

# Organizational Competence in Managing Transformation

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## Introduction

Research of organizational transformation has provided comprehensive knowledge how transformation process works. Knowledge of the organizational transformation process, causes, mechanisms have been developed in at least three organizational transformation paradigms - evolutionary, punctuated equilibrium, institutionalism (Besson, Rowe, 2012). Recent studies have addressed to specific modes of transformation - digital transformation (Verhoef et al., 2021), organizational culture transformation (Trushkina et al., 2020), transformation towards smart factory system (Jerman, Bach, Aleksic, 2020), IT-enabled transformation (Wessel et al., 2021). Still concern about the transformational competence lays in the logic of mind as the question who and what enable organization to reach successful result of transformation. Understanding the alignment of transformational process in the frame of the competency approach suggests that individuals and groups of persons should possess specific knowledge how to rule organization through the process of change. This paper contributes to existing discourse on organizational transformation by taking a focus on particular type of organizational competences that enables organizational transformation. By integrating research in the areas of organizational transformation and organizational competence, we analyze what are the competences that contribute to the development of organization's capability to transform. Theorizing about transformational competence of organization is based on a common approach of decomposing competence into its elements.

In this study analysis of the scientific literature was utilized to explore the concept of transformational competence and to provide the framework of transformational competence of organization. Based on synthesis of findings from the literature, dimensions of transformational competence were identified: competence of sensing opportunities in the organization's environment, competence of acquiring and exploiting knowledge, competence associated with the capability to generate viable transformational strategy, competence of change management, competence associated with the capability to coordinate activities, competence of integrating individual knowledge to the group and creating collective

sense making. Extending the studies of organizational transformation this paper proposes a conceptual underpinning that provide meaning structures to be usefully employed in constructing models for its empirical validation and application at the organizational level.

## **1. Organization's capabilities as antecedents of competence**

In this study, seeking for theoretical justification and reasonable interpretation of transformational competence, firstly the enquiry on interpretation of organizational competence was made. Strategic management theory focuses on competitive advantage and emphasize core competence of the organization as supporting this advantage. Since Prahalad, Hamel (1990) proposed notion of core competence, idea of core competence as organization's collective knowledge was also developed for the entire organization by defining the organization as a portfolio of key competences. Teece, Pisano, Shuen defined the core competences as "those competences that define a firm's fundamental business" (Teece et al., 1997, p.516). Also Dosi, Teece (1998, p.284) provided more descriptive definition of distinctive competence referring this specific competence as a set of skills, assets and routines possessed to coordinate activities in pursuit of competitive advantage. Resource based view explores organizational competence as resources possessed by organization that help to gain and utilize firm-specific competitive advantage (Santos, Eisenhardt, 2005). Some authors interpret competence as firm's ability to produce output significant in terms of competitive advantage (Eisenhardt, Martin, 2000). Relying on the insights of resource based theory, organizational competencies are portfolios of resources or assets configured to competitive advantage in market domains. As Kogut, Kulatilaka (2001) defined, a core competence is a sub-set of the capabilities of a firm. Although some authors refer to capabilities as operational or functional lower-order competencies, the concepts of capabilities and competencies are not identical (Protogerou, Caloghirou, Lioukas, 2012). As organization's capabilities refer to its potential to achieve organization's goals, and organizational competence refer to knowledge based assets integrated into products or configured to processes or routines, capabilities are exploited to create competences. Change initiatives are concerned with the reconfiguration of organization's deep structure or organization's processes, which subsequently impact on organization's core competence and performance.

## **2. Definition of organizational competence to transform**

Alignment of transformational process in the frame of strategic management approach suggests that managers should possess specific knowledge how to rule organization through the process of change. Understanding organizational transformation phenomena from the perspective of resource based view is grounded in organization's distinctive capabilities that are built or acquired in order to transform organization's strategies, systems, governance or values. Basic assumption is about competence of the individuals (executives, managers) and groups within the organization to execute transformation. As the capability of individuals and groups to perform transformation – related routines, processes and activities are exploited, the outputs of the structural transformation, strategy transformation, organization's culture transformation appear. In responding to external and internal pressures for change,

firms adopt a variety of dynamic capabilities as specific routines, including re-engineering, outsourcing, restructuring, corporate venturing, product development, alliancing, strategic decision making (Baden-Fuller, Volberda, 1997; Eisenhardt, Martin, 2000), by which organization modifies its operational capabilities (Zollo, Winter, 2002).

Based on the definition of organizational competence, organizational transformation competence is a set functional competences related to organization's capability to transform its structures, systems, strategy and values. Competences specify the sufficiency of capabilities needed to execute a specific activity in order to achieve alignment of organization's modes of existence within the internal and external environment. In order to explore substantive nature of organization's competence to transform it is useful to abstract broader composite dimensions from the specific activities that are identified as transformation outcome generating activities.

### **3. Dimensions of organizational competence to transform**

Organizational transformational competence refers to capability of organization's agents, groups and assets to provide transformation activities in creating strategies, structures systems, culture, designed to achieve transformational outcomes. Content analysis of literature was performed to link the activities with the transformation results. Based on findings from literature a list of activities was compiled and transformation related outcomes were abstracted. Based on the synthesis of findings from literature, it is possible to identify dimensions of transformational competence: competence of sensing opportunities in the organization's environment, competence of acquiring and exploiting knowledge, competence associated with the capability to generate viable transformational strategy, competence of change management, competence associated with the capability to coordinate activities, competence of integrating individual knowledge to the group and creating collective sense making. Transformational competence of organization is a firm specific unique outcome of transformation related routines and processes. Yet, while transformation competence is path-dependent of individual firm, it exhibits common functional competences.

### **Conclusions**

Proposed concept of organization's transformational competence consider theoretical perspective in line with organizational competence theory. Contributing to the literature on organizational transformation, this research develops the concept of transformational competence of organization and identifies functional competences needed for organization to transform. These insights provide a theoretical framework for empirically exploring transformational competence of organization. Future studies are needed to address empirical validation of the concept.

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