual, team, or the whole organization. (Evans 2020.) Coaching permits the manager to reveal the

knowledge and the strengths of the employees they lead. This, in turn, frees the managers to concentrate on the big picture, as well as prevent the act of micromanaging, providing the personnel the chance to prove their competences. (Schultz 2021.) Successful coaching empowers employees, improves their work performances, and improves employee engagement, which all in turn generates high-performing business (Root 2019).

**Mentoring** is a constructed partnership among colleagues aiming at growth and learning (Cronin 2022). It secures and expedites the transference of knowledge and competence from more experienced employees to the newer ones (Lankinen et al. 2004, 94). It is a two-way interaction established to support professional development between the mentor and the trainee. Mentoring has two functions: psychosocial intent, which includes encouragement, support, and acceptance, as well as an intent for on-the-job learning and career development. (Viitala 2021, 110.) In addition to offering support for new employees, mentoring also assists in generating an open and inviting company culture that encourages all employees to contribute their thoughts and ideas for organizational development (Half 2017b). A good mentor acts as a bridge between the employee and organizational necessities, between intrinsic and extrinsic rewards (Beheshti 2019). Mentoring is an excellent way for an employee to train for leadership and development skills, assisting them to move up the corporate ladder (Miller 2021). Mentoring also benefits the company by increasing both job satisfaction and employee retention, as well as assists in the professional and personal development of the trainee. A sustainable mentoring process is a wise initiative for lining the personnel's individual objective with that of their company's. When both of those interests are in sync, the organizational culture will thrive. (Beheshti 2019.)

**Job rotation** means transferring the employees systematically around the organization, changing positions, in order to widen their experiences (McKenna & Beech 2002, 234). It renders the employee to take pleasure and inspire in their work, enabling the company to engage their employees' and their competence to the organization (Viitala 2021, 107). It provides the personnel an opportunity to develop their skills in a diversity of altering jobs, generating both professional and

personal growth and development, as well as increment employee motivation (Heathfield 2020). Job rotation benefits the company by offering personnel exposure to various business departments, providing new standpoints on existing job roles, expedites professional development, enhances succession planning, and improves employee retention and recruiting (Half 2022). It can also enhance innovation, transference of the silent knowledge, and comprehension of the big picture (Kupias et al. 2014, 101).

**Benchmarking** is the procedure of measuring the company's processes and operations against organizations who are known to be best in their fields. It can be used against any approach, function, process, or product in business. Universal focus for benchmarking initiatives contains the measurements of customer satisfaction, cost and effectiveness, quality, and time. (Reh 2019.) Benchmarking looks for a method that already has been utilized and proven successful (Viitala 2021, 115). The benefits of benchmarking are that it provides the company ideas how to develop their technologies, approaches, and processes in order to lower their costs, increment profit, and fortify customer satisfaction and loyalty (Reh 2019).

**Training** is a procedure pertained with generating what type of training is needed within the organization, and who ought to get it. It is a way to reconcile the company's needs with their employee's career development. (McKenna & Beech 2002, 6-7.) Training is the cornerstone of a company's safety, success, and employee performance, acting as a catalyst for the personnel's competence development (Reddon 2015). It is crucial to the deployment of high-capacity labor systems, since such systems depend on the frontline personnel being capable of utilizing initiative, tend to quality changes, and solve problems (McKenna & Beech 2002, 36-37). There are many types of training the company can choose from. It can be individual or collective, internal, or external, or standard, or custom-made to meet the company's own needs. (Viitala & Jylhä 2011, 239-240.) Implementing a comprehensive and concrete training program will offer any organization with surveyed outcomes and measurable prosperity. A training program cultivates and establishes standards as well as assists in quality assertion and best business

policies. These initiatives usually reinforce the company's efficiency, productivity, and profitability. (Reddon 2015.)

**eLearning** is a form of education and learning, which uses information- and communication technology (Viitala 2021, 113). It utilizes distance method by way of computer network in providing education to learners (Shnaider 2021). Today's employees are eager to learn and develop their skills, therefore seeking employers who provide them opportunities for learning. Nowadays people want tailored content at the point of their need. (Puri 2018.) eLearning is flexible, because it allows the learners to pick and choose when, where, and how quickly they want to learn (Viitala 2021, 114). The benefits of eLearning are that it saves time, improves employee performance and productivity, is cost-effective and has a lower impact on the environment (Lawless 2018). During challenging times, like the Covid-19 pandemic, the eLearning has saved the day for many companies, not to mention employees, thereby claiming its footing as a worthy method for developing employee competence (Kapadia 2021).

### **4.3 Manager as a competence developer**

Human resources management is mainly carried out by managers. It is highly depended on their performances, how well, and to what extent the organizational values and policies are implemented. The decisions that the managers make concerning resources allocation, have enormous impact on the quality of the human resources management. (Viitala 2021, 162.) Managers lead teams and individuals, solve problems, manage tasks, generate reports, and much more (Papadopoulos 2020). An efficient manager can make the employee's work easier by offering explicit guidance, necessary training, and education opportunities, as well as suitable advice on career development. The best managers acknowledge the value of training and development, communication, and coaching on their personnel's motivation. (Kraft 2018.) They should always ensure their employees' continuous competence development, for instance by presenting them new and challenging tasks (Kupias et al. 2014, 80).

Less effective managers are usually also less organized and not so well-developed in their leadership philosophy. They are capable only of managing the company's immediate necessities, instead of embracing the opportunities to accomplish more. Under this type of management, the personnel attrition, particularly of competent and skillful employees, is inevitably high. The most competent managers comprehend the demand for continuous employee competence development and know how to prioritize it. (Kruse 2019.) Managers have to manage the company's operations in compliance with the business strategy. Their responsibility is to accomplish a leadership method, where the employees comprehend the significance of this strategy and its purpose in their own work, and act according to it. (Tuomi & Sumkin 2012, 42-43.) When the employees offer feedback to their supervisors, it enables them to customize their methods in order to help their subordinates to work more efficiently and effectively (Kraft 2018). Excellent supervisors are good communicators. They know when to speak and when to actively listen. Effective communication is all about recognizing diverse expressions, gestures, and emotions, thus being the foundation for establishing trusting and open interactive relationship. (Sydänmaanlakka 2017, 153.)

The hallmark of perceptive managers, who methodically operate to support the organizational vision, is the capability to transform mediocre employees into proficient decision-makers and highly efficient producers. This type of managers also possess company commitment and skills for personal development, both of which are necessary for future career advancement. (Kruse 2019.) Excellent supervisors are crucial to their companies. How successful they will grow, depends on the organization's creativity, and their abilities to continuously improve and learn. Those factors emphasize the significance of good managers and leadership, even more nowadays than ever before. A supportive manager is an organizational resource, helping to bring out the employees' best potential and making it flourish in a way contributing to the company's success. (Viitala & Jylhä 2019, 245.)

#### **4.3.1 Creating an atmosphere which encourages learning**

An adept working environment is a place where accountable, mature, respectful, and highly competent people work together for a common objective (McCarthy

2019). Due to contemporary digital and technical times, intellectual curiosity is on high demand within the organizations. What people know is not as relevant as what they might learn. Also knowing the correct answers is not as critical as being capable of asking the correct questions. (Chamorro-Premuzic & Bersin 2018.) When employees begin to learn new abilities, they step out of their comfort zone, which makes them more or less insecure. Learning and development consume plenty of energy, which makes it crucial that the learning environment is safe and favorable for development to occur. The managers can influence and lead the working atmosphere towards more relaxed and safe learning. (Kupias et al. 2014, 227.) This means that the employees are cultivated to critical thinking, where speaking up and challenging the management are encouraged, even though it can lead to discordance. However, this is essential if the company wants the innovativeness to thrive. (Chamorro-Premuzic & Bersin 2018.)

There are many matters, that a manager can do to influence positively on the working atmosphere. When the employees are respected and treated fairly, they thrive at their work, which in turn enhances learning and competence development (McCarthy 2019):

- Act as a role model that the subordinates can look up to
- Give recognition and reward results, as well as exemplary behavior
- Communicate clearly and comprehensively
- Be capable and willing to discipline a subordinate for conduct unbecoming
- Provide feedback and constructive advice on a regular basis
- Be receptive for feedback and constructive advice as well
- Stand up for your subordinates

A manager's responsibility is to ensure that their subordinates can perform at their jobs in the best feasible way. They need to establish and maintain circumstances that make it feasible for the personnel, both individually and collectively, to concentrate in their own jobs. (Järvinen 2020, 30.) To do that, the manager must know what type of leadership methods and management practices to use to bring out the best performances in their subordinates. Even if the working atmosphere in the organization is less than ideal, the manager can by their own actions create a motivational atmosphere for their team. The manager's aspirations to improve

their team's working atmosphere may in fact cultivate to strong organizational outcome. (Bahamon 2002, 5-6.)

Managers must have a sharp vision about how to generate motivational working environment, where people get along and take pleasure in their work. This usually happens through succeeding at one's work. When working conditions and environmental settings are in order, the personnel resources are sufficient, and the employees know what to do and how to do it, then they should feel comfortable and motivated at their work. (Järvinen 2020, 94.) After all, it is the atmosphere at work, which has the most significance in defining the personnel's attitudes. When it is positive, it can decrease the amount of conflicts, thus inspiring the employees to go beyond of what is expected. (Koontz 2018.)

#### **4.3.2 Leading by example**

In work life, there are not many issues more irritating than a hypocritical manager. The one, who says one thing, and does completely another thing, thereby making their subordinates feeling doubtful, mistrusting, suspecting, and resenting. (Newlands 2016.) If the company wishes to increment their employees' curiosity and create learning within their organization, they should practice what they preach. This means that the management cannot demand their employees anything, that they are not willing to do themselves. What leaders do and how they act, has a strong impact on their subordinates' performance and behavior. (Chamorro-Premuzic & Bersin 2018.) The sign of a good manager is in their capability to "walk the talk". In other words, they can guide their subordinates through anything with their behavior instead of their words, inspiring them to act the same. (Woolf 2021.) When a supervisor is devoted and committed to their own constant learning and development, it strengthens the organizational learning culture (Dumesnil 2019).

The difference between a strong work team and a weak one is their leader. Formidable team has an ethical manager, who leads by example, showing their subordinates how to behave, as well as how to deal with failure. In return, the subordinates reflect their manager's behavior, following them, learning from their

errors, and contributing important ideas. (Woolf, 2021.) The most excellent managers accept personal accountability for their organization's failures and know how to keep the blame and forward the credit. There are many ways to lead by example, here are a few to mention (Newlands 2016):

- Get your hands dirty alongside with your subordinates
- Take accountability
- Listen to what the team members have to say
- Acknowledge failure; even celebrate it
- Develop solutions
- Look after yourself
- Be honest
- Follow the same rules, that your subordinates are required to follow
- Create a baseline of excellence by demanding it first from yourself

For a manager to be excellent and efficient in their job, they need to possess strong values, self-belief, and self-awareness. For them to be able to successfully lead others, they need to learn first, how to lead themselves. (Vidotto). When manager has a better comprehension of dissimilar styles of working and communicating, diverse motivations, values and preferences, different models of attention tendencies, as well as other personality structures, they have it much easier to lead people in their work in relations to both oneself and to each other (Ajanko 2016, 46). The companies are beginning to comprehend more that they have the obligation to establish an organizational learning culture, which is less "control and command", encouraging the managers to become innovative, enabling all the employees to grow and develop their competences (Dalton 2010, 484).

Leading by example is the quickest way to train employees. When the manager holds themselves to the highest of standards, their subordinates will seek to obtain their acceptance by doing the very same. As a result, the employees will rise to the occasion, and fulfill the expectations of respect, integrity, and excellence, when the manager is able to provide them the same. When the organization is full of teams comprised of excellence, they are guaranteed for success. (Newlands 2016.)

## 5 RESEARCH PROCESS

Goal-oriented and methodical research is a creative process (Hirsjärvi et al. 2009, 63). It can be a cyclical (Figure 13), never-ending process, which could be joined in nearly at any stage. It enables the researcher to rethink their methods, allowing them to return to a dissimilar point of origin, and start again. The characteristics of the research cycle fluctuate, depending on the research design, and it can be utilized both in qualitative and quantitative research. The research spiral process enables the researcher to comprehend the implications of their study procedures, as regards to when the diverse fragments are phased and executed, as well as regards to what the researcher might presume of the process and their own related experiences. (Blaxter et al. 2010, 9-10.)

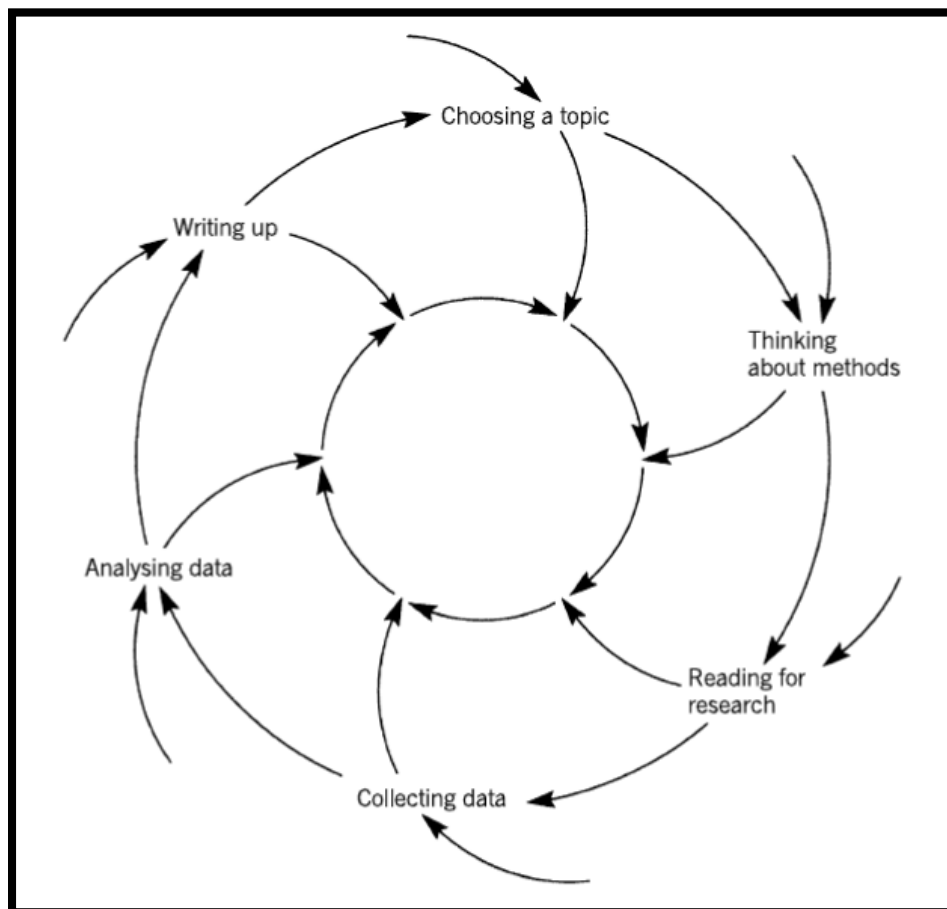


Figure 13. The research spiral (Blaxter et al. 2010)

Usually, the researcher generates a certain topic, or chooses a specific problem for their research on ground of social necessities or disciplinary, pragmatic

variables and personal aspiration (Saldaña 2011, 66). The research problem will be altered to research questions because it is easier to get answers to questions than to the research problem (Kananen 2017, 51). The collected data consists of fragments of information discovered within the environment. It can be measurable and concrete, as well as invisible and hard to measure. (Merriam & Tisdell 2016, 105.) The researcher ponders on and analyzes the information whilst collecting it. Data analysis may vary from interpretive to the conceptual to the factual and can be depictive review as well as an emergently established grounded theory, or even a vividly compiled short story. (Saldaña 2011, 90.) The analysis, interpretation and conclusions of the collected data are the core of the research. It is a crucial stage which enables to clarify the study results for the researcher. The research will not be ready after the analyzation of the results, rather than they should still be organized, explained, and clearly interpreted to the reader of the final report. (Hirsjärvi et al. 2009, 221-229.) Research can advance both practice and theory, but only if it is informed beyond the study conditions. The writing process should ponder the idiosyncrasies, peculiarities, and uniqueness of the research circumstances, thereby reflecting them also to the final report. (Merriam & Tisdell 2016, 290-291.) The research process never ends in solving the research problem, due to the fact that the study results are only partial answers and half-truths. The research does not end so much as it needs to be ended by creating a written document of the study, thereby putting an end to it. On the other hand, the study results oftentimes generate new questions and theoretical problem settings, hence turning the end of one research to a start of a new one. (Alasuutari 2011, 213.)

Qualitative research comprises of a selection of styles, genres, and elements, and may have more than one approach to a naturalistic study. The emphasis focuses on the researcher, who can portray as a human instrument, cultivating exact skills, and possessing empathetic comprehension as well as personal creativity while studying and documenting the complicated social life. (Saldaña 2011, 30.) Qualitative research aspires to understand the studied phenomenon from the target persons' points of view. This means that the research takes an interest in their experiences, thoughts, feelings, and all the meanings that people grant to the researched matter. (Puusa & Juuti 2020, 9.) It includes methods like focus group

discussions, ethnography, observations, and in-depth interviews (Wang & Park 2016, 86). The focal point of qualitative research is usually texts and words instead of numbers, making it a rigorous, creative, and intellectual craftwork. The data gathered and analyzed is generally in textual and visual form, thereby being non-quantitative information. (Hesse-Biber & Leavy 2011, 4.)

Quantitative research searches to recognize and explicate factuality like it exists. It is depicted by the utilization of numeric data, hence the name quantitative, which implies to statistics. It searches to define reasons which affect the end results by way of reductive procedure and impartiality. (Biddix 2018, 162.) Quantitative research includes methods like experimental tests, content analysis, questionnaire surveys, and other procedures that can be utilized in order to quantify data for numeric analyses (Wang & Park 2016, 86). Quantitative research is the most suitable method, when the researcher wants to get answers to questions, which begin with *how many* or *how often* some issues occur. Its objective is to explain, depict, chart, compare, or predict the issues, characteristics, experiences, or phenomena, which concerns people. (Vilkkä 2021a, 14.)

Case studies usually examine complex and long-term phenomena, making it an excellent approach to be applied in studies in which the research questions seek answers to how and why. The objective of a case study is to raise awareness of the studied case, as well as the circumstances which led to the specific results. It concentrates on researching a specific case, or a small group of cases, whereas a statistical study examines multiple units. (Laine et al. 2015, 10-11.)

The subject of competence management and development is extremely broad, and the research can easily spread out beyond control. That is why this thesis was done by using qualitative research method with a case-study approach. Also, the researcher's position as a primary tool for analysing, organizing, and interpreting the collected data, instead of being impartial researcher analysing numeric information, tilts the scale towards qualitative research method.

This research process (Figure 14) resembles the steps of the research spiral (Figure 13 on page 57), although in this case it was utilized as a straightforward process, instead of a continuous cycle. This thesis project started with idea and planning. The research topic was chosen, and the research questions were defined in collaboration with the company's HR Manager. Then it was time to choose the research method, and an approach to the study. These steps one and two of the research process have been elaborated in chapter one. After the topic and research methods were chosen and planned, it was time to search and read existing literature for gathering the literature review.

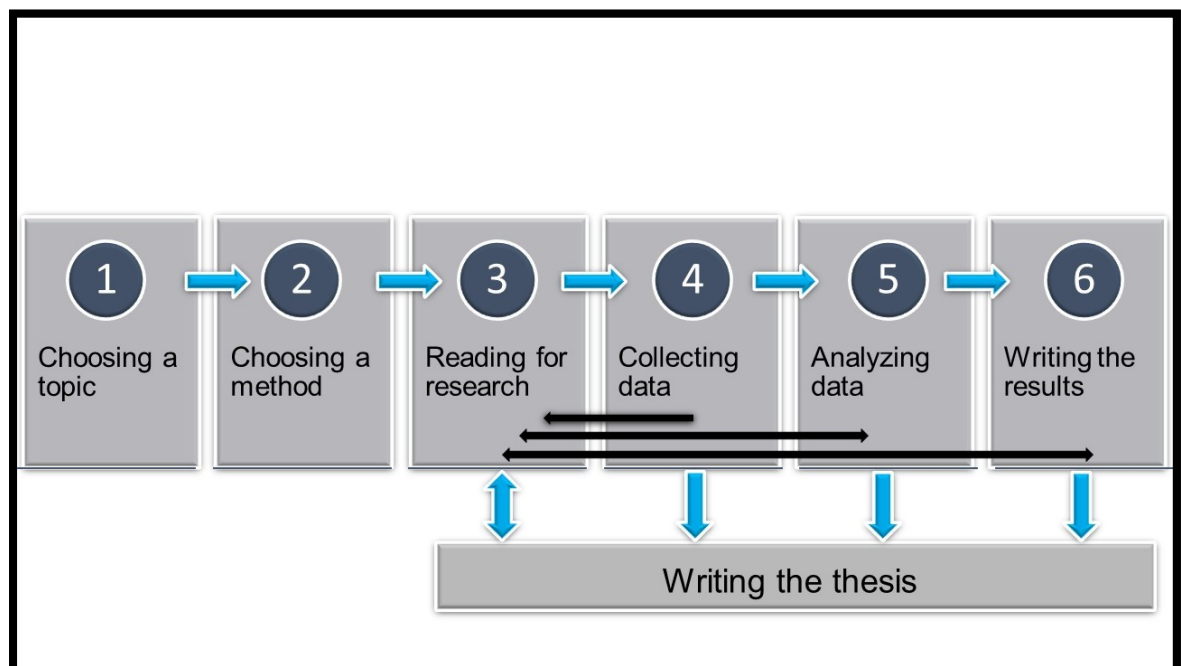


Figure 14. The steps of the research process

The theory for this research was collected by using books, e-books, articles, and different internet websites, such as blogs, journals, and other research. The writing of the thesis started while gathering the literature review, and it lasted all the way through until the writing of the conclusions, including the results and key findings. The writing was modified as the research went on, adjusting the theory according to the data collected, organized, and analyzed. The researcher went back and forth between the distinct stages, modifying and adjusting along the way, thereby every time ending up to a slightly different starting point, just like in the process of the research spiral (Figure 13 on page 57).

The research data was collected through form interviews which were analyzed, organized, and interpreted. Those steps four and five are elaborated in the following paragraphs in this chapter. The last step in this research process was writing the results, evaluating the credibility and validity of the research, as well as drawing conclusions, and reflecting potential future research and development proposals. Those matters are elaborated in chapters six and seven. Several stages of this research were performed simultaneously in parallel, moving back and forth between distinct stages, modifying the writing of the thesis accordingly as it progressed. Although this research process (Figure 14 on page 60) is based on the research spiral (Figure 13 on page 57), it is not the same. The process of research cycle is a continuous circle, where the end of one research and development project establishes a foundation to a new one. This research project was more like a streamlined process, going back and forth between different steps. This is because this research was conducted as an individual study, concentrating on the established research problem as well as finding the answers to the research questions, therefore helping the case company to deal with their specific issues at this moment in time. While this research generated suggestions for potential future research and development projects, they will be performed as independent studies, if and when they will be carried out.

## **5.1 Data collection**

Qualitative research strives to advance an in-depth comprehension of people's behaviour, attitudes, and viewpoints (Moore 2006, 150). Data collection in qualitative research can be executed via observations, interviews, and utilization of documents (Merriam & Greener 2019, 348). It should always concentrate more on the immensity of the content rather than the amount of the material (Vilkka 2021b, 104). In terms of data collection in qualitative research, the researcher is usually considered as the instrument for primary data collection. Usually, qualitative research relies on interviews with participators. The data collected through interviews is an efficient way of documenting and soliciting person's viewpoints, attitudes, values, beliefs, and feelings concerning their own experiences along with the actual data of their lives. (Saldaña 2011, 32-33.)

In structured interview, the researcher draws up the questions beforehand based on the theory. The form and order of questions are standardized, thereby presented to all of the researched people in the equivalent way. A semi-structured interview, on the other hand, is somewhat more unrestricted, which makes it feasible to uncover something that the researcher could not take into consideration when compiling the different options for the answers to their structured interview. (Puusa & Juuti 2020, 105.) Form interviews are generally used in quantitative research, but they can also be utilized in qualitative research. It contains questions essential to the objective of the research as well as to the research problem. Every question is thoroughly defined, and they are based on the research framework, researched phenomenon, and existing information. (Tuomi & Sarajärvi 2018, 64-65.) The research data for this study was collected by conducting form interviews, with a specific set of questions, which were defined in collaboration with the case company's HR Manager, and they were based on the literature review of this study. The form interview was divided into two sections: competence management (Figure 15) and competence development (Figure 16 on page 63).



Figure 15. Form interview questions about competence management

Both sections had four questions. To get precise and exact answers, the form interviews were conducted in Finnish. Due to the limitations of this study, the target

group for the form interviews were the white collars within the company. The recipients had two choices for conducting the interview. First choice was that they could fill up the form themselves and send it back to the researcher as a pdf-file. The second choice was to conduct the interview together with the researcher and fill in the question form during the interview, sending it afterwards to the researcher as a pdf-file. Due to the covid-19, these interviews were to be held via Teams.

The graphic features the title 'COMPETENCE DEVELOPMENT' in large, bold, yellow capital letters on the left side. To the right, four yellow rounded rectangular boxes contain the following questions:

1. What are the biggest obstacles concerning your own competence development?
2. What kind of methods would enhance learning at work?
3. How does your organization support their personnel's competence development?
4. How could leadership influence learning and competence development within your organization?

Figure 16. Form interview questions about competence development

The company employs twenty-four white collars, and out of those twenty-four people twenty-one answered to the form interview, making the response rate excellent at 87,5 %. The composition of those twenty-one respondents are as follows:

- Distribution by gender: eleven of them are women and ten of them are men
- Distribution by position: twelve of them are subordinates and nine of them are in a position, where they are both managers, but also subordinates.
- Distribution by supervisor: twelve of them have a domestic manager, whereas the rest nine have a foreign manager.
- Distribution by method of the form interview: five returned the question form filled by themselves, and the rest sixteen respondents wanted to conduct the interview via Teams. The duration of those interviews ranged between 60 to 100 minutes, depending on the viewpoints and work experience the respondents had, which they wanted to share.

The questions were set so, that the respondent could not answer simply yes or no to them. Some of the questions, though, could be answered shortly alongside with elaborative comments, while others could be provided with multiple answers. The received pdf-files were saved numerically, in the order they came in. So, the files are named *form interview one* all the way through to *form interview twenty-one*. No personal data was processed or handled at any stage of this research.

Overall, these form interviews provided the researcher an impression of the company's white-collar employees, with the realization of how excellently competent they are, as well as how much potential for future growth they hold within themselves.

## **5.2 Data analysis**

As the author is the primary research instrument in qualitative research, the data analysis begins alongside data collection. After the data has been collected, the data analysis continues, oftentimes from two distinct aspects. On the one hand, the researcher aspires to read through the material over and over again, searching for patterns and clues to what themes, classes, or categories the data can be clustered. On the other hand, the researcher acquires more information by reading theories and various research on the subject. (Puusa & Juuti 2020, 139.) Data analysis is a complicated process entailing plenty of going back and forth between bits and pieces of concrete information and theoretical conceptions, as well as between deductive and inductive rationalization, between depiction and rendition (Merriam & Tisdell 2016, 202). To put it simply: the objective of data analysis is to depict, interpret, and understand the researched phenomenon (Puusa & Juuti 2020, 139).

The results can be in the format of arranged descriptive reports, categories, or subjects of matter, which crosscut the collected data, or they can be in the format of theories and models, which justify the collected data. All of these formats mirror distinct analytical phases, fluctuating from processing the concrete uncomplicated depiction to higher-class abstracts in theory composition. (Merriam & Tisdale 2016, 202.) Categorizing the social function patterns is the researcher's way of grouping

the similar matters into the most suitable clusters. It is organizing the immense selection of research data in order to comprehend it better, and to find out how the categories and patterns interplay as well as interact. (Saldaña 2011, 91-92.) Analysing the collected data in qualitative research is an elaborate and demanding procedure, which requires concentration, lucid mind, and an instinctive course of action. When the researcher succeeds in their study, the results are formidable, conducting to a deep comprehension of problems and their sources. (Moore 2006, 152.)

After the form interviews were conducted and all of the question forms were returned back to the researcher, it was time to analyse and organize the data. This was done in four cycles. First, all of the files were read through in order to acquire a proper conception of what the general viewpoints of the personnel were. At the second time, the answers to each question were aggregated in their own sections, thus getting a comprehension of what the most conversational questions were, providing the most comments. At the third time, the individual answers were evaluated and interpreted, thereby enabling to organize them in appropriate categories. The fourth, and last step was to compile the analysed data, and convert them into results.

## **6 RESEARCH RESULTS**

The aim of this study was to depict the processes and models of competence management and development. The objective of this study was to find ways to exploit those processes and models to improve competence management and development within the case company. This research was carried out by conducting form interviews to the white collar-employees of the company. It provided a considerable amount of data with multiple viewpoints, which rendered insight to what the company's employees think that the functional and successful competence management and development should be made of. This chapter unveils the results of the form interviews and brings forth the most common viewpoints. It also contains the answers to the research questions as well as the evaluation of the reliability and validity of the research.

## 6.1 Competence management

The first section of the form interview focused on competence management, and it contained four questions. The respondents were to consider every question from their own point of view, reflecting their own work experiences as well as their attitudes and feelings upon the questions. They were encouraged to give more than one answer to the questions.

**The first question** of the form interview was *“What is good competence management?”* It was intentionally set in a broad form to receive several answers from multiple viewpoints. This was a good call; it provided the most comments, ninety-two altogether. Some of the respondents gave only one answer, whereas some of them listed as many as nine answers. The top three factors (Table 1) are:

1. Excellent leadership; competent manager with appropriate attitude.
2. Operational; based on successful organizational strategy, operative processes & procedures.
3. Interactive; resting upon good communication.

Question 1: What is good competence management?	The number of respondents listing this subject matter in their answers
Excellent leadership; competent manager with appropriate attitude	17 out of 21
Operational; based on successful organizational strategy, operative processes and procedures	15 out of 21
Interactive; resting upon good communication	9 out of 21

Table 1. Results' distribution for question 1 on competence management.

Most of the respondents agreed upon the fact that good competence management originates from excellent leadership. A skilled manager armed with an inquisitive and solicitous attitude will have a positive impact on their subordinates. It was brought up that the manager should trust their subordinates instead of micro-managing their every move. It was also emphasized that it is important for the manager to know their subordinates and perceive them as individuals. This enables the manager to identify their strengths and weaknesses, therefore being able to identify the gaps in their competences. This, in turn, enables the manager

to support their subordinates' individual development as well as to react to their competence needs accordingly. A good competence management originates from leading by example.

The second most brought up factor was a successfully implemented company strategy, recognizing that it is vital for the company to have a functional strategy that it can base its processes and procedures on. It was seen that good competence management is straightforward, organized, and goal oriented, relying on excellent orientation, clear and explicit work instructions, and regular training. It was also stated that good competence management is continuous, equal, and modified to each and everyone's abilities and skill's necessities. It should also be based on mapping the current competences, as well as creating a collective long-term plan. Most of the respondents also felt that it is the organization's responsibility to ensure the sufficiency of necessary resources for the personnel to stay up to date with the legislative and constitutional amendments, as well as the technical and systems' changes. When these factors are in order, it enhances, for its part, the employees' commitment to their organization.

The third factor emphasized the meaning of good, interactive, and trusting communication between the manager and their subordinates, which enables the information to flow openly and freely. It is also important that the information transfers bilaterally within different departments without any hindrance.

**The second question** was *“How are competences and the need for competence identified in your organization?”* This question was set in a way allowing the people to respond by providing an appraisal yet elaborating their answer with an explanatory comment. The results (Table 2 on page 68) were quite collective. Thirteen out of the twenty-one respondents thought that competences and the need for competence are not successfully identified within the organization. Six out of twenty-one stated that the identification has succeeded moderately well, whereas only two out of twenty-one agreed that the organization has succeeded in it very well.

Question 2: How are competences and the need for competence identified in your organization?	The number of respondents
Not well	13 out of 21
Moderately well	6 out of 21
Very well	2 out of 21

Table 2. Results' distribution for question 2 on competence management.

It was a common opinion that there are considerable differences within the leadership styles of the managers. There are managers who do not encourage training, and the company's own systems' trainings are seen very superficial, carried out with a brief orientation. Even though competences, and the lack there of, are sometimes identified, the competence management seems to fail, due to its aimlessness. It was brought up that the Group HQ sets clear outlines, where to invest, and how much. The manager then decides, what are the competence needs, and how to develop them.

It was also stated that the managers should be more active in identifying competence needs, instead of leaving it at the hands of their subordinates. Currently the managers make inquiries about what type of training their subordinates would want or need during performance reviews, but that is how far it usually goes: competence and the need for competences are addressed in performance appraisals, but they never seem to actualize into the everyday work lives. Legal trainings and systems' trainings are organized because they are compulsory, and therefore their necessity is easy to identify. The identification and planning of the necessary competence for improving operations is difficult, due to the ever-changing views of the future. Also, the lack of time makes everything harder. Most of the respondents also thought that their job descriptions need to be more explicit and clearer. They should be in line with the company's strategy, organizational structure, and the actual remits, therefore being regularly assessed and updated. This mitigates the identification of the competence gaps, enabling to recognize the potential risks, which could impair the organizational operations.

**The third question** was *“What are the biggest challenges in competence management”*. This question provided sixty-eight comments. The top four categories (Table 3) within the answers are as follows:

1. The bureaucratic matrix organization and its processes and procedures.
2. Time and resources.
3. Leadership style and the competence of a manager.
4. Communication and rewarding/employee appreciation.

Question 3: What are the biggest challenges in competence management?	The number of respondents listing this subject matter in their answers
The bureaucratic matrix organization and its processes and procedures	13 out of 21
Time and resources	12 out of 21
Leadership style and the competence of the manager	11 out of 21
Communication and rewarding/ employee appreciation	7 out of 21

Table 3. Results' distribution for question 3 on competence management.

Most of the respondents thought that the bureaucratic matrix organization is a significant obstruction, when it comes to competence management. There is too much red tape, disabling the swift decision-making, which discourages the personnel from improving themselves as well as the organizational culture. Building a proper organizational culture which encourages learning, is challenging. Insufficient company culture forms a poor foundation for competence management, which itself causes challenges, when implementing locally all the changes defined by the Group HQ. It was also brought up that there is no clear training or competence plan, and no one ensures the transference of silent information, which causes the loss of knowledge, when people retire or change jobs.

The majority of the respondents also agreed that the lack of time is a considerable challenge. Due to the cutbacks in personnel, the remaining people feel overwhelmed with their workload, which leaves no room for additional learning and training. Some of the managers are a shared resource with other factories, both

domestic and international, and the amount of responsibilities make it difficult for them to find the time to really concentrate on their subordinates' competence management and development. Continuous haste hinders them from implementing the proposals emerged during performance appraisals. All these issues make it challenging to identify the competences and the competence gaps, as well as differentiating those from the other factors required in the job.

It was also brought up that the standards of the leadership style and the competences of the managers fluctuate widely within the company. Some of the managers lead with contemporary style, which includes their subordinates in the decision making, while some are old-fashioned leaders micro-managing their subordinates every move at work. This puts the employees in an unequal position when it comes to job motivation and willingness to learn more. Most of the respondents felt that the competence management lacks sense of direction and objectives. Their job descriptions are unclear, and the information does not flow freely within the organization, not even from local management to the managers. It was also stated that due to the Group's internationality, the communications between factories and countries happen in English, which increases the risk of matters said getting lost in translation. This, in turn, may induce misunderstandings and confusion among the personnel.

**The fourth question** was *“How are the Group's values reflected upon the local competence management?”* This was also a question that allowed giving the answer as an appraisal with elaborative reasoning.

Question 4: How are the Group's values reflected upon the local competence management?	The number of respondents
Not well	17 out of 21
Moderately well	4 out of 21
Very well	0

Table 4. Results' distribution for question 4 on competence management.

The results (Table 4 on page 70) were not encouraging: seventeen out of twenty-one respondents stated that the Group's core values do not occur within the actions of the local competence management. Four out of twenty-one thought that the values appear in the competence management moderately well, whereas no one thought that they are very well reflected upon the competence management.

Most of the respondents agreed that in everyday operations the Group values remain rhetorical, as good intentions, and just posters on the wall. It seems that the implementation of the values into the daily operations have failed. Most of the respondents felt that the values should be implemented within the organization from top management down to the employees, showing how to lead by example. It unfortunately seems that the Group HQ from time to time implements organizational changes, which ignore the core values, or do not take into consideration their local impact, being unable to choose the correct operation's model for that specific local company. This can cause value conflict between the personnel and the organization, resulting in the worst case scenario the loss of competent employees. It would be desirable that before major changes, the Group HQ would familiarize themselves with the local company's circumstances, and contemplate what would be the best possible solution for given those circumstances. This requires the Group HQ to practice what they preach and start basing their decisions on the core values. The rest would eventually follow their lead.

## **6.2 Competence development**

The second section of the form interview concentrated on competence development, also containing four questions. In these also the objective was for the respondent to answer from their own viewpoint, basing their answers on their work experiences, attitudes, and feelings. In this section also, they were encouraged to list more than one answer for each question.

**The first question** was *“What are the biggest obstacles concerning your own competence development?”* This question provided fifty-two answers, resulting to the following top four categories (Table 5 on page 72):

1. The lack of time.
2. Leadership style and the attitude of a manager.
3. The lack of motivation.
4. The lack of resources.

Question 1: What are the biggest obstacles concerning your own competence development?	The number of respondents listing this subject matter in their answers
The lack of time and resources	16 out of 21
Leadership style and the attitude of the manager	8 out of 21
The lack of motivation	7 out of 21

Table 5. Results' distribution for question 1 on competence development

One factor distinctly stood out, and it was the lack of time and resources. It is impossible to successfully implement competence development plans if the employees do not have time for it. It seems that oftentimes leading means coping with the daily assignments, which leaves no time for operational development. The employees have so much work that training would need to happen on their own spare time, which does not encourage learning. Also, when it comes to resources, it seems that the systems in use are becoming outdated technology and updating both systems and equipment require investments. Also, the cooperation between different factories is minimum. Benchmarking the functional and productive processes, standardizing them in other factories, and ensuring the sharing of information, would improve competence development as well. What was also emphasized, was the leadership style and the attitude of a manager. It was clearly stated that the way manager leads has a direct effect on their subordinates' aspirations for learning and development. The competence management and development are perceived as dysfunctional. Some managers seem to have no interest in their subordinates' competence management at all. Their viewpoint does not endorse learning and development, and they will not support their subordinates' aspirations to develop themselves. The processes and procedures for daily operations will not be evolved, even if they turn out to be dysfunctional.

The third factor brought up was the lack of motivation, which originates from multiple sources. Some of the employees are content in their current position, and therefore do not have the extra passion for learning and development. But for others, the uncertainty of what needs to be developed is an issue that cut downs motivation, as well as the lack of rewarding. Employees feel that their competence development should be compensated accordingly, due to the fact that when skills and knowledge evolve, their responsibilities usually also increase.

**The second question** was *“What kind of methods would enhance learning at work?”* This question provided sixty-seven answers, resulting with the following top four categories (Table 6):

1. Ensuring the functionality of organizational processes and procedures
2. Leadership style and the attitude of the manager
3. Providing more time and resources
4. Improving motivation through appreciation and rewarding

Question 2: What kind of methods would enhance learning at work?	The number of respondents listing this subject matter in their answers
Ensuring the functionality of organizational processes and procedures	15 out of 21
Leadership style and the attitude of the manager	10 out of 21
Providing more time and resources	10 out of 21
Improving motivation through appreciation and rewarding	8 out of 21

Table 6. Results' distribution for question 2 on competence development

Most of the respondents emphasized the importance of the functional processes and procedures. It is hard to get excited about learning and development when the bureaucracy is so overwhelmingly discouraging. Thorough orientation and guidance at work should be the foundation for employee's future learning and development. The employees' job descriptions should be explicit and clear with no room for misinterpretations of what everyone's responsibilities are. It seems that standardizing the certain ways of working, updating, and organizing both

orientation and working instructions, as well as ensuring that they are correct and in the right place, would enhance and encourage learning at work.

Many of the respondents indicated their desire to get familiarized with their colleague's work. This could be achieved by job rotation and learning by doing. This way it would be easier to step up as a substitute if sudden need arises. The importance of a leadership style and the attitude of a manager was also brought up, yet again. Good and trusting interrelations between the manager and their subordinates are essential for the motivation to learn. If the manager truly knows their subordinates and is willing to listen to them and interested to hear what they have to say, their employees' motivation and well-being at work will improve. It is the manager's responsibility to ensure that their subordinates are qualified and capable at their jobs, by placing proper goals, giving responsibility, and rewarding success with positive feedback.

One of the issues also emphasized in the answers was that the employees need more time and better resources for competence development. Employees need time and peace to learn new abilities because "creative work requires empty space". It is hard to concentrate on new subjects if the environment is hectic and plenty of work still needs to be done. Also, the company needs to put in more resources to learning and development. They should organize more trainings: theme days, schooling days, and factory info, as well as increase and improve communication, allowing the information to flow freely, increasing transparency between personnel and departments. This would make it easier to identify the competence gaps, and properly react to them. Many respondents highlighted the importance of improving motivation through appreciation and rewarding. It is obvious that money is a powerful motivator. The salary increasement according to the increment of competences and responsibilities is a desired course of action, but it does not have to always be about the money. Verbal appreciation through positive feedback is also important to the employees. They desire of having a manager, who manages people instead of matters, appreciate individuals instead of treating everyone as a mass, and leads by example. Those employees, who have the burn to learn and develop themselves, will stand out from the personnel.

**The third question** was *“How does your organization support their personnel’s competence development?”* This question was set in a way allowing the answer to be given as an appraisal, with elaborative commenting. Ten out of twenty-one respondents thought that the organization has not done an excellent job in supporting their personnel’s individual competence development. Eight out of twenty-one thought that the organization has succeeded in it moderately well, and only three out of twenty-one agreed that it was done very well (Table 7).

Question 3: How does your organization support their personnel's competence development?	The number of respondents
Not well	10 out of 21
Moderately well	8 out of 21
Very well	3 out of 21

Table 7. Results’ distribution for question 3 on competence development

The common thought was that the mandatory trainings are taken care of. Other type of learning and development plans are made during performance review, but they do not advance any further. There are good intentions, but the finalizing falls through, due to the lack of time and resources. Possibilities are given, if the employee has the time and energy to contemplate on them and ask for them. Therefore, the most ambitious ones can become multi-skilled if they are willing to use their own time as well. The performance review model is implemented by the Group, being a regular process performed twice a year. The Group has readiness as regards to learning platforms, but other structural issues consume that basis, such as workloads, which leave no time for learning. The challenge seems to be living under constant change. The employees’ time are spent on putting out “fires”, ergo taking care of pressing matters. However, there is a chance that the circumstances are winding down in the future, which would provide time for planning the upcoming needs for competence and training. It was also perceived that the competence management is more or less the manager’s responsibility, generating big differences within the factory, depending on the available resources

and interest that the manager has towards it. Ultimately, it not just about the manager's attitude, rather than the local budget setting certain limitations.

**The fourth question** was *“How could leadership influence learning and competence development within your organization?”* This was a vast, existentialistic question, which was not set in a straightforward way. All of the respondents agreed that leadership plays a crucial part in the personnel's learning and competence development, influencing it either positively or negatively. So, they were asked to elaborate their answers to find out what is that leadership. It provided forty comments, resulting in following categories (Table 8):

1. Functional leadership originates from proper organisational culture, encouraging learning and competence development
2. The style of leadership impacts the personnel's motivation to learn
3. The competence and attitude of a manager impacts their subordinates' motivation to develop themselves

<b>Question 4: How could leadership influence learning and competence development within your organization?</b>	<b>The number of respondents listing this subject matter in their answers</b>
Functional leadership originates from proper organizational culture, encouraging learning and competence development	11 out of 21
The style of leadership impacts the personnel's motivation to learn	10 out of 21
The competence and attitude of a manager impacts their subordinates' motivation to develop themselves	10 out of 21

Table 8. Results' distribution for question 4 on competence development

Most of the answers emphasized the meaning of a proper organizational learning culture, where learning and development is encouraged and invested in. The organizational culture should enable and encourage learning. If necessary, the knowledge must be acquired from external resources, such as recruitment, external training, consulting, and subcontractors. However, the external knowledge will not cover the shortcomings in competence management. Many respondents also highlighted the leadership style and its effect on their motivation to learn. A good leadership ensures continuous upkeep of competence, which enables the employees to perform better at their jobs. This improves safety, decreases work-

related accidents, and increments efficiency, making the company more productive. When the workplace is perceived as agreeable and developing, it enables to upkeep the interest of the employees, both old ones and new recruits. This, in turn, will decrease the personnel turnover.

The competences need to be identified, and successful leadership supports the maintenance of competence. Diverse training matrixes and processes help to ensure that the up-to-date knowledge is collectively secured, and learning occurs regularly. If the organization does not comprehend its personnel's competences and potential, it might end up losing that competence. The employees might not always be willing to learn and develop themselves, but leadership can influence on it, and sometimes even demand it, if it is relevant for the organizational development. It was also pointed out that micro-managing really annoys people, thus diminishing their motivation to learn. In today's working environment, the participatory leadership is more desirable way to manage subordinates. Supportive and approachable manager knows how to motivate their subordinates, whereas micro-manager decreases their motivation. Employees can be led with fear, forcing them to take trainings and courses, but do people learn under distress? It was seen that a good manager is aware of what their subordinates need and knows how to encourage and guide them to learn. When interacting with their subordinates, the managers should be more of a mentor than a tyrant, trusting their subordinates and providing them leeway to do their jobs. It should be the end result, which makes the difference; not how they got there. It was also brought up that a good leadership improves working atmosphere by creating a sense of community, which advances the employee's will to give their best, motivating them to learn and develop themselves. This also advances the organizational culture. Many also indicated the importance of a competent manager with the right attitude, who knows what they are doing, motivating their subordinates in their daily work. The managers should lead by example, maintaining and improving their competences as well. It motivates the subordinates to develop themselves when they see that their manager does it also. The manager's attitude, where they heroically do everything themselves, need to be transformed into participatory leadership in which the subordinates are acknowledged and involved in decision making. The manager

should trust in their competent subordinates and delegate more since one should not hold back competent and motivated employees.

## 7 CONCLUSIONS

*“The most valuable of all capital is that invested in human beings.”*

*– Alfred Marshall, Principles of Economics, 1890*

This research studied the processes and procedures of competence management and development in order to find out how they could be utilized for the benefit of the case company. The idea for this research was generated over time, and it came to life by a collective understanding between the researcher and the HR Manager of the case company. After a few years of constant changes within the organization, it was noticed, that especially with white-collar employees, the identification of competences and the competence needs were not fully concluded or comprehended, not to mention actualized. That is why this subject was chosen, and the research limitations were set on concentrating on the white-collar employees. The actuality of the topic became more and more obvious during the research, due to the global pandemic brought by covid-19, which corroborated the fact that competent personnel is the key for companies' survival, let alone success, during trying times.

The primary data collected through the form interviews enabled to chart the employees' current perception of their situation at work, as well as to receive their opinions of how to improve that situation. Although, the key findings will be stated in this thesis, those perceptions and opinions will also be factored in, when planning the future processes and procedures concerning competence management and development within the case company. The secondary data was collected through the literary review, which was divided in three sections: competence, competence management, and competence development.

This chapter provides the end to this research by providing the answers to the research questions and stating the key findings of the primary data collected, therefore building a bridge between those findings and the literature review. This

chapter will end in suggestions of the potential future research and development proposals for the case company to contemplate on.

## **7.1 Answers to the research questions**

*How can competence management and development be improved at work?* This was the main research question. This thesis offers first-hand knowledge of what are the issues that need to be changed, as well as suggestions on how to change them, to improve competence management and development within the case company. The competences and the need for competencies must be explicitly and clearly identified. They need to be set in line with the company's strategy and values to enable the organization to develop its processes and procedures, resulting in incrementation of productivity.

The first sub-question was *How can the manager influence on employee's competence management and development?* During this research it became obvious that the manager plays a major part, when it comes to their subordinates' willingness to learn and develop themselves. Manager's way to lead, their capability to identify competences and competence gaps, their attitude towards learning and development at work, and their ability to communicate have all a bearing on the employee's motivation and commitment for learning and development. Motivated employees perform at their best level, and are usually eager to learn more, becoming more skillful. Also, if the employees are motivated and content at their jobs, they become committed to the company, and are less likely going to change jobs.

The second sub-question was *What kind of leadership methods would encourage and motivate learning and development?* The results of this thesis clearly indicated that the employees do not appreciate micro-managing leader who wants to control every step of their subordinates' tasks. What the employees want is a manager who leads by example, trusting their subordinates to do their jobs, and giving them the necessary time and space to do it. Competent managers who know what they are doing, and are interested in knowing their subordinates well, make an excellent leader for them to follow.

The third and final sub-question was *How can the organization's core values be utilized in their competence management?* This study showed that the Group, let alone its Finnish subsidiary, has not succeeded in implementing the core values into the daily competence management. For that to happen, the company needs to utilize its values when modifying their processes and procedures. It all starts with decision making, and the employees think that the decisions should be made based on those values.

This thesis, and its research provided the case company considerable amount of usable data that they can exploit in the future, when creating new processes and procedures, or when revising their old ones. Shining a light is the first step to influencing change.

## **7.2 The key findings**

We are moving towards a future where the companies that will stand out from their competition are those who know how to successfully utilize competence management and development in their operations. That is why competence management and development need to be based on the company's strategy and values and should not be subjected for any compromises. When the processes are successfully implemented, and they align with the company's strategy, vision, mission, and values, it provides the employees a solid base to lean on, when conducting their working assignments.

This study brought up many issues within the case company's competence management and development, but they all seem to originate from the existing organizational structure, culture, and strategies. It seems that the organizational matrix structure is hierarchical, which is nowadays old-fashioned and out-dated. The organizational culture in its current form does not encourage learning and competence development. Although the organizational processes and procedures have been somewhat defined, they are too bureaucratic taking up too much of time. The complex bureaucracy and the cutbacks within the personnel ensure that there is not enough time for learning and development. Also, the processes and job descriptions are not explicit and clear, which leaves room for interpretation. This

generates uncertainty about how matters should be done, which in turn effects employee motivation and well-being at work.

The leadership style and the attitude of a manager are issues, that clearly effect on employee motivation. People appreciate a leader who encourages thinking and ensures the bidirectional free flow of information. The employees want a competent leader who knows how to give constructive feedback, and more importantly, how to receive it, without getting personal. It is just as important that the managers continuously learn and develop themselves as it is for the rest of the employees. When a manager leads by example, their subordinates will follow. Also, a manager who takes input from their subordinates, thereby including them in the decision making about their work, is highly appreciated. Who knows better about a job, than the employee who does it? A manager who understands that, and can communicate it, will have motivated subordinates. During this study, it became clear that there is a quite a bit of fluctuation in the standards within the managers. Some of them are excellent communicators, trusting their subordinates, and leading by example, while some of them tend to be micro-managers, watching their subordinates' every step, whereas the rest of them remain somewhere in between. The management standards need to be unified, because currently they place subordinates in an unequal position. The managers should learn to lead in an equivalent way, in order for their subordinates to get equal premises to do their work.

Communication is an important part of competence management and development. It is crucial that information flows freely, and it is shared openly. The transference of silent information must be ensured, to avoid the loss of knowledge in case of retirement, long-term sick leave, or employee changing jobs. Open and honest dialogue between manager and their subordinate will improve the working atmosphere and strengthen the employee's commitment, thus incrementing motivation and well-being at work. Proper rewarding system is also a considerable way to improve competence development. Monetary incentives are a sure way to add willingness and motivation to learn. A salary increase, which is linked accordingly to the employee's competence development, and possible promotion,

is a strong incentive for learning. While the rewarding does not have to be always monetary; many times, positive verbal feedback from a manager is all that it takes to keep the employee motivated and content in their job.

### **7.3 The reliability and validity of the research**

The reliability of the research can be summarized within three conceptions, which are credibility, trustworthiness, and ethicality. They are intertwined, so if one of them is even remotely questionable, the foundation of the research will crumble. (Puusa & Juuti, 2020, 167.) Credibility is pertinent to the validity of the research results and findings (Seale et al. 2004, 377). The reliability of the research can be improved by explicitly describing the execution of the research (Hirsjärvi et al. 2009, 232). When reflecting on the validity of the research and its results, the researcher needs to place their interpretation of the analysed data against competitive data arguments, in order to find out how the researcher's key findings measure up to those of the competitor's. (Hesse-Biber & Leavy 2011, 318).

The data collection and analysis as well as the interpretation and organizing of the results were described explicitly and clearly. The literature review was written as a base for the form interview questions, which were defined in collaboration with the HR Manager within case company. The number of white-collar employees taking part in the form interviews were high, with the participation per cent being 87,5%. This ensured the quality and diversity of the data, providing answers from both managers and subordinates with multiple viewpoints, though the same issues reoccurred on a regular basis. This itself proves, that the amount of collected data is sufficient enough to provide reliable results. Also, the data collected from those interviews was processed four times, thus making it easier to harmonize the results. It was also reflected against the gathered theory base, discovering the findings complementing each other. In addition to that, the Group organized simultaneously a survey concerning managerial work, competences, and overall well-being at work, and although those results cannot be published, they provided equivalent results as this research.

#### 7.4 Potential future research and development proposals

Organizations need to embrace change in order to thrive in contemporary global markets. They have to be willing to engage in continuous improvement, and they have to be able to foresee the changes within their field and be proactive about it. This is where competence management comes in. Intelligent organization comprehends the importance of knowledge, and knows how to utilize it, transforming it to competence. During this research, it became obvious that there are many issues within the company, which require developing. The bureaucratic matrix organization discourages learning instead of encouraging it. The problem is, though, that it will be nearly impossible to change the local organizational culture, due to the fact that the Group do not provide much of a leeway to do it. But this research states it clearly, that if there is any chance to mould it towards learning-friendly culture, then it should be done. This would make an excellent topic for future research. It would certainly be beneficial to study about ***what kind of organizational structure is the best for supporting competence management within industrial business environment.***

As this research has indicated, the continuous changes within the Group have caused turmoil within the case company, mainly due to unsuccessful implementation of those changes. This itself has caused loss in competence, and in order for the company to reclaim that competence, as well as to improve it, they need a functional competence development plan, which will be feasible to implement. Figure 17 on page 84 depicts a proposal for a such plan. According to the results of this research, it would be favourable for the company to bear in mind, that when creating a competence development plan, they need to base it on the organization's strategy and values, in order to implement it successfully. It is crucial, that the divergent phases of the competence development plan align with the organization's strategy and values without any contradictions. This makes it easier for the personnel to endorse and commit to the plan.

The job descriptions need to be defined clearly and explicitly, so the employees know, what their duties and responsibilities are. When everyone knows that it leaves no room for uncertainty, thereby diminishing the risk of something left

undone. After the job descriptions are established, it is time to define the competences required for performing those jobs. This can be done by utilizing the competency model.

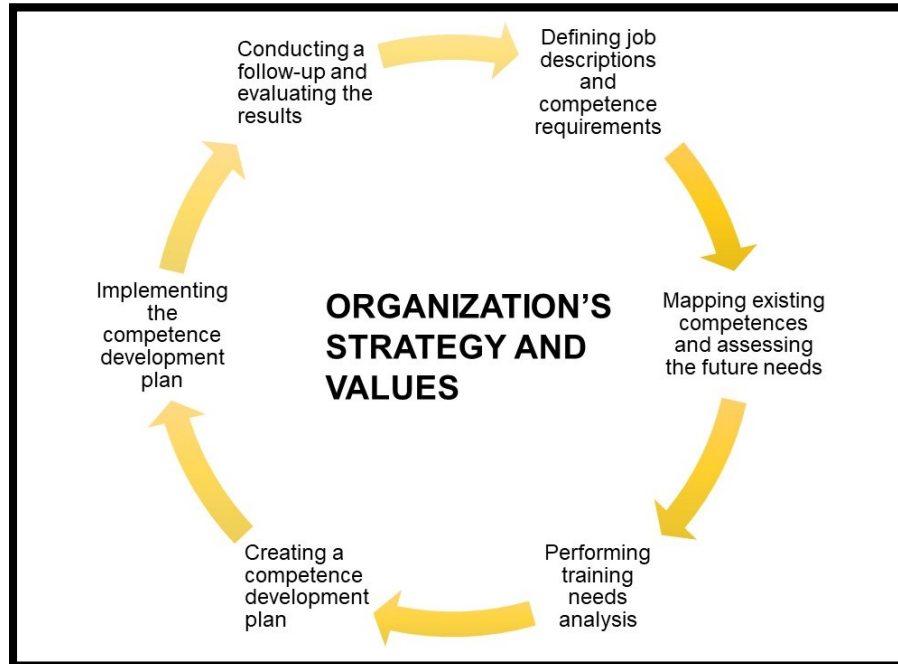


Figure 17. Proposal for competence development plan

The existing skills and knowledge of the employees need to be identified to define what kind of competence the organization already possesses. It is equally important to assess what type of competence will be needed in the future. These can be conducted by exploiting the skills audit process. When the company has defined their present competence requirements as well as their future needs, they must compare them against their existing competence to identify the gaps that need to be filled. This comparison will provide information on what training and development is required.

After the company has determined what needs to be done, it is time to create a competence development plan by choosing the appropriate trainings and learning programmes. This needs to be done bearing the financial implications in mind. There may be so many subjects in need for development that it is financially impossible to implement them all at the same time. Therefore, the company must know how to prioritize their needs for competence development and chose

accordingly. When the plan has been generated, it is time to execute it. This is the phase where the plans actualize, and the learning and development really happens. That is why it is crucial that every participant in this phase is truly onboard with the competence development plan. People are not motivated for learning, if they are forced to do it. After the training and development has been carried out, it is time to follow-up on how it went. The company needs to disseminate, and evaluate the findings of the implementation, figuring out what was successful, and what was not. This way they can adjust their competence development plan, ensuring even better results in the future. The competence development plan is a continuous cycle, which never ends. However, it needs to be adjusted whenever job descriptions or future competence needs are changing.

Successful competence management and development are continuous processes that should not only take place during employee performance reviews. It must be viewed as a long-span approach. It requires that the managers are able to perceive the future changes within the business environment, identifying the needs that must be acquired in order for the company to succeed in its business. This means that the leadership methods and procedures should be unified and updated to the modern era, and the managers should be trained in how to manage and lead people instead of matters. Because, leading by example should not be just a phrase, as much as words to live by.

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