

# **THE IMPORTANCE OF COMPETENCIES IN THE LABOR MARKET**

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**Importance of Competencies in the labor market**

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## 1. INTRODUCTION

Human resource management as a field of study has gone through major changes throughout history. Long gone are the times in which people were considered machines that needed to work to the maximum of their capacities to reach organizational goals. Back then people were controlled but not managed or developed. They were the means through which profit was earned and that was all that mattered. Nowadays, people are the most important asset for enterprises. Employees are considered people and part of a team. There is an organizational culture, and many aspects have to be taken into consideration such as compensation, rewards, multiculturalism, training, work-life balance, professional development, and many others to make sure that employees feel comfortable enough to show their full potential to reach a joint outcome that results in mutual benefits for the employees and the organization and its stakeholders. As stated by Imm (2021) “Having a strong HR department backed by solid leadership is one of the best ways for a company to ensure employee satisfaction, productivity, and future growth. A satisfied staff is the foundation of a thriving company, and HR management is the cement that holds it together.” (Imm, 2021)<sup>1</sup>. Thus, human resource management has become a key department to help develop competitive advantages.

One of the aspects that human resource managers take into account and something crucial in the development of this field is the importance of competencies. The concept of competency is significantly relevant in the labor market but also in daily life. Competency is a broad concept with many definitions that depends on the topic that is being discussed or on the context, for example, we have communication competency when conveying messages, cultural competency when dealing with people from diverse backgrounds, or analytical competency when facing numeral tasks. However, the concept itself is defined by the Merriam-Webster Dictionary as “The quality or state of having sufficient knowledge, judgment, skill, or strength (as for a particular duty or in a particular respect)” (Merriam-Webster, 2022)<sup>2</sup> or by the Cambridge Dictionary as “an important Skill that is

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<sup>1</sup> Quotation extracted from the North Central College website. Link: <https://www.northcentralcollege.edu/news/2021/06/04/importance-hr-management>

<sup>2</sup> Definition taken from the Merriam-Webster dictionary. Link: <https://www.merriam-webster.com/dictionary/competence>

needed to do a job.” (Cambridge University Press, 2022)<sup>3</sup>. Thus, making it a challenging word to use and apply, but essential in organizational and personal matters.

People are constantly put in situations that test and enhance their competencies. We start building our competencies from the moment we are born into a family and develop communicative and behavioral competencies. Then when children are old enough, they start school, where they are supposed to learn from their teachers and instructors about many disciplines and fields so that they develop cognitive, analytical, and creative competencies. As children are raised and grow up, they feel inclined to concentrate on certain topics and start preparing and shaping themselves to be knowledgeable and competent in those subjects for their professional and personal lives by going to college and eventually getting professional experience in organizations where they get to work to the best of their abilities and put everything they know into practice. But of course, the learning process never stops, and they keep working on their competencies and developing a set of skills and qualifications that makes them different from everyone else. Therefore, when reaching a certain level of expertise then personal and professional realization comes along the way, which for many people is a clear goal in life.

As far as employability is concerned, competencies are essential for recruitment and selection processes. According to Jabbar et al. (2021) “Recruitment is defined as a set of activities for an organization to catch the attention of job applicants that have the abilities needed to help the organization achieve its objectives and goals.” (Jabbar, et al., 2021, p. 2). Also, as for the selection, Jabbar et al. (2021) mentioned “It is a process of evaluating and interviewing candidates for a particular job and selecting the right person for the right position” (Jabbar, et al., 2021, p. 5). Having this in mind, it is important to mention that every organization should intend to attract, retain, and develop people with adequate competencies that would satisfy the current and future needs of the enterprise so that the company can reach and meet its goals and vision. Therefore, having the most competent people working alongside them would be ideal since they are more likely to achieve great things and add value to the organization's endeavors while enriching internal processes.

Having the right set of competencies among employees is relevant since it indicates how well the organization is carrying out its talent management strategies. When these

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<sup>3</sup> Definition taken from the Cambridge Dictionary. Link:  
<https://dictionary.cambridge.org/es/diccionario/ingles/competency>

strategies are done correctly, there is a direct impact on profitability per employee and an overall increasing financial performance of the organization. When done wrong, the levels of efficiency are low, there is a lack of added value, and more staff turnover, meaning that the organization would not be able to enjoy as many benefits as it should, and it would face a negative impact on its cost structure. Therefore, the importance of competencies in the labor market goes to the extent to which an organization is able to accomplish its vision or not and whether the business is sustainable or not.

This paper aims to carry out a detailed literature review regarding the role that competencies play in organizational processes such as recruitment, selection, and daily work and to research what the impact of lacking and having professional and interpersonal competencies affect the chances of people succeeding in an organizational environment by making use of two research methods. On the one hand, a questionnaire with relevant questions on the matter, and on the other hand in-depth interviews. The structure of this paper consists of first, a literature review that ranges from the definition of the competency concept and its background to topics such as commitment, the labor market, engagement, talent management, knowledge management, and competency management and development. Second, the hypothesis and objectives, third, the materials and methods of the research study. Fourth, results and their evaluation. Fifth, conclusions and recommendations. Sixth, a summary, and finally the corresponding bibliography, annexes and appendix.

## 2. LITERATURE REVIEW

### 2.1 The labor market

A market itself is a place in which factors such as systems, social interactions, institutions, and courses of action happen hoping to exchange goods and services for money. Nowadays markets can be physical when trading something on a retail store engaging in the exchange, or virtual if we engage in this exchange using an online platform such as eBay, Amazon, and some others. Markets are essential because they allow enterprises and independent workers to access price information, boost their businesses, also to develop their communities and countries. Thus, markets contribute to the welfare of people and the prosperity of nations.

Referring to a more specific market, the labor market is a concept based on the same principles as any other market, there is a supply and a demand. In this case, the supply is composed of the workers, and the demand is represented by the organizations. Those individuals that are an active part of the labor market are those who are working or actively looking for a job in hopes to get fair compensation. In every market, something must be bought and sold, in this case, it is the labor that is being traded, in other words, the good or service in this case would be a job position. However, companies compensate and reward their skills and qualifications differently. The more skilled someone is the more productive that person is. Therefore, organizations and job applicants make agreements on wages, bonuses, overall benefits, and any other type of compensation.

Labor markets comprise some elements. First, there is a labor force who are the people who are available to work. Second, the applicant population, these are those individuals that are actively looking for a job. Here is where organizations filter people to get those whose qualifications might match the positions they are offering. Third, the applicant pool, is similar to the previous one but in the applicant pool we only see people are a number, in other words, this is the number of people that applied for a job. Lastly, the individuals selected, are the individuals that were successful in the application process and obtained the desired job position in the given organization. (Corporate Finance Institute CFI, 2022)

The processes carried out within the labor markets do not happen randomly. There is a logic behind for those efforts to be successful. As stated before, labor markets tend

to be segmented. Therefore, both enterprises and applicants must aim at the correct labor market. The applicants usually compare options and assess if the salaries being paid by organizations make sense to the market average or if those are above or below that line, also organizations must take into consideration what similar companies pay their employees for a given position. Next, applicants must also identify how the companies compensate apart from the salary with is the fixed or basic compensation, this would be called an analysis of labor market trends in which organizations also participate by adjusting their compensation system because it attracts potential applicants to apply. Finally, the applicants make up their mind and apply , and enterprises welcome them to their selection processes. (Corporate Finance Institute CFI, 2022)

The labor market, however, is segmented depending on the needs of every vacancy that is out there. For example, a company would not hire a hairdresser for a car plant. This means that there are certain competencies that potential workers should have to join a team and carry out their responsibilities properly. Therefore, there is competition for talents, those who fit the role better are supposed to be hired and start working and developing their existing competencies and of course, depending on the dynamics of the labor market, their qualifications and work will be compensated accordingly.

## 2.2 Competency concept background and definition

An American management scholar and psychologist named David McClelland originally identified a human characteristic he called "competence" in 1953. One of the papers that David McClelland wrote was titled "Testing for Competence Rather than Intelligence.", It provoked a switch in the way people in the industrial psychology field were approaching and assessing certain issues regarding people's behaviors. According to McClelland's research, while traditional academic aptitude and content assessments were effective indicators of academic performance, they were not as accurate to predict people's performance at work. The validity of IQ tests as a predictor of career success was questioned, and it was noted that the correlation between IQ test results and work successful performance was not proven to be correct. McClelland argued that the best way to predict someone's performance was to rely on some personal traits that at the time he called competencies. McClelland even

proposed a competency model in the United States of America in which he suggested an alternative test that could replace the standard intelligence test already available. At first, this model was applied in the educational field, but it got attention outside the educational institutions and some organizations opted to take into consideration his model as part of their recruitment processes.

As far as etymology is concerned, it comes from the Latin *competentia* which means “Sufficient to satisfy the wants of life” (Online Etymology Dictionary, 2022)<sup>4</sup>. It also comes from the Latin *competens* which means “ meeting together, agreement, symmetry” (Online Etymology Dictionary, 2022)<sup>5</sup> and also coming from the Latin *competere* which means “sufficiency of qualification” (Online Etymology Dictionary, 2022)<sup>6</sup>.

Even though the definition of competency has been blurry throughout history, many authors have provided interesting and insightful approaches and definitions for it. The following are some of those definitions of competency that made it possible for today’s people to have a very understanding of this complex concept. They were taken from Chouhan and Srivastava's article on Understanding Competencies and Competency Modeling in 2014 pages 15-16, and Chiang Wong's article on Competency Definitions, Development and Assessment from 2020 pages 99 and 100.

The first set of definition relate to those components of competencies such as skills, characteristics, abilities, etc. that make it possible for people to have a good job performance, therefore, benefiting the overall results of a team or a company.

Category: Job performance	
Author:	Definition:
McClelland	“A personal trait or set of habits that lead to more effective or superior job performance” (1973).
Klemp	“An underlying characteristic of a person which results in effective and/or superior performance on the job” (1980)
Hoog B	“Competencies are the characteristics of a manager that lead to the demonstration of

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<sup>4, 5, 6</sup> Definition taken from the Online Etymology Dictionary. Link: [https://www.etymonline.com/word/competency#:~:text=competency%20\(n.\),qualification%22%20is%20recorded%20from%201797.](https://www.etymonline.com/word/competency#:~:text=competency%20(n.),qualification%22%20is%20recorded%20from%201797.)

	skills and abilities, which result in effective performance within an occupational area. Competency also embodies the capacity to transfer skills and abilities from one area to another.” (1989)
Page and Wilson	“Competencies can be defined as the skills, abilities, and personal characteristics needed by a ‘successful’ or ‘superior’ manager. However, this definition emphasizes both the explicit (e.g., knowledge and skills) and implicit (e.g., personal attributes) detectable and testable competencies” (1994)
Woodall and Winstanley	“The skills, knowledge and understanding, qualities and attributes, sets of values, beliefs and attitudes which lead to an effective managerial performance in a given context, situation or role.” (1998)
Athey and Orth	“Competencies refer to a set of observable performance dimensions, including individual knowledge, skills, attitudes, and behaviors, as well as collective team, process, and organizational capabilities, that are linked to high performance, and provide the organization with sustainable competitive advantage.” (1999)

The second set of definitions take competencies as a critical point when it comes to task completion and goal accomplishments based on a previously defined job or role description within an organization.

Category: Accomplishment of tasks	
Author:	Definition:
Jacobs	“Competency is an observable skill or ability to complete a managerial task successfully” (1989)
Gilbert	“The state of being competent refers to having the ability to consistently produce the results (the worthy outcomes of behavior) that are required for the most efficient and effective achievement of the larger organizational goals.” (1996)
Dragadinis and Mentzas	“Competencies are those direct and indirect skills and behaviors that allow

	individuals to perform given tasks or assigned roles effectively.” (2006)
Chung and Lo	“Competencies are skills, knowledge, and capabilities that individuals should have possessed when completing assigned tasks or achieving the goals.” (2007)

The last set of definition take competencies as a way to delimit good and bad performance of individual, making it possible for organizations to make the corresponding and most appropriate decisions about staff and team building.

Category: Differentiation between good and bad performance	
Author:	Definition:
Spencer and Spencer	“Competencies are motives, traits, self-concepts, attitudes or values, content knowledge, or cognitive or behavioral skills – any individual characteristic that can be measured or counted reliably and that can be shown to differ significantly between superior and average performers, or between effective and ineffective performers” (1993)

The concept of competency has been present and current in the management literature ever since people have been considered the ultimate asset for organizations and its main source of competitive advantage and development. This concept comprises a combination of the following; skills “The ability to use one's knowledge effectively and readily in execution or performance” (Merriam-Webster, 2022), knowledge “The fact or condition of knowing something with familiarity gained through experience or association” (Merriam-Webster, 2022) , attitudes “A feeling or opinion about something or someone, or a way of behaving that is caused by this.” (Cambridge University Press, 2022), Behavior “ the response of an individual, group, or species to its environment” (Merriam-Webster, 2022) and personal characteristics such as traits “a distinguishing quality.” (Merriam-Webster, 2022) and motives something (such as a need or desire) that causes a person to act” (Merriam-Webster, 2022). Thus, altogether, they enable a person to accomplish goals that they set for themselves in many contexts such as personal and professional ones.

There needs to be a differentiation between competence and competency since these two terms tend to be used interchangeably. Competence is “the ability to carry out work or tasks based on skills and knowledge supported by work attitudes set the job. Competence shows certain knowledge, skills, and attitudes of a profession in certain skill characteristics” ( Sedyastuti, et al., 2020, p. 248) and competency is “things that become part of personal character and behavior in carrying out work.” ( Sedyastuti, et al., 2020, p. 250). According to Wong (2020), there are two main approaches. “The first one is person-oriented behavioral approach. This approach commonly uses the term ‘competencies’ to refer to the behaviors or personal attributes supporting an area of work and is particularly influential in the United States. The second one is a task-oriented functional approach. This approach, on the other hand, uses the term ‘competence’ more frequently for describing an area of work tasks or job outputs and is dominant in the United Kingdom (...) ‘being competent’ as achieving the job demands or roles while ‘having competencies’ as demonstrating the essential behaviors for effective work performance.” (Wong, 2020, p. 97) . Therefore, to put in simpler words, competence is one’s ability to do a task or work and competency comprises skills, knowledge, and abilities required to successfully fulfill a job position or role.

When comparing competence and competency, there are some distinctive differences. On the one hand, competencies focus on results, they describe the characteristics of the job outputs or task areas, and they comprise the numerous knowledge and abilities required to carry out the job, as each knowledge and talent is more specialized to carry out the task, they are not transferrable, they are measured by work performance, and they are task-oriented. On the other hand, a competency focuses on behaviors, it takes into account people's attributes, it comprises the fundamental qualities that enable a person to succeed at a high level at work, it is transferable, it is evaluated in terms of attitudes and behaviors, and it is people oriented.

Competencies play a key role in any type of job. However, competencies alone are not enough to be successful in a given role. “Competency and employee commitment are two of a number of factors that can affect employee performance. competencies have a positive effect in improving the performance of employees. Competency causes one to do a good job. (Martini, et al., 2018, p. 29). Along with the right competencies people must be committed to their job, they must accept and cherish the goals of the organization

and its values, and also, they must have the desire to stay in the enterprise. Thus, they will strive and actively work towards those pillars.

### 2.3 Commitment and competencies

Adding to employee commitment, it is also known as organizational commitment. According to Martini et al (2018) “Organizational commitment is a relative strength of the individual in identifying his or her involvement in the organization. Organizational commitment is an attitude that reflects employees' loyalty to an organization in which members of the organization express their concern for the organization and their continued success and progress.” (Martini, et al., 2018, p. 30). The more committed an employee, the more likely they are to stay in the organization because they feel good at what they are doing, they feel appreciated by the company, and they feel identified with some or most of the values and objectives that the enterprise stands for. That is why an organization must develop its workforce in such a way that they get to retain them. This adds more productivity and overall better results, which are reflected in the profitability and performance of the company.

Commitment is a broad concept that has more to it, according to some scholars, there are three types of commitment as far as the organizational context is concerned. First, we have affective commitment which is “the emotional side attached to an employee regarding his involvement in an organization.” (Martini, et al., 2018, p. 30). Affective commitment happens when an employee finds that their values and goals relate to the mission and vision of the organization, something that makes them feel at home. Then we have normative commitment which is “a feeling of employees about the obligation to persist in the organization.” (Martini, et al., 2018, p. 30). Normative commitment happens when there is a feeling of duty and responsibility by the employee which makes them stay at the organization. Finally, there is a continuance commitment which is “a situation where employees feel the need to stay, where they think leaving the company will be very detrimental to them.” (Martini, et al., 2018, p. 31). Continuance commitment happens when employees feel that leaving the organization would mean losing valuable things like salary, benefits, friends, comfortability, and so on. Thus, commitment plays a key role in the way employees perceive their life within an organization ranging from emotionality to responsibility and how they work productively or not adding to the development of their professional goals and the results of the enterprise itself, also when combining

competencies with commitment, organizations get to maximize the performance of both their workforce and the company.

When a worker has the correct set of competencies and commitment, then he or she is competent to execute tasks and provide added value to the organization while being satisfied with what they had to offer. Therefore, employee performance comes into play it is “the result of employee work through a management process or an organization as a whole whose work results can be shown the evidence in concrete and can be measured.” (Martini, et al., 2018, p. 30). This so-called employee performance is influenced by factors other than commitment and competencies, as well. Within organizations, people deal with humans. The performance then is influenced by internal and external factors. The internal factors might be both from within the organization and from the employees themselves. The ones coming from the organization tend to be related to lack of competencies, job satisfaction, level of attachment, the organizational culture, overall working conditions, and so on. The ones coming from the employees relate to their personal life such as mental health issues, and relationships with family, friends, and partners. As for the external factor we might encounter that the market influences how much an employee is satisfied with their current situation, also the economic, social, or political situation of a country influence people. Therefore, performance is the result of a whole combination of factors that influence people, making it fragile and worth focusing on by both enterprises and employees.

#### 2.4 Competencies in the labor market

Competencies needed in the labor market are always changing since organization needs are constantly evolving because of their external and internal environment and their stakeholders demands. Competencies that are relevant right now might be obsolete tomorrow. There is constant pressure to keep up with the market needs and put those new requirements to use. Therefore, competencies are influenced by several factors, some examples are:

- Technological development: organizations always find ways to work more efficiently and many times that include adopting information systems like programming software, basic tools like the office package, and also investing in remote job alternatives or new ways of enhancing production like cutting-edge and state-of-the-art machinery and tools. As concluded by Fenech et al

(2019) in their article about digital transformation, “Digital transformation has transformed human resource business processes and operations as all participating HR managers write about the use of human resources information systems and other technology that have greatly impacted their work as HR Managers.” (Fenech, et al., 2019, p. 8)

- Education systems: Children and young people are natural learners, and many countries are continuously changing their education systems to increase the rate of engagement of students by meeting their needs. These needs relate to their interests and likes. As Kulik et al. mentioned (2020), “It has been established that a qualitatively new mission, tasks, and content of modern education in the new conditions should be focused not only on fundamental knowledge but also on the formation of practically oriented skills and competencies.” (Kulik, et al., 2020, p. 2) Thus, enriching the competencies they should master when the time comes to be part of the labor market.
- Informal education: There are a plethora of options when it comes to learning and gaining new skills and competencies. Nowadays people have access to unlimited sources of information they can use to improve any desired competency such as language skills, analytical skills, system skills, soft skills, and so on, thus making the labor market extremely competitive since people have more equal access to plenty of tools.
- Social environment and upbringing: Something that is key in the development of soft skills is life within the core family and interactions with one’s community. As the Utah parent center emphasizes, “Both at home and school, families and other caring adults play a vital role in helping young people with and without disabilities build work skills that will help them be successful in employment. Families who are aware of the expectations of employers, understand that they are partners in helping youth prepare for and maintain employment, and use everyday activities in the home to build work skills give their youth a much better chance of succeeding in the job search and the workplace.” (Utah Parent Center, 2022) Thus, during school where there is formal education, children are taught to develop their creativity, emotional intelligence, communication skills, understanding, and respect for diversity. However, it is at home where parents play a key role in developing aspects

such as self-esteem reinforcement, self-knowledge, active listening, nonverbal communication, respect for authority, conflict handling, appearance, courteousness, responsibility, and initiative.

- Economic environment: people from poor and developing countries have less access to high-quality education. This limits the building of certain competencies that would be better developed if they had the opportunity to attend better institutions and learn from better methodologies. Therefore, these people are at a constant disadvantage when compared to those from developed countries where there is more equality and fewer social gaps.

As competencies are a major force in the labor market, they are embedded in human resource strategies. As for its definition, it can be defined as, “That part of management concerned with all the decisions, strategies, factors, principles, operations, practices, functions, activities, and methods related to the management of people as employees in any type of organization. All the dimensions related to people in their employment relationships, and all the dynamics that flow from it; and Add value to the delivery of goods and services and the quality of work life for employees, thereby helping to ensure continuous organizational success in transformative environments.” (Mahapatro, 2010, p. 3). As it manages the relationship that people have with the organization so that the ultimate goals of the enterprise can be reached, human resource managers must develop competency-based strategies to enhance the competencies of people, something that would benefit both the employee and the employer.

When people venture into the labor market, they compete based on their competencies. A competency leads to how a job might be done in the sense that it comprises the qualifications needed. From job vacancies, people get to see what has to be done but never how things should be done. That is why when there is an open vacancy, people may encounter descriptions such as “provide guidance”, “provide feedback”, “handle orders”, and “support the team”. When it is the turn of the recruitment and selection teams to find the most appropriate candidate, they focus on those competencies that might indicate that a person could carry out those responsibilities successfully. In doing so, they implement a competency mapping process, as mentioned by Mohapatro (2010), which “is a process of identifying key competencies for an organization and/or a job and incorporating those competencies throughout the various processes (i.e., job evaluation, training, recruitment)

of the organization.” (Mahapatro, 2010, p. 139). It consists of two main steps, first, job analysis, and second, taking those results to build an ideal job description. Therefore, those candidates that are more aligned with those specifications are more likely to be hired.

The whole process of choosing a candidate is, however, more complex than what was described above. Some steps in the recruitment process must be undertaken. According to the BBC, there are six basic steps for any recruitment process.

- First, identify the vacancy, this can happen in two situations. On the one hand, when someone leaves their job for any reason and there is the need to find someone new to take over and on the other hand, when a business needs more people for whatever field, in this case, new jobs are being created due to organizational growth.
- Second, carry out job analysis, “When a vacancy becomes available in an organization it is important that the tasks and skills required for the position are identified. This is known as a job analysis.” (The BBC, 2022). This is critical since sometimes there is no need to fill the position and tasks and responsibilities can be distributed. However, organizations only realize this when doing effective job analysis.
- Third, create a job description, which is a document where the following information can be found in most cases, duties, pay, location, working hours, and conditions of work. This way, candidates somehow know what they can expect if they decide to apply.
- Fourth, create a person specification, “A person specification is a document that states the skills and qualifications needed to do the job. These skills and qualities can be listed as either essential or desirable.” (The BBC, 2022).
- Fifth, Advertise the job, there are two ways of doing this, internally or externally. When it is done internally, the purpose is to fill the position with someone from within the company. If it is done externally, tools such as national press, recruitment agencies, online advertisement, and many others can be implemented to attract people from outside.
- Sixth, Send out application forms or request CVs. Application forms consist of some set of questions so that organizations can compare candidates by getting all

the information they need. And as for the CVs, some companies require some specific format for the curriculum of the candidates.

Moreover, the selection process is also complex and according to the BBC, it embodies four basic steps:

- First, collect application forms, since the CVs that are collected are full of information from all candidates, they can be used to compare skills, qualifications, experiences, and of course competencies. By doing that, only those candidates that match the desired competencies for the job will make it further.
- Second, create a shortlist, those candidates that seem to be more of a fit for the position based on the first step of the selection process should be put on a shortlist of candidates and given the opportunity to participate in the next steps. This avoids a huge amount of people participating in advanced parts of the cycle.
- Third, hold interviews / Testing, these interviews can be one-to-one, panel, or telephone ones. According to the BBC, “An interview allows the organization to ask potential candidates a series of questions. This means each candidate can be compared and the organization can assess the candidate’s appearance and personality.” (The BBC, 2022) As for testing, relate to practical assessments, these include aptitude tests, intelligence tests, psychometric tests, etc.
- Fourth, inform the successful candidate.

Once a candidate becomes part of the team, work does not stop there, people need to be managed and valued and that has to do with competencies as well. Even though people are expected to start working having previous experiences and strong competencies, the organization must develop them and monitor them, and of course, employees expect organizations to help them along the way. Therefore, effective human resource strategies regarding performance and appraisal management must be implemented.

According to Herman Aguinis (2019), “Performance management is a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning their performance with the strategic goals of the organization. so, performance

management is a key tool to transform people's talent and motivation into a strategic business advantage." (Aguinis, 2019, p. 1). Therefore, part of the strategic path to be taken must include performance management which aims at all the processes that make it possible for organizations to ensure that their mission is connected with their employee's work.

When implementing performance management, objectives are set, progress is controlled, feedback and training are given, and rewards are conferred. Everything is aligned with the organization's goals and the personal development of the employee; managers are usually in charge. True performance management is not carrying out evaluations now and then. It is constantly evaluating people using several tools so that there is useful feedback and performance development is therefore achieved. Thus, it becomes part of the employees' everyday working life.

When it comes to defining and evaluating performance, organizations must first work toward performance management. Once it is truly effective, then they can start dealing with performance appraisal. According to Kalyanamitra et al. (2012) "It is important from both the employees and employers and employees as it help employers to analyze the performance in past and enhance the satisfaction level of employees. The employers through performance appraisal can plan and adopt the planning of resources effectively while the fair performance appraisal through increasing the motivation and commitment level, help employees to make their performance better permanently." (Kalyanamitra, et al., 2020, p. 167). Therefore, by guiding the process of monitoring how well an employee does his or her job related to a given standard and thus, communicating the outcomes, this way a true competency improvement can be witnessed and proved.

Although performance management is a strategic continuous work, appraisal management is not. Normally, the human resource department is in charge. It is an operational and individualistic approach that usually takes place once a year. Appraisal management involves two main activities. On the one hand, it assesses the performance of employees. On the other hand, it helps employees develop action plans to improve for the next term, therefore, giving appraisal management a retrospective approach.

## 2.5 Talent management and competencies

Organizations that believe that competencies are key for the vacancies they make available for the labor market must develop the competencies new joiners already have when joining the company to strengthen them, and nurture them for the benefit of both the employee and the enterprise. Thus, to do that they must implement talent management strategies. Talent itself is defined as “some combination of a sharp strategic mind, leadership ability, emotional maturity, communications skills, and the ability to attract and inspire other talented people, entrepreneurial instincts, fundamental skills and the ability to deliver results.” (Ansar & Baloch, 2018, p. 177). A definition that is significantly similar to that one of competency which as stated before is a whole set of skills, knowledge, and abilities needed to fulfill a role. Talent is so broad that some say we are born with certain talents; some others manifest that talent is learned and achieved. Either way, something that is certain is that even though there might be talented people with promising competencies, these will not reach a high level of utility for an individual or an organization if they are not used, shaped, trained, and developed properly in an adequate environment, and there is when talent management comes into play to do so.

Talent management works on succession planning to enhance recruitment, selection, and retention strategies to reach effective and ongoing development efforts for people. Talent management, therefore, could be defined as an approach that “inclines to satisfy the needs for human capital and contributes to employee’s psychological satisfaction, enhanced effective commitment and organizational behavior.” (Atrizka, et al., 2020, p. 545). Also, “talent management (TM) is now considered predominant success factor for achieving competitive advantage” (Atrizka, et al., 2020, p. 545) Talent management is part of human resource management, it might be difficult to understand the difference between them, but their approach is certainly different, as mentioned by Ansar and Bolach (2018) “Talent Management (TM) relatively focuses more on the human side of the work and considers talented workers as a competitive advantage of organizations while HRM takes all of the organizational function into consideration. Talent Management (TM) aims at developing the human talent of the organization whereas HRM is more technical and uses a transactional approach.” (Ansar & Baloch, 2018, p. 180). Thus, competencies are essential when it comes to structuring and implementing talent management strategies, competencies rely on the human side of work, and they are ultimately the conduct to better performance and goals achievement.

## 2.6 Engagement and competencies

As stated above, competencies are even more useful to organizations when there is a low turnover since they can be developed and put to use to the benefit of both the employee and the enterprise. Thus, organizations should implement practices that would incentive engagement among their employees. As illustrated by Sun and Bunchapattanasakda (2019) “employee engagement starts with the personal work experience and is a typical individual decision that cannot be forced. It involves individual employees, not organizations.” (Sun & Bunchapattanasakda, 2019, p. 75). Engagement is ultimately up to each employee, if they feel like the organization, and the position they are currently at fulfill personal and external factors according to their standards then they are more likely to be engaged. Then, employment engagement comprises behaviors, emotions, and perceptions shown by each worker and possibly observed by the employers, which may lead to obtaining feedback to work on strategies and courses of action that would influence turnover rates within the enterprise.

Since engagement shows how people devote themselves to work at a cognitive and emotional level exuding commitment, loyalty, and productivity. It is important to highlight the outcomes that engagement has on organizations. Engagement enables better financial performance, customer satisfaction, a better working environment, fewer turnover costs, and benefits to stakeholders when we look at it from an organizational perspective. As far as individuals are concerned, working stability is easier to be found, personal and professional development is achieved, there is more satisfaction from work, more motivation, less hesitation to pursue innovative and creative alternatives, less likelihood to leave, positive behavior, less stress, healthy routines and so on. Thus, engagement is a booster for personal and organizational indexes.

Employment engagement can be reached in many ways depending on the current situation of an organization and its staff. However, some common strategies are put into practice to increase engagement.

- It is recommended to give employees autonomy over their responsibilities so that they feel that there is trust by the side of the organization. This increases the level of ownership they have over their duties, the level of innovation, creativity, and the development of competencies since they do not feel observed and over-controlled. As stated by Swaroop and Dixit (2018), “Employees’ satisfaction

increases because of the feeling of competence and confidence which comes with greater work autonomy and makes the work more enjoyable. An employee thus engaged is more likely to experiment at the workplace (...) When they are absorbed, dedicated, and vigorous, the relationship between work autonomy and innovative behavior is likely to be higher than when they are less engaged and there is slackness in efforts.” (Swaroop & Dixit, 2018, p. 163)

- Communication is key when pursuing employment engagement. The way organization conveys messages concerning its rules, feedback, values, goals, and objectives directly influences the perception that employees might have about the enterprise and therefore their engagement level. Part of this communication process includes the extent to which an organization shows how much they care about their staff, and how they incentive a teamwork environment and collaboration, which is key when developing and showing competencies in the workplace. As Saad mentioned (2018), “key behaviors which are found to be associated with employee engagement include effective leadership, two-way communication, high level of internal cooperation, a focus employee development, a commitment to employee wellbeing and clear, accessible human resource policies and practices to which managers at all levels were committed” (Saad, 2018, p. 744).
- Good reward programs and benefits also influence the level of engagement. This also boosts the willingness that employees might have to showcase their competencies and the way they pursue their duties. According to Sun and Bunchapattanasakda (2019), “Employees are loyal to the organization and work hard in exchange for economic benefits and social rewards, establishing the organization-employee relationship.” (Swaroop & Dixit, 2018, p. 69)

## 2.7 Knowledge management and competencies

Even though people develop competencies throughout their lives and when they get a new job, they already have a set of competencies, they can enhance or obtain new ones in their current position. Organizations might play a key role in developing those competencies by implementing knowledge management. According to Ciampi et al. (2020), “Knowledge management (KM) consists of the organizational routines and practices related to ‘handling’ knowledge from its creation or external acquisition to its

internal utilization and integration across the organizational system.” (Pellegrini, et al., 2020, p. 1446). This integration allows an enterprise to reach its goals more effectively because the knowledge and competencies created and improved are distributed among team members and put to use for organizational purposes. Knowledge management leads to better performance and more effectiveness of the business. It makes individuals more likely to generate innovation and enhance the level of competition. Thus, “knowledge-based management aims at creating information knowledge and turning this expertise into a sustainable competitive advantage so that it becomes part of business success.” (Oktari, et al., 2020, p. 2)

Developing and improving competencies through knowledge management can be achieved if organizations set knowledge goals and build a knowledge management team that knows how valuable knowledge is to the company and its staff. By doing this, there must be several follow-ups, technology investment, and constant teamwork. Training on this must be kept simple since it is not ideal to overwhelm and frustrate people while learning. There must be a pre-established content framework so that everyone is aligned with the process, and of course, people must be motivated by showing them the benefits of it all. Knowledge benchmarking is also important because organizations get to know what is trending on the market and apply this to the whole process. Knowledge management is a constant process, once knowledge is delivered, it is up to people to use it and turn it into useful competencies that can be put into practice in any working environment at any point in time.

## 2.8 Competency management and development

Apart from all the management approaches describes above, competency management and development is a field in itself. It is an efficient method that is frequently used in businesses for the selection, classification, and assessment of personnel as well as for career management, development, and performance evaluation. Most competency management and development techniques involve conducting a complete analysis of the workplace, connecting competencies to the purpose, vision, goals, and values of the business organization, looking into future employment requirements, and getting input from many stakeholders. Also, the most pertinent competencies must be determined using thorough job analysis approaches. Job analysis describes a series of organized actions intended to create abilities that set-top employees apart from average performers.

Superior organizational performance is almost always correlated with proactive job analysis which uses various data-gathering techniques, such as in-depth interviews, focus group discussions, and organized brainstorming techniques, to find possible competency information.

Some competency management and development methodologies will be explained as follows, first Parri's 12 guidelines, then, the behavioral interview technique, the job competence assessment technique, and finally the classic competency study design. There are plenty of approaches regarding competency development. That is why Wong's article about Competency Definitions, Development, and Assessment in 2020 was taken into consideration when describing some useful techniques as shown below.

Parri's 12 guidelines: It is a classic and effective approach that was the one suggested by Parry in 1996. His proposal consists of 12 guidelines that help guide the competency development process so that it would be more assertive and enriching for a given organization. These guidelines are:

1. To exclude personal traits
2. To group similar competencies under broad headings.
3. To focus on broad and generic competencies.
4. To avoid stating those that should be obtained by entry-level employees.
5. Indicate the observable and measurable behaviors.
6. To provide behavioral examples.
7. To use simple language.
8. To keep it short.
9. To carefully define each competency to avoid confusion.
10. To focus on future needs.
11. To identify desired outcomes first.
12. To define and describe levels of excellent performance.

The behavioral interview technique: It was developed by McClelland in 1998. It emphasizes identifying the traits of those who performed a job well. This strategy seeks to find out what people do at work rather than believing what they say or think about their knowledge or skills. It entails that interviews or job applicants detail particular instances that may have affected their performance in a particular employment position or role

inside a company. An in-depth description of significant episodes, including the actions, emotions, and ideas of the interviewees or job holders is produced as a result of the interviews. To create competencies, these incidents, interview transcripts, or narrative data, will be coded. For various human resource management purposes, the coded competencies can then be grouped to create new competency themes.

Job competence assessment technique: It is a technique developed by Boyatzis in 1982. It comprises five steps with their corresponding actions and expected results.

1. Identify criterion measure. Actions: Pick a reliable indicator of work performance. Collect data with managers. Expected result: data related to job performance.
2. Analyze job elements. Actions: Make a list of the characteristics that are believed to help accomplish a job well. Get managers' item ratings. Create a ranked list of qualities with weights. Examine several attribute categories. Expected results: a ranked list of characteristics that managers believe are related to effective work performance. A list of the classifications that can be used to classify these characteristics.
3. Conduct behavioral event interviews. Actions: Conduct behavioral event interviews. Code interviews for certain characteristics. Bind the coding to information gleaned from work performance. Expected results: a list of characteristics that might be used to distinguish between effective and ineffective work performance. A list of verified skills or qualities.
4. Select tests and measures. Actions: Utilize appropriate tests and assessments to evaluate the competencies established in the previous two processes as being related to work performance. Perform measurements and tests, then score them. Link scores to information on job performance. Expected results: A list of the competencies or qualities that various tests and assessments have been shown to be valid.
5. Create and test the competency model. Actions: Including the outcomes of the first three steps. Establish and record the causal links between the competencies and job performance using statistical and theoretical methods. Expected results: a completed, verified competency model.

The Classic competency study design was formulated by Spencer and Spencer back in 1993. They gathered outcomes from 286 studies that were conducted on several

organizations. When analyzing this data, they suggested a technique that comprises six steps to carry out a competency study. The steps are as follows:

1. To define the standards for effective performance. To do this, there had to be outcome measures, supervisor nominations, ratings of coworkers, and customer ratings.
2. To choose a sample: this is to identify the top and poor performers.
3. To collect data: this could be obtained by observing, interviewing, conducting tests, and rating.
4. To conduct data analysis and create the competency model: competency requirements and job tasks had to be set.
5. To verify the model: to do a second criterion sample had to be identified, then tests, interviews, ratings, and observations had to be conducted.
6. To prepare a competency model application: Selection and training processes must be implemented, and there have to be performance appraisal, professional development, and evaluation approaches.

Competency management and development vary among organizations. There is a plethora of methods and techniques out there that organizations are free to take into consideration and implement when needed. However, it is up to each organization to either choose the already available sources or develop a technique or process that would adjust and work for their specific case. There is when new knowledge is developed and where competencies reach their full potential because they get to be trained and treated more deeply and thoroughly for the benefit of both the organization and the employee.

### 3. OWN ANALYSIS

#### 3.1 Research objectives, research questions and hypotheses

##### HYPOTHESES:

H1: I assume that organizations that exploit and nurture competencies in people are more likely to meet their goals.

H2: I assume that organizations that care about employing the right people are more likely to have stronger talent management, recruitment, and selection strategies.

##### GENERAL OBJECTIVES:

A. To conduct a study to determine and evaluate the importance of competencies in the labor market so that some conclusions can be discussed, and recommendations can be given on the topic.

B. To analyze documentary evidence so that an interpretation regarding competencies in the labor market can be offered.

##### SPECIFIC OBJECTIVES:

C. To identify whether there is a need of employing people with the right competencies in organizations.

D. To analyze whether the external environment of an organization and its market rivalry influences its talent management strategies.

E. To clarify what the expectations of obtaining competent people are for people and organizations.

F. To identify what the benefits of getting the right set of competencies among employees are for both people and organizations.

#### 3.2 Study setting and location

The study carried out to analyze the hypothesis that has been proposed includes two research methods. On the one hand, a 22-question questionnaire serves as the quantitative method. On the other hand, in-depth interviews with experts consisting of ten questions were conducted as a qualitative method.

The questionnaire was distributed online in form of a google forms survey from late January to late March 2023. People were able to answer the questions online on a computer or a smartphone. A total of 161 people answered the questionnaire.

The in-depth interviews were conducted online and recorded to get their transcript for further analysis. These interviews took place from early February to early April 2023. A total of 15 people accepted to be part of the study and shared their insights. Before the interview, interviewers were told that the data collected from the interviews is going to be processed only for the purposes of the study and that it all will be treated with the corresponding confidentiality.

As for the circumstances of the study and potential distortion or bias factors we have that both research methods highly rely on the experience of people when looking for a job, when working for an organization, or when leading a team. In consequence, perceptions and people's backgrounds play a key role when answering both the questionnaire and the in-depth interviews. Therefore, some of the answers might be influenced by a certain level of subjectivity driven by feelings. However, it adds to the reflection of the reality of the labor market for both employees and employers.

### 3.3 Research methods and sample presentation

Description of the study sample:

The population of the questionnaire research study would be defined are those individuals that have had the opportunity to work for an organization and participate in the multiple dynamics it entails such as teamwork, decision-making, goal accomplishments, conflict handling, strategic planning, etc. The sample of the research is those 161 people that were asked to fill out the online questionnaire. All of them match those characteristics described for the population. Some of them are employees, or former employees while others are employers.

Regarding the in-depth interviews, the target group of fifteen people was chosen due to their extensive knowledge of workgroup dynamics, decision-making procedures, immersion in leadership environments, and the daily consideration of an analysis of competencies in the workplace and in the labor market required by their jobs. Therefore, they are considered experts for this research study.

## Description of the study methods

On the one hand, a questionnaire served as the quantitative method. It comprised twenty-two questions. Seven of those questions correspond to socio-demographic issues such as age group, gender, residence country, level of education, employment status, mother tongue, and primary occupation. The remaining questions correspond to questions that would accept or reject the hypothesis proposed. (Please see Annex 1 to detail the questionnaire.) These people have had experience as employees in many fields in organizations of many sectors which enriches the analysis of data on competencies in the labor market.

On the other hand, in-depth interviews with experts consisting of ten questions were conducted as a qualitative method. These people work in the Human Resources department, some are employers, and some are team leaders. They were selected because they have several years of experience dealing with teamwork dynamics, decision-making processes, and immersion in leadership settings and because their roles require taking into consideration an analysis of competencies in the workplace and in the labor market on a daily basis. Some of the interviews took place in person while others were conducted online. (Please see Annex 2 to detail the interview questions.)

## 3.4 Presentation of results

### Online questionnaire

As far as the socio-demographic data is concerned, the following are the results:

Of all participants, 60.9% (98 people) belong to the age group of 21-29. At this stage, most people start getting professional experience after graduating with their bachelor's degrees. 32.3% (52 people) belong to the category 30-39 and 5.6% (9 people) to the group 40-49. At this stage, people tend to have much more professional experience. Thus, a clearer vision and ventures in other parts of the labor market such as entrepreneurship and high-level management.

62.1% of all respondents were males and 36.6% were females. 2 other people identified themselves as others in the gender spectrum.

43.5% of the participants reside in Colombia and 39.1% in Hungary. The remaining resides in other countries.

59% of the participants hold a master's degree as their highest degree received. 36.6% hold a bachelor's as the highest degree.

70.8% of the participants are employed and working 40 hours or more per week. 22.4% are employed and working less than 40 hours per week. 6.8% are not currently employed.

49.1% of people speak Spanish at home. 25.5% speak Hungarian at home. 14.9% speak English at home. The remaining speak other languages.

When asked about their main occupation, the three main sectors in which people that took the survey work are banking or financial services (33.5%), education (14.3%), and health services (9.3%).

When analyzing the question of the study itself to accept or reject the hypothesis, the following was found.

Each organization has its own recruitment and selection process depending on what they believe would suit the needs of the company, its performance, and ongoing development. According to the questionnaire, 59.6 % of people believe that the main benefit for a company when hiring people with the necessary competencies for a job is to accomplish goals. (Please see Figure 1.)

What do you think is the main benefit for a company when hiring people with the necessary competencies for a job?

161 responses

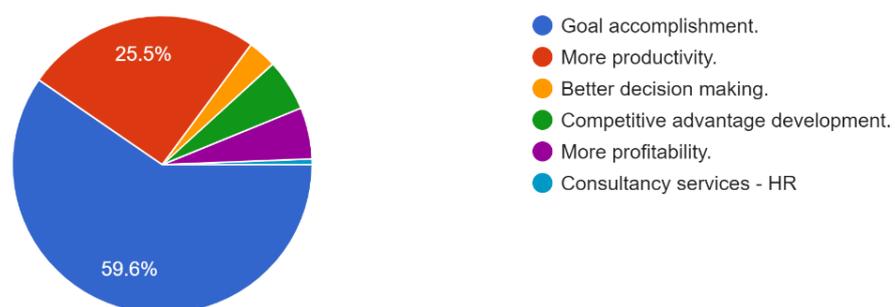


Figure1

Source: author's own research ,2023 n= 161

Based on this, it is evident that competencies are seen as drivers for achieving the milestones desired by a company. Although other factors such as decision-making, productivity, profitability, and competitive advantage were not considered as the main benefit, they are also benefits for a company when hiring people with the proper competencies and somehow related to the accomplishment of goals since they are the means to an end in an organizational setting.

When looking for a job, people embark on a process of assessment of options in the labor market, they consider many possibilities and take several factors into consideration when applying for a position. However, according to the survey, the main benefit of looking for a job that matches the competencies we possess is professional development (61.5%) (Please see Figure 2) Professional development is key when starting a new job since it enhances our skills, perceptions, abilities, and ways of responding to a given challenge. In consequence, if the new position matches our competencies, it will be easier to adapt and work. In the long run, this match would enable people to be more motivated, to develop their career plans accordingly, and to accomplish the goals set in their job.

What is the main benefit of looking for a job that matches the competencies we possess?

161 responses

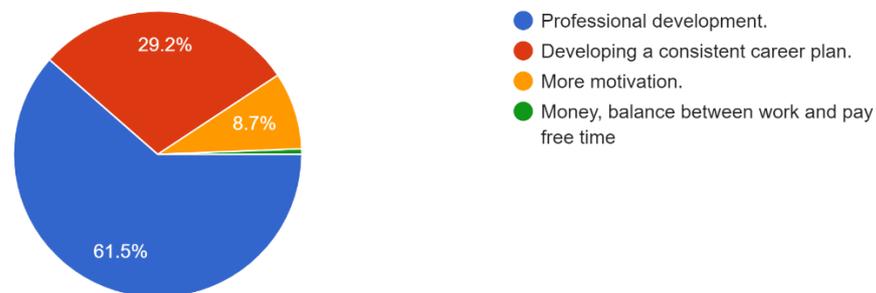


Figure 2

Source: author's own research ,2023 n= 161

Searching for a job encompasses several aspects. The decision-making process can be complex depending on each person's ambitions, goals, personal and economic situation, external factors, etc. However, when asking people what the main expectations a person has when looking for a job are, they answered that the main expectations are a good salary (91.3%) and work-life balance (72%) as Figure 3 presents. Therefore, people are

constantly looking to improve their economic situation but at the same time, they are eager to find a balance between their occupation and their life outside of work. Competencies might be positively impacted when there is a work-life balance and a good salary since they can act as motivators. If both these or any one of them is achieved, existing competencies might be strengthened, and new ones might come into play depending on the employee's context.

In your opinion, what are the main expectations a person has when looking for a job? Choose two.  
161 responses

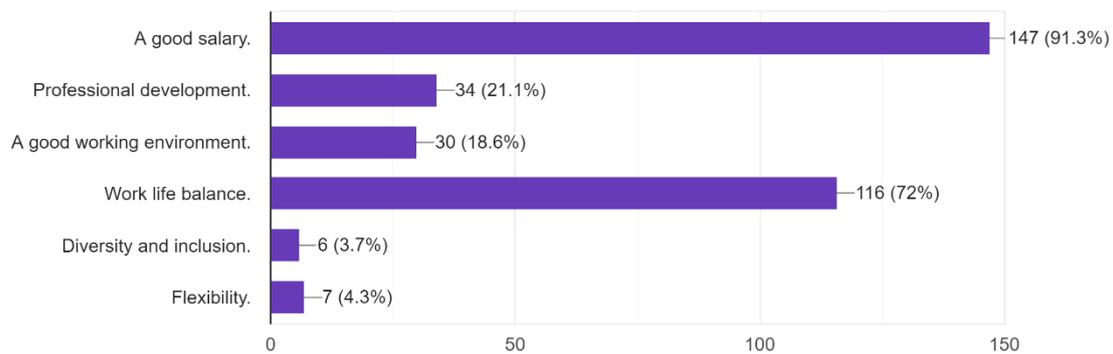


Figure 3

Source: author's own research ,2023 n= 161

Also, as part of the decision-making process of people when looking for a job we have what people perceive the case should be. That is why people were also asked about what they think should be the main expectation when looking for a job. When taking a look at the answers it can be appreciated that they varied notably. In this case, the main expectations are work-life balance (82.6%) and professional development (72.7%). In the last questions the option “A good salary” was the most selected one. However, in this case, it for the third one with (23%) as reflected by Figure 4. It is clear that monetary value has a major significance for people when looking for a job. Whether or not there is a good salary, people will get the chance to apply or improve their competencies to some extent. But if some influencing factors were not part of the decision process, then professional development would be more appreciated instead. Also, work-life balance takes a much more important role. Thus, reinforcing the idea that people wish to find that middle point between work and free time enjoyment. Competencies might be positively nurtured when there is a balance in the many aspects of a person's life. Also, they are

nurtured when professional development is the focus since it is a motivator for their ongoing improvement, acquisition of new ones, and their corresponding application.

In your opinion, what are the main expectations a person should have when looking for a job?

Choose two.

161 responses

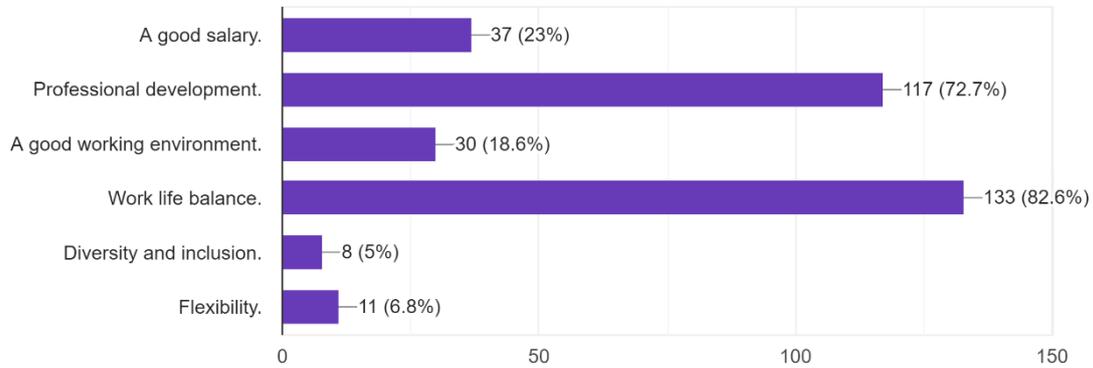


Figure 4

Source: author's own research ,2023 n= 161

It is important to highlight that flexibility, diversity and inclusion, and the working environment were not very relevant for the participants. It seems that they might have a more important role once a job position is obtained. These results might be explained by the fact that flexibility, diversity and inclusion, and working environment can only be assessed once working in a given position even though many companies do mention them in their job descriptions and company websites.

The way organizations approach strategic planning and the way they implement those strategies might depend on some external factors such as the legal environment, macroeconomic environment, demographic factors, etc. However, when talking about talent development strategies, one of the most influential factors is market rivalry. Nowadays the labor market is highly competitive since there is more access to education. Professionals are more prepared than those of previous generations and globalization has made it possible for people to apply for jobs in foreign cities and countries. Something that makes the labor market highly dynamic. Organizations that care about the people joining their endeavors must take all of this into account when pursuing a talent development strategy. That is why people were asked their opinion about how they think

market rivalry influences the talent development strategies that are adopted by the organization. as shown by Figure 5.

How do you think market rivalry influences the talent development strategies that are adopted by organizations?

161 responses

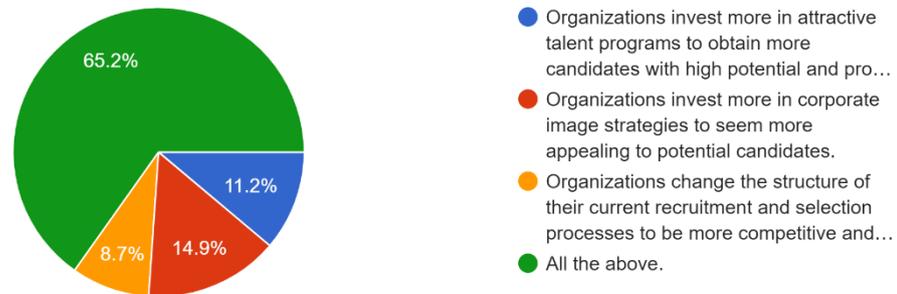


Figure 5

Source: author's own research ,2023 n= 161

As seen in Figure 5, four options were given. 65.2% of participants answered all the above. This includes the following. First, organizations invest more in attractive talent programs to obtain more candidates with high potential and proper competencies. Second, organizations invest more in corporate image strategies to seem more appealing to potential candidates. Third, organizations change the structure of their current recruitment and selection processes to be more competitive and visible in the market. The results show that there is a combination of factors in which market rivalry impacts enterprises. They go from an overall change regarding their recruitment and selection processes so that they may offer talent programs that might be more appealing to potential candidates. Thus, enhancing the corporate image they have in the market. The fact that organizations adapt to the requirements of the labor market makes them more likely to attract people with the set of competencies they desire since they keep themselves up to date with current trends in the market.

Participants were also asked about the benefits of developing talent management strategies in an organization. 50.3% of people agreed that these strategies increase employee retention. This might be due to the fact that talent management strategies focus on ways of enriching talent from within the organization. People might feel more

motivated to stay in those organizations that value talent development. Also, it is interesting to see that 37.9% of people chose organizational performance boost as the main benefit. This means that these strategies increase factors such as productivity, assertiveness, and efficiency. However, benefits such as improvement of competencies, succession planning, and provision of new competencies were not considered the main benefit for the organization as a whole. (Please see Figure 6.)

What is the main benefit of developing talent management strategies in an organization?  
161 responses

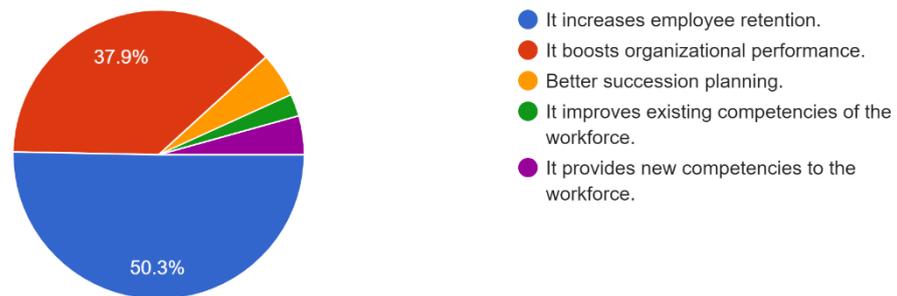


Figure 6

Source: author's own research ,2023 n= 161

Continuing with the talent development strategies line, people were asked about what they think the focus of companies when implementing talent development strategies is. As Figure 7 below illustrates, 55.3% of participants believe that the focus for these strategies is to boost performance, whereas 16.1% of people believe that it is to develop competencies of their employees. the results show that in this regard competencies do not play the main role. However, competencies are vital to boost performance since teams within a company work based on the qualifications, skills and abilities they have.

In your experience, what do companies focus on when implementing talent development strategies?  
161 responses

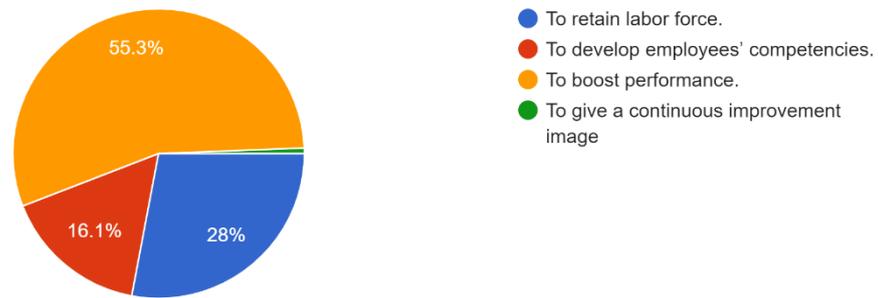


Figure 7

Source: author's own research ,2023 n= 161

As part of the research, participants were asked about whether or not they believe that organizations hire people that have all the required competencies for a position, or they prefer to hire people with lack of some competencies but demonstrate potential for the job. 75.8% of participants believe that companies prefer to hire people with all the required competencies for a vacancy. This result might be highly related to personal experience in which participants faced rejection for not matching all the required experience or skills demanded for a role or also based on what they witnessed from within an organization when new people are welcomed to their teams. However, 24.2% believe the opposite and think that some organizations might give people the chance to view candidates with potential as the indicated ones for the job and give them the chance to work on what is missing. (Please see Figure 8).

In your opinion, do companies prefer to hire people with all the required competencies for a vacancy or do they prefer to hire people with potential and lack of certain competencies?

161 responses

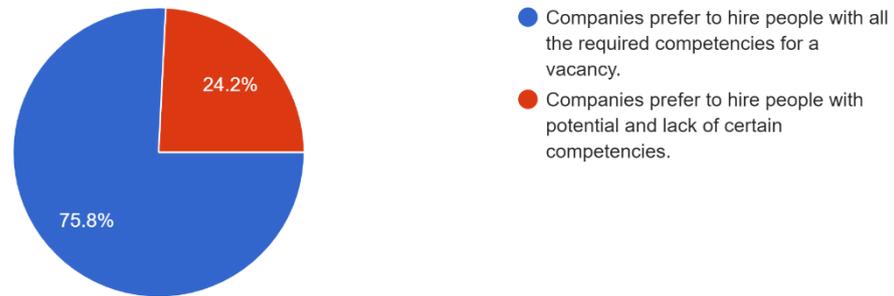


Figure 8

Source: author's own research ,2023 n= 161

Since competency is such a broad concept. It also includes soft and hard skills. There is a clear differentiation between these two. Soft skills include, among other things, interpersonal skills, communication, listening, time management, problem-solving, and empathy, whereas hard skills comprise those technical abilities needed for a particular position. They can be developed by experience and education. Participants were asked about which one they consider to be more important on a candidate when applying for a job. 77% of people manifested that soft skills are more important for a candidate to have in a new position while only 23% believe that hard skills are the most important ones to have in a candidate (Figure 9).

Which do you think are more important, the soft or hard skills in a candidate?

161 responses



Figure 9

Source: author's own research ,2023 n= 161

The performance of a company is key when wanting to measure results. That is why participants were also asked to answer if they believe that there is a relationship between the performance of a company and their recruitment and selection processes, to which 93% of people responded that they believe there is a connection between the two as shown in Figure 10 below. Only 8.7% do not consider there is a relationship. It can be inferred that the recruitment and selection processes look for getting the most fitting and reliable candidates to fill job positions, therefore contributing based on performance to the accomplishment of goals.

Do you believe there is a relationship between the performance of a company and their recruitment and selection approaches?

161 responses

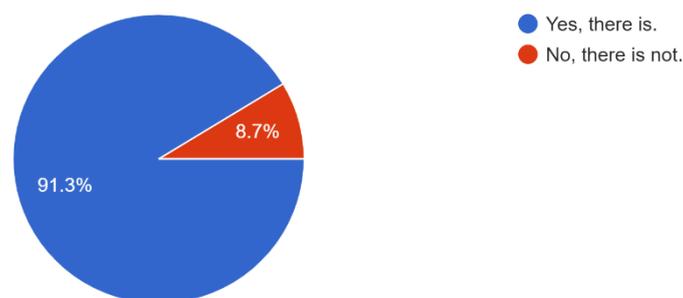


Figure 10

Source: author's own research ,2023 n= 161

As a next step, people were asked whether or not they have worked for companies that invest in the development of competencies of their employees. According to the results, 78.3% of participants have worked in such companies, which makes up a great majority of the people. Only 21.7% have not worked in companies where they care to invest in the development of competencies in their labor force (Please see Figure 11). Based on this, most people should have a clear idea of what talent development strategies are because they have witnessed them in their professional life, whereas people that have not might only know about this topic from academic experience and knowledge sharing from friends, coworkers, or colleagues.

Throughout your professional life, have you worked for companies that invest in the development of competencies of their employees?

161 responses

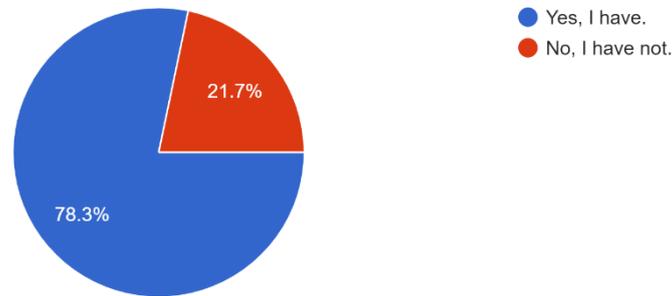


Figure 11

Source: author's own research ,2023 n= 161

As far as organizational goals accomplishment is concerned, people were asked about whether or not the achievement of such goals was somehow related to the development of talent of a company's workforce. In this case, 88.8% of the participants answered that it was, while only 11.2% of them believe that it is not related (Please see Figure 12). This result shows that based on the experience of people, nurturing talent is beneficial for enterprises since it makes it possible for them to reach desired milestones. It also adds to the idea that talent is the most important asset of any organization and that it has to be taken care of and rewarded to keep getting positive results.

In your opinion, is the achievement of organizational goals related to the development of talent of a company's workforce?

161 responses

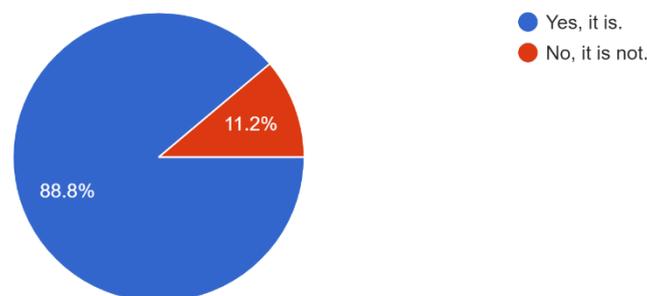


Figure 12

Source: author's own research ,2023 n= 161

Now, going from the achievement of goals based on talent development, people were also asked if they believe that organizations that nurture and exploit competencies in people are more likely to meet their goals, to which 89.4% of people agreed and only 10.6% of people thought otherwise as Figure 13 presents. Based on these results, we can infer that if people, who are employees in a given organization, believe that goals accomplishment is related to competencies development, then enterprises should work on carrying out plans that enable this enhancement of competencies that would translate into benefits for the entity. The staff of a company should be heard to adjust strategies that might lead to organizational progress.

Do you believe that organizations that nurture and exploit competencies in people are more likely to meet their goals?  
161 responses

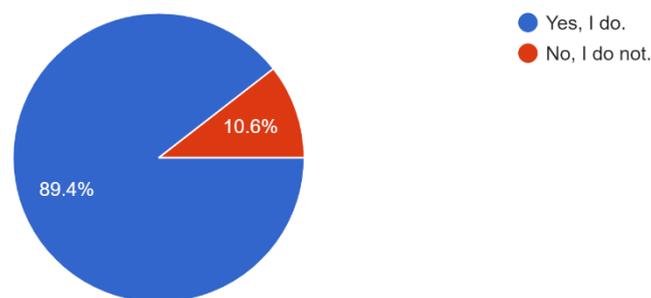


Figure 13

Source: author's own research ,2023 n= 161

Finally, participants were asked if they think organizations that care about employing the right people are more likely to have stronger talent management, recruitment, and selection strategies. 95% of people believe so, while only 5% think otherwise ( Figure 14). This result shows that if an organization cares about the type of people joining their efforts, if they work on accurate expectations, job descriptions, desired previous experiences from candidates, desired skills and attitudes, they will have a more developed and structured hiring process. They will be more likely to see performance results and will have fewer new joiners facing complex difficulties when joining a team, something that might result in less staff turnover and less training costs. Thus, it will be easier for

enterprises to implement talent management strategies that will ultimately benefit both the employees and the company.

Do you believe that organizations that care about employing the right people are more likely to have stronger talent management, recruitment, and selection strategies?

161 responses

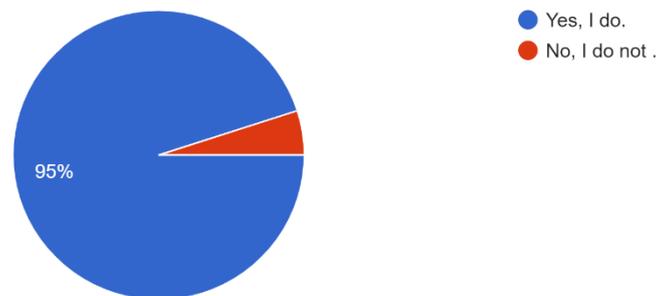


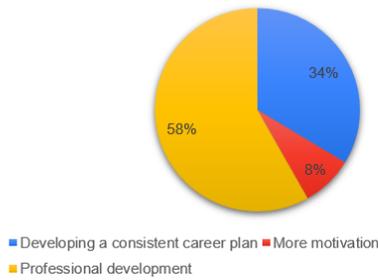
Figure 14

Source: author's own research ,2023 n= 161

When comparing two age groups (21-29 and 30-59), we can see some notable differences in some of the questions as shown below. These differences might rely on the fact that one age group has more professional experience than the other one and also because they belong to different generations.

When asking people about the main benefit of looking for a job that matches our competencies, we can see that the age group of 21-29 leans more towards developing a consistent career plan than the age group of 30-59 by 12 percentage points. While the age group 30-59 leans more towards professional development than the age group 20-29 by 8 percentage points. These results might come from the fact that people of older generations have had more professional experience. Thus, they might appreciate factors such as professional development more than people starting their careers who might be planning the prospects of their career plan in the future. (Please see Figure 15)

What is the main benefit of looking for a job that matches the competencies we possess? AGE 21-29



What is the main benefit of looking for a job that matches the competencies we possess? AGE 30-59

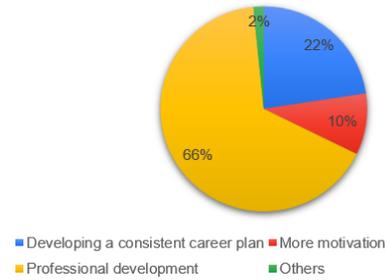
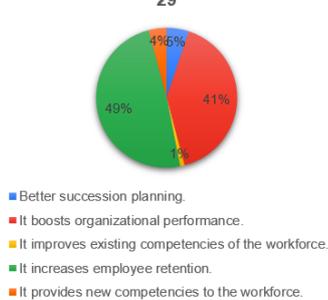


Figure 15

Source: author’s own research ,2023 n= 161

When being asked about the main benefit of developing a talent management strategy in an organization, the age group 20-29 chose the option “it boosts organizational performance” 9 percentage points more than the age group 30-59. While the age group 30-59 chose the increase of employee retention by 5 percentage points more than the age group 20-29. We can see that the older generation of this sample focuses more on the employee side of it rather than the organizational benefit. However, for neither of these groups providing or improving existing competencies seem to be the main benefit. (Please see Figure 16.)

What is the main benefit of developing talent management strategies in an organization? AGE 20-29



What is the main benefit of developing talent management strategies in an organization? AGE 30-59

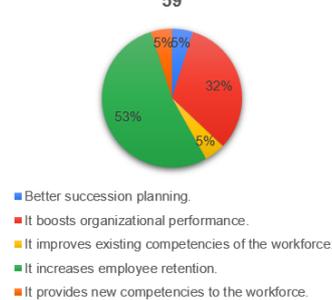


Figure 16

Source: author’s own research ,2023 n= 161

When choosing between soft and hard skills regarding their importance, soft skills tend to be more significant for people of the age group 30-59 than for the age group 21-29 by 19 percentage points. The reason for this might be that young people in the early stages of their careers try to be skillful in technical subjects such as theory, systems, training, and experience while people from older generations have witnessed what really impacts

organizational performance in terms of competencies from within the enterprise as reflected by Figure 17.

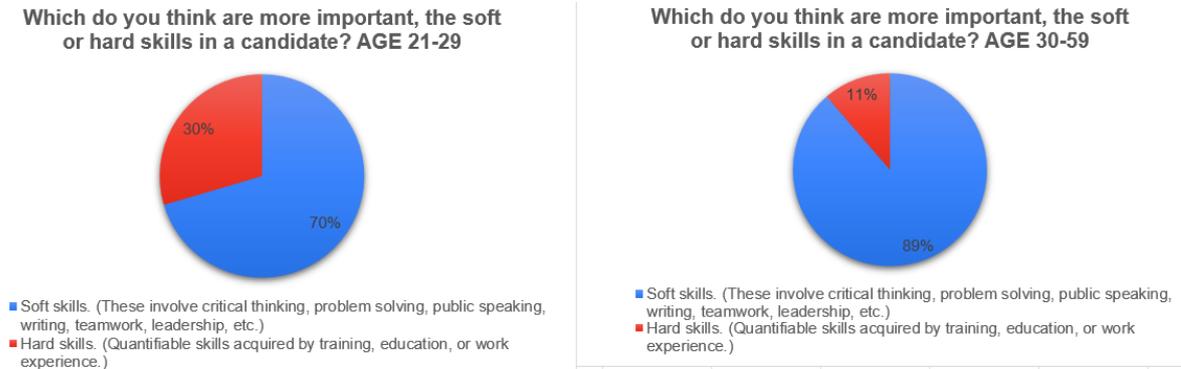


Figure 17

Source: author’s own research ,2023 n= 161

Now looking at the perception of the relationship between the performance of a company and its recruitment and selection approaches, the charts below in Figure 18 shows that people from the age group 30-59 believe that there is a relationship between them of more than 8 percentage points in comparison to the age group 21-29. This result shows again that people with more professional experience see the links in the dynamics of an organization and its performance more than those in the early stages. (Please see Figure 18)

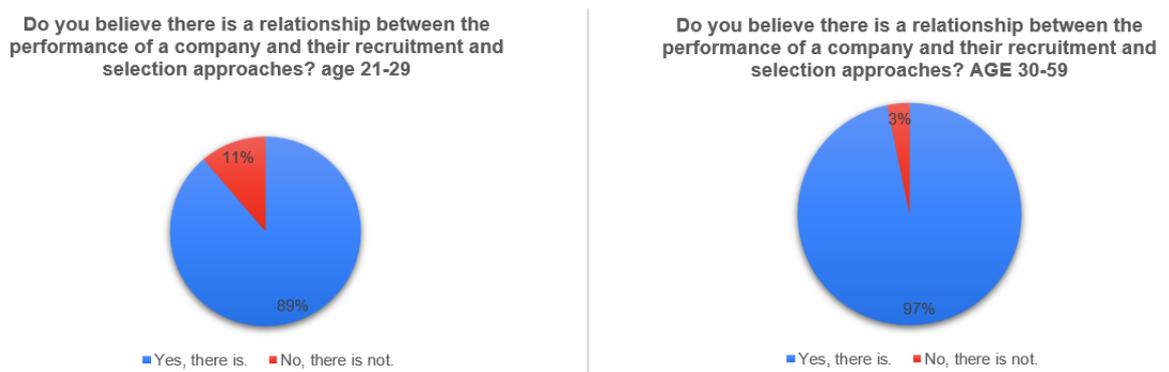


Figure 18

Source: author’s own research ,2023 n= 161

Another question in which there is a difference between age groups is when asking if the achievement of organizational goals is related to the development of talent of a company's workforce. Age group 30-59 manifested that they are related by 9 percentage points more than the age group 20-29. This reaffirms that people with more working experience tend to realize the connection between organizational phenomena (Figure 19).



Figure 19

Source: author's own research ,2023 n= 161

Finally, when asked about whether or not they think that organizations that nurture and exploit competencies in people are more likely to meet their goals. The age group 30-59 believe there is a relation of 11 percentage points more than the age group 21-29. This goes in line with the assumption that older generations tend to see these links within enterprise dynamics (Please see Figure 20).



Figure 20

Source: author's own research ,2023 n= 161

Another analysis that can be made is by comparing the answers of people based on the countries they reside in since labor markets differ among countries and behaviors,

strategies, and business-related issues might differ as well. 82.6% of participants reside either in Hungary or Colombia. 43.4% reside in the Latin American country while 39.1% reside in the European nation.

When asking about the main benefit for a company when hiring people with the necessary competencies for a job, the main difference is that the people residing in Colombia chose competitive advantage development more by 8 percentage points while people residing in Hungary chose goal accomplishment as the main benefit by 8 percentage points more than those in Colombia. (Please see Figure 21)

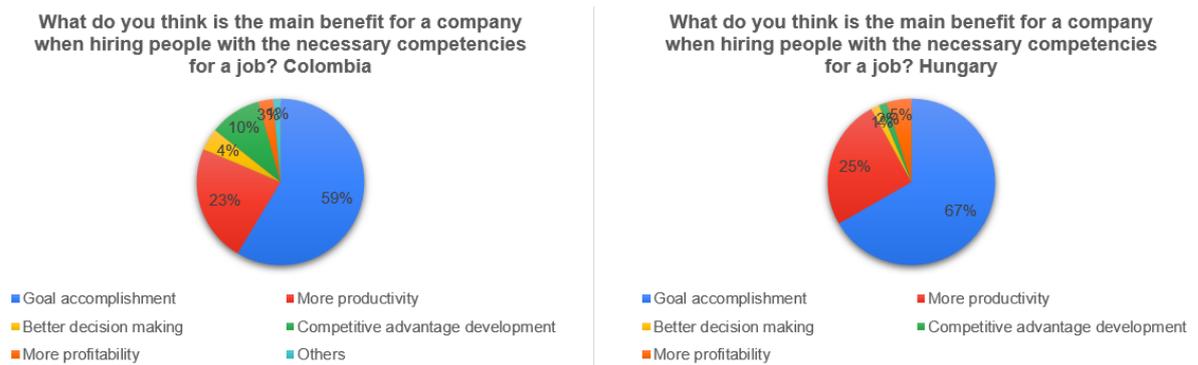


Figure 21

Source: author’s own research ,2023 n= 161

When asking about which type of skill was more important in a candidate, 87% of participants residing in Colombia consider soft skills as the most important one, whereas 68% of participants residing in Hungary chose soft skills as the most important. This result shows that people residing and working in Hungary appreciate hard skills more by 19 percentage points. (Please see Figure 22)

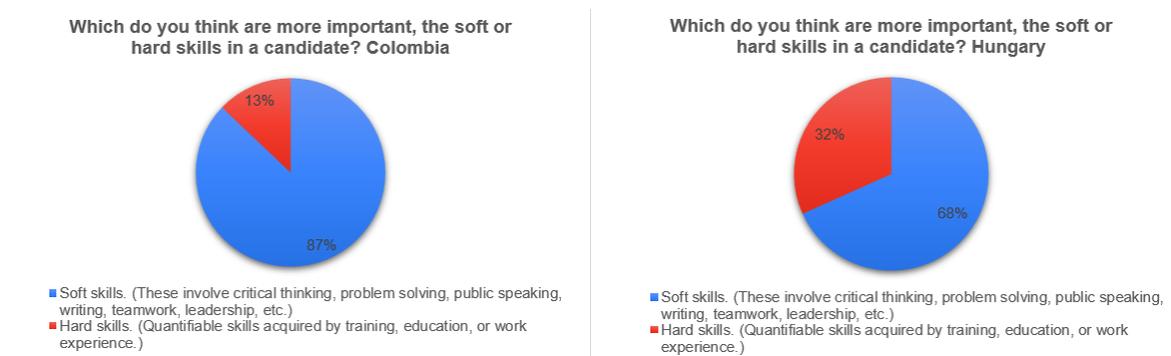


Figure 22

Source: author's own research ,2023 n= 161

When answering if the achievement of organizational goals is related to the development of talent in a company's workforce, people residing in Colombia believe there is a relationship of 7 percentage points more than those residing in Hungary. (Please see Figure 23)



Figure 23

Source: author's own research ,2023 n= 161

Finally, when asking whether people believe that organizations that care about employing the right people are more likely to have stronger talent management, recruitment, and selection strategies, participants residing in Colombia believe that there is a relationship of 7 percentage points more than those residing in Hungary. (Please see Figure 24)



Figure 24

Source: author's own research ,2023 n= 161

Another comparison that can be made is by gender groups. 36.6% of the participants were females, while 62.1% were males. The questions in which there were some notable differences are the following.

When asked about the main benefit of developing talent management strategies in an organization, 78% of the female participants believe that it increases employee retention while only 49% of males chose the same. This is a difference of 29 percentage points. Also, 14% of women believe that it boosts organizational performance, while 43% of men chose the same option. This is a difference of 29 percentage points (Figure 25).



Figure 25.

Source: author’s own research ,2023 n= 161

Regarding the question about the importance of soft and hard skills, 87% of women believe that soft skills are more important while only 68% of men think the same, thus, showing a difference of 19 percentage points as presented by Figure 26.



Figure 26

Source: author’s own research, 2023 n= 161

When asked about the focus of implementing talent development strategies, 72% of women believe the focus is to boost performance, while 22% chose to retain labor force. As for men, 44% believe the focus is to boost performance and 49% believe it is to retain labor force. (Please see Figure 27)

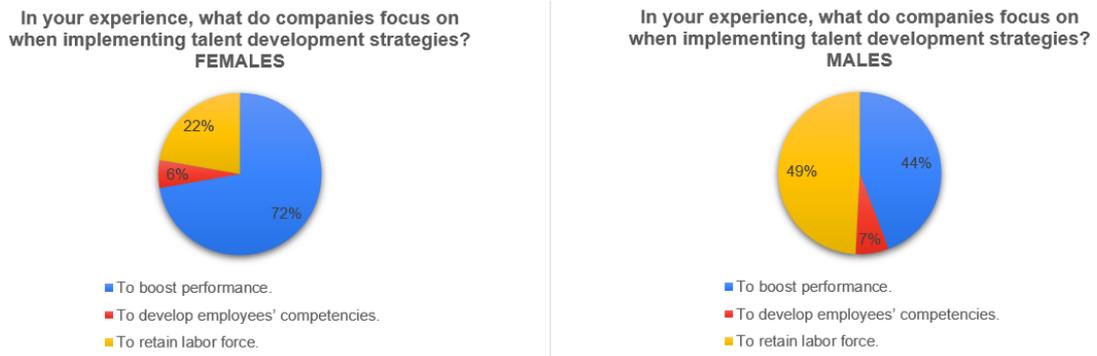


Figure 27

Source: author's own research ,2023 n= 161

As for their opinion of whether or not the achievement of organizational goals is related to the development of talent in a company workforce, 83% of women think there is a relationship, while 95% of men think there is. This is a difference of 12 percentage points. (Please see Figure 28)

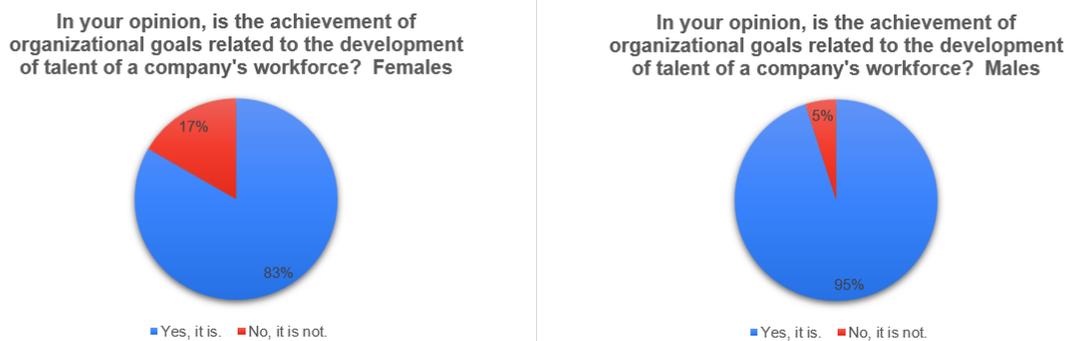


Figure 28

Source: author's own research ,2023 n= 161

Finally, when asked whether or not organizations that nurture and exploit competencies in people are more likely to meet their goals, men believe there is a connection while only 81% of women think there is. (Please see Figure 29)



Figure 29

Source: author's own research ,2023 n= 161

### In-depth interviews

After conducting fifteen in-depth interviews with people that have relevant experience in human resources, leadership, teamwork, and decision-making, the following was found question by question.

First question: Interviewees were asked about what the main benefit for a company is when hiring people with the necessary competencies. Most of them agreed on the fact that when hiring people with the necessary competencies there is a quicker and smoother onboarding and training process. Also, most of the interviewees mentioned that when people have the necessary competencies, they are more likely to perform more efficiently and faster. Therefore, being more productive and contributing to the achievement of goals and teamwork and saving time along the process.

Regarding the ease of the onboarding process as a benefit, saving resources in the training processes are perceived as key so that they might then focus on corporate onboarding rather than investing in developing skills that should be there in the first place. interviewee 4 mentioned, *“Organizations do not have to train these individuals from the beginning which is a benefit for the company so they can save time and be more efficient in the future.”* Interviewee 9 added, *“I would say is easy integration in the team and the company in general, also quicker onboarding and training process.”*

About productivity and goals achievement, task completion, and a higher likelihood of goals accomplishments is perceived as key benefit. Interviewee 6 said *“The main benefit is increased productivity and efficiency. When employees have the right skills and*

*knowledge to perform their job functions, they are able to complete their work more effectively.” Interviewee 8 said, “I think that the main benefit in hiring people with the necessary competencies will allow and make faster the company’s goals achievements”.*

Second question: Interviewees were asked about what the main drivers are for them when looking for a job. Most of them had similar drivers when looking for a job. As with the questions from the previous sections, the salary seems to be the main motivator for people, it seems that a good salary translates into better enjoyment of free time, more opportunities for investment, and more satisfaction. Apart from the salary, aspects such as work-life balance, flexibility, professional development, location, and benefits were constantly mentioned, meaning that people think that working for a company should reflect in obtaining benefits in their life outside work. They should be able to enjoy other parts of their life just as they should enjoy being part of an organization.

Interviewees mentioned:

Interviewee 3, *“Well for me, flexibility, salary, and the opportunity to move forward.”*

Interviewee 4, *“So in my past professional experiences the main drivers when I was looking for a job were always, first salary, then secondly the work environment of the company and thirdly the work involved, the flexibility of the work.”*

Interviewee 13, *“When I am looking for a job, the most important things for me are the reputation of the company, the benefits, the growth opportunities, the salary and that it fits my professional plan.”*

Interviewee 2. *“I would say that there are three things. The first thing and after the pandemic is flexibility. That is what I am looking for when searching for a job. And also, the emotional salary received from the company, so like understanding that there is a good environment, and that people are kind, that I can be myself. That is what I look for when I am looking for a job.”*

Third question: Interviewees were asked about what they think the main expectations are for a company when opening a vacancy. Interviews coincided in the sense that they believe that organizations expect a certain level of knowledge and experience from candidates when applying for a vacancy because it means that they come with the set of competencies they are looking for. Interviewee 4 said, *“The main expectations that*

*companies have on people when opening a vacancy I think are to have some sort of related experience in the field of the job and flexibility to work and obviously the ability to work in the team where the vacancy is.”*, Interviewee 9 mentioned *“I would say companies always look for someone who has experience in that field beside the educational background”* Also, it was mentioned that they expect the proper skills that those previous experiences helped develop so that they could be applied and develop innovative solutions in their new position. Interviewee 8 added, *“I think that they expect the professional to have a wide experience and knowledge so they cannot just do their jobs but also improve processes and innovate, so the company grows when it comes to performance.”*.

Fourth question: Interviewees were asked about which skills (soft or hard) are more important in a candidate when working. Almost all interviewees believe that the most important skills in a candidate are soft skills because those tend to be related to assertive communication and the ability to interact with other individuals. Most of the time, those skills are part of the personality of a person, and it can be hard to learn these types of skills in adulthood. Besides, they believe that hard skills can be learned through experience and formal education, it is just a matter of training and interest to enhance these skills. Interviewee 4 mentioned, *“In my opinion, the soft skills are more important than the hard skills due to the fact that hard skills are easier to learn with practice and training. however, soft skills are usually taught throughout our lives, so it is a bit more complicated to learn soft skills.”*, Interviewee 5 added, *“Soft skills are more important I think because the hard skills you can learn, if you are able to communicate properly in all that, then the work will run smoother, you can learn the hard skills along the way whereas communication is harder to do.”*

However, some interviewees think that the importance of these skills relies on the role or the position to which the candidate is applying because some roles require more of certain skills, if it is a more operative position then hard skills might be more relevant but if the new position has to do with active interaction with stakeholders the soft skills play a key role. Interviewee 6 said, *“Both soft skills and hard skills are important when it comes to performance in a job, and the relative importance of each can depend on the specific role and industry.”*

Fifth question. Interviewees were asked about how they think market rivalry and competition impact the talent-developing strategies that are adopted by organizations. Interviewees agreed that the impact is positive in the sense that it makes organizations warier about market trends and also about their current training and onboarding programs. Market rivalry makes them work harder on how they should portray themselves to the market. If they pretend to catch the attention of top-notch talent, then they must improve their recruitment and selection programs as well as their talent development strategies. Organizations must venture into a differentiation strategy that would make them more visible and attractive to candidates, all the small details can play a key role in the way job seekers decide to apply for a job posting or not.

Interviewees mentioned:

Interviewee 3, *“Well because of competition, companies need to create engaging ways of development that are more appealing than their rivals.”*

Interviewee 12, *“When it comes to market rivalry and competition, organizations need to prioritize talent development in order to attract and retain top talent. To remain competitive in their industry, companies must offer competitive compensation packages, professional development opportunities, and a positive work culture that fosters employee growth and development.”*

Interviewee 7. *“Competition in markets can drive companies to invest in employee engagement and retention programs. When organizations are competing for top talent, they need to create a positive work environment, offer attractive compensation packages, and provide professional growth opportunities.”*

Sixth question. Interviewees were asked about the main benefit of developing talent management strategies in organizations. In this regard, they agreed that the main benefit is to improve performance to better achieve the goals set by teams and the organization itself. Interviewee 4 said, *“The benefit for me is to improve the people’s performance for better teamwork and to find ultimate alternative ways to achieve the goals that were set before.”*, Interviewee 8 said, *“I think that developing talent management strategies improves the hiring, brand awareness and that helps companies to be attractive for professionals. Then, at the end of the day those kinds of strategies are converted into goals achievements, and profits.”* Some also believe that the main benefit would be to

attract, develop and retain talent for better performance and the achievement of market leadership. Interviewee 15 mentioned, *“In my opinion, the main advantage would be an improvement in employee engagement and motivation”*. Also, a benefit that was mentioned was the decrease in training costs once the talent management strategies are well implemented, Interviewee 10 said, *“I think that for once it reduces the costs of training and in the other side, I think that it impacts a lot in the brand of a company.”*

Seventh question. Interviewees were asked if companies should hire people with all the required competence for a vacancy or if they should hire people with potential and lack of certain competencies. Here, answers varied. On the one hand, some interviewees believe that depending on the role, candidates could need all the required competencies asked from the organization to perform well. Interviewee 5 said, *“I guess it depends on the market, it makes more sense to hire someone with all the required competencies rather than someone with potential.”*

On the other hand, some interviewees think that organizations should give people with potential and lack of certain competencies the chance to work on their competencies and grow while working. In this sense, the recruitment and selection strategies must be clear on what organizations can accept from candidates, and at the same time, talent development strategies should be robust enough to have a successful onboarding and training process that would minimize the issues that hiring someone with a lack of competencies could bring. Interviewee 14 said, *“When you hire a person who you know that they have the kind of skills you’re looking for you, it will be more likely that this person has a good performance in the enterprise. but it’s also known that you can also accompany people for professional growth. You can train this person to become a better professional in your enterprise and help them acquire the skills you need for that role.”*, Interviewee 1 added, *“It can be better to hire people with maybe potential and lack of certain competence because you can treat them based on the system that you are using so they can deliver what you need.”*

Eighth question. Interviewees were asked about what companies should focus on when implementing talent development strategies. Most of them believe these types of strategies should focus on structuring a process that supports the identification of competencies of employees, then application of training and developing programs that focus on those key competencies needed for the organization and their teams and finally

carrying out a control system that allows the organization to confirm the expected results from the strategies implemented.

Interviewees answered:

Interviewee 6 *“They should focus on identifying key skills and competencies, developing attractive training programs, building leadership among their staff, and evaluating results.”*

Interviewee 7: *“They should focus on getting the ideal candidate by carrying out assessments, performance evaluations, and feedback from team leaders.”*

Interviewee 10: *“I think that they must think of making workers feel valued, making workers feel their work is worth doing like make prioritizing, continuously training, giving opportunities of growth, to try to understand what worker would like to do or where they would like to be in the future and try to like think of a strategy that can make the company grow with the worker like possibilities of doing projects, possibilities of participating in different spaces of decision-making, this kind of things.”*

Ninth question. Interviewees were asked whether or not they believe that the achievement of organizational goals is related to the development of talent in a company's workforce. Most interviewees agreed that the development of talent is key when wanting to achieve organizational goals. They believe that the success or failure of a company relies on its workforce and its managerial team. Therefore, organizations should be careful how they treat their workforce, with how they motivate and develop their competencies, and of course how they envision the career plan of their employees.

Interviewees added:

Interviewee 6: *“Yes, A company's workforce is its most important asset, the skills, competencies, and motivation of employees has a significant impact on the company's ability to achieve its goals and objectives.”*

Interviewee 7: *“Yes, I believe they are strongly related. An organization's success is determined by the performance of its employees, and employee performance is driven by the skills, knowledge, and experience they bring to the job. Therefore, being more likely to achieve their goals.”*

Interviewee 11: *“Yes, I really do believe that they are related because it is people and teams of people that achieve those goals. So, if companies develop their workforce, they will see that reflected in their achievements.”*

Tenth question. Interviewees were asked about whether or not they believe that organizations that care about employing the right people are more likely to have stronger talent management recruitment and selection strategies. All interviewees believe that if an organization is goal driven, then they must care about employing the right people. It is teams of people that achieve goals. if they care about this, then they are happy to invest in their recruitment and selection processes and also to work hard on the talent development strategies they wish to carry out to develop employees and their competencies. Interviewee 10 said, *“Yes, I think I mean because when they take care of the of these processes they start improving and analyzing and monitoring, so I mean there the more care that they have, the more development and the more accuracy and in long term also it impacts in the development programs.”*. also, it some of them highlighted that in case these processes are conducted in a bad way, consequences will show on the enterprise’s outcomes. Interviewee 11 said, *“Yes, the more they care about people they wish to hire, the stronger the talent management strategies and selection processes of the company. If companies hire the wrong people, then negative results will follow.”*

#### 4. CONCLUSIONS AND RECOMMENDATIONS

This research aimed to approach the importance of competencies in the labor market. Based on an extensive literature review and a quantitative and qualitative study conducted, the following results and conclusions can be drawn.

Results confirming the first hypotheses:

- Goal accomplishment is the main benefit for enterprises when they carry out selection processes that focus on recruiting staff with the proper competencies for a given role while intending to optimize them during training and onboarding process.
- Professional development is the main benefit when applying for jobs that we think match our current competencies. Therefore, contributing to the achievement of goals based on competencies improvement.
- Commitment, willingness to learn, and previous experience and knowledge are seen as the main expectations from organizations on candidates. This adds to the enhancement of competencies since every learning process contributes to their improvement or creation which should be accompanied by past experiences on the matter. Thus, enabling goal accomplishment.
- The achievement of organizational goals is related to the development of talent in a company's workforce.
- Most participants have worked for companies that invest in developing the competencies of their employees.
- Based on experience, most participants believe that organizations that nurture and exploit competencies in people are more likely to meet their goals.

Results confirming the second hypotheses:

- Organizations would rather hire candidates with all the required competencies than those with lack of them. Thus, reflecting this in their recruitment and selection strategies. However, depending on the human resources approach, they might work on those lacking competencies and shape them into what the company wants if the candidate shows exceptional potential for a job position.
- Competition in the labor market leads to more dynamism by first, offering more attractive programs to attract candidates with more and better competencies.

Second, investing more in corporate image. Third, the ongoing improvement of recruitment and selection strategies to attract people with the necessary competencies.

- Employee retention and performance improvement are seen as the main result of developing talent management strategies. The stronger the staff, the stronger their competencies and their expected results on the organization.
- Talent development strategies focus on enhancing and boosting performance and retaining labor force by structuring a process that supports the identification of competencies of employees, training programs and control systems.
- There is a relationship between the performance of an organization and its recruitment and selection processes.
- Based on experience, most participants believe that organizations that care about employing the right people are more likely to have stronger talent management, recruitment, and selection processes.

Some additional findings that contribute to the suggested hypothesis are:

- A good salary and work-life balance have a key influence on people when looking for a job. However, people think that professional development and work-life balance should be the real influences when looking for a job.
- Soft skills are seen as the most important skills for a candidate since they relate more to communication intelligence. While hard skills are seen as those that can be learned easily with proper training and education.

As far as the objectives of the paper are concerned, they were reached as shown below.

- Objective A: The study that determined and evaluated the importance of competencies in the labor market was conducted successfully using qualitative and quantitative methods. The results were explained in the two previous sections. The conclusions and recommendations will be suggested in the next section.
- Objective B: A broad literature review was done. Starting from a definition of the labor market by authorities in the matter. The concept of competency was included, its etymology, suggested definitions throughout history, and the difference with the concept of competence. Competencies in the labor

market were approached by describing how the internal and external factors of an organization can impact them and how competencies were embedded in recruitment and selection processes. Finally, the relationship of competencies with commitment, talent management, engagement, knowledge management, and competency management were explained thoroughly by providing vast evidence.

- Objective C: The importance of employing people with the right competencies was proven with the research methods implemented, showing that enterprises value those individuals with the wanted competencies more.
- Objective D: the impact of external factors and market rivalry on talent management strategies was proven with the research methods implemented, showing that competition in the labor market incentive organizations to change and enrich their way of attracting and developing people.
- Objective E: The clarification of expectations from companies when conducting recruitment and selection processes was proven in the research study, showing the main expectations enterprises have on candidates, from which the main ones are previous experience, willingness to learn, and commitment.
- Objective F: the benefit for both employees and organizations when hiring people with the right set of competencies was proven with the research study since it showed that companies tend to retain talent, be more productive, and accomplish goals more when having a staff with the required competencies. Also, employees are benefited since they get to have a smoother onboarding and training process and their current competencies are more likely to be enhanced and broaden.

Conclusions from the research study:

When good recruitment and selection programs are conducted, organizations witness better and more efficient goal accomplishment as well as efficient training and onboarding processes, while job seekers enjoy professional development since their roles match their existing competencies.

Organizations expect candidates to bring a whole set of features when applying for a job posting. Among these are proven experience and knowledge, willingness to learn, and

commitment. Thus, making organizations more likely to achieve their strategic goals since their workforce is more trained and capable of going beyond minimum requirements and achieving competitive advantage.

Since most participants and experts have worked for companies in which competencies are developed and they have witnessed the outcomes of such practices, they believe that talent development is highly connected to the accomplishment of organizational goals.

Enterprises that care about nurturing and exploiting competencies of employees are more likely to accomplish their goals. If organizations do not care about competencies, they struggle with performance levels, strategy planning, implementation and, control measures.

Companies recognize the need to hire people that have most of the set of competencies they require. However, depending on the job itself, they might be flexible and willing to train those who showcase potential and lack of certain qualities. High levels jobs selection processes tend to be more restrictive since they impact strategic planning and key decision processes while low-level or entry positions are more flexible in admitting people and shaping them.

Market rivalry in the labor market positively impacts organizations in the sense that it makes companies make an effort in implementing strategies that improve their internal processes so that candidates feel interested in knowing more about them and in submitting applications. Thus, creating differentiating factors that would influence the talent pool.

Talent management brings key benefits such as employee retention and performance improvement. These talent management strategies are positive if they take into consideration the identification of competencies and corresponding techniques that might facilitate improvement and control systems.

There is in fact a connection between the performance of an enterprise and its talent management, recruitment and selection processes. Also, this adds to the link between such processes with caring about employing the right people for a job.

People believe that a job is important, but it should not be the only aspect to which their lives spin around. They believe in work-life balance and good compensation systems, so they get to enjoy other parts of their lives.

Companies thrive when their endeavors are structured in such a way that there is a win-win outcome for both the organization and its employees. Their relationship is so tight that whatever impact the organization will therefore impact their staff. Also, when employees are impacted positively or negatively, it will show in their work and in their team's results. Thus, organizations should care about employing the right people if they wish to succeed, it is people that lead an entity, and it is people that set and accomplish goals. Organizations are composed of people, and it is people who enjoy the benefits as well.

#### Recommendations:

- It is suggested to deepen the analysis of this topic by conducting comparative studies to assess the importance of competencies by sectors of the economy.
- It is recommended to conduct comparative studies in several countries to get an idea of how social, economic, and cultural factors affect the importance of competencies.
- It would be interesting to conduct a study alongside psychology and neuro marketing experts to enrich the dialogue of competencies by bringing a behavioral study approach.
- It would be practical to deepen the analysis of the impact of new technologies in competency development.
- It is also necessary to study the impact of education and training techniques of the last decades over competency development.

## SUMMARY

Throughout this paper, the main aims were to carry out a study to assess the relevance of competencies in the labor market and to analyze previous literature work to offer a framework on the topic. To do that two hypotheses were suggested. First, “I assume that organizations that exploit and nurture competencies in people are more likely to meet their goals.” and the second, “I assume that organizations that care about employing the right people are more likely to have stronger talent management, recruitment, and selection strategies.”. To prove or deny these hypotheses, the study conducted needed to take into account four specific goals. First, to identify whether there is a need of employing people with the right competencies in organizations. Second, to analyze whether the external environment of an organization and its market rivalry influences its talent management strategies. Third, to clarify what the expectations of obtaining competent people are for people and organizations. And fourth, to identify what the benefits of getting the right set of competencies among employees are for both people and organizations.

The methods used to accept or reject the hypotheses suggested were, first, a questionnaire that would act as the quantitative method and in-depth interviews that would act as the qualitative one. Participants of the questionnaire were those who have had working experience in organizations of any kind, people who while working have faced decision-making processes, the achievement of goals, teamwork dynamics, and all those aspects that working for an enterprise entail. 161 people answered this questionnaire which took place on an online platform. Participants of in depth-interviews were people that have a much more experience and knowledge in human resource-related areas and in team-leading dynamics. Thus, being able to offer much more enriching insights for the study purposes.

An overview of the literature review and results of the paper goes as follows:

As in any other market, the labor market is a constant search for the product that best fits. The labor market trades talent which is offered by candidates and taken or hired by organizations that reward such talent in form of salaries, incentives, compensation systems, etc. Nowadays, the labor market is highly competitive due to the fact that globalization has made it possible for people to access opportunities beyond their geographical location and also because education programs are much more accessible for

more people. Thus, the talent pool is more demanding, and organizations must find a way to attract those with the competencies they need.

Competency is a concept that has been present in literature for decades since David McClelland approached it in his 1953 paper “Testing for Competence Rather than Intelligence.” When trying to prove that the best way to assess performance was by considering people’s personal traits or competencies. However, its definition has not been completely settled in academic settings. Based on those many definitions, it can be said that first, competencies comprise concepts such as skills, characteristics, abilities, and qualifications when referring to performance. Second, competencies also lead to goal accomplishment and task completion. Third, competencies offer a framework for delimiting good and bad performance.

Competencies in the labor market are always changing since organizations are in constant evolution. Thus, those competencies that might be relevant as of now, might not be required in a near future. Therefore, in order for people to keep up with the labor market, they must adapt to influential factors such as technological development, education systems, social environment, economic environment, etc.

Human resources as the part of management that deals with the relationship between people and organizations, must revolve around competencies so that organizational goals can be accomplished. Thus, competency-based strategies must be carried out to look for people with the right competencies and enhanced such competencies, which brings benefits to both organizations and employees.

The talent management strategies implemented by organizations should be focused on the development of competencies for succession planning. They must include knowledge management since it has to deal with the creation and handling of knowledge, and also to achieve a higher level of engagement among employees. Thus, producing organizational knowledge and solid structures, reducing turnover costs and waste of training programs.

Performance management and evaluating performance is taking place as an important tool for enterprises to assess if their current staff is aligned with the strategic side of the organization. This alignment assessment must be conducted based on the performance that the competencies from employees have used, explored, and improved. At the very end, tools such as appraisal management must be used to reward positive outcomes.

The development of an organization's workforce is related to the accomplishment of organizational goals since it motivates staff to explore and enhance their competencies. This way, they are motivated to perform more effectively and efficiently, which enables them to find ways of pursuing tasks and projects in a more aligned and coherent way for the purposes of the enterprise, thus, benefiting both the staff and the organizations since it adds to the professional development of people and the accomplishment of the strategic view of enterprises.

Organizations that care about employing the right people are more likely to have stronger talent management, recruitment, and selection strategies. This comes from the need to stay current and relevant in the labor market, companies need to put themselves out there to get the best-qualified candidates. Then, they need to accompany their new additions along the way for them to adapt and perform successfully in a new environment full of challenges where the organization is expected to assist them and develop their competencies.

The results of this paper are applicable to any organization that wishes to learn more about how essential competencies are for the labor market and internal organizational processes, and of course, for organizations to see what both employees and experts in the field think based on their experiences and knowledge.

This research showed the importance of contemplating competencies to achieve goals in an organization and how essential they are when it comes to implementing talent management, recruitment, and selection processes. On this basis, future research should detail how competencies management practices are carried out by organizations and to what extent they impact the outcomes of a company.

This study approached the importance of competencies in the labor market. Therefore, future research should study to what extent competencies are being taken into account in a particular sector of the economy and propose a framework for such dynamics.

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## ANNEXES

### ANNEX 1: Questionnaire.

1. Which category below includes your age?
  - 18-20
  - 21-29
  - 30-39
  - 40-49
  - 50-59
  - 60 or older
2. What is your gender?
  - Female
  - Male
  - Other (Specify)
3. Which country do you currently reside in?  
(List of countries)
4. What is the highest level of school you have completed or the highest degree you have received?
  - Less than high school degree
  - High school degree or equivalent (e.g., GED)
  - Some college but no degree
  - Associate degree
  - Bachelor's degree
  - Master's degree
5. Which of the following categories best describes your employment status?
  - Employed, working 1-39 hours per week.
  - Employed, working 40 or more hours per week.
  - Not employed, looking for work
  - Not employed, NOT looking for work
  - Retired
6. What language do you mainly speak at home?
  - English
  - Spanish
  - Chinese
  - French
  - Some other language
7. Which of the following categories best describes your primary occupation?
  - Agriculture or resource based.
  - Manufacturing or transportation.
  - Banking or financial services.
  - Education.
  - Health services.
  - Accommodation, retail, and leisure services.
  - Government and defense services.
  - Others.

8. What do you think is the main benefit for a company when hiring people with the necessary competencies for a job? I
- A. Goal accomplishment.
  - B. More productivity.
  - C. Better decision making.
  - D. Competitive advantage development.
  - E. More profitability.
  - F. Other. (Please specify)
9. What is the main benefit of looking for a job that matches the competencies we possess?
- A. Professional development.
  - B. Developing a consistent career plan.
  - C. More motivation.
  - D. Other. (Please specify)
10. In your opinion, what are the main expectations a person **has** when looking for a job? Choose two.
- A. A good salary.
  - B. Professional development.
  - C. A good working environment.
  - D. Work life balance.
  - E. Diversity and inclusion.
  - F. Flexibility.
11. In your opinion, what are the main expectations a person **should have** when looking for a job? Choose two.
- A. A good salary.
  - B. Professional development.
  - C. A good working environment.
  - D. Work life balance.
  - E. Diversity and inclusion.
  - F. Flexibility.
12. In your opinion, what are the main expectations a company has on people when opening a vacancy? Choose two.
- A. Commitment
  - B. Enthusiasm.
  - C. Loyalty.
  - D. Honesty.
  - E. Willingness to learn.
  - F. Saving costs.
13. How do you think market rivalry influences the talent development strategies that are adopted by organizations?
- A. Organizations invest more in attractive talent programs to obtain more candidates with high potential and proper competencies.
  - B. Organizations invest more in corporate image strategies to seem more appealing to potential candidates.
  - C. Organizations change the structure of their current recruitment and selection processes to be more competitive and visible in the market.
  - D. All the above.

14. What is the main benefit of developing talent management strategies in an organization?
  - A. It increases employee retention.
  - B. It boosts organizational performance.
  - C. Better succession planning.
  - D. It improves existing competencies of the workforce.
  - E. It provides new competencies to the workforce.
15. In your opinion, do companies prefer to hire people with all the required competencies for a vacancy or do they prefer to hire people with potential and lack of certain competencies?
  - A. Companies prefer to hire people with all the required competencies for a vacancy.
  - B. Companies prefer to hire people with potential and lack of certain competencies.
16. Which do you think are more important, the soft or hard skills in a candidate?
  - A. Soft skills. (These involve critical thinking, problem solving, public speaking, writing, teamwork, leadership, etc.)
  - B. Hard skills. (Quantifiable skills acquired by training, education, or work experience.)
17. In your experience, what do companies focus on when implementing talent development strategies?
  - A. To retain labor force.
  - B. To develop employees' competencies.
  - C. To boost performance.
18. Do you believe there is a relationship between the performance of a company and their recruitment and selection approaches?
  - A. Yes, there is.
  - B. No, there is not.
19. Throughout your professional life, have you worked for companies that invest in the development of competencies of their employees?
  - A. Yes, I have.
  - B. No, I have not.
20. In your opinion, is the achievement of organizational goals related to the development of talent of a company's workforce?
  - A. Yes, it is.
  - B. No, it is not.
21. Do you believe that organizations that nurture and exploit competencies in people are more likely to meet their goals?
  - A. Yes, I do.
  - B. No, I do not.
22. Do you believe that organizations that care about employing the right people are more likely to have stronger talent management, recruitment, and selection strategies?
  - A. Yes, I do.
  - B. No, I do not.

Annex 2: in depth interview questions.

1. Based on your experience, what do you think is the main benefit for a company when hiring people with the necessary competencies for a job?
2. Throughout your professional life, what have been the main drivers when looking for a job?
3. In your opinion, what are the main expectation a company has on people when opening a vacancy?
4. When it comes to performance, which do you think are more important, the soft or hard skills in a candidate?
5. How do you think market rivalry and competition impact the talent development strategies that are adopted by organizations?
6. Based on your experience, what is the main benefit of developing talent management strategies in an organization?
7. In your opinion, should companies hire people with all the required competencies for a vacancy or should they hire people with potential and lack of certain competencies?
8. What do you think companies should focus on when implementing talent development strategies?
9. Do you believe that the achievement of organizational goals is related to the development of talent in a company's workforce?
10. Do you believe that organizations that care about employing the right people are more likely to have stronger talent management, recruitment, and selection strategies?

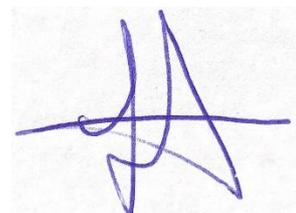
## APPENDIX

### STUDENT DECLARATION

Signed below, Manuel Ricardo Rodriguez Garzon, student of the Szent István Campus of the Hungarian University of Agriculture and Life Science, at the MSc Course of Management and Leadership, declare that the present Thesis is my own work and I have used the cited and quoted literature in accordance with the relevant legal and ethical rules. I understand that the one-page-summary of my thesis will be uploaded on the website of the Campus/Institute/Course and my Thesis will be available at the Host Department/Institute and in the repository of the University in accordance with the relevant legal and ethical rules.

Confidential data are presented in the thesis: yes **no\***

Date: \_\_\_\_\_ 2023 \_\_\_\_\_ April \_\_\_\_\_ 15



\_\_\_\_\_  
Student

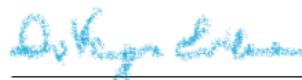
### SUPERVISOR'S DECLARATION

As primary supervisor of the author of this thesis, I hereby declare that review of the thesis was done thoroughly; student was informed and guided on the method of citing literature sources in the dissertation, attention was drawn on the importance of using literature data in accordance with the relevant legal and ethical rules.

Confidential data are presented in the thesis: yes **no \***

Approval of thesis for oral defense on Final Examination: **approved** not approved \*

Date: April 20 23 04 month 14 day

  
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## ABSTRACT OF THESIS

**Thesis title: Importance of competencies in the labor market**

**Author name: Manuel Ricardo Rodriguez Garzon**

Course, level of education: MA

Host Department/Institute: Hungarian University of Agriculture and Life Sciences /  
Institute of Agriculture and Food Economics, Department of Agri-management and  
Leadership

*Primary thesis advisor:* Dr. habil. Varga Erika, associate professor

The paper aimed to study the importance of competencies in the labor market and provide a framework on the topic through an extensive literature review and two hypotheses that focus on whether or not nurturing and exploiting competencies help achieve organizational goals and whether or not employing the right people show effective talent management, recruitment, and selection strategies. The study used a questionnaire and in-depth interviews as methods, and the results highlighted that good recruitment and selection strategies lead to better goal achievement and efficient training programs. Organizations require competent applicants who can go beyond minimum requirements and reach a competitive advantage. Nurturing the competencies of staff members is essential for success. Market rivalry positively impacts organizations to implement strategies that attract talent. Talent management benefits include employee retention and performance improvement. Work-life balance and good compensation are key to job seekers. The relationship between organizations and employees is undeniable, and the impact on one affects the other. Therefore, organizations should care about employing the right people to reach success. The paper also discussed the changing nature of competencies in the labor market, the role that human resources play, and the benefits for both organizations and employees. The results can be applied to any organization looking to understand the importance of competencies. Future research should focus on competency management in more detail.

## DECLARATION

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Title of the document: The importance of competencies in the labor market  
Year of publication: 2023  
Department: Institute of Agriculture and Food Economics, Department of Agri-management and Leadership

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## STATEMENT ON CONSULTATION PRACTICES

As a supervisor of Manuel Ricardo Rodriguez Garzon (Student's name) UWD5DL (Student's NEPTUN ID), I here declare that the master's thesis<sup>9</sup> has been reviewed by me, the student was informed about the requirements of literary sources management and its legal and ethical rules.

I recommend/don't recommend<sup>10</sup> the final essay/thesis/master's thesis/portfolio to be defended in a final exam.

The document contains state secrets or professional secrets: yes      no<sup>\*11</sup>

Place and date: Gödöllő, 24 April 2023

  
\_\_\_\_\_  
Internal supervisor

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<sup>9</sup> Please select applicable and delete non-applicable.

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