

SOCIAL COMPETENCES IN TIMES OF ECONOMIC CRISES

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Abstract

Purpose: In a turbulent economic environment, dealing with global changes brought about by pandemics and war conflicts, the use of legacy social competences needed to successfully run companies in supply chains has been challenged. Using legacy tools is not enough, as social competencies need to meet the digitalization of supply chains. The purpose of this article is to outline the patterns of competencies during economic crises and to establish the suitability of specific social competencies for running a business in a turbulent environment.

Design/Methodology/Approach: A survey of selected pharmaceutical industry experts was conducted in 2017 and 2020. These experts are highly qualified managers employed by transnational companies. Respondents were asked to determine the importance and relevance of the social competences chosen. Ten experts participated in the study and completed a survey form. The pharmaceutical sector was selected for the survey. This choice was motivated primarily by its specificity. The pharmaceutical sector is of exceptional importance, not only economically, but also socially, providing medicines to save lives.

Findings: When analysing social competencies, one can see a variety of intercultural skills, foreign language skills, the ability to compromise, the ability to transfer knowledge and, finally, the ability to adapt to change. This is a must-have set for managers who want to manage international teams in times of economic crises.

Implications/limitations: The proposed set of social competences and the pattern of management of these competences is so universal that comparative analysis in many industries can be carried out using it. It is also worth considering comparative studies in several countries of the same industry.

Originality/value: This paper aims to answer the following question: which social competences are proving essential for future managers in the pharmaceutical industry in an unstable environment? The answer to this question is crucial for research and educational institutions aiming to develop social competences in future leaders.

Keywords: social competence, economic crisis, key competencies, social capital

Paper type: Conceptual paper

1. Introduction

In today's economy based on Industry 4.0 and the developing concept of Industry 5.0, people and society play an important role. After years of industry 4.0 moving away from the fundamental basis of supporting people through modern technology

to a more technical approach involving only automation and robotization, many governments have come to terms with the stagnation of digitalisation. They have turned to the forgotten management concept of management by competence. Objectives and ideas about the role of artificial intelligence or blockchain technology have been reformulated in the direction of making machines and devices useful to people, rather than the other way around. It is the machine that is supposed to serve the human. Consequently, there has been a renewed discussion about the personal competences of employees and senior managers in terms of social, cognitive or the so-called digital skills. It seems that social competences are the most important from the point of view of Industry 5.0. This is evidenced by numerous publications in recent years dealing with the problem of social competences in the modern economy (Gartner, 2020; Hoffman *et al.*, 2005; Quang and Phuc Vu, 2022; Chen *et al.*, 2021; Song *et al.*, 2021). Existing models of social competences are no longer valid, so many experts are wondering what the model of current social competences should be. In addition to the challenge of a pandemic or war, social competences must also meet the digitalization of the economy.

In the economic context, the term ‘crisis’ refers to the economic instability of a national or global economy. It manifests itself in the form of a complete regression or slowdown in development. It is the result of a sudden collapse of the market, stock market or the occurrence of other risks that entail difficult to control consequences, and these have accompanied virtually every economic crisis that the global market has had to face over the years. These include a decline in the value of GDP, an increase in the level of inflation and the unemployment rate, a decline in investment spending and a reduction in the level of public income. In order to prevent economic crises, companies take specific, often drastic measures as a consequence of a negative event. These actions include adjusting the strategy, based on information gathered on the direct and indirect causes of the resulting crisis, the features and changes in the economy, the actual situation of the company (macro and micro environment). Such identification of the circumstances helps to develop an appropriate strategy for fighting to minimize the damage of the crisis and for the survival of a given company in the market (Strzemecki, 2015). Hence also the interest of managers in the effectiveness of competencies in overcoming problems in times of crises. Faced with an increasingly unstable economy triggered by a global pandemic and war, a large number of economists are asking today whether the existing competence patterns in companies are still appropriate and adapted to the current economic situation (Łupicka, 2021). Social competencies, which are a component of social capital development, are becoming particularly important. Social competencies are strongly correlated with the financial success of companies, as well as with the building of new relationships and networks so important in a turbulent economic environment. Today, companies are exposed to

all risks of disruption, at every stage of doing business. Therefore, social influence plays an important role through the ability to change the attitudes of other people, business partners and their behaviour in the desired direction. Moreover, another constraint for entrepreneurs is adapting the conduct of business to sustainability requirements. Certainly, many global supply chains will turn their attention to the economics of sustainability, particularly the environmental aspect. The goal of supply chain sustainability is the creation, protection and long-term development of environmental, social and economic value in the delivery of products and services to the market (Rogall, 2010). The above goal has sparked a broader view of sustainable supply chain management, both in terms of a new business model and an indication of close-loop supply chain management. From the perspective of companies and their supply chains, the concept of sustainability indicates an economically viable, socially acceptable and environmentally friendly use of resources to sustain its growth over the long term (Brdulak, 2012). In a sustainable supply chain, there is a process of using environmentally friendly resources and transforming them so that their incidental properties can be improved or recycled into the existing environment without disturbing it (Witkowski and Pisarek, 2017). Environmental values include compliance with regulations related to the environmental aspects of doing business. The supply chain may measure the amount of greenhouse gases emitted, energy efficiency or the recyclability of materials.

Social values will also play a significant role. The social values emphasized in sustainable supply chains include fair labour practices, fair compensation of workers, compliance with labour and human rights laws, respect for gender equality, safety in the workplace, and practices geared toward cooperation with local communities.

2. Literature review/Theoretical background and hypothesis development

The peculiarities and complexity of the modern economic environment require entrepreneurs to have a variety of competencies to function in dynamically changing conditions. According to M. Bratnicki, competencies understood as the ability to do something valuable for customers use predispositions to easily master and effectively perform value-added processes, as well as practical knowledge of economic processes and relevant people skills (Bratnicki, 2000). Competencies and resources, together with strategic intentions, determine the strategic differences between enterprises, and shape the path to gaining competitive advantage. Of great importance from this point of view are the nature of the competencies and resources possessed and their strategic value. Thus, an important element in estimating the competitive advantage gained is a thorough understanding of the competencies and resources held by the enterprise

(Łupicka-Szudrowicz, 2004). In the scientific discussion, the division of entrepreneurial competencies into social, technical and managerial competencies is most often indicated. The subject of this article is social competencies. The category of social competence is not clearly defined. Parallel to each other there are different definitions depending on the field of social sciences. A different understanding of competence is presented by psychologists, and another by economists. Social competence is considered in static and dynamic terms. The former assumes that the skills that make up social competence are behaviours that lead to the establishment, maintenance and, eventually, termination of interpersonal relationships. The second approach describes competencies as purposeful behaviour, adapted to the situation, learned and controlled by the individual (Spitzberg and Cupach, 2002). Social competence can be adaptive and it allows for efficiency and effectiveness of actions as well as being entrepreneurial. Social competencies also help in understanding social reality, making choices and acting with awareness of the consequences associated with those choices which are emancipatory in nature. The critical nature of social competence indicates the perception of justifications that legitimize one's own action and social practice, enabling one to understand one's own situation and the contexts in which creative, independent and ethical action takes place (Górska and Solarczyk-Szwec, 2012). The importance of social competence can be considered in the context of an individual (the micro perspective), an enterprise or network of organizations (the mezzo perspective) and society as a whole (the macro perspective). According to the list of key competencies agreed upon by the European Union, social competencies not only serve the success of individuals in a micro-social perspective, but also contribute to the strengthening of macroeconomic relations and globalization through the building of social capital and economic development (Recommendation of the European Parliament and of the Council of 18 December 2006 on Key Competences for Lifelong Learning, 2006). If it is considered that social competencies are key to the functioning of entrepreneurs in times of crisis, then a model for managing social competencies should be sought from a management perspective.

According to M. Bratnicki, competencies understood as opportunities to do something valuable for customers use predispositions to easily master and effectively perform value-added processes, as well as practical knowledge of economic processes and relevant people skills (Bratnicki, 2000). Competencies and resources, together with strategic intentions, determine the strategic differences between enterprises, and shape the path to gaining competitive advantage. Of great importance from this point of view is the nature of the competencies and resources possessed and their strategic value. Thus, an important element in estimating the competitive advantage gained is a close look at the competencies and resources held by the company (Łupicka-Szudrowicz, 2004).

Key competencies change over time and therefore must evolve so that entrepreneurs develop the right strategic responses to transformations in operating and development conditions, especially in times of economic crises. According to M. Bratnicki, a dynamic approach to the competencies of an enterprise distinguishes four levels of competitive power (Bratnicki, 2000):

- distinctive (competitors cannot easily copy a given competence and thus it gives an advantage in the market, allows to achieve above-average profitability),
- core (the competency is common among direct competitors, but is necessary to remain in a particular industry sector and is usually associated with relevant capabilities, processes, resources, skills, behaviours),
- routine (competency is inherent in most businesses and associated with activities that must be performed, *e.g.*, making payroll),
- outsourcing of activities that are unprofitable to perform (Vollman, 1996).

The natural tendency is to degrade an enterprise's competencies (that is, to move from the left side of the figure to the right). In contrast, the process of improving the enterprise involves moving in the opposite direction, gradually building new distinctive competencies and the underlying infrastructure of capabilities, processes, systems and resources so that they provide the basis for activities that give a competitive advantage. The fundamental problem to be solved is to shape the right mix, or portfolio, of the four types of competences (Bratnicki, 2000). According to M. Bratnicki, it is possible to link M. E. Porter's value chain to key competences. An enterprise can have various strengths and weaknesses and thus can create distinctive competences either in one type of activity or in any combination of them. In relation to the economists' approach to social competences, entrepreneurs need to be proactive in establishing new relationships and building networks (Robin, 2007). An entrepreneur's social competence is strongly correlated with the financial success of a business venture (Baron and Markman, 2000; Gartner, 2020; Hoffman *et al.*, 2005; Quang and Phuc Vu, 2022; Chen *et al.*, 2021; Song *et al.*, 2021). The entrepreneur's social competences allow for effective cooperation with other business partners as well as playing a role in the success achieved (Baron and Markman, 2000). In the literature, one can find a set of the most commonly indicated social competences of the modern entrepreneur. Social competences are classified as soft skills and generate social behaviour that allows and facilitates the establishment and maintenance of positive interpersonal relationships (Grzybowska and Łupicka, 2017). Selected social competencies are presented in Table 1.

Table 1. Selected
social competences

Source: Grzybowska
K., Łupicka A.,
Future competencies
in the automotive
industry –
practitioners’
opinions
Proceedings of the
30th International
Business Information
Management
Association
Conference (IBIMA)
8-9 November
2017 Madrid
Spain; Vision
2020: Sustainable
Economic
development,
Innovation
Management, and
Global Growth;
Khalid S. Soliman
(ed.) XLVI, pp.
5199-5208 (2017)

Communication skills	The ability to communicate is the most important competence among social competences. It is the ability to listen and send messages that reach the listener. Emotional intelligence is very important and should be developed by every manager.
Leadership skills	Leadership skills indicate inspiring employees, and leading them and also the mastery of methods of effective encouragement by managers.
Skills to be compromising and cooperative	The ability to compromise and cooperate is the ability to empathize with the feelings of others from the point of view of employees and business actors. It is also taking an active interest in their problems and concerns.
Ability to work in a team	Teamwork skills are the ability to work with all members of a group to achieve a common goal
Skills to converse knowledge	The ability to transfer and convert knowledge from tacit to explicit is a very difficult challenge. It is also the ability to positively perceive the need for development in other employees and to develop their skills
Accepting change	Acceptance of change refers to the ability to take the initiative for change or to manage it.

3. Research Methodology

The aim of the article is to present the social competence patterns before and during economic crises and to determine the importance of individual competences for doing business in a turbulent environment. This paper is to answer the following question: what social competences seem necessary for future managers in a turbulent environment? The answer to this question is essential for research and teaching institutions, whose task is to educate future leaders and employees at the highest level of specific competences and skills. In order to answer the above question as adequately as possible, a triangulation of research methods was used to fully illustrate the actual and desired social competencies. In 2020, expert research was carried out by benchmarking previously conducted surveys in 2017 to obtain answers regarding the most required social competences. In 2017, surveys were conducted using the CAWI method, a survey was conducted among selected experts from the pharmaceutical industry. These experts are highly qualified managers employed by transnational corporations. Respondents were asked to indicate selected social competences. There were 10 experts who filled in the questionnaire. The pharmaceutical sector was selected for the purpose of study. A key determinant of the pharmaceutical industry was its relatively strong specificity. The pharmaceutical industry is strongly correlated with human capital in the broadest sense, particularly in relation to life-saving products. There are more than 100 pharmaceutical manufacturers operating in the country. The Polish pharmaceutical market is characterized by a high share of generic drugs. Due to the link between social skills in the pharmaceutical industry and digitalization, the sector is one of the main industries providing innovation. R&D projects related

to the pharmaceutical industry, including biotechnology, are conducted in more than 100 scientific institutions. The majority of R&D projects, with more than 70% of all biotechnology R&D projects, concern the development of innovative products. In the literature, one can find studies of the relationship between social competence, or more broadly social capital, and the digitalization of the economy.

4. Results

The diagram shows the results of the 2017 and 2020 surveys of practitioner respondents, who were asked to rate the social competences needed to work in the pharmaceutical sector.

Then analysing social competences, differences can be seen in intercultural skills, language skills, the ability to compromise, the ability to transfer knowledge and finally the ability to adapt to change. Intercultural skills play an important role in times of an unstable market economy. This is mainly due to the lack of face-to-face meetings during negotiations. In such a case, knowledge of different cultures and customs will allow online negotiations to go smoothly.

This also applies to foreign language skills, so important when there is no time to hire translators. The importance of the ability to adapt to change has also increased, as companies increasingly need to respond to changing market conditions. In the case of knowledge transfer, the importance of this competence has declined. Previous research confirms that supply chain competencies are more diverse, hence there is a need for continuous development and learning for supply chain actors (Grzybowska and Łupicka, 2017). Previous research clearly supports the conclusions of the 2020 study that leaders and well-prepared managers are essential.

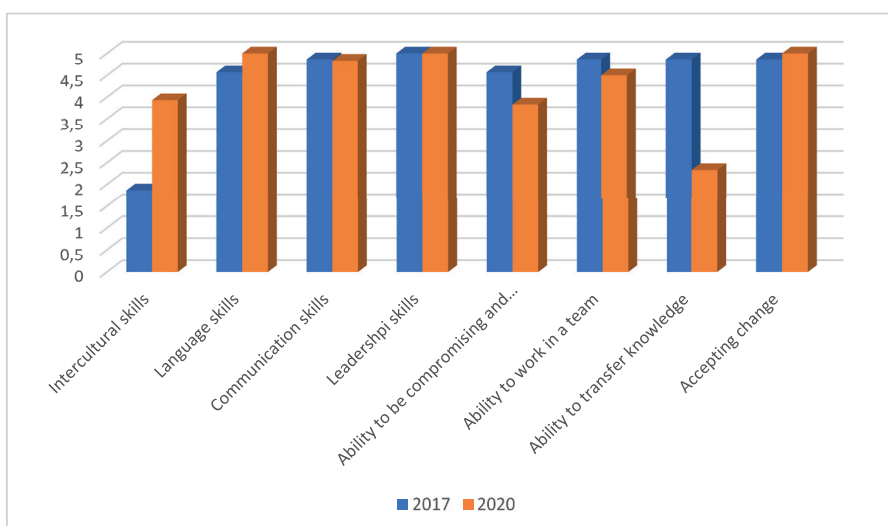


Figure 1. Diagram
Comparative analysis

Own source.

5. Discussion

Social competence management requires the involvement of social capital. Having well-developed social capital in the form of a good reputation or interpersonal ties helps entrepreneurs to gain access to investors, good relationships with suppliers and customers. During face-to-face interactions, entrepreneurs can strongly influence the success of these interactions through their competences. The possession of specific social skills such as the ability to understand other people accurately, the willingness to compromise, the ability to adapt to a variety of social and economic situations affect the quality of cooperation between partners in a business environment. The development of social skills can contribute to the development of existing social resources in organizations. These include (Baron and Markman, 2000):

- Social perception – the ability to correctly perceive the emotions, characteristics, motives and intentions of others;
- Impression management – tactics to elicit sympathy and positive first impressions of others.
- Persuasion and social influence – the ability to change other people's attitudes and behaviour in desired directions. Obtaining finance, recruiting key staff, dealing with customers and suppliers, negotiating;
- Ability to adapt to social situations – the ability to adapt or feel comfortable in a wide range of economic situations.

Social capital is the glue of both the enterprise in the new economy and civil society. It fills the social space between people and has its origin in interactions through which links and networks are based on a healthy foundation of interaction. Social capital, like other forms of capital, serves to increase the efficiency of an organization's functioning and development mainly by facilitating interaction between participants. New ties modify the existing social capital and create opportunities for resource utilization and exchange between intra-organizational units. In the new economy, an important aspect of social capital is also that it becomes a network of social ties between organizational participants and customers and is helpful for economic transactions. Such transactions are facilitated because of the rapid access of the participants in these ties to current organizational resources. They become available through the network of ties in which an individual person or organizational unit is entangled. Thus, the ability of entrepreneurs to take advantage of growth opportunities lies in social capital, including skilful cooperation with customers within the organization to pursue common interests. This ability to join groups, is a significant part of social capital, from which much of the trust between participants in an organization is derived, which is an important and measurable economic value. Each participant, by bringing in new contacts, develops the network, thus further catalysing the conclusion of further transactions, developing the entrepreneurial qualities of

the organization in question. Therefore, the role of social capital in facilitating and catalysing the rapid building of new and effective connections and thus maximizing the use of resources by as many network participants as possible to undertake entrepreneurial activities is so important (Łupicka, 2009).

In conclusion, it is important to consider what links exist between social competence, social capital or sustainability. A proposal for these relationships is presented in Figure 1.

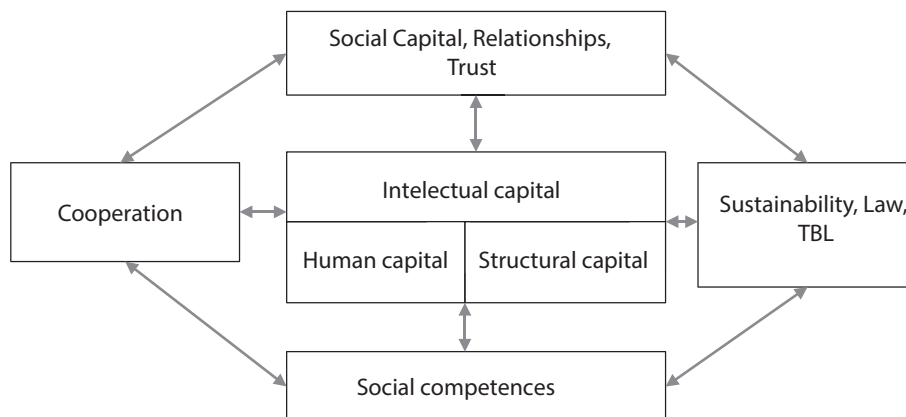


Figure 2. Social competences – dependencies
Own source.

The diagram clearly shows that there is a feedback loop between the key areas. The development of social competences depends primarily on intellectual capital. If owners or CEOs focus on their employees and their development, which is a reflection of their human capital, then structural capital, often based on informal ties, develops by improving their skills and knowledge. The components of structural capital are primarily organisational culture or customer relations. The proper management of intellectual capital increases the level of trust among employees and business partners of a company, which is the quintessence of social capital. Along with raising the level of social competence, it is necessary to bear in mind the development of cooperation with the economic environment and compliance with directives and laws on responsible development.

6. Conclusion

Summarizing the above considerations, several conclusions can be made:

1) In order to prevent economic crises, companies take specific, often drastic actions as a consequence of a negative event. These actions include the adaptation of a strategy, based on information gathered on the direct and indirect causes of the crisis that has arisen, the features and changes in the economic climate, the actual situation of the company. They have to revise the existing set of competences for the survival of the company in the market.

- 2) These days, change is accelerating and becoming more unpredictable. Companies have to react very quickly to the challenges and opportunities of the business world. Despite the tremendous progress in the industry, managers have to constantly face new challenges by improving their competences, especially digital competences, which have become a component of managerial competence. Effective leaders need to know how to encourage employees to use modern technologies. but they will not be able to do this if they do not possess them themselves.
- 3) Social competences are of particular importance as an element in the development of social capital. Social competences are strongly correlated with the financial success of enterprises, as well as with the building of new relationships and networks so important in a turbulent economic environment.
- 4) The set of social competences should include leadership skills, language skills, sensitivity to working in a team or, finally, the ability to adapt to changes in the market environment resulting from economic crises. These social competences identified by respondents are particularly required in the new era of the Industry 5.0 concept.
- 5) The ability to adapt to changes in the market is a skill that combines the new technologies of Industry 4.0 with the new concept of Industry 5.0 indicating, among other things, the role of sustainability and flexibility to adapt to new environmental conditions. ability to adapt to changes in the market.
- 6) The development of social competences depends primarily on intellectual capital. By improving the competences of employees at every level in the company, their skills and knowledge, structural capital is developed, based mostly on informal ties, which result in a willingness to share experience and acquired knowledge.
- 7) In order to increase social competence, the ability of an organisation to convert tacit knowledge into explicit knowledge plays an important role. One way of sharing knowledge is the creation of knowledge base repositories or staff training in the area of social competences. The leadership skills identified in the questionnaire clearly demonstrate the roles of leaders in Industry 5.0.
- 8) Social competences and their continuous improvement can contribute to increasing the effectiveness of enterprises and, in extreme crisis situations, through a high level of trust from business partners to survive in the market.

7. Limitations and future research

The research carried out into the social competences of the entrepreneur is a contribution to the initiation of more in-depth research on a wider scale, covering other sectors of the economy. The proposed set of social competences and the pattern of management of these competences is so universal that comparative analysis in many industries can be carried out using it. It is also worth considering comparative studies in several countries of the same industry. Further research should consider the roles of social competences in the era of the new Industry 5.0 concept. The role of these competences in the light of resilience and sustainability is of particular importance.

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