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THE IMPACT OF MANAGEMENT COMPETENCIES ON BUSINESS DEVELOPMENT IN THE BALTIC REGION

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Abstract: Business development in the Baltic region is closely related to the ability of organizations to effectively adapt to a changing business environment, enhance competitiveness, and ensure sustainable growth. Management competencies play an increasing role in strategic decision-making, organizational performance, and long-term development. The aim of the study is to analyze the impact of management competencies on business development in the Baltic region. The study employs a mixed-methods approach, combining a review of scientific literature with empirical research. This paper analyses data from the first stage of the conducted research. The empirical part is based on data from a study on factors influencing management competencies and human resource development in life insurance companies in Latvia and Lithuania. Management competencies were assessed by employees to identify key trends and links to organizational development. Descriptive statistical methods were used for data analysis. The results of the study indicate that management competencies play a significant role in business development. Strategic, communication, and emotional intelligence competencies enhance business development and competitiveness. These competencies enhance organizational performance and support sustainable development in the Baltic region. The findings of the study can be applied across different industries to support business development and competitiveness.

Keywords: Management competencies, business development, strategic management, competitiveness, Baltic region.

1. INTRODUCTION

In the modern business environment, the development of organizations is increasingly determined not only by available resources or market conditions, but also by the quality of management and the ability to make strategic decisions. Increasing competition and uncertainty are forcing organizations to look for more effective ways to ensure sustainable growth, and in

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this context, management competencies are becoming one of the most important factors influencing the development of companies (Teece, 2007; Hawi et al., 2015).

Management competencies affect not only the strategic direction of the organization, but also how processes are organized, decisions are made and employees are involved. The ability of managers to combine analytical skills with effective communication and collaboration determines how successfully an organization is able to adapt to change and achieve set goals (Boyatzis, 2008). Thus, management competencies become an essential element connecting strategic planning with practical implementation.

This issue is especially relevant in the Baltic region, where organizations operate in a dynamic and internationally influenced environment. The relatively small size of the market, high competition and the need for innovation put additional pressure on organizations to develop their capabilities and make efficient use of available resources. In these circumstances, managerial competencies become one of the main factors affecting the ability of companies to ensure development and competitiveness (Rodríguez-Pose, 2013). Although the importance of management competencies has been extensively studied, most research focuses on the results of the organization or the analysis of the level of management. Less attention is paid to how management competencies are perceived at the employee level and how this perception affects the development of the organization. However, the perspective of employees is relevant, since it is the employees who ensure the implementation of strategic decisions and the effectiveness of daily operations (Jiang et al., 2012).

There is a need to analyze the impact of management competencies in specific regional contexts, since even in economically similar countries there may be significant differences in management approaches and organizational culture. Latvia and Lithuania are a suitable comparison, as they are characterized by similar economic development, but possible differences in management practices, which may affect the perception of employees and the development of the organization. Taking into account the identified problem of the study, the aim of this study is to analyze the impact of management competencies on the development of companies in the Baltic region, paying special attention to the perception of employees in Latvia and Lithuania. The study analyzes strategic competencies, emotional intelligence, and communication competencies as key factors influencing the organization's performance.

Based on theoretical insights, the hypothesis is put forward that a higher level of managerial competencies has a positive effect on the development and competitiveness of enterprises. The study combines literature analysis with empirical data analysis to provide an in-depth understanding of the importance of management competencies in the development of the organization and their impact on the performance of companies in the Baltic region. Although the scientific literature has extensively analyzed the importance of management competencies in the activities of organizations, there is still a need to understand in depth the practical manifestation of these competencies in specific organizational conditions. Of particular importance in this context is the perspective of employees, since it is employees who ensure the implementation of strategic decisions and reflect the effectiveness of management approaches in daily operations (Jiang et al., 2012). The empirical part of this study, which is based on the theoretical framework and the results of a previously conducted pilot study, provides an opportunity to analyze the practical significance of management competencies and their impact on the development of companies in the Baltic region. Thus, to justify the research approach and define the aspects to be analyzed, the next chapter discusses the theoretical basis of management competencies.

2. LITERATURE REVIEW

2.1. The significance and content of management competencies

In the scientific literature, management competencies are explained in different ways, and it depends on the research approach. Some authors emphasize competencies as a set of individual abilities that allow managers to effectively organize work and make decisions, while others interpret them as a dynamic process that develops in interaction with the organizational environment (Boyatzis, 2008; Samimi et al., 2022). These different approaches show that management competencies cannot be viewed in isolation, but as an integrated system that affects the functioning of the organization as a whole. Therefore, increasingly often they are analyzed in relation to their practical significance for the functioning of the organization and the ability to ensure long-term development. In addition to professional skills, increasing importance is being given to social and emotional competencies, which determines the ability of managers to build effective relationships with employees. Studies show that managers with higher emotional competence can better understand the needs of employees and promote a positive work environment, which in turn affects employee engagement and satisfaction (Boyatzis, 2008). That is, management competencies include not only technical knowledge, but also the ability to build trust and cooperation within the organization.

The development of management competencies is considered a continuous process associated with the organization's ability to adapt to changes and improve performance. The development of competences occurs both at the individual level and at the organizational level, where learning processes and the accumulation of experience play an important role (Armstrong & Taylor, 2020). This approach is also particularly relevant in this study, as it makes it possible to explain why employees' assessments of management competencies may differ between different organizations and countries.

2.2. Management competencies in strategic management

From the point of view of strategic management, competencies are an essential prerequisite for determining the direction of development of the organization and the implementation of strategies. The ability of managers to make informed decisions, analyze the business environment and identify development opportunities affects the performance and competitiveness of the organization (Samimi et al., 2022; Teece, 2007). Such an understanding emphasizes the importance of management competencies not only in everyday activities, but also at the strategic level. The theory of dynamic capabilities complements this view, emphasizing the ability of an organization to adapt to a changing environment and make efficient use of available resources. In this context, management competencies are an essential element that determines an organization's ability to respond to changes in a timely manner and remain competitive (Teece, 2007). The competence of managers to interpret information and make strategic decisions becomes especially important in times of uncertainty.

Empirical studies indicate that a higher level of competences is associated with better quality strategic decisions and their more effective implementation in practice. Management competencies help coordinate resources, manage change, and ensure the achievement of strategic goals (Samimi et al., 2022). Such an approach is directly related to the practical part of this study, where it is analyzed how employees assess management competencies in various organizational settings.

2.3. Management competencies, human resources and organizational development

The importance of managerial competencies is particularly evident in their influence on human resource development, as employee engagement, motivation and professional growth largely depend on the management approach. Studies have shown that managerial competence contributes to employee development and improves organizational efficiency, acting as a link between strategic objectives and the daily activities of employees (Jiang et al., 2012). In this context, managerial competencies are not only related to decision-making but also to the ability to support and develop employees. Effective human resource management is closely linked to the development of managerial competencies, as it directly affects employee satisfaction, loyalty and performance. Research indicates that organizations in which managers actively support employee development achieve better results and create a more positive work environment (Boxall & Macky, 2008). This highlights the role of managerial competencies as a key factor in fostering a supportive organizational climate and enhancing employee involvement.

The interaction between managerial competencies and human resource development is particularly relevant in understanding organizational performance, as employee perceptions reflect how management practices are implemented in practice. Differences across countries may arise from variations in management styles and approaches to employee development, which influence both the work environment and overall organizational effectiveness (Jiang et al., 2012; Delery & Roumpi, 2017). At the same time, organizational development is closely related to the ability of firms to adapt to a dynamic business environment, strengthen competitiveness and ensure sustainable growth. The literature emphasizes that adaptability is a critical factor influencing organizational success, particularly in regions characterized by economic and structural changes (Teece, 2007; Rodríguez-Pose, 2013). In this context, managerial competencies play a central role in enabling organizations to respond to external challenges and effectively utilize available resources.

The importance of managerial competencies is particularly evident in the Baltic region, where organizations operate in a highly competitive and evolving environment. Managers' ability to analyze external conditions, identify development opportunities and respond to market changes contributes to maintaining competitiveness and ensuring long-term growth. From a theoretical perspective, the role of managerial competencies in building competitive advantage is emphasized by the dynamic capability's framework, which highlights the importance of adapting to changing environments (Teece, 2007). Empirical studies confirm that managerial competencies are closely linked to the development of competitive advantages, especially in dynamic economic conditions (Li et al., 2024). In addition, the management approach to human resources significantly influences organizational outcomes in the Baltic context. The involvement and competence of employees play a crucial role in achieving organizational goals, and managerial competencies determine how effectively this potential is utilized. Organizations that develop both strategic and social competencies are better able to adapt to change and achieve higher performance (Jiang et al., 2012; Delery & Roumpi, 2017).

3. DATA AND METHODOLOGY

The study uses a mixed approach, combining the analysis of scientific literature with the study of empirical data. The empirical part is based on the data of the pilot study, obtained by analyzing the assessment of management competencies in organizations. The theoretical

basis of the study is based on the theory of strategic management and dynamic capabilities, which emphasizes the importance of management competencies in the development and competitiveness of the organization. The theoretical part includes the analysis of the latest research on management competencies, strategic management and the development of organizations. Such an approach allows you to get an initial insight into the meaning of management competencies in the development of enterprises and identify the main trends.

The data of the empirical study were obtained from life insurance companies in Latvia and Lithuania. The study involved employees of organizations who assessed management competencies in their organizations. The sample is based on the principle of accessibility and includes respondents' assessments of different dimensions of management competencies, including strategic management, communication and emotional intelligence. Such an approach allows you to analyze management competencies from the point of view of employees and identify their manifestations in the activities of the organization.

Management competencies in the study were assessed using a structured questionnaire that included questions on key competencies, including strategic management, communication, and emotional intelligence. Respondents gave an assessment using the Likert scale principle, which allows you to determine the intensity of the expression of competencies in the organization. Such a measurement approach provides an opportunity to quantitatively analyze management competencies and compare their assessment among respondents.

Data analysis used descriptive statistical methods to identify key trends in management competency assessments. The internal coherence of the competence scales was checked using the Kronbach alpha coefficient, which allows us to assess the reliability of the measurements. To analyze the differences between respondents in Latvia and Lithuania, the t-test of independent samples was used. The statistical analysis was carried out using JASP software and the statistical significance level $p < 0.05$ was considered in the interpretation of the results.

4. RESULTS AND DISCUSSION

The results of the empirical study provide an insight into the assessment of management competencies in organizations, based on the perception of employees in Latvia and Lithuania. The analysis was carried out using descriptive statistical methods, as well as reliability and differences analysis, which allows to identify the main trends and differences in competence assessments between respondents in the two countries. Such an approach provides an opportunity to systematically assess the manifestations of management competencies and their importance in the activities of the organization.

To ensure the accuracy of the interpretation of the data, a descriptive statistical analysis was initially carried out, which allows to characterize respondents' assessments of management competencies and identify central trends. In addition to this, a scale reliability analysis was performed using Cronbach's alpha coefficient to assess the internal coherence of the indicators used. This step is essential to ensure that the measurements used adequately reflect the competence groups analysed.

The analysis of descriptive statistics was used to characterize the distribution of ratings provided by respondents and to identify the main trends in management competency assessments. The analysis used central trend indicators and dispersion indicators, which allow to assess the structure of the data and the unity of the results.

The results of descriptive statistics show that, in general, management competencies are assessed positively both in Latvia and Lithuania. Average values in most competencies exceed the midpoint of the scale, which indicates a relatively high evaluation of employees. The highest scores are observed in strategic management and emotional intelligence competencies, while

assessments of communication competencies are slightly lower. For example, the assessment of strategic competence in Latvia reaches an average indicator of (M=4.327), which is higher than in Lithuania (M=3.640). Comparing the results of both countries, the ratings of Latvian respondents in general are slightly higher than in Lithuania. This indicates that in Latvian organizations management competencies are perceived as more developed, which may indicate more effective management practices or higher involvement of employees in organizational processes. The detailed results of the descriptive statistics are summarized in (Table 1).

Table 1. Descriptive statistics of management competencies

Descriptive Statistics							
		Valid	Median	Mean arithmetic	Std. Deviation	Minimum	Maximum
Strategic_1	Latvia	52	5	4.327	0.834	2	5
Strategic_1	Lithuania	50	3.5	3.64	0.851	1	5
Communication_1	Latvia	52	4	4.115	0.963	2	5
Communication_1	Lithuania	50	4	3.98	0.937	1	5
Strategic_2	Latvia	52	4	4.212	0.893	1	5
Strategic_2	Lithuania	50	4	4.02	0.892	1	5
Strategic_3	Latvia	52	4	4.154	0.894	2	5
Strategic_3	Lithuania	50	4	3.9	0.953	1	5
Communication_2	Latvia	52	4	4.096	1.053	1	5
Communication_2	Lithuania	50	3.5	3.66	1.189	1	5
Emotional_Intelligence_1	Latvia	52	4	4.346	0.789	1	5
Emotional_Intelligence_1	Lithuania	50	4	3.96	0.903	1	5

To assess the reliability of the competency scales used, a reliability analysis was performed using Cronbach's alpha coefficient.

4.1. Reliability analysis

The results obtained show that the overall scale of competences shows an acceptable internal coherence (α=0.749), which indicates that the selected issues as a whole characterize the analyzed management competencies in a sufficiently consistent manner. A more detailed analysis by competence group shows that internal coherence is acceptable for the strategic management competence scale (α=0.701). Further analysis by evaluating Cronbach's alpha coefficient by excluding individual questions shows that the exclusion of any question does not significantly improve the reliability of the scale, which confirms the appropriateness of the selected indicators. In turn, the indicator of the scale of communication competencies is lower (α=0.601), which corresponds to dubious reliability. A lower Cronbach's alpha score for two-indicator scales is common, which should be taken into account when interpreting the results. Despite the lower reliability score, the results of the communication competence scale are presented separately, taking into account the peculiarities of its structure and are used in the subsequent analysis, taking into account its theoretical significance, but the results obtained should be interpreted with caution. The results of the reliability analysis obtained in general indicate that the scales used are sufficiently suitable for assessing management competencies. The scale of strategic competences shall show acceptable internal coherence, demonstrating that the selected indicators consistently characterize the group of competences analyses. On the

other hand, a lower reliability score of communication competencies indicates a possible greater variation in responses or a limited number of indicators to be taken into account when interpreting the results. Overall, these measurements provide a sufficient basis for further statistical analysis and interpretation of the results. The detailed results of the reliability analysis are summarized in (Tables 2 and Table 3).

Table 2. Reliability statistics of management competencies

Frequentist Scale Reliability Statistics				
			95% CI	
Coefficient	Estimate	Std. Error	Lower	Upper
Cronbach's α	0.749	0.07	0.612	0.885
Mean	12.14	0.22	11.71	12.57

Frequentist Individual Item Reliability Statistics						
	Cronbach's α (if item dropped)			Item-rest correlation		
Item	Estimate	Lower 95% CI	Upper 95% CI	Estimate	Lower 95% CI	Upper 95% CI
Strategic_1	0.654	0.342	0.965	0.586	0.441	0.7
Strategic_2	0.641	0.47	0.811	0.597	0.456	0.709
Strategic_3	0.701	0.472	0.929	0.545	0.392	0.669

In (Table 2) summarizes the results of the reliability analysis of the strategic competence scale. The resulting Cronbach's alpha value indicates acceptable internal coherence, which confirms the consistency and suitability of the indicators used for the assessment of this competence group.

Presents the results (Table 3) of the reliability analysis of the communication competency scale. The resulting Cronbach's alpha value is lower compared to other competencies, which may be due to a limited number of indicators or a greater variation in answers.

Table 3. Reliability statistics and item analysis of communication competencies

Frequentist Scale Reliability Statistics				
			95% CI	
Coefficient	Estimate	Std. Error	Lower	Upper
Cronbach's α	0.601	0.097	0.412	0.791
Mean	7.931	0.175	7.588	8.275

Frequentist Individual Item Reliability Statistics						
	Cronbach's α (if item dropped)			Item-rest correlation		
Item	Estimate	Lower 95% CI	Upper 95% CI	Estimate	Lower 95% CI	Upper 95% CI
Communication_1				0.437	0.265	0.582
Communication_2				0.437	0.265	0.582

After assessing the reliability of the competence scales, the next stage of the analysis was to determine whether there are statistically significant differences in the assessments of management competences between respondents in Latvia and Lithuania. For this, a t-test

analysis of independent samples was carried out, which allows you to compare the average values of two independent groups and identify significant differences between them.

4.2. Statistical differences between Latvia and Lithuania (independent Samples t-test)

The results of the t-test of independent samples show that there are statistically significant differences between Latvian and Lithuanian respondents in several dimensions of management competences. The average assessment of strategic competences in Latvia (M= 4.231) is statistically significantly higher than in Lithuania (M=3.853), t (100) = 2.644, p= 0.010. The magnitude of the effect (Cohen's d=0.524) indicates the magnitude of the average effect. Similar results can be observed in emotional intelligence competencies, where the rating of Latvian respondents (M=4.346) is higher than in Lithuania (M=3.960), and this difference is statistically significant, t (100) = 2.303, p=0.023. The magnitude of the effect (Cohen's d = 0.456) indicates an average effect. On the other hand, in the case of communication competences, no statistically significant differences between countries were found (p=0.103), suggesting a similar assessment of employees in this area. The results obtained generally indicate statistically significant differences in management competence assessments between Latvia and Lithuania, which are especially manifested in the field of strategic competences and emotional intelligence. This may indicate different management practices and organizational conditions that affect the perception of employees and the practical expression of managerial competencies. Detailed t-test results are summarized in (Table 4).

Table 4. Independent samples t-test results

	t	df	p	Cohen's d	SE Cohen's d	
Strategic_mean	2.644	100	0.01	0.524	0.205	
Communication_mean	1.644	100	0.103	0.326	0.201	
Emotional_Intelligence_1	2.303	100	0.023	0.456	0.203	
Group Descriptives	Group	N	Mean	SD	SE	Coefficient of variation
Strategic_mean	Latvia	52	4.231	0.76	0.105	0.18
	Lithuania	50	3.853	0.677	0.096	0.176
Communication_mean	Latvia	52	4.106	0.882	0.122	0.215
	Lithuania	50	3.82	0.873	0.124	0.229
Emotional_Intelligence_1	Latvia	52	4.346	0.789	0.109	0.182
	Lithuania	50	3.96	0.903	0.128	0.228

In general, the results of the t-test analysis show that there are statistically significant differences between the assessments of Latvian and Lithuanian employees in terms of strategic competences and emotional intelligence, while no significant differences were found in the assessments of communication competences. These results are consistent with the findings of the pilot study, which indicate different management approaches in the two countries. In Latvia, individually tailored and empathetic management associated with higher employee ratings prevails more often, while in Lithuania a more structured and formal approach is more characteristic, where employee ratings are more often neutral. Thus, the results obtained indicate that the manifestations of managerial competencies and their perception may vary

depending on the organizational and cultural environment, which, in turn, can affect the processes of human resource development.

The results of the study indicate that managerial competencies play a significant role in shaping employee perceptions of management effectiveness and organizational performance. Statistically significant differences between Latvia and Lithuania in strategic competences and emotional intelligence suggest that these competencies are influenced not only by individual managerial abilities but also by organizational practices and cultural context. While the findings are consistent with the pilot study, they should be interpreted with caution, as employee evaluations may reflect subjective perceptions rather than objective differences in management quality, as also highlighted in studies on leadership and employee attitudes. Moreover, the more positive evaluations observed in Latvia and more neutral assessments in Lithuania may be influenced by differences in communication practices and managerial behavior, which have been shown to affect employee responses and engagement (Dirks & Ferrin, 2002).

From a theoretical perspective, the findings support the view that managerial competencies extend beyond technical and strategic skills to include behavioral and relational aspects that influence employee engagement and organizational outcomes. This aligns with research emphasizing the importance of human resource management practices in shaping organizational performance (Boxall & Macky, 2008). However, the relatively lower reliability of communication competences and the limited sample size indicate the need for further refinement of assessment tools and broader empirical validation, as suggested in studies on strategic human resource management (Delery & Roumpi, 2017). In addition, the sector-specific and regional focus of the study may limit the generalizability of the results, highlighting the importance of expanding future research across different industries and contexts.

5. CONCLUSION

The aim of this study was to analyze the importance of management competencies in organizational activities and to assess differences in employee perceptions in Latvia and Lithuania. The findings indicate that managerial competencies significantly influence employee attitudes, collaboration and perceptions of the work environment, thereby affecting organizational development. Consistent with prior research (Avolio et al., 2009), the results show that strategic competences and emotional intelligence are evaluated more highly in Latvia than in Lithuania, while no significant differences were identified in communication competences. These findings highlight that employee perceptions of managerial competencies are shaped by management practices and organizational context. Furthermore, the study emphasizes the importance of developing managerial competencies not only in strategic thinking but also in building effective relationships with employees, as leadership behavior influences motivation and performance outcomes (Judge et al., 2002). Despite its limitations, the study provides insights applicable across industries and offers a basis for further research and practical management development.

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