

Towards Competitive Advantage: Employee Competency Development Strategies in Promoting Business Innovation

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Abstract

The current business era is marked by increasingly fierce competition across various industry sectors. Innovation stands as a key element in creating competitive advantage. This research aims to investigate the relationship between employee competency development and business innovation, as well as to identify best practices in employee competency development leading to the creation of competitive advantage. The research method employed is a literature review with a qualitative approach and descriptive analysis. Google Scholar will be the primary source for data collection, spanning from 2012 to 2023. The study findings indicate that in the era of globalization and escalating competition, competitive advantage becomes paramount for business success. Employee competency development is a crucial element in achieving this advantage. It involves enhancing employees' knowledge, skills, and attitudes through various methods, including training, mentoring, and self-directed learning. The importance of employee competency development lies in the ability to create a workplace environment supportive of continuous learning and growth. This enables companies to have competent, adaptive, and innovative teams capable of effectively addressing market and technological changes.

Kata kunci: *Business Innovation, Competitive Advantage, Employee Competency*

1. INTRODUCTION

Today, the business era is characterised by an intensification of competition that is entrenched in diverse industry sectors. Rapid technological transformation and the phenomenon of globalisation have triggered substantial changes in the business landscape, requiring companies to consider continuous adaptation and creating competitive advantages to maintain relevance and achieve growth amidst ever-changing market dynamics (Sutrisno, Ausat, et al., 2023; Sutrisno, Kuraesin, et al., 2023).

Innovation plays a crucial role in achieving a competitive advantage that endures in a dynamic business environment (Subagja et al., 2022). Companies that successfully develop new products or services, improve the efficiency of production processes, or invent innovative business models inherently gain a substantial advantage in highly competitive markets (Ausat et al., 2022). If they continue to push the boundaries of possibility and create relevant solutions, business entities can strengthen their position in the face of increasing challenges and competition.

Despite its importance, efforts to develop employee competencies in the realm of creating business innovations are often faced with a complex set of challenges. These challenges include a lack of understanding of emerging industry trends, deficiencies in the skills required to innovate effectively, and even an emerging resistance to change among employees (Alshwayat et al., 2023). Understanding these complexities, companies are expected to adopt a holistic and strategic approach in addressing these challenges, by integrating the right training, supporting an organisational culture that supports innovation, and encouraging collaboration and continuous learning across the organisational hierarchy.

In response to these challenges, companies are required to formulate a holistic and effectively planned employee competency development strategy. This process involves key steps, such as identifying competency needs that match the dynamics of business innovation, providing relevant and focused training programmes, and promoting an organisational culture that encourages collaboration and experimentation (Abubakar et al., 2019). In this comprehensive approach, companies can enhance employees' ability to contribute significantly to the creation and implementation of innovations, which in turn strengthens the company's competitiveness in a changing market.

Improved employee competencies that result in competitive advantage bring a number of substantial benefits to the Company (Farida & Setiawan, 2022). Such benefits include an increase in overall productivity levels, the creation of tangible differentiation in the products or services offered, the strengthening of customer loyalty that is the foundation for long-term growth, and an enhanced ability to anticipate and respond to market changes with a higher degree of agility (Ausat & Suherlan, 2021). Integrating employee competency development strategies into the overall business strategy, companies can utilise the full potential of their human resources to create sustainable added value and strengthen their competitive position in a competitive industry.

This research aims to investigate the relationship between employee competency development and business innovation, as well as to identify best practices in employee competency development that lead to the creation of competitive advantage. By understanding the factors that influence employees' innovative ability, companies can design more effective and sustainable development strategies.

2. RESEARCH METHOD

This research method entails a literature review with a qualitative approach and descriptive analysis. Google Scholar will serve as the primary source for data collection, covering the period from 2012 to 2023. Initial data was gathered from an initial search on Google Scholar, yielding 50 articles related to the research topic. However, after rigorous selection based on relevance, quality, and accuracy, only 25 articles were chosen for further analysis. Descriptive analysis method will be utilized to compile and analyze findings from these articles, focusing on identifying patterns, trends, and key findings related to employee competency development strategies in fostering business innovation. The qualitative approach will allow researchers to understand the deeper context of the data found and provide insights into various approaches and practices used in employee competency development strategies across different business contexts. Therefore, the combination of literature review, qualitative approach, and descriptive analysis is expected to provide a comprehensive understanding of this research topic and explore various relevant perspectives in the related academic literature.



Figure 1. Research Method

3. RESULTS AND DISCUSSION

Competitive advantage refers to a condition in which a company holds a stronger or superior position compared to its competitors in a specific industry or market (Arjang et al., 2023). This can be achieved through various means, such as having better products or services, more efficient production processes, competitive pricing, or stronger customer relationships. Competitive advantage enables a company to attract more customers, retain a larger market share, and gain higher profits compared to its competitors (Saputra et al., 2023). Additionally, competitive advantage allows companies to sustain themselves in the long term, as they can more easily confront competition and challenges that may arise in the market (Cegliński, 2017; Nadanyiova et al., 2021). Thus, competitive advantage becomes the primary goal for companies in their business strategies, and creating and maintaining this advantage becomes the main focus of various activities and decisions made by company management.

Employee competency refers to the combination of knowledge, skills, attitudes, and behaviors possessed by an individual within the context of their work (Setyawati et al., 2023). This encompasses

not only technical and professional abilities but also interpersonal, managerial, and critical thinking skills essential for carrying out assigned tasks (Rustiawan et al., 2023). Employee competency not only includes what they know and can do but also how well they can apply that knowledge and skills in diverse work situations (Az-zaakiyyah et al., 2022; Nur'aeni et al., 2022). By possessing the right competencies, employees can become more effective and efficient in their jobs, contribute more significantly to the company's goals, and be better able to develop and adapt to changes in the work environment. Therefore, employee competency development is crucial for companies in creating high-performing and competitive teams in the market.

Business innovation refers to the process of creating new ideas, concepts, products, services, or business models that bring added value to the company and customers, as well as opening up new opportunities in the market (Ausat et al., 2023). It involves introducing something new or making significant changes in how the company operates, interacts with customers, or produces and delivers products and services (Diawati et al., 2023). Business innovation can take various forms, such as product innovation (changes or additions to existing products or the development of new products), process innovation (changes or improvements to existing production or operational processes), marketing innovation (use of new marketing strategies or developing new markets), or business model innovation (changes in how the company generates revenue or creates value for customers). Business innovation is a crucial factor in creating competitive advantage for companies because it enables them to better meet customer needs, enhance operational efficiency, respond to market changes more effectively, and create sustainable value in the long term (Arsawan et al., 2022). Therefore, business innovation becomes one of the primary focuses in company growth and development strategies in an ever-changing and evolving business era.

In an era of globalisation marked by increasingly intense competition, competitive advantage has become a crucial factor in determining the success of a business entity (Sudirjo, 2023). While a superior product or service is a prerequisite, the presence of employees equipped with adequate competence and capable of continuous innovation plays an equally important role. Therefore, an employee competency development strategy is an inevitable necessity in an effort to stimulate innovative progress in the business realm.

Employee competency development refers to a structured set of processes with the main objective of improving all aspects of knowledge, skills and attitudes relevant to job requirements and the evolution of business dynamics (Kock & Per-Erik Eilström, 2012). Methods that can be applied in this context include a range of approaches, such as planned training and development programmes, providing opportunities for employees to undertake self-directed learning according to their needs and interests, facilitating mentoring processes that enable the transfer of knowledge and skills from more experienced individuals to younger ones, and organising recognition and reward programmes as a form of appreciation for employees who have demonstrated outstanding achievements and contributions. Thus, employee competency development is an important milestone in maintaining the quality of human resources that are qualified and competitive in facing the growing business challenges.

The success of employee competency development is based on principles that recognise the importance of creating a work context that stimulates continuity in the learning process and individual development (Ye et al., 2022). By improving employee competencies, companies are assured of a team that is not only skilled and adaptive, but also able to adjust to changing market and technological dynamics. Furthermore, it enables the team to consistently come up with innovative ideas that give their business a unique flavour, differentiating them from their peers. Therefore, employee competency development has become an important strategy that helps companies to maintain their competitiveness in the midst of increasingly fierce business competition.

One of the crucial elements in an employee competency development strategy is the focus placed on enhancing "soft skills", including but not limited to effective communication skills, motivational leadership, productive collaboration in teams, and the ability to think creatively. These skills are becoming increasingly essential in the context of a business environment filled with complexity and constantly changing dynamics (Grocholski, 2022). In a business world that is constantly moving forward, the ability to adjust quickly, adapt to change, and collaborate with others is key to producing

innovative solutions that are able to respond to emerging challenges. Therefore, the development of soft skills has become not only a necessity, but also a proactive strategy needed to ensure that employees are able to contribute optimally in dealing with the complexities and dynamics in the modern business context.

Not only that, the development of employee competencies also needs to be accompanied by a key enabler which is a corporate culture that sustains innovation. This involves creating a work environment that is not only open to new ideas, but also actively encourages cross-departmental collaboration. Furthermore, this culture of innovation should be underpinned by adequate resource allocation and support, enabling employees to implement their innovative ideas effectively. In this context, companies need to ensure that their organisational policies and practices not only support the innovation process, but also foster a culture where risk is accepted as an integral part of the innovative process. By building a strong foundation in terms of a culture that supports innovation, companies are able to create an environment that stimulates creativity and enables the realisation of new ideas that can lead the company to long-term success (Ali Taha et al., 2016).

In addition to focusing on the previous aspects, it is also essential to emphasise the urgency of integrating employee competency development with holistic business strategy. This implies the need to align employee competency development programmes with the company's vision, mission and long-term business goals. This process requires an in-depth understanding of industry and market dynamics, as well as careful identification of competency needs that are crucial to achieving and maintaining competitive advantage (Agustian et al., 2023). In addition, companies also need to ensure that the development programmes implemented do not only focus on meeting current needs, but also accommodate developments and evolutions that occur in a dynamic business environment. Thus, a solid integration between employee competency development and business strategy becomes a strong foundation in an effort to achieve sustainability and long-term company success.

By implementing a measurable and sustainable strategy for employee competency development, companies can build a foundation for sustainable competitive advantage, fuelled by a continuous cycle of innovation. Employees who are equipped with relevant skills and knowledge, and who operate in a work environment that promotes a culture of innovation, have the capacity to create significant added value for business entities. They can help delineate a company's unique identity, differentiate their business operations from those of their peers, and strengthen the foundations for solid long-term growth. In this ever-changing context, developing employee competencies is not just an option, but a strategic imperative for any business entity that aspires to maintain relevance and competitiveness in this increasingly complex marketplace.

To continue the discussion on strategies for developing employee competencies to foster business innovation, it is important to consider several concrete steps that companies can implement:

- a. **Competency Needs Analysis:** The company needs to conduct a comprehensive analysis regarding the competency needs of employees to support business strategies and long-term goals. This involves identifying the skills, knowledge, and attitudes required to achieve competitive advantage.
- b. **Employee Development Plan:** Once competency needs are identified, the company can design a comprehensive employee development plan. This may include formal training, self-directed learning programs, mentoring opportunities, or specific projects aimed at developing the required skills.
- c. **Holistic Approach:** Employee competency development should be an integral part of the company culture. This means ensuring that every aspect of the work experience, from employee orientation to performance evaluations, is designed to support learning and growth.
- d. **Facilitating Innovation:** Companies should create an environment that supports innovation by encouraging collaboration among teams, providing space for experimentation, and appreciating new ideas. This can be done through the formation of cross-functional teams, incentive programs for innovation, or internal communication platforms that facilitate idea exchange.
- e. **Monitoring and Evaluation:** It is important to continuously monitor and evaluate the effectiveness of employee competency development programs. This allows the company to adjust their strategies according to changing business needs and identify areas where the programs can be improved.

- f. Supportive Leadership: Company leadership should lead by example in encouraging employee learning and development. They should actively engage in employee competency development programs, provide the necessary support and resources, and offer constructive feedback to employees.

Table 1. Employee Ccompetency Development Strategy

Indicators	Explanation
Competency Needs Analysis	The company needs to conduct a comprehensive analysis of employee competency needs to support business strategy and long-term goals.
Employee Development Plan	Once competency needs are identified, companies can design a comprehensive employee development plan.
Holistic Approach	Employee competency development should be an integral part of the company culture.
Facilitating Innovation	Companies should create an environment that supports innovation by encouraging collaboration between teams, providing space for experimentation, and rewarding new ideas.
Monitoring and Evaluation	It is important to continuously monitor and evaluate the effectiveness of employee competency development programmes.
Supportive Leadership	Company leaders should set an example in encouraging employee learning and development.

Adopting a holistic and sustainable approach to employee competency development, companies can create a culture that enables sustainable business innovation. It is not just about having employees with strong technical skills, but also about fostering a culture that supports collaboration, creativity, and continuous learning. Thus, employee competency development becomes a key strategy for achieving and maintaining competitive advantage in an ever-changing business environment.

4. CONCLUSIONS

In the era of globalization and intensifying competition, competitive advantage becomes the primary key to business success. Employee competency development is a crucial element in achieving this advantage. It involves enhancing employees' knowledge, skills, and attitudes through various methods, including training, mentoring, and self-directed learning. The importance of employee competency development lies in the ability to create a work environment that supports continuous learning and growth. This enables companies to have competent, adaptive, and innovative teams capable of effectively addressing market and technological changes. Here are some recommendations based on the findings of this research: 1) Competency Needs Analysis: Conduct a comprehensive analysis to identify the competency needs of employees that support business strategies and long-term goals. 2) Employee Development Plans: Design a comprehensive employee development plan, including formal training, self-directed learning, mentoring, and special projects. 3) Holistic Approach: Make employee competency development an integral part of the company culture by designing every aspect of the work experience to support learning and growth. 4) Facilitating Innovation: Create an environment that supports innovation by encouraging collaboration, providing space for experimentation, and valuing new ideas. 5) Monitoring and Evaluation: Continuously monitor and evaluate the effectiveness of employee competency development programs to adjust strategies according to business needs and enhance the programs. 6) Supportive Leadership: Company leadership should lead by example in promoting employee learning and development by providing support, resources, and constructive feedback. By adopting a holistic and sustainable approach to employee competency development, companies can create a culture that supports sustainable business innovation, which is key to maintaining competitive advantage in an ever-changing business environment.

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