



## ARTICLE

# A contingent approach to the role of human capital and competencies on firm strategy



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**Abstract** Employees play a relevant role in firm competitiveness due to their personal competencies and the human capital they constitute for the organisation. The objective of this paper is to assess whether different strategic contexts condition the emergence of different employees competencies. Moreover, accordingly with the strategy chosen, we analyse to what extent these competencies explain the differences in terms of value and uniqueness of the human capital. A set of proposed hypotheses is tested by means of structural equation models considering a sample of manufacturing firms. Results support the finding that prospectors favour proactive and customer-oriented competencies, while defenders foment competencies much more results-oriented. We also observe that the competency of customer orientation explains the value of human capital in prospectors, whilst this human capital dimension is explained by means of results oriented competencies in defender firms. Finally, regarding the uniqueness of human capital, it is explained by proactive competencies in prospectors but we do not find any significant result for defenders.

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## Introduction

The search of factors that explain the competitive advantage of companies have revealed that individual competencies are resources that enable companies to generate

profits and maintain their competitive edge (Subramaniam and Youndt, 2005; Youndt et al., 2004). Moreover, the design and implementation of the strategic option chosen by the company conditions the different behaviours, skills and knowledge that employees bring to the company (Gupta and Govindarajan, 1984; Wright and McMahan, 1992; Jackson and Schuler, 1995; Soosay, 2005). Thus, for example, it has been shown that prospector strategies define behaviours of individuals that are different to defender strategies (Miles and Snow, 1978; Kabanoff and Brown, 2008; Song et al., 2008). Therefore, it seems logical to think that

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the company's strategy determines the competencies that its employees should have to help and support successful development.

Current literature has essentially been concerned with the analysis of relations of human resource management practices, either individually or considered as a system, together with the strategy (Marler, 2012). The relation of the strategy and personal competencies has been analysed, focusing on managerial competencies or on the ones that boost innovation (Kabanoff and Brown, 2008; Song et al., 2008), but no works have specifically dealt with the analysis of how different competencies developed by individuals in their work depend on the strategy chosen to compete.

This gap leads us to consider our first research question: Does a company's strategy condition the competencies of its staff? Is there a universalistic approach, in the sense that there are competencies that are valid for any strategic option or, on the contrary, do the competencies developed in the workplace differ according to the strategy chosen to compete? What are these competencies in each strategic context? The strategic options considered in this article, the choice of which is justified in a subsequent section, are two of those established by Miles and Snow: prospector and defender strategic options.

In general, personal competencies are defined as essential characteristics of an individual that predict an effective and/or better performance at work (Spencer and Spencer, 1993) and refer to the type of knowledge, behaviour and skills that employees have and use in their jobs.

Bearing in mind the conceptualisation of competencies and that human capital is defined as the combination of the knowledge and skills of the people working in a company (Nahapiet and Ghoshal, 1998; Subramaniam and Youndt, 2005; Lepak and Snell, 1999; Wright and McMahan, 2011), a certain element of overlap could be considered between these two concepts, when actually they are complementary concepts. The competencies define and specify the knowledge and skills required to efficiently perform the job, while the human capital considers these in a generic and global manner. That is, competencies refer to the decomposition, disintegration and realisation of human capital. Thus, while human capital has been considered as a whole, with an absolute value (Subramaniam and Youndt, 2005), or as a variable with two dimensions, value and uniqueness of knowledge (Lepak and Snell, 1999), several typologies of competencies have nevertheless been established.

Therefore, considering the different types of competencies that appear in the literature, in this article we study the competencies of innovation, adaptability, customer-orientation, results-orientation and technical expertise (Spencer and Spencer, 1993; Zingheim et al., 1996). These competencies have been considered to be those that are most linked or related to the activity of companies, and furthermore, those most required by companies (Gutierrez et al., 2012; Spencer et al., 2008).

Taking into account the inter-relations between competencies and human capital, the next question that we consider is what competencies define a company's human capital? Is it sufficient to say that it is valuable or unique? Or is it possible to identify which competencies condition and define the value and uniqueness of the company's human capital? What is a valuable competency for one company

may not be so for another, depending on its strategic option. In other words, what makes the human capital of a company valuable and unique are the individuals' competencies which adapt to the requirements of the strategy chosen to compete. Thus, the second goal of this article is to respond to the previously posed questions and to examine to what extent individual competencies influence and define the value and uniqueness of human capital, according to the company strategy.

The analyses of these relationships contribute to the literature of human resources and to the Resource Based View of the firm. This article will firstly reinforce and define the role played by individual competencies in the competitiveness of companies, since different types of competencies are proposed, depending on the strategy. Thus, it is interesting to consider that the competency based profiles of individuals will be contingent on the company strategy. A second contribution is that not only do we establish what types of competencies are promoted under a certain strategic option of the company, but also how the dimensions of human capital (value and uniqueness) are defined in different strategic contexts, depending on the competencies of individuals. Human Capital value and uniqueness are two concepts that differ in their content and in this work they are associated with the company strategy, clearly indicating what defines each of these two dimensions. In short, this paper entails a conceptual exploration and empirical contrasting of contents and relations that are not established in the literature.

To tackle our goals, this article is organised in the following manner. Following this introduction, the second and third sections comprise a literature review about strategy and individual competencies and about those competencies that explain the value and uniqueness of the company's human capital. This review helps us to propose and argue our work hypothesis. In the fourth section, the empirical analysis performed is explained, including the definition of the population studied, the sample, the measuring of our variables and the results of the study. The empirical contrasting of the hypotheses was performed by applying structural equation modelling (SEM). The article ends with the main conclusions, implications and limitations of this study.

## Relation between the company strategy and employees' competencies

A company's human resources have been highlighted as the greatest source of sustainable competitive advantage (Barney, 1991), and consequently the relation between the company strategy and the employees should be explored. Harvey and Novicevic (2005) claim that one of the challenges of the strategic human resource management is how to develop or acquire the appropriate competencies to compete in a global context, and how those competencies fit into the company, contributing to the company's competitiveness. Several studies have identified employees' competencies as the main contribution from individuals to the company's competitiveness (Spencer and Spencer, 1993; Hayton and McEvoy, 2006). The specificity and complexity of competencies turn employees' competencies into the source of competitive advantage (Hayton and McEvoy, 2006).

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