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A Systemic Approach to Competency Management

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Submission for Degree of Doctor of Philosophy

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I dedicate this thesis to my parents, who always taught me to keep fighting no matter how difficult or hopeless a situation might appear, a lesson I have found invaluable to me throughout my research journey.

DECLARATION

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ABSTRACT

Changes in the business environment have in recent years exceeded expectations and challenged the way organisations manage their businesses. Increased concentration in the marketplace following significant changes to the barriers to entry has resulted in organisations seeking to deliver competitive advantage in different ways. Some organisations have tried to strip away at non-core capabilities, redesign their processes and acquire competitors fiercely. Ultimately most of these changes have impacted the employees within the organisations.

This systems science research explores the competency approach to employee management. It identifies the environmental changes that have led to such an approach including those within the field of Human Resource Management and discusses the impact of these changes on managing the performance of employees. The thesis explores the recent trend of adopting a competency strategy to concentrate employee behaviour on specific organisational capabilities.

The research surveyed Human Resource directors in the UK to gauge their opinion of the difficulties and successes associated with adopting a competency strategy. A Systemic Competency Framework was developed which was initially validated with two case studies. The Systemic Competency Framework proposes a five-stage process that guides Human Resource practitioners through the design, implementation and management of a competency strategy both in an evaluative and design context.

CHAPTER ONE

Introduction

1.1 Introduction

This thesis is a culmination of five years full-time and part-time systems science research into the management and development of a competency approach to employee performance management. This chapter provides an overview of the thesis, taking the reader through the research objectives, describing how they were derived, how it is proposed that they be achieved and the overall remit of the research. The structure of each of the chapters is then summarised and a brief description of the appendices is provided.

1.2 Research Focus

This research is focused on the organisation trends in the UK towards the development of a competency-based employee evaluation strategy.[1] Interest in this area was initially the result of exposure to the difficulties of managing a competency strategy as witnessed while working in the Human Resources department of the Xerox Corporation in 1995. Following this experience, the opportunity arose with the director of Training and Development at The Marketing Council in 1996 (part of the Confederation of British Industries) to research the development of competencies in the UK. Several discussions with Human Resource practitioners, who were also members of The Marketing Council, identified an overall lack of information as to the key considerations of creating, implementing and managing a competency strategy. At the time, there was no useful framework available to Human Resource practitioners that could guide them through the overall creation, management and evaluation of a competency strategy and would provide for them the critical success factors and pitfalls to avoid. Rather, existing literature seemed to offer piecemeal advice on the different points to consider without an overall framework to follow.

[1] The term competency-based employee evaluation refers to the process by which employees' behaviours are evaluated in contrast/addition with their job outputs. The definitions are explored in great detail in chapter five.

These discussions and a review of the existing literature in the field resulted in the devising of two research objectives:

1. To understand the key drivers and problem areas associated with the successful creation, implementation, management and evaluation of an organisation's employee competency strategy; and
2. To develop a framework to guide organisations in developing and managing their employee competency model.

The first objective requires a thorough understanding of the development of the competency movement, which involves reviewing the various influencing factors. These factors include developments in the field of Human Resources and Organisation Behaviour and environmental changes that have influenced some organisations and have resulted in an adjustment to the set of requirements made of employees. As Flood (1990) points out, the human resource element of organisations is an integral part of the successful operation of an open system. Such a relationship means that people are considered a commodity of an organisation i.e. something of value, and thus should be treated as a key resource. Subsequently, any increase in the demands placed on organisations increases the demands placed on its human resources. In addition to understanding the factors affecting the development of the competency movement, an investigation into the problematic areas and success factors is undertaken. This investigation draws upon research that has already been conducted and identifies gaps in the literature as well as relevant arguments that required further exploration. The gaps and areas for further exploration are used to drive the content of a survey to Human Resource practitioners that is used in conjunction with the literature review to develop a competency framework with dual functionality. Such dual functionality allows the framework to be used as a design tool for competency strategies as well as an evaluation tool. The competency framework is then initially validated in two case studies during which the framework is used in both capacities.

As a systems thinker, a systems approach to satisfying the research objectives is appropriate and reflected in the structure of the research and the actual development

of areas for investigation. This approach is designed to provide a Systemic Competency Framework that is a culmination of the literature review, survey and case studies and reflects a holistic approach to competency management. The Systemic part of the framework referring to the need for practitioners to adopt a holistic approach to competency management.

1.3 Structure of Thesis

This thesis is comprised of nine chapters and five appendices. Each chapter will now be described in terms of what it seeks to achieve and how it contributes to the research.

Chapter Two defines the methodology adopted for this research. It describes a five-stage research model that represents the key steps undertaken in satisfying the research objectives. Stage One is the formulation of the objectives that has been touched upon in the previous section of this chapter. Stage Two reflects the review of the literature in three key areas: Systems Science; the business environment and Human Resource Management; and Competencies. Stage Three represents a quantitative survey that is sent to Human Resource directors. This survey is designed to explore some of the gaps and issues identified in previous stages and coupled with the outcomes of Stage Two will help build the framework in Stage Four. Stage Five offers an initial validation of the framework through its use in two case studies. The framework is used to evaluate a competency model at HSBC Holdings and then used to design the competency strategy for Aon Consulting Ltd. Learning points from both case studies are used to review and validate the framework. Overall Chapter Two describes each of these stages in detail and reflects on the strengths and weaknesses of the approaches that each stage employs to reach its objectives.

Chapter Three is the systems science chapter. It provides a description of the systems approach adopted for this research and is not a literature review in the literal sense. Rather, it describes the pertinent points that make the systems approach applicable for this research. Consequently, it presents the different schools of thought that dominate systems science and how the overall systems thinking approach was deemed the most

appropriate for this research. In particular, it discusses the usefulness of the systems approach and identifies the elements of this approach that are adopted in this research.

Chapter Four reviews the literature in the field of organisational environment change, organisational behaviour change and developments in a particular subsystem namely human resource management. It discusses the complex relationship between the three fields and how the changes within the fields has influenced the competency movement and driven it to its current state. It will present the author's views on human resource management and how this strategic arm of managing human resources will both impact this research, and be impacted by this research.

Chapter Five reviews the literature on the competency movement and was a significant contributor in constructing the survey. This review discusses the confusion surrounding the terms competence and competency, the differences and similarities between organisational and employee competencies and the impact that a competency approach makes on human resource policies. It defines a new classification table that uses systems terminology to define the different types of competency levels of resolutions and then proceeds to discuss these levels. The literature review identifies relevant points that are used in this research, and gaps in existing literature that require further investigation. It consequently uses both to formulate the questions in the survey and the development of the Systemic Competency Framework that embraces the employee level of competency strategy.

Chapter Six represents the analysis of the results of the survey that was sent to Human Resource Directors. It discusses each of the questions in the survey and the associated responses, drawing conclusions where possible and identifying arguments and points that are used in formulating the Systemic Competency Framework. It addresses the gaps in the literature review which include exploring how often organisations evaluate their competency strategies, how they assess competencies, and how they address the HR policies that might be influenced by a competency approach.

Chapter Seven describes the new Systemic Competency Framework that represents the key output of this research and that is formulated using the points derived from the literature review and the survey. The Systemic Competency Framework is comprised of five stages that have been designed to guide competency model devisors and strategists through the design, implementation and management of a competency approach to employee performance management. It acts as both a design and diagnostic tool in that it enables organisations to review an existing model and strategy as well as use the framework to design a competency strategy. The framework is systemic in its approach to delivering a successful competency strategy, targeting the overall objectives of a competency strategy and linking them with the strategic goals of the organisation. Underlying each of the five stages are two concepts which need to be carefully managed, these are communication and stakeholder management. The framework seeks to satisfy the second objective of this research.

Chapter Eight utilises the Systemic Competency Framework with two companies in an action research context. The first company, HSBC holdings use the framework to evaluate their own existing competency strategy and make adjustments accordingly. The second company, Aon Consulting uses the framework to design their competency strategy. Following this stage in the research adjustments were noted and made to the framework.

Chapter Nine concludes the research by reflecting on each of the chapters and summarising the key points from each that led to the research objectives being met. It identifies lessons learnt from the research experience, discusses the systems contribution of the research and explores the contribution to knowledge that the research has provided. It then concludes with an exploration of areas that require further research in the field of competency management.

The appendices are situated after the references in this thesis. There are five appendices in total. Appendix 1 displays the final version of the survey sent to human resource directors on behalf of the Marketing Council. Appendix 2 contains some of

the raw data that was amalgamated from the external research conducted for the Aon Consulting case study. Appendix 3 illustrates an example page of the competency model that was developed through applying the framework to designing the Aon Consulting competency model. Appendix 4 contains a sample of the role profiles used to aid in implementing the Aon Consulting competency strategy. Finally, Appendix 5 presents an example of a training and competency matrix as developed for use at Aon Consulting.

1.4 Limitations and Scope

This research is not an attempt to examine all aspects of Human Resource Management as a discipline, instead it focuses on using Systems Science as a meta-discipline in order to better understand the complexity present in a particular aspect of Human Resource Management namely, competency management.

The research is not intended to provide a prescriptive framework that defines precisely an effective competency strategy, rather it is intended to explore the difficulties and successes experienced by organisations adopting a competency approach and develop principles that guide competency strategists in developing and evaluating their competency approach. It does this by exploring both real world research, theoretical literature and by conducting its own quantitative and qualitative research. The validation exercise conducted on the Systemic Competency Framework is by no means an exhaustive testing of the framework and further testing is recommended in Chapter Nine.

The use of systems science helps frame thoughts that guide the research, formulate principles (such as participatory not isolationary, holistic not reductionist) that are used to create a classification table of competency resolution levels and the final Systemic Competency Framework. This thesis has explored the developments and to some extent the usefulness of systems science in Chapter Three. However, it does not attempt to further the developments of systems science as a discipline, rather it seeks to utilise the principles grounded in systems thinking in their meta-disciplinary form.

CHAPTER TWO

Methodology

2.1 Introduction

This chapter explains the methodology that has been adopted for the research and reviews the different stages designed to meet the research objectives. At the theoretical level it will discuss the choice of each research method adopted and then explore the practical implications of undertaking such methods. Key to the methodology is an attempt to encompass many areas of information gathering so that the most realistic and holistic point of view possible could be established. In order to achieve the research objectives several different stages of research needed to be conducted, these are displayed in Figure 2.1.

2.2 Stage One

The objectives were formulated as a result of several discussions with The Marketing Council (part of the Confederation of British Industries who were sponsoring part of this research) and various Human Resource practitioners in 1996 on the topic of the competency movement in the UK. The Marketing Council sought to identify the trends and issues surrounding the competency movement and the Human Resource practitioners sought a guide to the relevant considerations that an organisation seeking to adopt/develop a competency strategy needed to contemplate. These discussions resulted in the identification of a need for a thorough review of the competency movement and its adoption by UK organisations with the aim of developing a coherent picture of the state of the competency movement in the UK and to help formulate a guiding competency framework for practitioners.

Two major objectives were developed out of these discussions that drive this research:

1. To understand the key drivers and problem areas associated with the successful creation, implementation, management and evaluation of an organisation's employee competency strategy; and

2. To develop a framework to guide organisations in developing and managing their employee competency model.

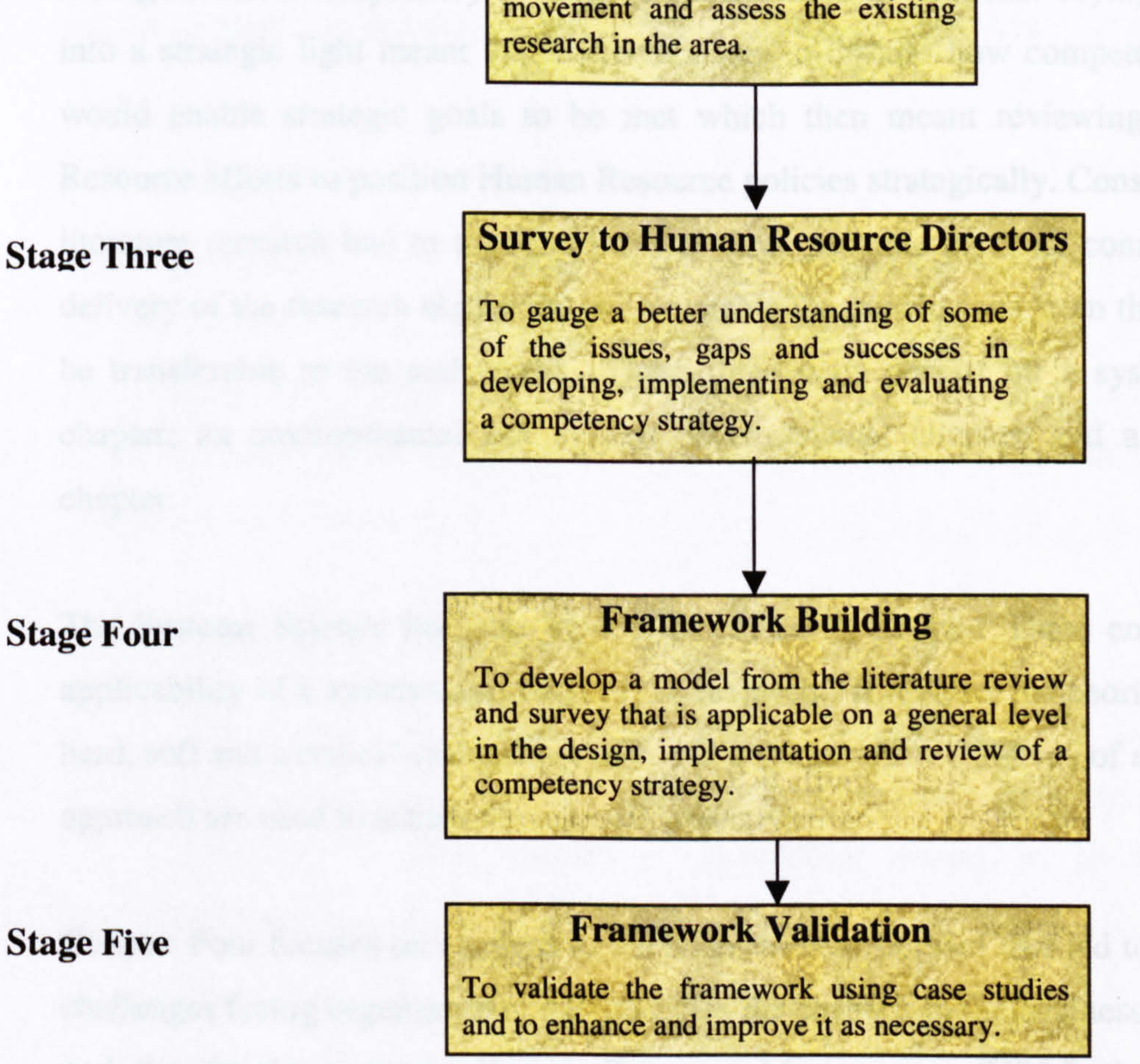


FIGURE 2.1 MODEL OF METHODOLOGY

The two objectives seek to understand practically what is being done by organisations in the area of competency strategy and what are the factors that influence the success or failure of these strategies. The systems approach demands the technique of analysis to be systemic and systematic to understand the factors affecting the open system. These requirements are reflected in the stages of the research, as reviewed below.

2.3 Stage Two

The literature research was initially intended to review current thinking around competency management and the systems approach. However, upon developing the research objectives and initiating the literature research, it became obvious that one of the key challenges the final framework would face would be to convince senior managers that a competency strategy was useful to organisations. Trying to propel it into a strategic light meant the framework had to discuss how competency strategy would enable strategic goals to be met which then meant reviewing the Human Resource efforts to position Human Resource policies strategically. Consequently, the literature research had to take the form of three separate parts all connected to the delivery of the research objectives and to enable the conclusions from the research to be transferable to the real world. These three parts consist of: a systems science chapter; an environmental and system developmental chapter; and a competency chapter.

The Systems Science literature review discussed in Chapter Three emphasises the applicability of a systems approach to the research. It reviews the shortcomings of a hard, soft and a critical system approach and discusses how elements of a soft systems approach are used to satisfy the research objectives.

Chapter Four focuses on changes in the business environment that led to some of the challenges facing organisations. It identifies the changes in the business environment and the developments in Human Resource Management (HRM) that led to the increased momentum of the competency movement. It is intended to highlight the reasons why competency management has become critical and how it can enable

organisations to face some of the environmental challenges posed to them as well as enabling Human Resources to achieve strategic status. The literature review in the field of HRM is intended to explore the current thinking in the field and is used to help formulate the elements for further research.

The final literature review described in Chapter Five explores the competency movement itself. It reviews the development of the competency movement, highlights the issues and benefits identified in existing literature and identifies gaps within the literature that this research then seeks to fill.

Overall the literature reviews have been used to identify gaps and relevant points to enable the understanding of the key drivers and problem areas associated with a competency approach. These have then been used to create the content of the survey and aid in formulating a comprehensive Systemic Competency Framework.

2.4 Stage Three

This stage of the research involves the use of a survey tool to elicit information from the real world. It is intended to gather opinion on the facets of competency management that require further investigation as well as gaps that need to be addressed and success factors that should be included in any framework developed for competency management.

Hutton (1990) defines survey research as:

> "the method of collecting information by asking a set of pre-formulated questions in a pre-determined sequence in a structured questionnaire to a sample of individuals drawn so as to be representative of a defined population." p8 Hutton (1990)

Hutton (1990) defines the features and strengths of survey methods as:

- Questions are designed so that answers can be amalgamated which produce results that can be applied to the whole sample
- Research based on representative sample population

- Questions are unbiased
- Surveys can be replicated in the future
- Large surveys can be broken down and assessed.

This stage of information gathering could have taken the form of interviews or questionnaires. It is important that the form of information-gathering chosen tackled the gaps identified in the review of secondary data in previous chapters, and that the results provide some insight to addressing these gaps. Limited funding resulted in emphasis being placed on the quality and depth of information more than quantity. This funding restriction also suggests the use of interviews which increase the quality of information as they allow for follow-up questions to be administered and interpretations to be clarified, thereby increasing the quality of the response. However identifying the sample audience i.e. those companies who were using competencies, in order to interview them would be too difficult and timely (especially for the interviewee) a task, in addition to this they can also be too time-consuming for the researcher to conduct and analyse (if unstructured). This meant the most appropriate form of information gathering for this research was through a comprehensive survey. The use of a survey means that a wider audience can be targeted of which a part will contain those respondents to whom the survey is aimed at. A survey relying on quality of data needs to be carefully designed to ensure that quality responses are encouraged, therefore the survey needs to be thoroughly tested and reviewed before being sent to the audience.

Salant and Dillman (1994) identified the weaknesses of survey methods as summarised below:

- Sensitivity to non-coverage error - surveys results are highly dependent on the distribution list accuracy. If this list is missing important details than this can significantly affect the results.
- Dependent on 'mood' of respondent in determining whether they respond or not and how they respond.
- Eligibility of questionnaire also determines response rate- Not all respondents may find a questionnaire applicable to them.

- Researchers have little control over questionnaire after it is sent out. This places even more importance on the questionnaire reaching the appropriate person in the first instance.
- Researchers have no control over the partial or complete filling out of questionnaires.

These weaknesses do not necessarily apply to all surveys however they do need to be considered when designing the survey methodology. Babbie (1989) and Salant and Dillman (1994) consider the following sequence in conducting survey research:

1. Objective setting
2. Sample Selection and distribution
3. Survey Design
4. Survey Conducting
5. Survey Analysis
6. Report Writing

This sequence of steps will now be considered in light of this stage in the research.

2.4.1 Objective Setting

There are several types of objectives that a survey can serve to suit. Cartwright (1983) and Bulmer (1994) highlight some of these:

- ***Experimental***: based on random controlled trials
- ***Prospective***: defining the people who satisfy the conditions and thus who should be studied at a later time.
- ***Retrospective***: Understanding who did what in satisfying a particular condition that has occurred
- ***Descriptive***: portray accurately the characteristics of particular individuals, situations or groups
- ***Analytical***: testing hypothesis to determine relationships between variables

Based on the classification above the research objectives of this work require the use of a hybrid prospective, descriptive and to some extent analytical survey. This is because the survey is seeking to identify future case studies (prospective) as well as gathering data that portrays accurately some of the policies and associated advantages

and disadvantages organisations are experiencing in adopting a competency strategy (descriptive and analytical in places). The survey's objective can be defined as

"To gauge an initial opinion of Human Resource practitioners as to the relevant issues, considerations, trends and advantages associated with the design, implementation and success of a competency form of employee performance management. The second intent of the survey is to identify potential case studies for use in Stage Five".

These objectives are critical in defining the next steps in the survey process.

2.4.2 Sample Selecting

Sample selecting is a critical step in the survey approach because it helps define the appropriate form of the survey and can dictate the administration process. For example if a sample size of one thousand CEOs was chosen it is clear that it would be extremely time-consuming and expensive to create a face-to-face style survey. At the same time clearly with face-to-face surveys the chance of response is greatly increased. Sample selecting helps focus the style of questions, the language used (technical, sophisticated, basic) the rating scale if appropriate as well as the length of the survey (certain audiences may not have sufficient time to complete a twenty page survey). Salant and Dillman (1994) note the criticality of sampling accurately and claim that of the four main reasons for inaccurate survey data, three of the reasons stem from poor sample definition and targeting.

Determining a sample respondent list proved a difficult task due to the newly emerging popularity of competency strategies. Consequently, it was decided that the Marketing Council member list would be used in conjunction with another list specifically designed for the research. This second list was to be made up from companies that were either in the top FTSE 500 Companies and/or were greatly respected by their peers. Overall a list of 250 companies was generated using an external source the majority of which came from the FTSE 500.

Palmquist et al. (1996) note the importance of feeling empathy for the person completing the questionnaire when considering length, question type (open/closed)

and medium for delivery. The most suitable method for delivery of the questionnaire seemed to be by mail due to funding and time restrictions (Salant and Dillman 1994). The survey was then sent, with a pre-paid return envelope, to the Human Resource Director of each of these companies. It was decided that the Human Resource Director would be the most likely person to have the knowledge regarding the company's competency strategy. Targeting such a senior employee meant that it was very important to keep the questionnaire short and yet useful at extracting the important information. It also meant that an incentive to participate needed to be considered to enhance the chances of a good response rate so that any conclusions drawn could be seen to some extent to represent the population of competency strategy users. Consequently, quality responses were critical to the success of the survey so the incentive for ensuring participation involved two things:

1. A chance to benchmark with companies competing with each other, without having to pay for the research.
2. Anonymity to other respondents

Having established the sample it is then relevant to commence designing of the survey.

2.4.3 Survey Design

The questions for the survey were initially created from interviews with the Marketing Council and its members. The eventual set of questions focused around the areas of interest and gaps identified from the literature review and from these discussions. The final questionnaire appears in Appendix 1. The questionnaire was formed using different types of closed-ended questions designed to make analysis easier and more easily interpreted as well as a few open-ended questions. Some of the questions used a Likert scale to assess the state of the respondent's organisation (see Q1.3) while for some questions respondents were simply asked to tick the most appropriate answer. The use of question funnelling meant that some questions were not applicable to all respondents and tended to depend on their answers to previous questions (see Q2.10). Each of the survey sections and the introduction to the survey will now be considered in more detail.

2.4.3.1 Survey Definitions

The initial discussions and literature research had uncovered significant discrepancies and confusion in the definitions of the word competency. It was therefore appropriate to define the terms used in the survey to ensure consistent understanding in the respondents of the questions. The definition of the word 'Competency' as described in the survey was an amalgam of definitions as agreed by the Marketing Council, the Rover group, The Grand Metropolitan Group and Ford UK. This definition is not the same definition that has been formulated out of the literature review because it was felt that definition was too academic for the survey and the distinction between competency and competence was not apparent to most practitioners as the literature review revealed.

2.4.3.2 Section 1. Strategic Goals and Organisational Climate

This section was designed to understand the strategic initiatives of the respondent. It then sought to identify the policies they believed would enable these strategic goals and the current climate of the organisation.

2.4.3.3 Section 2. Emergence of Competencies and Strategy Links

This section targeted the rationale for developing a competency strategy, the competencies within this strategy and the development and communication techniques used.

2.4.3.4 Section 3. Implementation of Competency Strategy

This section was intended to identify how human resource practices are influenced by the competency strategy and to what extent organisations reinforce the importance of competency strategy (especially if they have linked it to strategic goals) by linking competencies to human resource practices.

The first subsection (3.1) is geared towards identifying the ways in which competencies are actually observed and appraised. Subsection 3.2 targets

promotional prospects and tests the extent to which the companies reinforce the importance of their competency strategy by linking development to promotions. Subsection 3.3 questions the training and development within responding organisations. It is designed to assess whether organisations recognise the difference between developing behaviours and targeting improved outputs and to identify how seriously they take the development of competencies in employee development and to query the effectiveness of their training methods. Subsection 3.4 requires respondents to report on the linking of pay and reward to competencies - once again this is hypothesised as being critical to the success of the competency strategy. Subsection 3.5 targets competency based recruitment and the extent to which organisations are sending out competency based messages to potential recruits.

2.4.3.5 Section 4. Effectiveness

One of the gaps identified in the literature review was that of competency evaluation. This section of the survey sought to analyse whether organisations adopting a competency strategy actually tested the effectiveness of their competency strategy and dealt with the potential issues that may have arisen out of adopting such a strategy. Two of the questions in this section (Q4.2 and Q4.3) were deliberately targeting those organisations that claimed to be customer focused. They were intended to understand how (if at all) respondents recognised the link between customer satisfaction and behaviour of employees. The hypothesis investigated here is that the industries targeted are dominantly customer service orientated industries where employee behaviour affects customer service and ultimately customer satisfaction.

Questions 4.4 and 4.5 were designed to test the effectiveness of the competency strategies and were to be used to assess the policies that respondents had developed. As such they will be linked back to policies and links towards effectiveness will (if any exist) be identified.

Throughout the development of the survey various drafts were sent to members of the Marketing Council. These members included The Rover Group, Ford (UK), Royal Sun Alliance and The Grand Metropolitan Group. Various Human Resource and

Training directors and managers within these organisations reviewed and critiqued the questionnaire. Their feedback was incorporated into the final version of the questionnaire.

2.4.4 Conducting the Survey

The survey was mailed out in the Summer/Autumn of 1997 to 250 Human Resource Directors with a pre-paid reply envelope and a covering letter from the Marketing Council's Director of Training. In total, forty responses were returned providing a response rate of sixteen percent. Of these forty, thirteen were eligible for analysis because they declared the existence of a competency strategy within their organisation. This was always recognised as a potential reason for a low response rate and further investigation also identified some flaws in the distribution list in that it had not reached all the appropriate people. This falls in line with the weaknesses as identified by Salant and Dillman (1994) and consequently placed more emphasis on validating any framework that might develop out of this research.

2.4.5 Report Writing

Salant and Dillman's (1994) final stage is report writing. The analysis and report writing following the responses can be found in Chapter Six. The report is structured for the purposes of this thesis, a similar report was written which incorporated company profiles and was sent out to respondents.

2.5 Stage Four

Stage Four is the point in this research at which all the work is synthesised into the Systemic Competency Framework. As such it marks the point at which the research shifts emphasis from the first objective to the second. It also represents the key contribution to new knowledge of the research.

The Systemic Competency Framework was developed from the initial findings of the survey, various discussions before and after the survey and through the thorough literature research. Specific points from the literature review helped structure part of

the framework and aided in the formulation of the survey. The survey was then used to further explore gaps and to assess the actual techniques used in organisations wishing to develop competency approaches to employee performance management. The survey results were then referred back to the literature and various conclusions were drawn and ideas emerged for the competency framework. The framework was developed to act as both a diagnostic and design tool and was created to enable organisations to review their competency approach against the various points as well as to design their competency approach using the several stages as a guide. The framework is discussed in more detail in Chapter Seven and is reviewed and validated against two case studies in Chapter Eight.

2.6 Stage Five

This stage represents the initial validation of the Systemic Competency Framework in two real world case studies. Feagin et al (1991) note the recent trends in social sciences to devalue case study research as a means of either supplementing the natural science social model or as its own methodology of providing valid social knowledge in its own right (Babbie 1989, Dooley 1990, Denzin 1989). In response to these criticisms they point to the value of case studies:

1. Permitting the study of people in natural settings. The claim here made is that in their natural surroundings observing subjects is likely to result in the most realistic findings and observations and reduces espoused information from the research.
2. Providing information from a number of sources and over a period of time (using a more holistic approach to data gathering). This is essentially the result of having access to more than one information source in the case study. Traditional research focusing on statistical information only doesn't allow the consideration of interactions between subjects to be wholly reflected in the research or responses (Cooley 1930).
3. Allows the investigator to examine continuity and change in life world patterns. Observations and relationships can be revisited at later dates and compared giving the researcher an opportunity to test the longevity of their findings.
4. Encourages and facilitates innovation and generalisation. Here case study research can go beyond simply proving or disproving the findings of quantitative

research but actually offer new ideas and findings in their place, a trait typical of qualitative research but one in which much fewer generalisations across a broad range of areas can occur.

The case study stage of this research is intended to validate the framework but also to attempt to utilise it in a way in which changes the emphasis of the researcher from that of an observer to one of a change agent while in the process of observing. This type of research is more commonly known as Action Research.

Kemmis (1988) defines Action Research as:

> "[a] form of self-reflective enquiry undertaken by participants ...in order to improve a) their own practices b) their understanding of these practices and c) the situations in which the practices are carried out."
> p42 Kemmis (1988)

Action Research is the process by which researchers intervene in a situation and using the very people at the heart of the situation will try to examine the issues together to determine the best course of action. The research team (incorporating the internal participants) will then implement and oversee the 'solution' which will be re-examined and re-assessed. Thus the researcher is not an objective observer but is accepted as part of the situation. Elliot (1991) discusses the usefulness of Action Research in generating theories that are practically useful to people because the theories are validated through practice. Hart and Bond (1995) have developed a criteria that distinguishes Action Research from other methods:

I. It is educative
II. It recognises individuals as members of a social group who have their own contribution
III. It is problem and context focused because you are present to help in a particular way and it is future orientated because the same group of people who define the problem are to implement the solution.
IV. Involves a change intervention
V. Aims at improvement and involvement
VI. Involves a cyclic process in which research action and evaluation are inter-linked and re-visited.

VII. Is founded on a research relationship in which those involved are participants in the change process.

It can be argued that these seven points are quite repetitive in places and can be condensed into two main points:

1. Interventions into a situation in attempting to understand it, change it and continuously review it.
2. Research involves contributions from those involved in change process and those affected by it.

If one now refers to the main features of the systems approach, one can uncover the principles contained within the proposed methodology. The survey and literature review seeks to develop the initial framework from both secondary and primary data. The survey is deemed a quantitative approach to data gathering due to its usage of closed-ended questions that were pre-formulated, however the initial usage of several companies to develop and review the survey introduces a more pluralistic approach to the survey. This framework will then be validated against companies adopting the competency approach with the view to influencing their approach and reviewing and refining the framework.

The Action Research approach will help in understanding exactly what some companies are doing and struggling with in terms of competency management with the intention of refining the framework as a result of intervention and applying it back into the situation in order to improve it. A weakness identified by Eisenhardt (1989) is the tendency to build theory that captures everything specific to an individual case study but which may have difficulty being applied elsewhere and consequently lacks the simplicity of an overall perspective. This weakness will be accounted for by the fact that the initial framework was developed using quantitative research based on organisations outside of the Action Research as well as the research reviewed in the literature reviews.

2.7 Summary

This chapter has reviewed the adopted methodology for the research. It has presented the research objectives as:

1. To understand the key drivers and problem areas associated with the successful creation, implementation, management and evaluation of an organisation's employee competency strategy; and
2. To develop a framework to guide organisations in developing and managing their employee competency model.

The first objective is closely related to the second in that the learning points from the first will be used to drive and deliver the framework that is described in the second objective. The competency movement will be explored using the existing research that has been conducted in the area in an attempt to understand what the underlying factors have been in its development. Understanding these underlying factors will enable any framework that is then developed to consider the real needs of the competency strategy. The literature review will also be used to identify useful areas for further research in the form of a survey. The survey is designed to gauge the practices of organisations relative to the competency strategy approach they have chosen to undertake.

The conclusions drawn from the survey and the literature review will ultimately develop the framework that is presented in Chapter Seven. This framework is a tool that practitioners can use to design their competency approach or evaluate their existing competency approach. The framework is validated and evaluated against two case studies that have been chosen for their ability to test the two functions of the framework and the final framework emerges as a result of this validation.

From a systems perspective, the environment within which the competency movement lies is explored and the influences on the movement from its environment are examined. The organisations, which form the system of interest, act as open systems in that they interact with their environment and the environment influences their actions. Consequently, this research has sought to explore these environmental factors through the literature review on environmental changes and challenges. The use of quantitative data in the form of a survey typically reflects a hard approach to systems, however the discussions and case studies bring into force the more pluralistic, subjective forms of data gathering, which then combine to create the

framework. The impact of the systems approach is explored in more detail in the next chapter.[2]

[2]The terms used in this last paragraph will be explored in more detail in Chapter Three.

CHAPTER THREE

A Systems Perspective

3.1 Introduction

The aim of this chapter is to define the systems perspective and approach used within this research. By clarifying what is meant by a systems perspective and a systems approach, this chapter will proceed to examine how systems science impacts the formulation of the research approach and will describe the principles and concepts that will be used to aid in the formulation of both the classification competency table in Chapter Five and the Systemic Competency Framework in Chapter Seven.

3.2 Introduction to Systems Science

Flood and Carson (1993) identify four development cycles contained within Systems Science as displayed in figure 3.1 below.

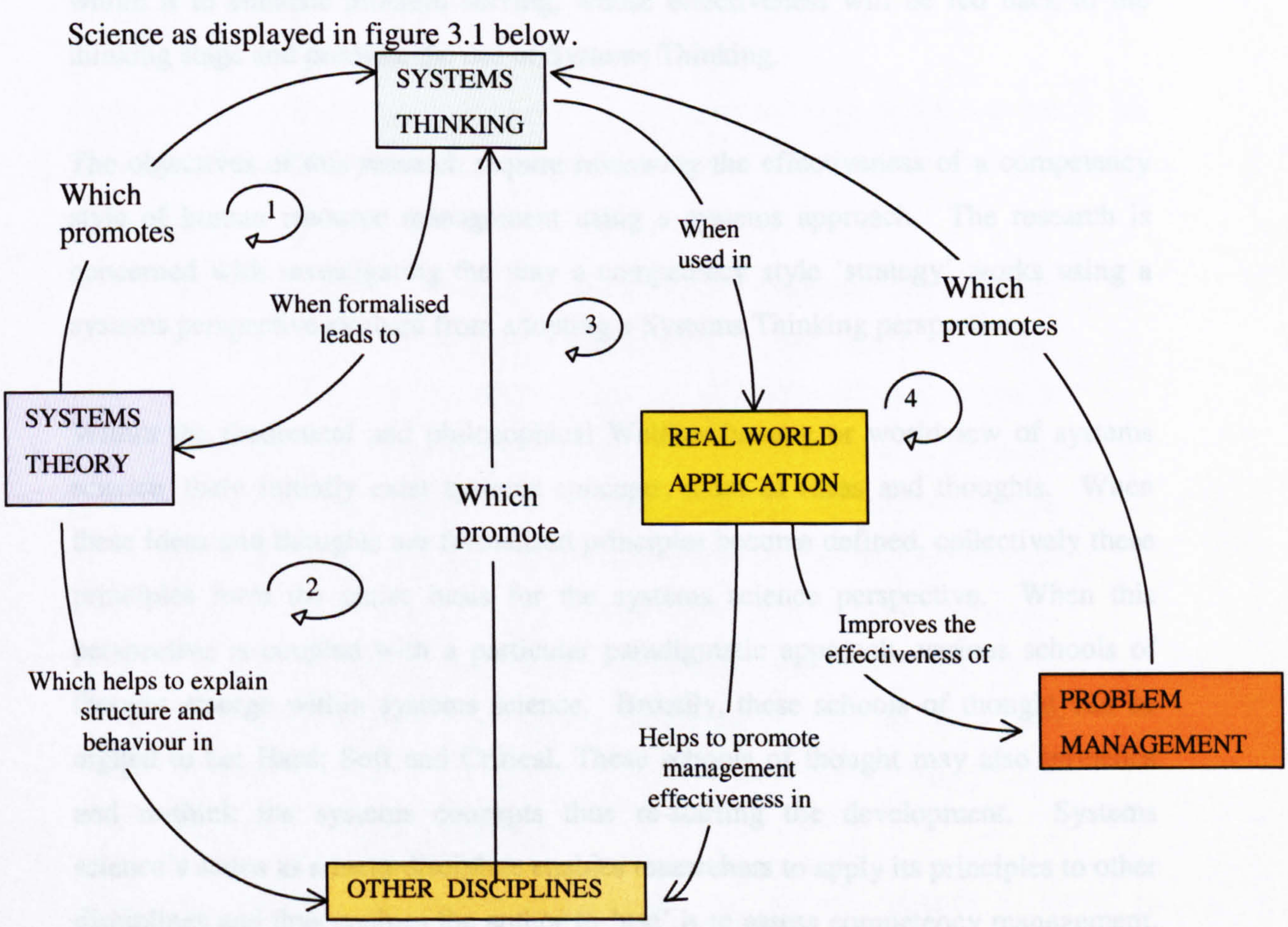


FIGURE 3. 1 SYSTEM SCIENCE DEVELOPMENT CYCLES – FLOOD AND CARSON (1993)

Flood and Carson(1993) define Systems Thinking as:

> "a framework of thought that helps us deal with complex things in a holistic way" p4 Flood and Carson(1993)

It is conceptual in nature and when formalised leads to systems theory (cycle 1), which in turn reinforces systems thinking. Systems thinking defines various principles which together form the systems perspective. These principles formulate theory and impact the various paradigms that exist within Systems Science. When systems theory is used to promote thinking in other disciplines we see cycle 2 emerge. i.e. General Systems Theory introduced to other sciences; Organisation Theory adopting a Systems perspective (as will be the case for this research). Cycle 3 traces the impact of systems thinking when used in the real world and the indirect effects this may have on other disciplines. An example of this influence comes from the impact systems modelling has had in the sciences to help regulate diabetes and the use of Insulin. Cycle 4 is concerned with using systems thinking and the methodologies within it to enhance problem solving, whose effectiveness will be fed back to the thinking stage and promote the use of Systems Thinking.

The objectives of this research require reviewing the effectiveness of a competency style of human resource management using a systems approach. The research is concerned with investigating the way a competency style 'strategy' works using a systems perspective evolved from adopting a Systems Thinking perspective.

Within the theoretical and philosophical Weltanschauung or worldview of systems science, there initially exist systems concepts, a set of ideas and thoughts. When these ideas and thoughts are formalised principles become defined, collectively these principles form the entire basis for the systems science perspective. When this perspective is coupled with a particular paradigmatic approach, various schools of thought emerge within systems science. Broadly, these schools of thought can be argued to be: Hard; Soft and Critical. These schools of thought may also influence and re-think the systems concepts thus re-starting the development. Systems science's status as a meta-discipline enables researchers to apply its principles to other disciplines and thus enables the author to 'use' it to assess competency management,

which clearly lies within the human resources field. Just as one could adopt a scientific approach to many disciplines, Checkland (1981) argues that so too can systems science be regarded as a meta-discipline with an 'approach' that is applied to other disciplines. Checkland (1981) notes

> "What distinguishes systems [science] is that it is a subject which can talk about other subjects. It is not a discipline to be put in the same set as others, it is a meta-discipline whose subject matter can be applied within virtually any other discipline" p5 Checkland (1981)

The schools of thought apply their perspectives to real world areas that either use methodologies to solve problems or use their perspective to assess issues and potentially raise awareness. The outcome of these activities feeds back both into the paradigms outside of systems science and back to the systems concepts. Senge (1990), and Ackoff (1981) are just two of the systems scientists that have used systems' principles and techniques in the real world to aid organisations manage their complexity.

Senge (1990) recognises the importance of systems thinking in the real world and points towards the similarity between humans and organisations and humans in organisations.

> "Business and other human endeavours...are systems. They too, are bound by invisible fabrics of interrelated actions, which often take years to fully play out their effects on each other [The Concept of Synergy]. Since we are part of the lacework ourselves, it is doubly hard to see the whole pattern of change. Instead, we tend to focus on snapshots of isolated parts of the system and wonder why our deepest problems never seem to get solved [lack of a holistic approach]. Systems Thinking [Science] is a conceptual framework, a body of knowledge and tools that has been developed over the past fifty years to make full patterns clear and to help us see how to change them effectively." p7 Senge (1990)

Senge has summed up one of the reasons why systems science is useful in organisation complexity management. He promotes the use of a systems perspective

in many aspects of organisations from short-term operational problems to long-term vision. At its very core, systems science is about adopting a holistic/systemic perspective, which can help the understanding of a system in its entirety, and the variables that affect this system. By identifying these variables, managers can move away from merely solving problems that directly affect them in the short term and move towards understanding the entire complexity of the system giving them more knowledge and a better chance of enhancing the entire system.

3.2 Systems Science – Concepts.

> "Systems Science is all about dealing with complexity" p23 Flood and Carson (1990).

In general Flood and Carson define complexity as "anything we find difficult to understand" p21 (op. cit.) They refer to Klir (1985) for a more detailed definition:

1. Having many interrelated parts, patterns, or elements and consequently hard to understand fully.
2. Being marked by an involvement of many parts, aspects, details, notions, and necessitating earnest study or examination to understand or cope with.

Klir's definition makes two important points for systems science, the first is that the more parts you are dealing with the more complicated a system becomes, and the second, is that the inter-relations between elements help define the overall system attributes.

Systems science can be seen to attempt to cope with the complexity existing in society. It perceives situations in systems terms with environments that interact and exchange inputs and outputs.

Checkland (1981) defines the systems approach as

> "An approach to a problem which takes a broad view, which tries to take into account all aspects, which concentrates on interactions between the different parts of a problem"p7 Checkland (1981)

It is a meta-discipline that can be used to reflect and aid other disciplines using its systems terms, concepts, principles and methodologies.

Ackoff (1979,1981) noted the need for a systems approach due to the failings of scientists to deal with complexity in organisations. Ackoff recognised a dominant 'Machine Age' in the early part of this century where the USA and Europe had become dominated by mechanisation in organisational progress. Mechanistic organisations statistically analysed and reduced all practices and processes into their simplest form, introducing mechanisation where applicable, and making the employees contribution minimal, monotonous and functional (that is, machine-like) with financial rewards being the prime motivator and linked to productivity.

Quantitative methods had already taken off in organisations such as Ford Motor Company, which wanted to optimise production, reduce waste and improve on productivity in its manufacturing processes. Taylorism (Taylor 1947) had influenced much of the USA and Europe. The mechanisation of organisations and their employees meant that most organisational problems were dealt with from an objective perspective, where assets both hard (i.e. machinery, buildings) and soft (employees) were treated simply as resources that needed optimising. Analysis of work processes and organisational behaviour led to the creation of mechanistic organisations that were functionalist in nature. The analysis as adopted by these organisations and scientists, according to Ackoff(1979) occurred in three parts:

a) Taking apart the thing to be understood

b) Trying to understand the behaviour of each part

c) Trying to piece this understanding into an understanding of the whole.

The first two principles adopted a 'reductionist' point of view - that is that all parts can be taken apart until the point where elements (indivisible parts) are found. This concept is recognisable in many sciences and is grounded in terms such as 'cells', 'atoms' and the chemical element table. The machine age took reductionism as the basis for understanding and breaking down parts of a 'thing'. Having 'understood' the parts and their function the next step would be to adopt a 'deterministic' approach and try to assemble the parts into a cohesive whole. In order to then understand the whole, one needs to determine the relationships between all its components through the use of a Cause-Effect diagnosis.

> "One thing is said to be the cause of another, its effect, if the cause is both necessary and sufficient for its effect" p10 Ackoff (1981)

Mechanisation assumes that the organisation is **exactly** like a machine - If all its parts work then it will work and its environment in no way influences it. The disregard of the concept of free will is identified in the use of humans as machines, a favourite trait of Frederick Taylor and Henry Ford. This type of analysis was applicable very early on in this century and most of its concepts may still provide a lot of useful benefits in terms of improving volume productivity, designing work processes and so forth, but as the human relations school, point out eventually employees are motivated by more than just financial rewards (Maslow (1943) and Herzberg (1968)).

The Machine Age, and to some extent the human relations perspective, were influential in the development of the systems perspective for the following reasons:

a) Mechanisation ignores the concept of 'free-will' and thus 'freak' occurrences cannot be accounted for.

b) Causal thinking assumes that an effect can be completely explained by a cause, and that variables within its environment will have no impact, thus implying a closed system suffering from entropy and a tendency to eventually deteriorate and run down. Both the machine and human relations' perspectives adhered to the closed system concept. However, if an organisation were to behave as a closed system then it would not interact with its environment and would adopt a dangerously myopic approach. This myopia would leave the organisation out of touch with its customers, new processes, competition and new opportunities leaving it in a weak position, ripe for competition to advance.

c) Both perspectives overemphasise one success factor in organisations rather than adopting a holistic and integrative attitude. They both don't treat systems as wholes containing lots of inter-related parts that rely on each other. Both ignore variable time lags that may affect a system and because they are so narrowly focused can consequently ignore the impact that changing one element of the system may have on the entire system.

d) In addition, Ackoff (1981) points out that organisations themselves have changed and no longer respond as well to mechanisation as they did earlier in the century. He puts this down to the better education of employees who now are aware of the significance of their contribution once their organisation has been mechanised to the hilt. He also notes the development of a knowledge era where the assets of the company have moved significantly from being 'hard' in terms of machinery and buildings and now are more 'soft' in terms of knowledge and skills of employees. This coupled with the increase in the flotation of companies means power no longer lies with just a few owners but actually with stakeholders. Consequently, the new forms of complexity emerging require a 'new' approach to dealing with them. Ackoff (1981) doesn't claim the machine age no longer exists but rather that it is a special case of what he terms the 'systems age'. An age where systems complexity grew and analysis was not sufficient to understanding the whole system's properties.

Systems science does not propose to disregard the concept of reductionism instead it proposes to adopt a holistic view, one that encapsulates the "understanding [of] the system in more detail" p17 Flood and Carson (1990).

In the next section the terms, concepts and principles that together formulate the systems approach will be explored. The concepts and terms define the very core of systems science, these help formulate the principles which determine the overall systems approach. There exists various forces that will also influence the particular approach adopted which stems from the various paradigms that influence the schools of thought within systems science. These paradigms specify the ontology, epistemology and human nature aspect as well as the types of methodologies available to that approach. The actual paradigms that exist may well differ in their approaches to complexity and problem solving but the core principles and terms and concepts remain the same.

Term is defined as "a word or expression, especially one used in a specialised field of knowledge"[3] Concept as "an abstract or general idea" [4] and Principle as "a basic law or rule underlying a particular theory or philosophy[5]. These three create the systems approach. A term is used to formulate a concept, which creates the principle. It therefore becomes easier to describe principles using terms and concepts.

3.2.1 System

The term 'system' is used to represent a situation where:

> "A set of elements connected together which form a whole, thus showing properties which are properties of the whole, rather than properties of its component parts [the concept of synergy and emergence]" p3 Checkland (1981)
>
> or
>
> "An assembly of elements related in an organised whole" p7 Flood and Carson (1990)

Ackoff (1981) sees it as "sets of two or more elements that satisfy the following three conditions" p15: -

1. The behaviour of each element has an effect on the behaviour of the whole. i.e. If a part stopped functioning correctly it would affect the way the system operated.
2. The behaviour of elements are interrelated. i.e. the behaviour of elements affects at least one other element.
3. Independent subgroups of elements cannot be formed

These conditions establish two properties of systems: -

- Any element separated from the system loses certain properties
- Every system has properties that are essential and are not the responsibility of any one part/element. This brings in the concept of Synergy, that is 'the whole is

[3] Collins Paperback Dictionary 1995
[4] Collins Paperback Dictionary 1995
[5] Collins Paperback Dictionary 1995

greater than the sum of the parts' and that the effects of some parts may very well be invisible until they are taken away.

Checkland (1981) places heavy emphasis on pairs of ideas that he believes create the core systems principles. These are Hierarchy & Emergence and Communication & Control.

3.2.2 Hierarchy and Synergy/Emergence

The interaction of components within a system produces emergent properties or behaviours, which cannot be predicted by simply examining its individual components. To Checkland (1981) systems science was designed to tackle organised complexity. He believed there existed a

> "General model of organised complexity ..[defined] as a hierarchy of levels of organisation, each one more complex than the one below, a level being characterised by emergent properties which do not exist at the lower level...emergent properties are meaningless in the language appropriate to the lower level" p78 Checkland (1981)

These hierarchies create subsystems within systems that also have subsystems within them. As one examines subsystems and the subsystems within them, one reduces the level of resolution. The level of resolution chosen to analyse is termed the system of focus. For synergy to be appreciated the system must be observed from multiple perspectives and taking into account most relationships and not just those that are powerful or influential. Each essential element plays a role in the whole and therefore is as 'important' as the others. Each level of the system has an emergent property, which does not belong to any one component but is the result of all the components working together. This once again reinforces the use of holistic or systemic thinking which sees the world from the Aristotelian perspective 'the whole is greater than the sum of its parts'.

The exploration of relationships between elements plays a crucial role to understanding how a system works. The relationships that exist between a system and its environment are created with the exchange of inputs and outputs; this implies an

open system as opposed to a closed system. Adaptation of the system to environmental change must occur for the system to survive in competitive environments.

3.2.3 Communication and Control

Checkland(1981) uses the work of Bertalanffy (1950, 1968) on open systems to describe the importance of communication of information for the purposes of control/regulation in an open system. He reviews the work of cybernetics and notes the importance of the concept of positive and negative feedback in maintaining stability (negative) and encouraging growth/decline (positive) in open systems. He also reflects on Ashby's Law of Requisite Variety (1956) to promote control further, and the importance of communication:

> "continuing effective control in a changing environment requires a controller with a variety of response which can match the variety of the environmental information" p88 Checkland(1981)

Incorporated in these pairs of ideas is the emphasis placed on the system environment, entropy in an open system and synthesis.

3.2.4 Environment

The frontier between a system and its environment is termed a boundary. All direct influences on the system but which are not contained within the system are said to lie within the environment. Those parts of the environment that indirectly affect the system are said to lie within the wider environment. A system exchanges inputs and outputs with the environment in order to maintain its open system status and consequently to survive. Waring (1996) notes

> "The system environment comprises of components which affects the system but which the system is unable to control directly" p23 Waring (1996)

The importance of defining the environment stems from attempting to appreciate the influences on the system and consequently any intervention needs to take all influences into consideration to increase the effectiveness of the intervention.

3.2.5 Entropy

Entropy is the

> "tendency of things to move toward greater disorder" p12 Flood and Carson (1990)

in closed systems. Entropy exists to negate a homeostatic state. In closed systems entropy can be destructive due to the lack of system interaction and exchange which could create negentropic activities to counteract entropy. However with open systems the exchange of inputs and outputs with the environment means entropy within the system can at least stand a chance of counteraction by negative entropy which can come from within or outside the system.

3.2.6 Synthesis

Systems thinking introduces the concept of synthesis into the 're-processing' of parts that traditionally occurred in analysis. Synthesis is the technique used to understand the significance of all the parts working together, however this occurs before any other steps in the whole process and not at the end. Synthesis challenges the concept of determinism, as used in analysis, and rearranges the sequence of steps used to assess a system in that it helps organisations see the consequences of actions and allows goal setting to take into account the 'whole picture'.

These 'attributes' create the main principles of systems science and highlight the shortcomings of a simple process of analysis for understanding the behaviour and attributes of systems, such as organisations.

3.2.7 The Systems Approach

The terms, concepts and principles outlined above determine the systems approach. Ackoff (1981) describes the approach in a series of steps:

Step 1

Synergy - Identifying the whole system of which the sub-system to be examined is a part (this ultimately includes the environment).

Step 2

Analysis - Explaining the parts and their properties within the containing whole.

Step 3

Synthesis - Explaining the objective of the parts within the containing whole.

The differences between this approach and a Mechanistic approach lies significantly in the understanding of how to carry out a complete investigation, taking into account all aspects that are involved and using the idea of the open system as opposed to closed system.

The approach acts as the basic premise for undertaking an investigation into dealing with complexity. The next section will examine the developments made over the course of the last century or so in the field of systems science and with respect to the paradigms that have influenced the schools of thought.

3.3 Systems Science –developments in paradigms

This section of the chapter will describe briefly the Hard and Soft schools of thought and discuss and review the principles underpinning both schools.

The principles that define systems science initially stemmed from various disciplines, some dating back centuries. Most of the main principles emerged from a gap in knowledge in the natural sciences and in the social sciences. Both 'gaps' enabled various principles to emerge. Flood & Carson (1990) plot the early developments of the conception of systems' principles to the era of Plato and (427-347 BC) Kybernetics (sic). The concept of feedback and communication and control first emerged from Plato's "Art of steermanship" with Kybernetics being later developed by the likes of Maxwell (1864). Lilienfeld (1978) notes the prefatory systems work of

Henderson and Cannon. Henderson, a biochemist at Harvard, stressed the power of equilibrium in studying and understanding social processes. His work was said to be the first that used systems terminology to describe social processes. Lilienfeld (1978) notes Henderson's contribution to defining relationships in a system:

> "In a social system all factors (persons, interests, residues, etc) are mutually dependent or interactive." p137 Lilienfeld (1978)

Cannon (1932) a colleague of Henderson's at Harvard developed the bridge between physiology and sociology with reference to Homeostasis, another principle later to become part of systems science:

> " Are there not general principles of stabilisation...devices developed in the organism for preserving steady states can exist elsewhere...Might it not be useful to examine other forms of organization – industrial, domestic or social-in light of the organization of the body?" p305 Cannon (1932)

Other disciplines using systems concepts and ideas include: Rapoport (1986) in Mathematics and Burton (1965) in International Relations. Systems' ideas were being developed by these scientists in their disciplines yet no general systems principles were officially established until the work of Bertalanffy and the eruption of World War Two in Europe.

For a more thorough exploration behind more of the ideology of systems science's emergence, the reader should refer to the work of Lilienfeld (1978), Rapoport (1986) and Checkland (1981) to name a few.

3.3.1 Hard School of Thought

The Hard school of thought is represented by operations research, systems engineering, systems analysis, systems dynamics and some would argue structuralism.

3.3.1.1 A brief history

Systems engineering was mainly used in the Second World War for the United States Military and later for the space program. Systems Analysis was used mainly used by

the RAND Corporation to develop its systems. Operations Research developed highly powerful mathematical and statistical tools to help the logistical and resource management problems that emerged in World War Two. Optimisation, Linear Programming, Modelling and Simulation and the likes all aided the war effort in building war machines which had a greater capacity for precision, as well as optimising efficiency of logistical issues. Ackoff, (1979) one of the forefathers of operations research, initially defined the objective of Operations Research as

> "The ability to formulate management problems, solve them and implement and maintain their solutions in turbulent times" p43 Ackoff (1979)

He and Churchman (1960) saw operations research as using systems principles to develop solutions to complex situations. However, in reality operations research, along with systems analysis and systems engineering, focused very narrowly on self-control problems where quantitative methods were used only for solving problems from an objective, positivist stance. Ackoff (1979) pointed to the adoption by operations research, systems analysis and systems engineering of a reductionist and deterministic approach to solving problems that was not systemic in principle and aided in mechanising organisations. These methodologies took the stance of trying to adopt systems principles within a quantitative approach yet only focused primarily on solving problems and developing goal-seeking systems that were developed, according to Ackoff, un-systemically and were not helpful in dealing with social systems.

3.3.1.2 Themes from the hard school of thought

The Hard school of thought has several distinct themes within it summarised below:

1. It is objective setting
2. It is goal seeking and therefore the practitioner already knows the end goal and it is simply a matter of reaching it and not investigating whether the goal is actually the best option for the system.
3. It is primarily systematic in nature with a small focus on holism i.e. on environment and boundaries

4. It perceives reality to be objective and therefore seeks a unitary perspective on problem situations, which can subsequently ignore the role of power and conflict in such situations
5. It mainly uses quantitative methods of analysis and is empiricist in nature
6. It adopts a positivist approach to problem-solving

Burrell and Morgan (1979) classified the Hard school of thought as; Realistic in its Ontology (reality imposes itself on the individual); Positivist in its Epistemology (knowledge is hard, real and transmittable in a tangible form with patterns of causal behaviour aiding problem solving); Deterministic in its perception of the nature of human beings (human beings are mechanistic and thus their actions can be pre-determined); and Nomothetic in its methodology (universal laws can be constructed that represent observed system without a need to assess the individual).

For many years the systems approaches that adopted these hard themes worked in particular areas i.e. logistics, manufacturing, because they dealt with problems that were objective in nature, narrowly focused and required a positivist approach to solve them. This type of systems paradigm was called a 'Hard Systems paradigm' by Checkland (1981) and reflected a 'Machine Age' according to Ackoff (1979). The development of these hard approaches to managing complexity in social systems disillusioned many systems thinkers who felt that the social systems were to complex for these objective goal -focused methodologies to be applicable. Rather they thought the hard systems approach was more applicable to well-structured, non-human problems that required solving.

3.3.2 Towards soft systems

Developments by disillusioned systems thinkers led to what Ackoff(1981) referred to as a 'Systems Age' which moved away from a harder systems approach to a softer systems approach. The 1960s saw the initial slow development of systems ideas until 1968 with the significant philosophical contributions of Churchman (1968) into enquiry systems which would later 'be operationalised by Soft Systems Methodology'(SSM) Checkland (1981) p19 and which stresses the need for ethics and

morals in our systems design. Ackoff (1974,1978,1979,1981) in the 1970s and beyond introduced the concept of integrating problem participants into the problem solving process called 'Interactive Planning'. Vickers (1965,1970,1983) rejected the 'hard' concept of goal-seeking in human behaviour and felt a more 'appreciative system' was required to maintain desired relationships. He consequently saw the intervention in human affairs as one where stabilising relationships rather than achieving goals was applicable. Checkland (1981) further developed a softer more appreciative approach to human intervention by developing a Soft Systems Methodology that took a much more subjective view of reality to some of the previous offerings of systems science. SSM perceived systems as containing messy, 'ill-structured problematic situations' which weren't easy to define, nor easy to develop goals for. Rather, Checkland (1981) used Vickers ideas on appreciative systems and maintaining relationships and positioned SSM to encourage 'learning' about systems in order to enhance them. Consequently learning replaces optimising and issues replace problems. The 1970s and 1980s saw the further development of cybernetics by Stafford Beer (1979,1981) with the Viable Systems Model and the developments of Churchman's ideas in Strategic Assumption Surfacing and Testing (SAST). The 1990s saw the emergence of Critical Systems Theory and its critical approach to problem solving. All these developments helped establish systems science as a discipline within the social sciences because it helped society deal with an important element namely, the employees and organisations.

3.3.3 Soft School of Thought

The soft school of thought adopts an interpretive perspective rather than the positivist perspective of the hard school of thought. It believes in a subjective reality that could only at best be a representation of the system at that time. Its pluralistic perspective encourages the view that more than one opinion can influence a problem situation and that reality is a viewpoint held by an individual and will be different with different people. It doesn't see problems but problematic situations that are messy and ill-structured that don't require solving as such, but the development of the system. It sees problem in the real world as

> "arise[ing] in the everyday world of events and ideas, and may be perceived differently by different people" p316 Checkland (1981)

It is subjective in its approach to understanding problem situations and declares the only objective state that can exist is made from the subjective Weltanschauung of various stakeholders. It aspires to be neutral in respect to power and authority and in preserving the status quo. It defers from using traditional quantitative methods but instead focuses on qualitative techniques. It does not believe in creating objective theories about the social world, which capture reality. It takes an imperialistic stance with regards to hard methodologies and perceives them as being contained within the soft schools as 'special cases', and condones their applications when problems are structured, easily defined and can be 'solved'.

Burrell and Morgan (1979) consider the Soft school of thought to be Nominalist in its Ontology in that reality is subjective, Anti-positivist in its Epistemology in that knowledge is soft and based on individual experience, Voluntary in its perception of the nature of human beings and Ideographic in its methodological approach because it is concerned with understanding the individual's interpretation of the world.

Various methodologies are applied under this school namely Soft Systems Methodology developed by Checkland (1972, 1975, 1981) Interactive Planning as developed by Ackoff (1974, 1978) and Strategic Assumption Surfacing and Testing (SAST) by Mason and Mitroff (1981). All these methodologies have been influenced by the work of Churchman (1960,1968, 1979).

SSM seeks a pluralistic perspective in dealing with problematic situations and deals with each situation according to these perspectives. To paraphrase Checkland (1972), it is primarily concerned with the problems of management and aims to help social systems understand the messy structures within which they find themselves. It has a framework methodology, which specifies the steps to undertake in dealing with problematic situations, but does not offer definite tools to 'solve' situations, which it believes may be 'never-ending'. It develops a Rich Picture as part of capturing the various stakeholder viewpoints and then proceeds to define root definitions that are goals agreed by the stakeholders. Conceptual models of the root definitions are then created and compared with the rich picture. Agreement as to the changes within the

system and the appreciation of others viewpoints mean that the changes are for 'the good' of all stakeholders involved.

SAST is concerned with messy situations where differences of opinions inhibit strategic progress and once issues of pluralism are overcome traditional methods of management science are adopted (Flood and Jackson 1991). Its four principles are:

1. Adversarial – belief that situations can only be judged after opposing perspectives are heard
2. Participative – Different groups at different levels are involved in easing the situation
3. Integrative – Differences identified by the first two principles must be combined so that action takes them into account
4. Managerial mind supporting – the belief here is that gaining many different perspectives on problem situations enable managers to have a deeper understanding of the problem itself.

It has been criticised for relying too heavily on 'genuine' participation which may be difficult to determine and also because its basic assumption of 'plurality solves all' which may not be the case and cause of problem situations.

Interactive Planning (Ackoff 1974) perceives the wide usage of participation in dealing with complex situations. Ackoff's principles of Interactive Planning take into account the various stakeholders involved in problem situations, the concept of continuous change in systems and the adoption of a holistic perspective in integrating issues within subsystems. He proposes the use of metaphors to try to define situations but has been criticised by the critical school of thought for once again ignoring the concept of coercion in systems where power dominates and therefor participation is restricted and may be unproductive.

3.3.4 Critique of the two schools of thought

Both hard and soft schools of thought have benefits and limitations to their paradigms Jackson (1991) and Checkland (1981) critique both schools:

Hard School of Thought

- Oriented to goal seeking
- Assumes world contains systems which can be engineered
- Assumes systems models to be models of the world (ontologies)
- Tries to 'solve problems'
- Can use powerful tools which provide 'solutions'
- Ignores the softer people issues that emerge from certain problems or assumes they can be objective in nature
- Assumes Power and Conflict are irrelevant to problem situations and can therefore be ignored
- Quantitative measures emphasised at expense of qualitative.
- May not be holistic in approach

Soft School of Thought

- Oriented to learning
- Assumes world is problematic – explored using systems models
- Assumes systems models to be intellectual constructs (epistemologies)
- Tries to deal with 'issues' and maintain relationships
- Lacks the direction of goal setting and objectiveness.
- No clear theory of organisational change
- Conflict between reasonable solution and the interests of the powerful are ignored
- Inquiry may be never-ending

Checkland (1981) points to the complementary aspects of both schools of thought and claims that the hard methodologies are applicable at very low levels of resolution within systems where problems are easy to define i.e. to engineer a new payroll system. However, when you go to higher levels of resolution within the system, the complexity increases and consensus as to what creates a problem reduces then the need for a more subjective form of issue management requires the use of a softer approach. In essence, Checkland believes that hard methodologies are applicable in specific special cases within the softer school when a small sub-system requires engineering or 'solving'.

3.4 From Soft to Critical

Having reviewed the hard and soft schools of thought briefly one must now try and determine why critical systems thinking emerged in order to more fully understand the areas of weakness of the schools of thought. The critical systems school of thought emerged initially from within the soft school of thought and then broke away. Jackson (1991) relates some of the fundamental reasons why critical systems thinking broke away from soft systems:

1. The interpretive theory underpinning soft systems is not adequate to deal with social concerns of power. It enables a subjective view to emerge by involving different actors within the system but does not recognise the inequality in why some views are more important than others. It assumes that the system is democratic and therefore each opinion is of equal value when few systems actually work in this way. In many instances powerful stakeholders may prevent a particular change from occurring due to potential loss of their own power and therefore consensus will always prevail having acknowledged the powerful. Thomas and Lockett (1979) also reject Soft Systems' neutral stance on power and authority. They claim that many of the issues soft systems methodology actually deals with are to 'help the manager' (according to Checkland (1972)) and therefore do not take a neutral view at all and do not provide radical change to the system.
2. The belief that hard systems methodologies is a special case of soft systems has led critical thinkers to criticise soft systems thinkers for their lack of a complementary approach. Critical thinkers believe that hard systems thinking exists within its own right to deal with very specific problems that are objective in nature and not subjective as soft systems demand them to be.

It seems obvious the critical school would be so concerned with the concept of power and authority and its affects on social systems that were inhibitors to the systems stakeholders. It identified the contribution and shortcomings of the hard and soft schools of thought and their relevant methodologies and tried to identify where the gaps in social systems lay. It focused on the involvement of participants in social systems and the role they play in solving problems and raising awareness of coercive structures/situations.

3.5 Critical Systems Thinking (CST)

The main developmental work of CST was carried out in the mid 1980s. It is heavily influenced by Jurgen Habermas' (1972, 1973, 1979) understanding of society and organisations. His Interest Constitution Theory advocates that there are a set of necessary assumptions that need to be considered when trying to understand the relationships between society and organisations. He highlights Technical Interests (achievement of goals using technical mastery and control), Practical Interests (Interaction between human actions and developing understanding) and Emancipatory Interests (power roles affect actions and thus freedom from oppression must occur) as fundamental interrelated interests that are the basis for a complementary theoretical framework that aid in the understanding of human actions. These three interests help CST develop their philosophical foundations, which helped define the five main features of CST (Jackson 1991 p287 – p301):

1. Critical Awareness – the examination of values and assumptions in systems design and the understanding of strengths and weaknesses of systems methods, techniques and methodologies.
2. Social Awareness – the awareness of societal and organisational pressures in deciding which systems approach to adopt.
3. Dedication to Human Emancipation – seeks to achieve for all their maximum potential by raising quality of work and life.
4. Practical Complementarism – complementary use of systems methodologies in practice.
5. Theoretical Complementarism – complementary and informed use of all types of systems approaches.

These features coupled with Human Interests underpin the theoretical assumptions and social reality of CST. They enable CST to be defined under four interrelated intentions:

1. *Complementarism* - This critiques the theoretical and methodological bases of systems approaches and allows the reflection of the appropriate approach with the particular situation. The Technical Interests are served by Hard Systems i.e.

cybernetics, and the practical interests by the Soft Systems. It also then attempts to incorporate the emancipatory aspect into its intentions. Complementarism is not the same as pragmatism and embraces the different paradigms that exist and proposes that each approach has relevance to certain situations and it is the determining of the correct approach for each situation that will enable paradigms to co-exist.

2. *Emancipation* – To recognise the role of power in social arrangements and to unravel distorted communication in an effort to make human beings aware of their full potential.
3. *Critical Reflection* - To reflect critically the relations between societal and organisational interests, by considering dominating systems theories and methods.
4. *Practical Relevance* - To put CST into management problem situations and to prove itself practically applicable.

Critical systems thinkers recognise the contribution made by all the schools of thought within systems and adopt a pluralistic approach to using them to benefit social systems. It should be noted that Burrell and Morgan (1979) and Kuhn (1962) reject the complementary approach demanded by critical systems thinking due to their belief that it satisfies the paradigm incommensurability argument that dictates that thinkers in one paradigm cannot work across paradigms without violating their paradigmatic beliefs.

Oliga (1988) adapts Puxty et al (1980) and Giddens (1977) use of Habermas' (1972) interest constitution theory (table 3.1) to reject this argument and lay claim to the appropriateness of applying appropriate paradigms to the different levels of constitutive interest.

Knowledge constitutive interest	Basis of human interest	Type of interaction	Underlying paradigm	Methodological approach
Technical (control)	*Labour (instrumental action)*	*Man – nature*	*Functionalist*	*Empiricism*
Practical (understanding)	*Communicative interaction*	*Man-man*	*Interpretive*	*Hermeneutics*
Emancipatory (freedom)	*Authority (power)*	*Man-self*	*Radical/critical*	*Critique*

TABLE 3.1 HABERMAS' INTEREST CONSTITUTION THEORY

Habermas' (1972) theory is concerned with the interests of social theory. Theories either reflect a 'technical' interest where they are concerned with prediction, achieving goals and control (harder systems approach), a 'practical' interest where interaction between humans and understanding are important (softer systems approach) or an 'emancipatory' interest where power is seen to affect roles and freedom from coercion is important (critical school of thought).

The 'technical' interest is a relationship between human and nature, where objectifying processes and deriving empirical and law-like hypothesis allows predictions to be made and can develop forces of 'production', 'strategic action' and 'steering action'. The 'practical' interest seeks to gain an understanding of the inter-subjective aspects of life and will help the evolution of society through the use of communication. The 'emancipatory' interest to critically reflect and liberate from coercive forces by synthesising the other two types of knowledge having first recognised their limitations.

Habermas (1972) attempts to reconcile the three interests by claiming that all three human interests are represented in some form in society and therefore all paradigms are required at various points to deal with the particular aspect of knowledge being acquired. Humans have a technical interest in achieving goals through labour and action and sometimes may find that practical interests become relevant in

understanding others especially when there is conflict within social situations. Communicative Interaction and understanding is therefore required to expand on the complexity within the social system. The exercising of power in social systems can inhibit both the practical and technical aspects and so emancipation also becomes relevant. This argument is important in standing against Kuhn's argument because it implies the co-existence of various paradigms is required in social theory to explain the various levels of human activity that occur and to understand how social systems behave.

Kuhn's (1962) work on scientific revolutions has greatly influenced the natural sciences. Systems science however is mainly concerned with society and the rules of social science are not always affected by the rules governing the natural sciences. The very nature of social sciences is to investigate the role and influences of society. Many theories have been developed from various paradigms to tackle the many areas within society that need explaining yet no one paradigm has ever been thorough enough to explain all of society. All the paradigms have at some point come across areas they have yet to define within their paradigm, consequently different paradigms are faced with having what Morgan (1983) terms as 'Reflective conversation' that is a critique of other paradigms in the hope of enhancing their own. Smaling (1994) claims most distinctions between paradigms are fuzzy and questionable and as Mingers and Brocklesby (1996) point out research methods are not always internal to one paradigm wholly but can adopt other paradigmatic methods of inquiry and interpret them within their own social meaning

3.6 The Systems Approach in the context of this research

Systems science provides a framework of terms, concepts and tools for understanding and aiding problem situations. Authors such as Senge (1990), Checkland (1981) and Broedling (1999) have shown how these concepts can be applied effectively to complexity in business systems. The systems approach to complexity advocated by systems science can offer much to the development of Human Resource Management by providing it with an overall platform from which it can achieve strategic focus. A systemic approach can encourage at various levels of resolution, the use of Human

Resource policies in enabling growth in the system. As a function, Human Resources can contribute to the management of the employee resource and thus to the overall soft capability of the organisation. At a lower level of resolution the Human Resource policies within the Human Resource function can enable employees to contribute more effectively to their subsystem.

The systems approach will emphasise the importance of a competency strategy in enabling the overall competitive advantage of the organisation. The emphasis on environmental developments affecting the open system are explored in the next few chapters which review the variety in the business environment and its impact on the open systems' strategies and policies. The Law of Requisite Variety (Ashby 1956) is referenced several times throughout this research because of the importance it places on the need for organisations to respond and exceed the variety present in the environment. This is a very important aspect as to why organisations are introducing competency strategies which they hope will enable their employees to respond to the different permutations of variety in the environment both currently and in the future. The importance of communication and control to this research is exemplified in the use of communication as an underlying theme present in the survey, case studies and the proposed Systemic Competency Framework.

The systems approach, as defined by the three steps of Ackoff (1981), is adopted in the literature review of the environment as well as the case studies, in that it is used to explore the overall system of interest within which the subsystem is later explored in relation to the system.

Overall the schools of thought presented in this chapter dominate the systems science discipline. This research is using the overall systems approach to tackle the objectives of the research and to some extent adopts a soft systemic approach in that it seeks a pluralistic perspective to defining the competency framework. It is concerned with the practical interest in Habermas' (1972) Interest Constitution Matrix in that it doesn't not seek to overturn the status quo rather it takes a more unitary view of organisations and its resources working towards one overall aim.

The Systemic Competency Framework that is intended to be produced will not concentrate on defining a universal set of competencies applicable to all organisations or even industry specific organisation. Rather, it is a general guide to organisations who wish to develop a competency strategy and accepts that each organisation has its own subjective view of the competencies it may require given its own specific context. The Systemic Competency Framework in intended to aid practitioners in clearly defining the purpose of their competency strategy, linking it to the overall system's purpose and utilising communication and control techniques to achieve effectiveness and evaluate effectiveness.

In short, the systems approach has been used as a meta-discipline to achieve the research objectives. It uses the systems approach to review the literature and formulate the survey and case study format. A systemic approach is used to understand and position the field of competency management and consequently to define the structure and the content of the Systemic Competency Framework. The principles of communication and control, environment interaction, synergy and requisite variety are used to assess the first research objective and aid in formulating the second. The participatory nature of the soft systemic approach is applied to developing the framework as well as to the selection of case studies as a research method.

CHAPTER FOUR

Developments in the Environment and the System

4.1 Introduction

The next two chapters will trace the important and relevant developments that have occurred in organisations and their environments in recent years. Figure 4.1 depicts the overall focus of these two chapters. This chapter will initially discuss the changes that have dominated the business environment and examine the consequences such changes have had on organisational development. It will then discuss how organisational development has evolved in light of these environmental changes and then assess the impact such organisational and environmental developments have on human resource management and performance management from a human capital - based view of the organisation's employees. It will not explore all the developments made in organisations and the environments they survive in but will discuss those that are directly and to some extent indirectly affect competency management.

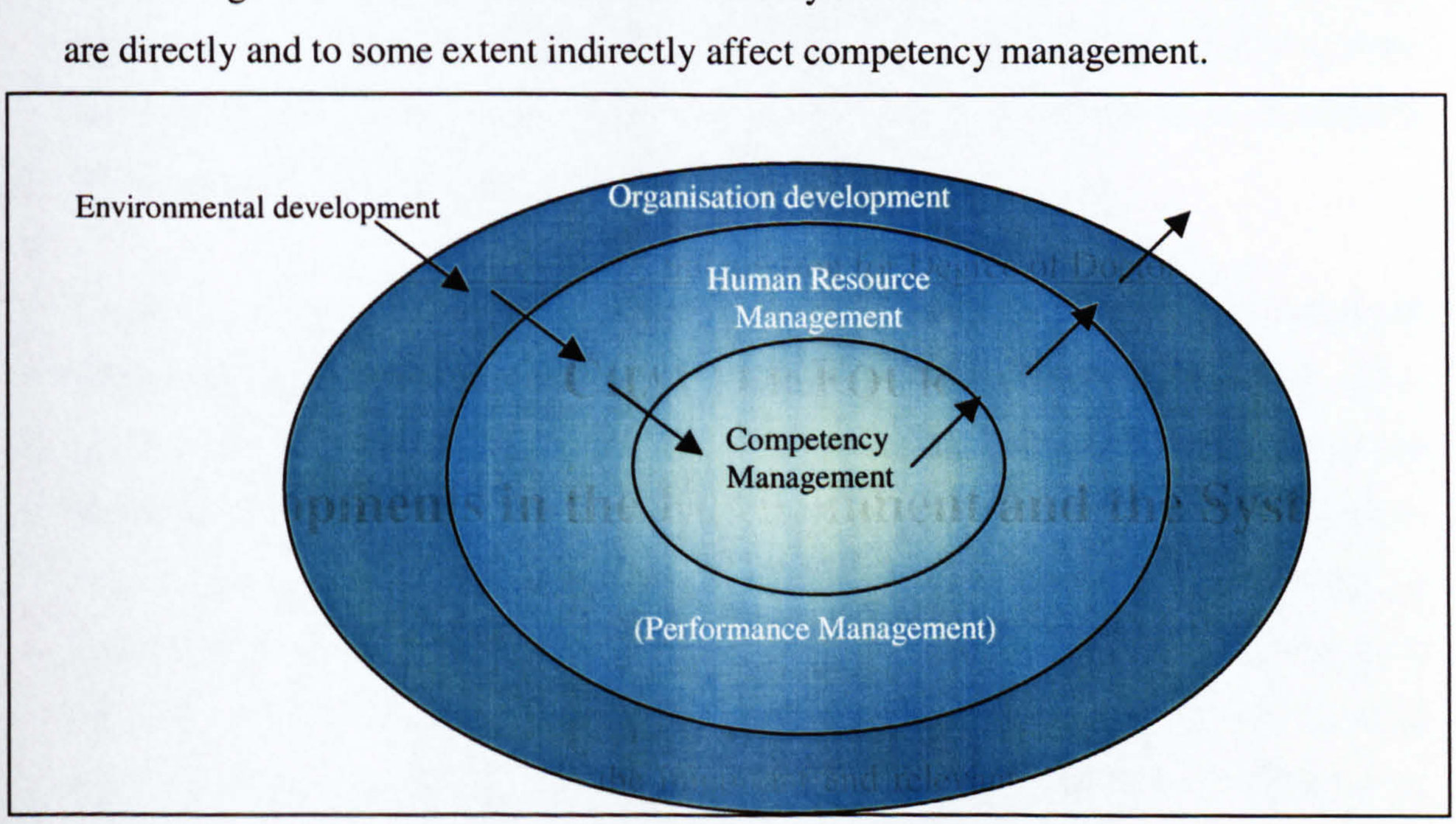


FIGURE 4.1 ENVIRONMENTAL DEVELOPMENTS TO COMPETENCY MANAGEMENT

4.2 Developments in the business environment

Over the past twenty years much research about organisations and their environments has attempted to focus on the concept of change. Authors such as Ackoff (1981), Kanter (1984), Senge (1990), and Handy (1989,1994) have tried to warn, aid, support and revitalise organisations with their opinions and remedies on the so-called environmental challenges facing them when attempting to both survive and succeed in complex and dynamic business environments. A high proportion of business journals (Harvard Business Review, British Journal of Management), academic and professional journals (Academy of Management, Human Resource Management) Newspaper articles (The Financial Times), Management Books and conferences around the world have emphasised the changing environments impacting most companies and have attempted to tackle issues emerging from this change.

One thing that has been agreed upon throughout management literature is that most business environments have changed, are changing or will change. Hammer and Champy (1993) identify the changes in the environment and in the organisational system as revolving around three forces: Change, Competition, and Customers, three dominating factors inter-relating in a web of complexity that seems an apparently formidable force against organisations today.

To take a systemic approach to these three forces means attempting to understand holistically how their interaction overall affects organisational development. This chapter will explore how changes in business environments have been influenced by many factors including improvements in technology, globalisation of marketplace, intensification of competition globally, political stability and instability, reductions/new solutions to barriers to entry, deregulation of industries, improved employee conditions/status, new and emerging markets and so on. These changes have impacted the competitiveness of once-secure organisations, introduced new competition and made it harder for organisations to differentiate from competitors, thereby giving customers more choice as to whom to purchase services or products from. This in turn has influenced customers who now have the opportunity to demand more from products and services being sold to them, consequently

organisations are having to work harder to gain customers. This increased drive to attract customers means that organisations have to change what they provide to the customer as well as the way they provide it. Consequently these three forces together have impacted organisational development and one will now examine their individual effects in more detail.

4.2.1 Change

To paraphrase Ackoff (1981) 'Change has always been changing and we shouldn't be so surprised'. Change has become the predictable constant and organisations are faced with the prospect of continuously responding to changes in their market environment and subsequently their customers and competitors. Technological change has rapidly increased over the past two decades equipping companies and competitors with faster machinery to produce goods but also with more ways of providing a service. Globalisation according to Yip (1995) is occurring at a very significant rate and can be linked to four key drivers :

1. Convergence of markets on a global basis with customer needs and preferences being applicable to a variety of countries
2. Cost advantages of global operations. This can come from a variety of examples, such as concentrating on the development of fewer products but selling them world-wide, cheaper labour outside the home country etc.
3. Political changes in the 1990s have meant that most trading nations function with market based economies and therefore encourage competition globally.
4. Global competition encourages globalisation of organisations not necessarily intending to globalise but being pressurised in order to compete effectively.

Accompanying these four drivers is the increased usage of the Internet, Intranet and mobile telecommunications. Improvements in technology are enabling organisations to communicate directly with internal employees and external customers around the world enabling them to use the technology to introduce, promote and sell their goods globally, through what is termed as e-commerce (electronic-commerce) and m-commerce (mobile-commerce)[6]. This globalisation has meant organisations can

[6] The use of a mobile phone to advertise and sell to consumers

compete in other countries, which can have an impact on the competitiveness of once 'home-grown' markets. The cost of developing these e-commerce web sites is restricted to the purchase of domain, web-transaction technology and web developers and in some cases is heavily subsidised by Venture capitalists. These costs can obviously be lower than traditional market costs such as renting outlets for selling goods and services, sales consultants and outfitting. If the capital requirement for entry has reduced for businesses using e and m-commerce, then this will clearly have an impact on the number of competitors that can now enter markets and expand them. The development of the e-commerce form of business is changing the traditional structural approach to organisation development and heading towards a more resource-based view of the firm. Changes in the traditional interpretation of the Marketing mix (table 4.1) towards a more advanced technological mix (table 4.2) has had an impact on the demands placed on organisations.

Promotion	Place	Price	Product
▪ TV ▪ Radio ▪ Newspapers ▪ Point of Sale ▪ Word of mouth ▪ Telephone	▪ Retail Shop ▪ Mail Order ▪ Home service	Dictated mainly by supply and demand and type of market focus i.e. luxury goods	Mainly tangible products created through manual labour and tangible material

TABLE 4.1 TRADITIONAL FORMS OF MARKETING MIX

Promotion	Place	Price	Product
▪ Web sites ▪ Web Links ▪ E-mail Notification	▪ Internet/web sites ▪ TV ▪ Telephone	Dictated mainly by supply and demand and type of market focus as well as 'Promotional and Place' methods adopted by customers. – i.e. internet purchases can be cheaper than other forms	Intangible products created through intangible material such as knowledge, creativity relying on and improving global communications.

TABLE 4.2 IN ADDITION TO THOSE OUTLINED IN TABLE 4.1 THE FOLLOWING BECOME IMPORTANT

There is a clear difference in the more recent mix than that of the traditional mix, thereby attempting to explain some of the complexity facing traditional organisations in coping with the type of new competition emerging. Companies can promote their services on the web, sell their products on the web at a price that is lower when consumers buy from the web because it costs them less to sell their products that way (i.e. Easy jet and Virgin reduce the price of their services when purchased over the internet) and thus a move towards intangible goods to help create and contribute to all of the other three aspects of the marketing mix can be seen. The brand name of a company still bears importance but with substitutes offering lower prices and new services, companies are finding their brand names may not be enough to compete and survive in the long term. (Easy Jet an unknown new starter took a majority of British Airways short haul customers with their low price no frills service – forcing BA to enter the market with a similar product Go, which it later sold due to it cannibalising BA's marketplace). In order to create a web site, compete with organisations using e-commerce and transact over the Internet, intangible products and services are required. By intangible products and services one refers to knowledge be it specific to e-commerce or simply consultancy to deal with some of the issues arising from developments in the environment due to these technological advancements.

The Intranet and networking throughout organisations enable global communication to occur and improves the availability of transfer in knowledge channels. This can enhance the organisation's adaptation to ideas within the organisation and allows development opportunities to be communicated through new mediums. It also presents various problems strategically as discussed by Boddy and Gunson (1996) and Bloomfield et al (1997).

If Yip's (1995) analysis is coupled with the technological developments of e-commerce/information technology it becomes clear that change is occurring at a faster rate but more importantly in unpredictable ways. Traditional successful organisations are finding product/service innovations occurring more and more in their markets. In addition new competitors are using new forms of marketing to sell their products. This means it is becoming much harder to differentiate products on the market, increasing the importance of service as a differentiator. The following extract from an

insurance journal 'Best Review' (Freeland and Power 1999) is one example of how e-commerce has significantly shaken some of the more traditional markets.

> "E-commerce will create business opportunities at a lower cost to insurers and customers. But first, companies must make sure their technology is adequate. Revolutionary is an overused term. But it aptly describes the impact of electronic commerce on the business of insurance. Essential insurance functions-from sales and marketing to administration-are transforming because e-commerce changes the way insurers and customers find and interact with each other. As a result, insurance companies must adjust to the new buyer- oriented landscape being driven by the Internet." p25 Freeland and Power (1999)

The impact of e-commerce on traditional methods of attracting and retaining customers are of concern to most tertiary industries in the developed world. Business strategy has to take into account new forms of complexity previously unexpected and with significant impact on market share.

Porter's (1980) framework for generic strategies suggests four forms of strategic approach organisations should adopt these are outlined in Figure 4.2 below.

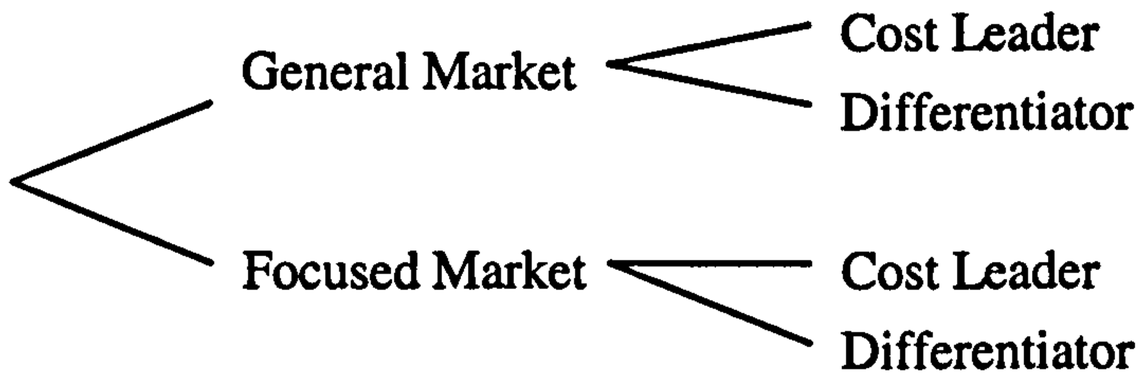


FIGURE 4.2 INTERPRETATION OF PORTER'S GENERIC STRATEGIES

Porter claims that initially an organisation must decide whether it is to appeal to a large proportion of the population (general market) or whether it is to focus on a particular nice part of the market (focused market). Having established its marketplace it can then decide on one of two strategies to adopt that of a cost leader or a differentiator. Porter identifies the existence of organisations products' in only one of the above segments. The Cost Leadership segment implies an organisation whose primary focus is that of cutting costs and increasing productivity with low cost

goods. Cost Leaders can specifically exist in a very narrow niche market or apply generally. Differentiating leadership relies on the product or service's uniqueness or specifics, in this instance a premium price can be demanded. Porter and his successors claim that the strategy chosen will determine all the structure of an organisation and the way the sub-strategies beneath that i.e. marketing, human resource management etc. These generic strategies define organisational direction and thinking yet only really apply when demand is roughly equal to supply or slightly higher than. When supply significantly leads demand in most industries (Shapiro 1994) this clearly presents a problem especially with consumers becoming more interested in value than ever before (Hulbert and Pitt 1996). Hamel and Prahalad (1994) advocators of the resource based view of the firm, go so far as to claim that

> "by the year 2000 quality will no longer be a competitive differentiator; it will simply be the price of market entry"p15 Hamel and Prahalad (1994)

Market segmentation used to be dominated by the low quality, low price; and high quality, high price differentials but with increased technological advances and competition intensification many markets have developed high quality goods at reasonable prices. This in turn has meant that for a while in the early 1990s many organisations attempting to compete found they had to reduce their costs internally rather than increase their prices or reduce the quality of goods. These environmental changes have accelerated further with continuously increasing competition and subsequent introduction of new products and services. Thus organisations are finding that the only really effective differential they can compete on is service delivery by front line employees.

According to Ashby's (1956) Law of Requisite Variety (explored in Chapter Three) organisations that intend to survive must cope with all the variety of competition and environmental complexities that lie within its wider environment. In order to do this, the organisations are having to respond to the changes in the organisation almost at the same time as they happen due to their constantly changing nature. However the problems arise when the techniques used to respond to these changes take a long time to implement and consequently no longer apply to the environment. The change

programmes that organisations undertake can not therefore deal with the 'change of the day' but rather must focus on developing processes and employees' skills to deal with any changes that occur. Organisations are recognising they must become flexible structures that respond to most varieties that the environment 'throws' at them. In order to do this they need to develop an organisational culture and structure that is flexible and responsive to the environment and at the same time deliver their products in the most applicable ways (either through e-commerce or traditionally depending on the market and target customer) with the best service. According to Hamel and Prahaled (1994) in order to cope with a rapidly changing environment the only thing an organisation now can do to cut down on waste and streamline their processes is develop and reengineer processes not through asking experts but actually asking the employees. What this means in most instances is that the employees response to the environment, to their customers and to their role in the achievement of business objectives has never been as important as it is in this kind of environment. They also place enormous emphasis on developing capabilities within a firm that take advantage of the organisation's resources and develops them. This offers the view of perceiving employees as investments in knowledge and skill that need to grow and develop.

4.2.2 Competition

The increase in the supply-demand ratio of products and services in most industries reinforces the suggestion of global competition in the marketplace. The increase in global competition means more power is in most cases transferred to consumers.
D'Aveni (1994) describes the difficulties in sustaining competitive advantage in what he terms as time of 'hypercompetition'. Competitors must make more of an effort to differentiate themselves to their customer and deliver to their customer what they need or identify and cater to new needs.

Whiteley (1991) notes

> "Today the business world is changing radically...we have entered an era of fierce competition...one in which truly satisfying, even

> delighting the customer is absolutely crucial not only to business success but even to business survival!" p59 Whiteley (1991)

This consequently makes even seemingly unshakeable markets like the cola market finding itself with new competition able to thrive and compete against the traditional leaders. Coca Cola and Pepsi dominated much of the soft drinks market in the UK in the past but in 1994 the market saw the introduction of the Cott brand of colas in supermarkets around the country (Virgin cola, Sainsbury's cola etc.), offering virtually the same product at a cheaper price, so much has the Cott brand infiltrated the market that it was reported (Nielsen 1996) to have gained a 27% share of the supermarket cola market.

Pfeffer (1998) identified the five most common misconceptions associated with successful organisations. These misconceptions revolved around assumptions that successful organisation were:

1. Very Large - thereby benefiting from economies of scale
2. Global – with a dominant market share
3. In a high technology industry – and therefore have a technological edge
4. Building barriers to imitations i.e. trademarks
5. Lean and mean – and cut costs thereby increasing profit margin

He went on to criticise these success measures as simply being wrong, citing the studies of Rumelt (1991) as evidence that some slower growing industries actually provided more shareholder value than the faster more high tech. industries. That cost cutting in the form of downsizing would not fix a product or service that was fundamentally useless or inappropriate to the marketplace. The status of successful organisations now are, according to Pfeffer(1998) based simply on delivering value to customers through the successful implementation of great ideas. He stresses the importance of developing an implementation capability derived from the employees of an organisation, how they are treated and their efforts on behalf of the organisation. It is clear the recipe for success in today's business environment is no longer the traditional recipe that organisations adhered to. Too many new complexities and forms of change are affecting the business climate allowing competition to be successful in ways previously thought impossible or improbable.

4.2.3 Customers

The previous two subsections have indirectly highlighted most of the issues that affect the changes and increasing complexity surrounding customers in the business environments. Customer loyalty is being tested with the increased competition in markets and competitors reducing the pricing norms of goods and services i.e. Asda and its rollback on prices in 1999. The intensification of competition is allowing consumers to become more particular about the type of product and service they wish to purchase and the way they purchase it from certain markets. As Dickson's theory of competitive rationality (1992) suggests aggressive competition has led to increased choices for customers whose needs have become more sophisticated. This customisation of the customer preferences influences the responsiveness required from organisations to changing customer needs. Hulbert and Pitt (1996) describe the changing nature of consumers :

> "Slowing birth rates are rapidly ageing the populations of countries. An ever-growing proportion of future markets will be composed of experienced buyers who...judge the relationship between price and quality, more sceptical of superficial blandishments and take the opportunity of being courted by a multitude of sellers – all aided by technology." p52 Hulbert and Pitt (1996)

One could argue that certain developments in industries only affect particular customer segments i.e. e-commerce may not be of interest to customers over a particular age who fear computers, and are resistant to these new forms of purchasing goods. Although to some extent this may be true, one could also make the argument that e-commerce may actually provide this particular segment with advantages such as home-shopping, home banking, and even the more basic e-mailing facilities to grandchildren.

With the knowledge that the properties of an organisation's environment are becoming more and more dynamic, some organisations are attempting to re-think their strategies in order to respond to the threat facing their equilibrium state.

Organisations are recognising the need to constantly change in response to their environment and this consequently affects all aspects of their system's management. Their subsystems are being forced to learn to respond to implicit attempts by the control system i.e. Top Management, to manage more carefully the interactions between elements within the system and the environment. Intensified competition has meant that the products an organisation sells no longer have a differentiating impact on consumers, instead consumers can be more selective in determining the way they are sold a product or service as well as the after sales care.

This therefore poses a problem for some companies, as the achievement of growth becomes a much harder ambition to fulfil. They recognise the environment they are competing in has changed but are not sure of how to respond so as to promote their growth as well as survive.

It is at this point when the developmental behaviour of the organisation as a system becomes critical.

4.3 Developments within Organisational Systems

Development in organisational systems, in light of the environmental disturbances, has accelerated in ambition, content and diversity. Organisations are changing in a variety of ways and various perspectives attempt to document these changes. Processual and contextual accounts of change (Pettigrew and Whipp 1991) and Planned change (Ward 1994) are among a few of the documented approaches towards organisational development. Most specify the importance of change for long-term viability. Some (Pedler, Burgoyne and Boydell 1988) focus on the importance of becoming:

> "a learning organisation that is able to be flexible, intelligent and responsive to the environment" p7 Pedler et al. (1988)

Much of the change that occurred in the 1990s revolved around cost-cutting, downsizing, process reengineering, restructuring, changing culture, de-layering and the likes, all of which heavily impacted employees of organisations. Many organisations were criticised for adopting and continuously changing their change programmes based on fads that were overwhelming CEOs and directors (Ackoff

1993, Shapiro 1994) in there cure-all attitudes. The change programmes would ultimately involve changing the working lives of employees and it was felt that if they simply followed the fads then no real difference would be seen and employees would not respond positively to the programmes in the future. Change programmes were developed so as to try and respond to environmental pressures that were clearly having an impact on the organisation's future. These change programmes either took the form of incremental change or complete restructuring in an attempt to survive the environmentally driven organisation holocaust. The impact environmental changes have on organisations are very important because they question the very core of organisations. If new smaller competitors are able to enter markets and win market share than this questions the very assumptions made traditionally by organisations as to what the key success factors for gaining market share are. Pfeffer's (1998) observation about the misconceptions of successful organisations was proving to be true in many cases. Organisations therefore have turned to developing their strategic direction and learning from their environment in order to compete in changing times and now rely on their employees' creativity much more than ever before. Guile and Fonda (1998) point out that under the impact of global pressure, rising customer expectation and technological advancement, a new organisation paradigm is emerging which is focused not on hierarchies or jobs but on processes that add value to customers. This new organisation is to be made up of flatter, partnership based, customer focused, team and project orientated structures. The primary goal is to ensure that core capabilities are developed through more innovative and creative people.

Kanter (1984) notes

> "After years of telling corporate citizens to 'trust the system', many companies must relearn instead to trust their people – and encourage their people to use neglected creative capacities in order to tap the most potent economic stimulus of all: idea power" p18 Kanter (1984)

Pettigrew and Whipp (1991) place enormous emphasis on organisation learning as the most imperative strategic capability organisations can develop. The unpredictable character of the future is what:

> "leads the more successful firms to develop learning processes at all levels of the organization" p 277 Pettigrew and Whipp (1991)

The same unpredictability also leads to knowledge progression in a highly opportunistic fashion. Thus, they claim successful firms learn from mistakes and also occasionally unlearn core capabilities or strengths that constrain further learning.
De Geus (1995) enquired into the survival of organisations in turbulent periods and found that they had to be financially conservative, sensitive to the environment, cohesive with a strong corporate identity and tolerant of new ideas from the environment. He emphasised the need for learning to consistently take place through interaction with the environment.

4.3.1 The Learning Organisation

Crofts (1990) notes the underlying trend behind organisations wanting to become learning organisations is due to

> "the business outlook [being] uncertain and the response must be flexibility, the pre-requisite for flexibility is a highly skilled body of staff" p16 Crofts (1990)

This suggests that for organisations to be responsive to unpredictable environments they must develop their employees to be highly skilled and flexible. Senge(1990) suggests that organisations need to learn to cope with the variety of the environment, and that the only way they can learn from their environment is through their employees:

> "Organizations learn only through individuals who learn. Individual learning does not guarantee organizational learning but without it no organizational learning occurs" p139 Senge (1990)

Argyris and Schon (1978) identify two types of organisational and indeed individual learning they term single and double loop learning. Single loop learning involves an

'error-detection and correction' type of action, commonly used at both an organisational and individual level. The double loop learning is similar to Senge's (1990) Mental model discipline and involves challenging the mental model of a situation, forming knowledge and changing the way the situation is perceived thereby changing the way it is dealt with in future. It is this second type of learning they perceive as a crucial survival tool for organisations.

Pedler et al (1988) identify the major drivers of organisations wanting to become learning organisations as:

I. Competitive pressures
II. Fewer people
III. Failure of previous restructuring attempts
IV. Need for cultural change
V. Desire to become more people-orientated
VI. Link resources to customer needs
VII. Improve corporate image
VIII. Need to improve quality
IX. Encourage more active experimentation
X. Increasing pace of change

All these factors have pressurised organisations to change, yet if one actually examines these factors one can see that a few of these points are most likely to be the effects of previous change programmes. For example, point 3 is clearly a driver that may not have existed had a change programme succeeded in its aim. The underlying theme appears to be that organisations have recognised that the environment is changing. Regardless of what new programme they adopt (be it a balanced scorecard (Kaplan and Norton 1996) method of financial accounting, an E.V.A. style (see EhrBar 1998) or many other forms of 'adding value' programmes being advocated), the one thing they must appreciate is that things may and will go wrong and the only measure to safeguard against organisation collapse if and when things go wrong is the ability of the organisation to respond and learn quickly enough to restrict the damage done.

Pedler et al (1997) refer to the work of Revans' ecological formula for learning :

$$L \geq C$$

Where L is learning and C represents the rate of change in the environment. Pedler et al make the argument that a learning organisation must learn at a faster rate than the environment is changing, once more reinforcing Ashby's Law of Requisite Variety (1956). They also identify what they perceive as the main foundations of a learning organisation of which they note that self development opportunities for all employees is a key characteristic as is the development of a learning climate where employees and managers actively seek to learn through experimentation and feedback. Pedlar et al also note the important role participative policy making and flexible rewarding have in aiding people within organisations to learn.

The literature supporting the learning organisation is vast and cannot be reviewed completely in the scope of this research, however it presents a significant overall argument because it underlines the importance of learning where learning takes place primarily through people. If one examines the underlying characteristics of the authors mentioned in this section one notes the recurring theme of people as being crucial for developing a learning organisation. This is important because it has a huge impact on the traditional expectations made of employees, and is important for the emergence and adoption of competency style of employee management that has dominated employee development in recent years. If employees are expected to be pivotal in creating a learning organisation and they are expected to do so through their own development not necessarily tied to the technical developments of their role then this may pose a mental model challenge to them. The other main area of literature that is impacting employee development is strongly linked to the learning organisation and is also directly influenced by the changes in the environment. This area of organisational development is known as the 'knowledge management'.

4.3.2 The Knowledge Company

Intellectual Capital is one of the new key phrases used to describe the organising of knowledge to produce wealth in the organisation. Writers such as Stewart (1999) use this term to describe the importance of recognising the value in wealth terms of employees. Earl (1997) recognises the importance of building knowledge in organisations as it allows for competitive strategy to be developed:

> "New Opportunities for building competitive strategies on knowledge are becoming apparent." p3 Earl (1997)

To attempt to clearly define knowledge would mean an exploration of a multitude of philosophical arguments ranging from Plato's rationalistic arguments to Locke's empiricism and Sartre's existentialism, all lying outside the scope of this research. The Knowledge of the knowledge organisation has also faced problems in defining itself and distinguishing itself from terms like information and intelligence. Bateson (1973) distinguishes between information and knowledge and refers to information as 'differences that make a difference' i.e. information can change knowledge as it may provide a new perspective that can help construct new or amended knowledge. Earl (1997) acknowledges the confusion surrounding the definition of knowledge in comparison with intelligence. He makes the point that knowledge can be acquired where as intelligence is an inference system that is restricted physically and socially. Intelligence builds knowledge and knowledge provides the foundation to which intelligence can be applied. Knowledge he defines as something we know, a level of expertise in a particular domain. Earl (1997) classifies knowledge on three levels:

Science: accepted knowledge typified by established law, theory and procedure

Judgement: workable knowledge typified as policy rules, probabilistic parameters and heuristics

Experience: potential knowledge, which is transactional, historical and observational data, subjected to judgmental processes, whereby new sciences and judgmental type of knowledge is created.

The cost of acquiring knowledge is determined by the position of the knowledge on the structure above. Knowledge at the science level is relatively cheap and modest in returns because its value has been decided and accepted and is no longer groundbreaking. Knowledge at the judgement level is more expensive because its full worth is still to be decided upon and only a relative few have decided upon it making it still quite worthwhile to invest in because the returns may be quite high. Knowledge at the experience level is the most expensive because it is the most creative and its worth is yet to be determined at all but in fact could be very important.

Organisations can be clearly seen to map onto this knowledge ladder with regards to their response to environmental changes. Experience represents those companies willing to take risks for a substantial return, then those companies who wait slightly before taking on the proposal and finally the sheep who lag behind and take on the proposal when it is only likely to bring meagre returns. E.g. the introduction of a loyalty card by Tesco superstores saw the organisation potentially being able to tap into valuable customer information that it could use for further revenue generation opportunities, Safeway joined soon after however withdrew its card when it couldn't establish the card's value to the business.

Earl (1997) points to the important role of experience knowledge in creating new forms of competitive advantage to organisations. He sees the knowledge organisation working as a combination of technological and social actions where knowledge is an important strategic capability that needs to be developed and looked after. Figure 4.3 is Earl's model of knowledge management.

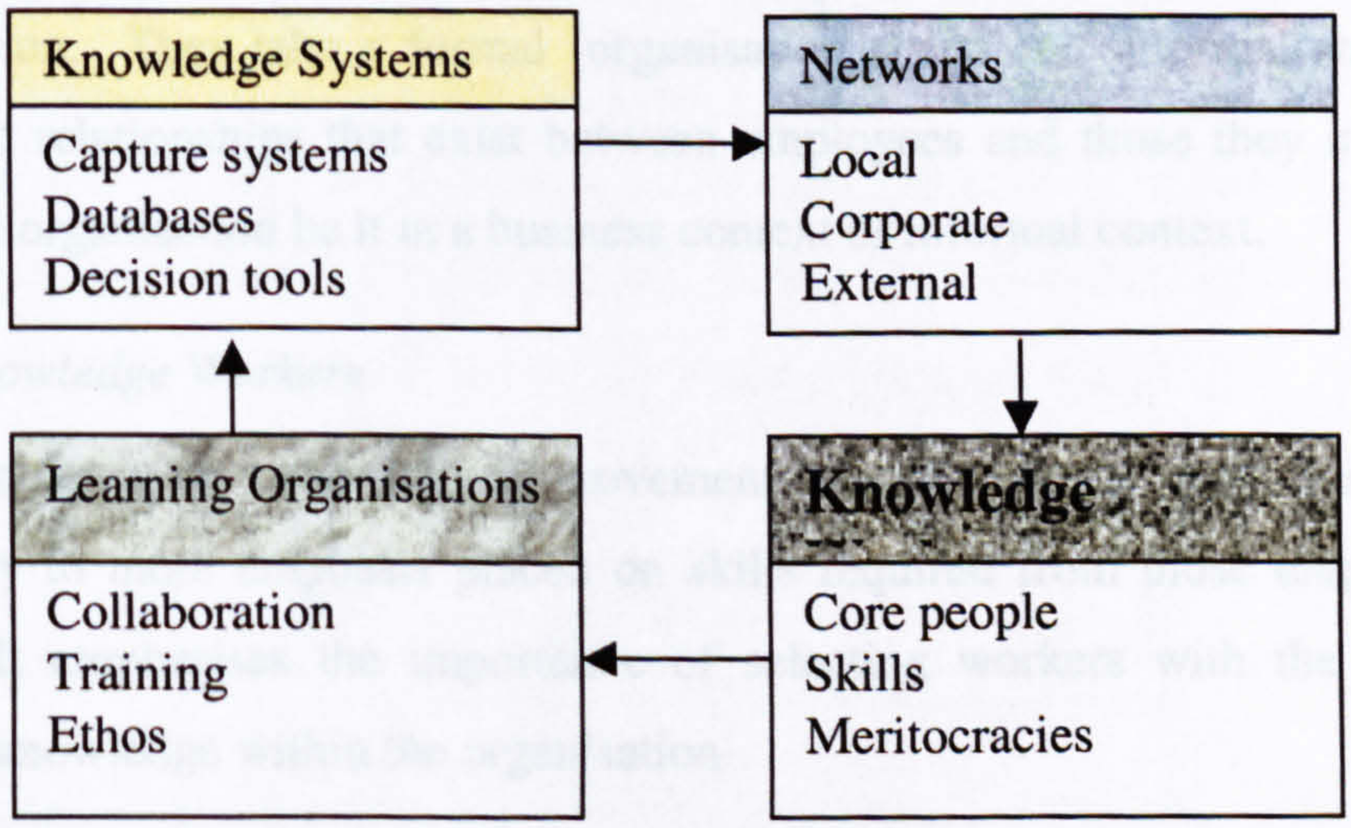


FIGURE 4.3 EARL'S MODEL OF KNOWLEDGE MANAGEMENT

The model above displays requirements that need to be satisfied and catered for, if knowledge management is to occur.

4.3.2.1 Knowledge systems

Capture Systems are systems that capture experiences within a market/product or operations/processes context and store them in databases that are accessible by other employees. The databases may have decision making tools that aid the employee in

finding the most relevant experience and consequently most appropriate course of action i.e. knowledge excellence centres that allow the capturing of information via an intranet, lotus notes, GroupWare. Moore and Birkenshaw (1999) identify four types of knowledge centres that exist :

Charismatic : One Guru internationally renowned – disseminates expert knowledge around.

Focused: Leading edge practice developed by team in single location – emerges from project work

Physical: physical centre dedicated to developing leading edge best practice – develops from a decision by HQ to develop such a centre. – people flow through centre contributing and benefiting from it.

Virtual: Leading edge practice held by a large group in several locations – formalised system collectively held i.e. knowledge databases.

4.3.2.2 Networks

These become significant in knowledge capture, knowledge-building and knowledge dissemination. They take a formal (organisation chart) and informal structure and include the relationships that exist between employees and those they interact with outside the organisation be it in a business context or informal context.

4.3.2.3 Knowledge Workers

An overemphasis on technology improvement invariably leads to job loss but more importantly to more emphasis placed on skills required from those employees still around. It emphasises the importance of selecting workers with the abilities to exchange knowledge within the organisation

4.3.2.4 Learning organisation

As discussed in section 4.3.1. individual learning leads to organisational learning which must place an emphasis of the training of individuals and seeing employees as people who can help develop the organisation.

Earl advocates the use of this model in organisations because it identifies at a strategic level of resolution the type of technical and structural demands placed on organisations wanting to develop and share knowledge internally.

At a more theoretical level of resolution Nonaka and Takeuchi (1995) define the different types of knowledge and their uses within the organisational context. They explain how different types of knowledge are useful to creating innovation and examine some of the cultural enablers that are needed for knowledge to be created.
Nonaka and Takeuchi (1995) distinguish between two epistemological forms of knowledge: Tacit and Explicit.

> "Tacit knowledge is personal, context specific and therefore hard to formalize and communicate. It is the knowledge of experience, which is subjective and practical.
>
> Explicit or codified knowledge refers to knowledge that is transmittable in formal systematic language that is context-free and theoretically based." p59 Nonaka and Takeuchi (1995)

Ontologically they believe knowledge can only be created by an individual with contextual support from organisations. The organisations cannot create knowledge without the use of individuals and the network and mechanisms that enable knowledge transfer across the organisation. Nonaka and Takeuchi(1995) stress the importance of interacting between tacit knowledge and explicit knowledge in order to create innovation. Their four modes of conversion are outlined in figure 4.4

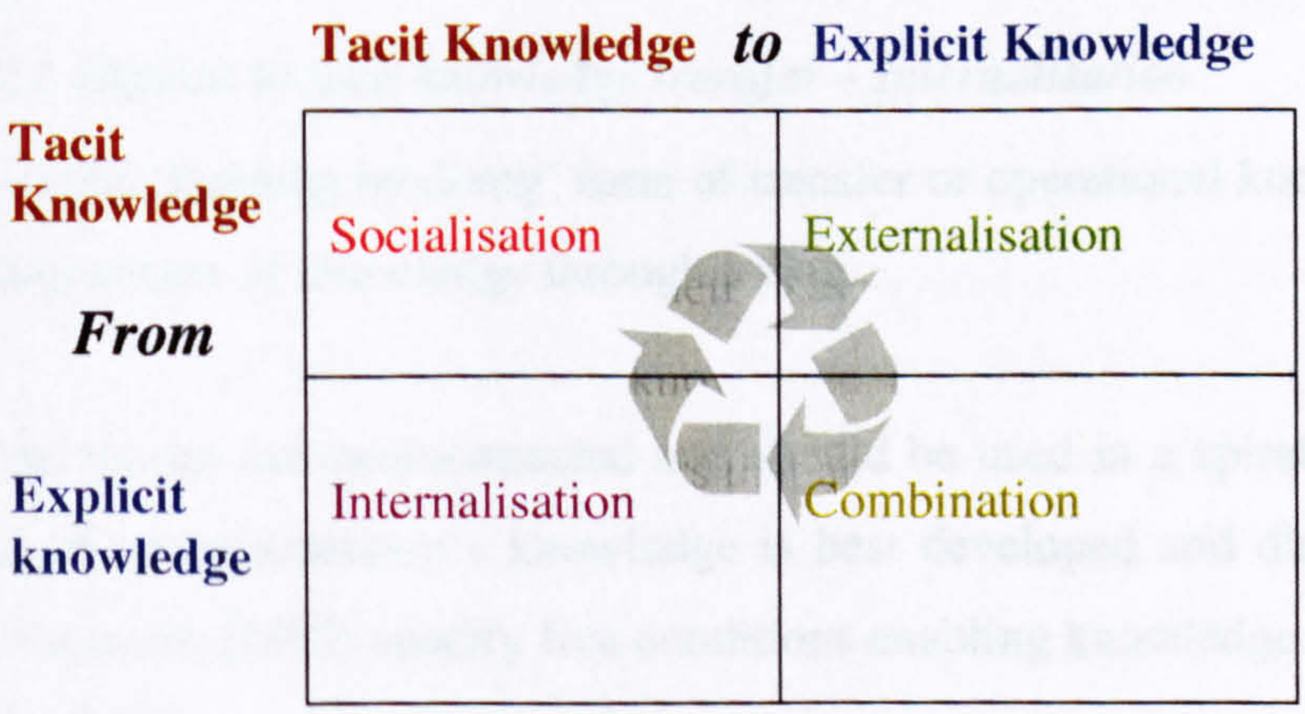


FIGURE 4.4 NONAKA AND TAKEUCHI'S FOUR MODES OF KNOWLEDGE CONVERSION

4.3.2.5 Tacit to tacit knowledge transfer – Socialisation

This is exemplified by instances of learning from observation and involves the usage of shared mental models in ensuring one employee's knowledge experience is passed

to another through observation and socialisation. This also is very important when assessing customer needs as putting an employee in a customer's 'shoes' will allow that person to perceive the needs and desires of their customers. Exemplified in the mystery shopper programs of several banking institutions.

4.3.2.6 Tacit to explicit knowledge transfer – Externalisation

Defined as the process of

> "articulating tacit knowledge into explicit concepts" p64 Nonaka and Takeuchi (1995)

It is the conceptualising of tacit knowledge using metaphors, models and hypothesis. They present a strong argument for the use of metaphors in transferring knowledge from a tacit base to an explicit base.

4.3.2.7 Explicit to explicit knowledge transfer – Combination

This is the transfer of explicit knowledge through documentation and conversing. It is best exemplified through education and learning and in a business context, through the dissemination of information through management.

4.3.2.8 Explicit to tacit knowledge transfer – Internalisation

This is the 'learning by doing' form of transfer or operational knowledge. It refers to the acquisition of knowledge through trying.

All the modes are interconnected and should be used in a spiral effect to ensure the value of an organisation's knowledge is best developed and disseminated. Nonaka and Takeuchi (1995) specify five conditions enabling knowledge creation:

1. Intention

This refers to an organisation's mission of intention and is a form of communicating to all its employees what it considers to be of value in terms of providing knowledge in the organisation. This is similar to the argument presented by Hamel and Prahaled (1990) and Stalk, Evans and Shulman (1992) with respect to identifying and developing core capabilities.

2. Autonomy

Providing autonomy to employees encourages unexpected outcomes, which can be very creatively valuable. It can encourage self motivation in employees and lead to self organising structures that operate effectively towards the overall organisation intention.

3. Fluctuation and Creative Chaos

The encouragement of entropy in a system pressurises employees into interacting with the external environment and developing negentropic activities that can be very creative and innovative.

4. Redundancy

This refers to the sharing of redundant information around the organisation as a way of keeping employees informed and encouraging the development of new tacit knowledge that may not yet be relevant but may prove useful later on.

5. Requisite Variety

As explained in Chapter Three this refers to Ashby's (1956) Law of Requisite Variety. Nonaka and Takeuchi use it to promote the movement towards organisations becoming flatter more flexible and responsive organisations.

Nonaka and Takeuchi (1995) and Earl (1997) have developed the ideas behind a knowledge organisation. They have identified various conditions that enable knowledge to 'exist' and have developed ways of sharing the knowledge around the organisation. It is important at this point to reflect on the conclusions drawn from their work in light of the competency movement. They have identified the importance of being knowledge organisations in terms of responding to the environment and its varieties. They have made important distinctions between knowledge and information and intelligence as well as within knowledge itself.

They have emphasised the technical requirements of organisations wanting to become 'knowledge organisations' and have demanded processes be structured so that sharing of information and knowledge can occur. They have also fundamentally recognised the value of employees in ensuring survival of organisations and the knowledge of the organisation. It has therefore become much more important to identify the skills and

knowledge that individual employees demonstrate within the organisational context if the organisation is to specify the type of core capability it is to develop.

The emergence of the learning organisation and the knowledge organisation has resulted from environmental analysis by researchers and business authors. They have reviewed the changes in the business environment and tried to identify the best or most applicable way to ensure organisation survival. The desire to become more flexible organisations that learn has impacted the requirements now made on employees and led organisations to really think about employees as resources that have utility value in the form of skills, behaviours and knowledge that can help organisations. However it must be noted that the lead to competency management also stemmed from movements within Human Resources as a function of the organisation. Therefore having examined the external causes and pressures on the development of competency management, it is only apt to now explore internal affects and influences on the competency movement.

4.4 Developments within Human Resource Management

This section will describe the development of human resource management in organisational systems. It will act as a pre-cursor for the following chapter by identifying the main influences that have impacted the development and direction of competency-driven strategies and organisations. The next chapter will then proceed to review the impact competency management has had on human resources and organisational systems both at a literature level and a real world level.

4.4.1. Demographic Changes

Concerns in the last two decades for human resource management have in certain areas stemmed from demographic changes affecting the labour market and the increasing need for flexibility and responsiveness in the organisation. O'Doherty (1997) notes the increasing median age of the labour workforce in the UK and Europe with 34.6 being the median age of the workforce in 1980 rising to 35.9 in 1990 and projected at 37.7 for the year 2000. This is related to the declining proportions of late

retirements and the gap in new labour entering the market. This means companies fear a lack of skilled workforce in the coming years coupled with the increasing pace of technological advancement which poses two problems to organisations. One is that there are not enough people skilled to do current jobs, and two, the people that are available need to be highly skilled, multi-skilled, responsive to the organisation's environment and learn new skills when appropriate. Employment in the primary industries has reduced and will continue to reduce while employment in the service industry is expected take up approx. 41% of the labour market by the year 2000 (Institute for employment research 1993).

The implications for organisations are significant, considering the problems they already face with environmental changes. It heavily emphasises the importance of understanding the link between human resource management and strategic goals and ambitions. Creating a flatter more flexible organisation is obviously going to impact the employees who considering the environmental issues previously and above discussed now have more power. Demanding more learning and multi-skilling is difficult without the added pressure of a low-skilled labour market. This means new forms of organising such as Self-organising teams, quality circles and more instances of participatory management and objective setting are appropriate to entice employee commitment and loyalty. Human resource management and in particular performance management in light of these influences have a very important role to play in the future of organisation performance.

4.4.2 Economic changes

The recession in the UK in the early 1980s resulted in the collapse of much of the manufacturing industry. The causes of the recession are debatable, yet the effects less so. Large scale unemployment through redundancies mainly in the manufacturing sector led to regionally distorted numbers of unemployed, organisations began adopting Japanese production techniques and re-assessed what they produced and how they produced it. Labour saving technology was introduced which required more specific skills of the workforce and less volume in the workforce. This was later followed by a short period of recovery with much acquisition and merging occurring

between companies (primarily due to growth in credit given and the Big Bang of 1986 which boosted share values) before the recession of 1990-1993. The impact on human resources of these recessions is significant. In times when redundancies are high the power of the employee to request increases in wages in severely restricted, as is the power of trade unions. It also means more emphasis on developing skills to work with the new forms of technology adopted by organisations.

4.4.3 Legal and Government Initiatives

Various new laws and initiatives have been implemented by the current Labour government that will have a direct influence on the labour market and its accessibility and flexibility to organisations. The minimum wage, New Deal, Training and Enterprise Councils, Working Time Directive and Investors in People represent a selection of the initiatives currently implemented.

The National Minimum Wage Act (1998 - Implemented April 1st 1999) set the minimum wage for full-time workers at £3.60 for employees aged over 21, and £3.00 for those aged between 18 and 21 (these were later increased in 2000 and 2001). This was established to try and discourage the exploitation of workers by organisations but was seen by industries and independent studies (Business strategies claimed a rise of up to 80,000 more unemployed) to potentially lead to a dramatic increase in unemployment due to high wage costs in small businesses. However, a report published by the Incomes Data Services (IDS) in May of 1999 claimed that the minimum wage had only a marginal affect on industries and that it in fact could be raised without doing too much damage to unemployment rates.

The New Deal programme was set up in 1998 by the Labour government to try and encourage 18-24 year old unemployed people, who had claimed jobseeker's allowance for a period of six months, into employment. It was designed to improve the employability of the unemployed and open new opportunities for them at the same time improving the skills set of the labour force. Those who didn't get jobs after four months would then have to go into training or education. According to a survey carried out by the Federation of Small Businesses in 1999 the New Deal isn't as effective at getting the unemployed into jobs as it hoped it was due to a number of reasons. Firstly, the employment service has been accused of being too bureaucratic

and uncommunicative thereby not 'selling' the New Deal enough. Secondly, companies are being impatient with training employees and aren't recognising the subsidy's purpose. The scheme has also been accused of ignoring the other needs and requirements of some of its subscribers namely that some of the trainees have other problems other than low skills-set that make them unemployable e.g. alcohol and drug abuse.

Training and Enterprise Councils (TECS) were set up in 1992 to try and close the skills gap by liasing with local businesses as to what skills they would like to see in the labour market. The TECS would them theoretically train the unemployed within these identified gaps. They have been criticised (Milne 1991, Wood 1992) because such skills targeting may only benefit the business demanding the skills and not help the labour market overall.

The Working Time Directive (1998) saw the European Union lay down restrictions on the work expected of part-time and full-time employees giving them more defined guidelines as to working hours, break periods and annual leave. The implications of the working time directive are:

1) The government expects the monitoring of working hours to be rigorous and failure to comply will result in hefty fining.
2) The minimum 3 week annual paid leave regulation is expected to cost £470 million to businesses (Walsh 1998)
3) Severe implications for training and development of employees. Many organisations do not give enough time to employees for training and developing because it interferes with their job goals. If restrictions are placed on the maximum time that an employee is legally obliged to work than this may have a knock-on effect on time allocated for training and development.

Issues arise in that employers give employees the option of opting out of the working time directive, which means pressure can still be applied by employers to work in 'unfair' conditions.

The Conservative government in the late 1980s set up a national standard to encourage employers to invest time and money into training their employees. This standard they called the Investors in People award. Companies complete a gruelling application process and rigorous assessment by the Investors in People (UK) company (IiP) (also set up by the government) spanning a period of 12 months. Those that pass

the assessment are expected to have proved the commitment they make to developing employees from the top down; reviewing the needs and planning the development of the employees; taking action to encourage employees to develop and then evaluating them throughout the year. The award lasts three years and entitles 'winners' to use the IiP logo on stationery and in marketing as well as entitling them to tender for government contracts.

In addition to these initiatives, one initiative stands out as targeting heavily the development of a framework for vocational qualifications, that of the NVQ.

4.4.3.1 NVQs and The MCI

In the United Kingdom a series of reports (e.g. The Making of British Managers, Constable and McKormick 1987) came out in the 1980s which led to the development of the National Vocational Qualifications (NVQs) and the Management Charter Initiative set up to implement the management NVQs. These vocational qualifications were designed as on-the-job training qualifications that could develop the skills, knowledge and behaviours of employees towards a standard level of competence for a particular vocation. They are aimed at incorporating specific standards of competence in:

1. The ability to perform in a range of work related activities
2. The underpinning skills, knowledge and understanding required for performance in employment.

(NVQ Criteria and Procedures, NCVQ, 1989)

Assessment of competence is an external exercise that requires a logbook to record all activities of on-the-job training. The standards are set up and maintained by lead bodies made up of members of particular industries. The NVQs are not specific to job roles but rather to vocations and the different levels of expertise required within them starting with the lowest level 1(i.e. filing clerk) to the highest level 5 (professional manager). The levels are set up as follows:

Level 1: Competence in the performance of work activities, which are in the main routine and predictable or provide a broad foundation, primarily as a basis for progression

Level 2: Competence in a broader and more demanding range of work activities involving greater individual responsibility and autonomy than at level 1

Level 3: Competence in skilled areas that involve performance of a broad range of activities, including many that are complex and non-routine. In some areas, supervisory competence may be a requirement at this level

Level 4: Competence in a broad range of complex, technical or professional work activities performed in a wide variety of contexts and with a substantial degree of personal responsibility and autonomy. Responsibility for the work of others and the allocation of resources is often present

Level 5: Competence, which involves the application of a significant range of fundamental principals and complex techniques across a wide range of contexts. Very substantial personal autonomy and often a significant responsibility for the work of others and for the allocation of substantial resources feature strongly, as do personal accountabilities for the analysis and diagnosis, design, planning, execution and evaluation.

These five levels try to embrace the varying complexity found in different occupational roles. Levels Four and Five are intended to cover postgraduate qualifications provided by universities, colleges and professional bodies but in a more practical market orientated way.

An NVQ is made up of titled units, each of which should make an equal demand on the candidate in terms of competence and knowledge required. Each unit contains elements of competence sometimes referred to as a standard. Each element consists of four items:-

1. ***The element title*** - Describes what that person should be able to do at work in a language that is easily understood. Every other item within the element should be understood in terms of the title.
2. ***Performance criteria*** - Describe the 'Critical Outcomes' required from successful behaviour and must contain behavioural indicators or 'evaluative statements' which define the acceptable levels of performance.

3. ***Range Statements*** - These specify the particular circumstances that the performance criteria can be applied in i.e. physical location = office, factory
4. ***Knowledge Specifications*** - they need to encapsulate the specific knowledge base that is required for each element.

Evidence is required for all elements - these can be in the form of workplace evidence or Simulations.

These competences will be explored further in the next chapter because they are an example of an outcomes-approach to competencies.

These are some of the laws and programmes that have had an effect on the human resource areas of organisations. The Minimum Wages Act forced employers to pay their full-time members of staff (above a certain age) a wage that was in accordance with European standards and tried not to exploit them. Many employers claimed this would lead to them having to make part of their workforce redundant yet the IDS study claims otherwise. The New Deal and TECs attempted to enhance the skills set and numbers of the employable labour force, yet many have claimed it is still too difficult to train participants and expectations from the employer's side are too high. The Working time directive aimed at 'easing worker fatigue' and yet the regulations could lead to less emphasis being placed on training and development. The MCI and NVQ system was expected to raise the skill set of the labour force in actual skills pertinent to organisations today, however, it has come under criticism (Lester 1994, 1996) for its 'snapshot' approach to assessing an employee's skill, and its over-emphasis on pigeon-holing job role skills. No reassessment takes place and no measure of whether the skill is ever used is recorded. The Investors in People award has been received well after a slow take-up, however concerns arise due to the cost of actually adhering to the standard in terms of constantly reviewing training and development needs and increases in training costs. However a report by the Institute of Employment Studies (1996) claims that the IiP has led to improved business performance and training systems with smaller companies benefiting the most.

Both the wider, more indirect environment, and the narrower, more direct environment outlined above have significantly impacted the role of Human Resources in organisations.

4.5 The role of the Human Resource function

The human resource function of the organisation acts as management of the organisation's employee resource and the strategies to manage them. Developments in the environment as well as the system of the human resources function affect the employees of an organisation in some way or another. Having assessed the environment of human resources as a function it now becomes appropriate to examine developments within the field of human resources. For detailed accounts of the history of Personnel Management and Human Resource Management the reader should refer to the work of Legge (1995) and Armstrong (1995), as the history will only be explored briefly in this thesis.

4.5.1 History of Human Resource Management

The management of Human Resources in organisations began to take a significantly different shape around the World War Two period. Research carried out by Mayo (1946), Maslow (1943) and then later by McGregor(1960) and Herzberg (1968) influenced the mechanistic organisations of the pre-World War Two era into treating their employees as more than just 'cogs in a wheel'. Their research introduced to mainstream organisations the system of thought that perceived employees as fundamentally crucial elements within their organisation's system that responded and were motivated by more than just money. Over time, employees of an organisation began to be considered critical to the success of the organisation. The Tavistock Institute of Human Resources in England recognised the socio-technical aspects of organisational life and promoted the capturing of these interdependent qualities so as to intertwine the rigid technical work functions with a soft social culture that creates organisations. Employees went to work to earn money however money was not the only motivating factor that made them work productively. Thus emphasis on employee needs and the management of their needs with respect to the management of the organisation' needs became important in increasing the overall productivity and consequently success of the organisation.

Table 4.3 traces the changes that have occurred in employee management in the UK as adapted from Armstrong (1995).

	Changes In the Management of Human Resources	Skills of Employees and of Personnel	Trade Union Involvement
1915 - 1920s Welfare Officers	Providing canteens and catering for personal interests	Employees: Basic Skills Personnel: Basic Skills	Power and membership high
1930s Personnel Administration	Dealt with recruitment, basic training and record keeping	Employees: Basic Skills Personnel: Consensus keepers	Power and membership high
1940s and 1950s Personnel Management	Personnel administration with craft and supervisory training	Employees: More skill introduced Personnel: Consensus keepers	Membership and power was high
1960s and 1970s Personnel Management - Phase 2	Management development, training, manpower development. Sophisticated selection, training, salary admin. And appraisal. More employment legislation	Employees: More developed skills, more demands Personnel: More Industrial Relations still on Organisation's side vs. Trade Unions	Power and membership high
1980s Human Resource Management	Initial integration of Human Resources and business strategy - Performance related pay introduced to ensure loyalty and motivation	Employees: Much more skill and knowledge used on the job Personnel : moved away from Industrial Relations to developing integration of employee needs with organisation's needs	Power marginalized
1990s Human Resource Management - Phase 2	Teamwork, Empowerment, Kaizen - Human Resources role become more sophisticated: competency management, culture management, mutuality	Employees: Much more knowledge, skill and intelligence involved in the job, having to change more in line with organisation's needs. Personnel : intertwining competence of employees with needs of strategic goals	Little Trade Union power

TABLE 4.3 CHANGES IN THE CONCEPTUAL MODELS OF EMPLOYEE NEEDS, DEVELOPMENT AND MANAGEMENT

It highlights the developments that occurred in the management of employees in this century and emphasises the increasing value of the human activity subsystem and its management in achieving an organisation's goals. Table 4.3 depicts Personnel Management at a different level to Human Resource Management, it implies that the latter is a more strategically sophisticated approach than the former. Clearly the model depicts the older approach to personnel management as significantly changed from the days of munitions factories and coal mining. The diagram shows the expansion of the range of tasks that Human Resources have had to undertake and thus the increase in support for human resource systems. Personnel Management places more emphasis on managing problems or as Hendry (1995) calls it 'Firefighting', it is more concerned with the achievement of a consensus between the managers and employees thus implying a pluralistic expectation of organisation and employee needs. Table 4.3 also shows the decline in the Trade Union power in line with the introduction of the Human Resource Management model, the reason for this being implied in the differences in approach between Human Resources Management and Personnel Management.

The former aiming to gain commitment and flexibility of employees and thus develop a Unitarian culture in the organisations where one set of values and competencies are predominantly resident. However, it has been argued (Hendry 1995) that changes in the law (Employment Acts 1980 and 1982) have meant that the 1980s saw less strikes then the latter period of the 1970s and therefore the Personnel function was able to concentrate more on the strategic as opposed to industrial relations type of HR managing.

The debate as to the differences between the functional and behavioural aspects of the Personnel Management model and the Human Resource Management model have long been debated (excellent accounts of which can be found in Legge 1995) and will be explored briefly in the next section.

4.5.2 Defining Human Resource Management

Legge (1995) thoroughly explores the differences in the normative, descriptive-functional and descriptive-behavioural models of Personnel management and Human

Resource Management noting the additional differences in US and UK debates. She argues that there is little difference in the normative models of Human Resource Management and Personnel Management and that the former reflects a new rhetoric of the latter, developed to manage the movement towards a more enterprise-driven culture. Legge (1995) observes the differences in definitions between US and the UK sources as to the meaning of Human Resource Management. She notes the tendency for US sources to assume a unitary perspective within organisations can easily exist, with employees and employers working overall towards the same goals and shared ideals. However, UK sources, Legge (1995 p95) observes, tend to struggle with the marginalized role of trade unions and claim that a truly unitary model is illogical and practically unfeasible. Guest (1989) perceives Human Resources Management as merely an updated version of Personnel Management but warns of the potential generalist issues that arise from using the new term. He claims that the term has been used as an 'Umbrella' for anything to do with Human Resource activity management and thus can actually be incorrectly used and misunderstood. Hendry and Pettigrew (1990) believe the term Human Resource Management encompassed the changes that were occurring naturally in Personnel Management and provided an approach to focusing on some of the weaker areas of Personnel Management.

Fombrun et al (1984) represent one side of the US Human Resource Management concept. They noted that Human Resources Management was a crucial core element necessary for the effective functioning of organisations. They advocate the use of Human Resource Systems working in a unified manner in order to achieve the organisation's goals and aims. Fombrun et al (1984) heavily emphasised the importance of fitting Human Resource Management policies to the strategic and corporate objectives. They strongly emphasised the need for HR systems to change and evolve with the structure of organisations especially in times of change. Their human resource cycle (Figure 4.5) concentrated on the new labour force made up of white-collar workers, managers and professionals. They perceive these elements of human resource management as crucial to the longevity of organisations and as the new direction in 'personnel management'. They see strategic fit as the most important objective for human resource management and see the objectives of employees as satisfying the organisation's strategy.

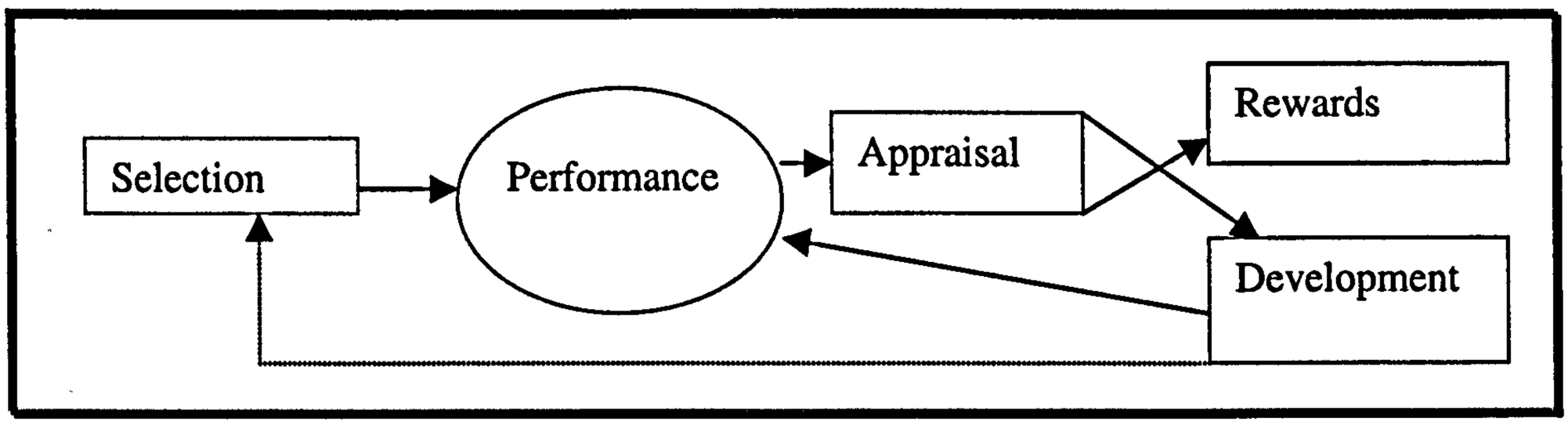


FIGURE 4.5 THE HUMAN RESOURCE CYCLE. FOMBRUN, TICHY AND DEVANNA 1984

Their model ignores the various stakeholder interests and conflicts that occur in organisations and don't give credence to the role of industrial relations (Hendry 1995). Fombrun et al assume that in order to achieve strategic goals the selection, performance, appraisal, rewards and development systems within HR need to be aligned towards achieving those goals. For example, introducing a new strategic aim of increased customer focus means aligning all the HR systems towards rewarding, developing, appraising performance, recruiting and paying employees for developing customer focus. This is an important area, which will be reviewed when examining how competency strategy in practice is integrated into these HR systems.

Beer et al (1984) represent the other dominating US model of Human Resource Management. They developed their 'organisational development' orientated Harvard Model (Figure 4.6) to incorporate contextual and stakeholder issues in human resource management. Beer and Spector (1985) define the characteristics as:

- Linking Human Resource Management with strategy planning and cultural change
- Mutuality between stakeholders interests.
- Power equalisation for trust and collaboration
- Open channels of communication to build trust and commitment
- Goal orientated
- Participate in making decisions

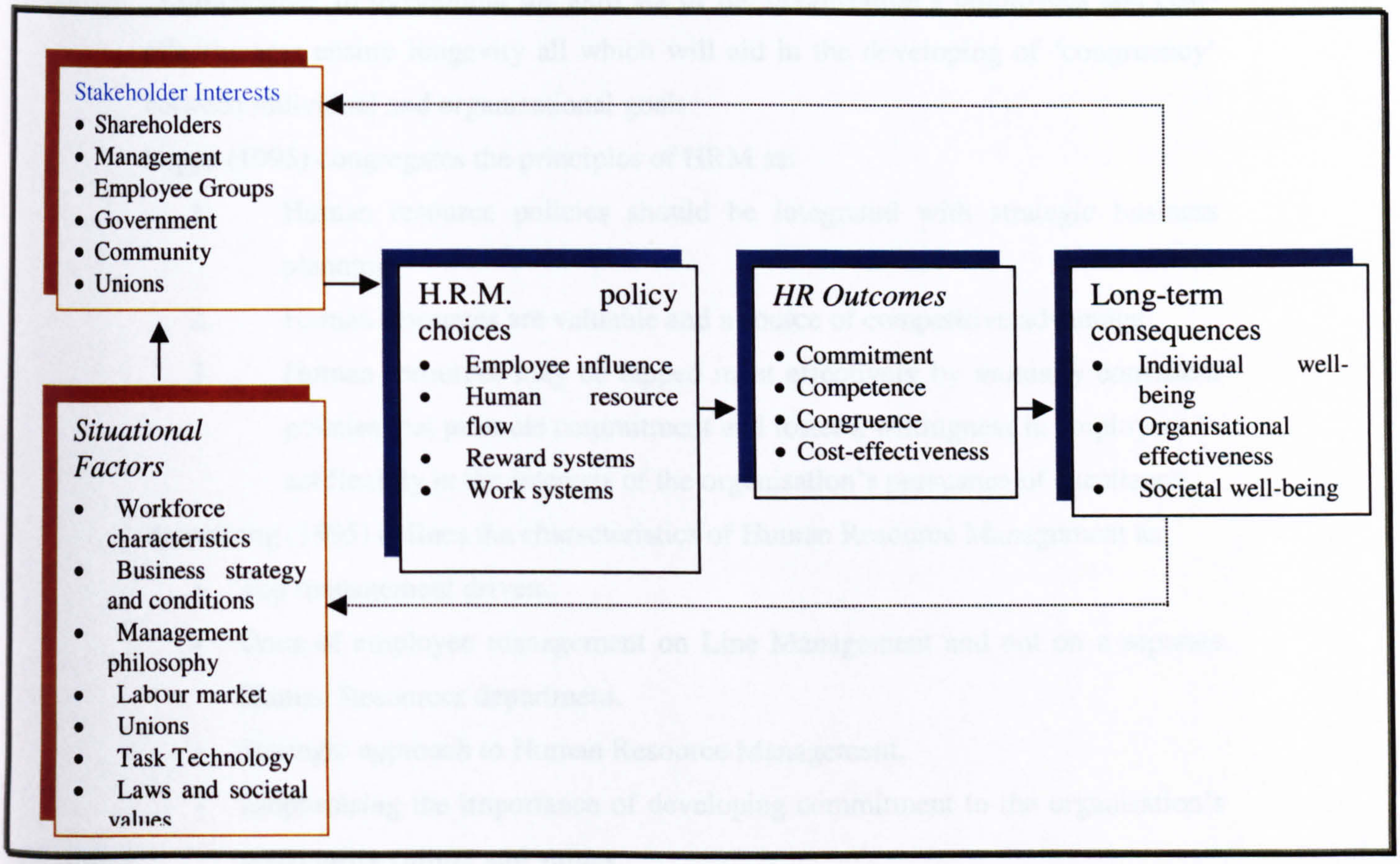


FIGURE 4.6 – HARVARD MODEL - 'THE MAP OF HRM TERRITORY'

They state that Human Resources Management is defined as all the actions and decisions that affect the nature of the relationship between the organisation and its employees. They fully support Human Resources Management ownership being transferred to the line managers of employees. They also recognise the various stakeholders that exist within organisations and their environments and claim that the interests of these stakeholders should be recognised and incorporated into human resource management strategies and ultimately into business strategy. They reject the idea that HR systems should simply adapt to the latest trends economically, technically and socially in the business environment and should instead concentrate on developing

> "Commitment through mutuality in the form of mutual goals, respect, rewards and responsibility" p64. Beer and Spector (1985)

'Competence' in developing the skill set of the organisation's employees and cost-effectiveness ensure longevity all which will aid in the developing of 'congruency' between individual and organisational goals.

Legge (1995) congregates the principles of HRM as:

1. Human resource policies should be integrated with strategic business planning.
2. Human resources are valuable and a source of competitive advantage
3. Human resources may be tapped most effectively by mutually consistent policies that promote commitment and foster a willingness in employees to act flexibly in the interests of the organisation's pursuance of excellence.

Armstrong (1995) defines the characteristics of Human Resource Management as:

- Top management driven.
- Onus of employee management on Line Management and not on a separate Human Resources department.
- Strategic approach to Human Resource Management.
- Emphasising the importance of developing commitment to the organisation's goals using culture and values.
- Employee relations are dealt with internally; trade unions are no longer involved because of the unitary culture of the organisation.
- Strong emphasis on delivering a quality output which matches and exceeds the needs of the customer.
- Assessment of employee is based on behaviour, competence and skill.

Legge (1989) reinforces the view that Human Resource Management should form an integrative role with Line Management activity and claims this is where the differences lie. Her argument is that Human Resource Management encourages line managers to take a more active role in managing human resources. She however claims that some areas of Human Resource Management are contradictory particularly advocating individualism as well as collectivism.

The Harvard model tries to position Human Resource Management as contributing overall to the employee and to society with long-term outcomes feeding back into new stakeholder interests and internal situational characteristics. Beer et al stress the

human aspect in human resource management as opposed to just concentrating on (Fombrun et al's) system and strategic focus. Boxall (1992) argues for the benefits of the Harvard model because of its recognition of the various stakeholders important to organisation effectiveness, its emphasis on strategic influences of HR strategy and the integration of management into policy making and implementation and not simply the human resource department. Guest (1987,1991, 1992) develops the Harvard model and claims that only by measuring Human Resources Management against a set of four criteria can one ensure that it is measuring for organisation effectiveness:

1. Strategic integration – of people practices
2. High quality performance through high quality personnel
3. Developing commitment from employees
4. Flexibility of a functional, numerical, temporal and financial basis

Hendry and Pettigrew (1990) took an analytical view of the Harvard model and developed their 'Model of strategic change and human resource management' as displayed in figure 4.7.

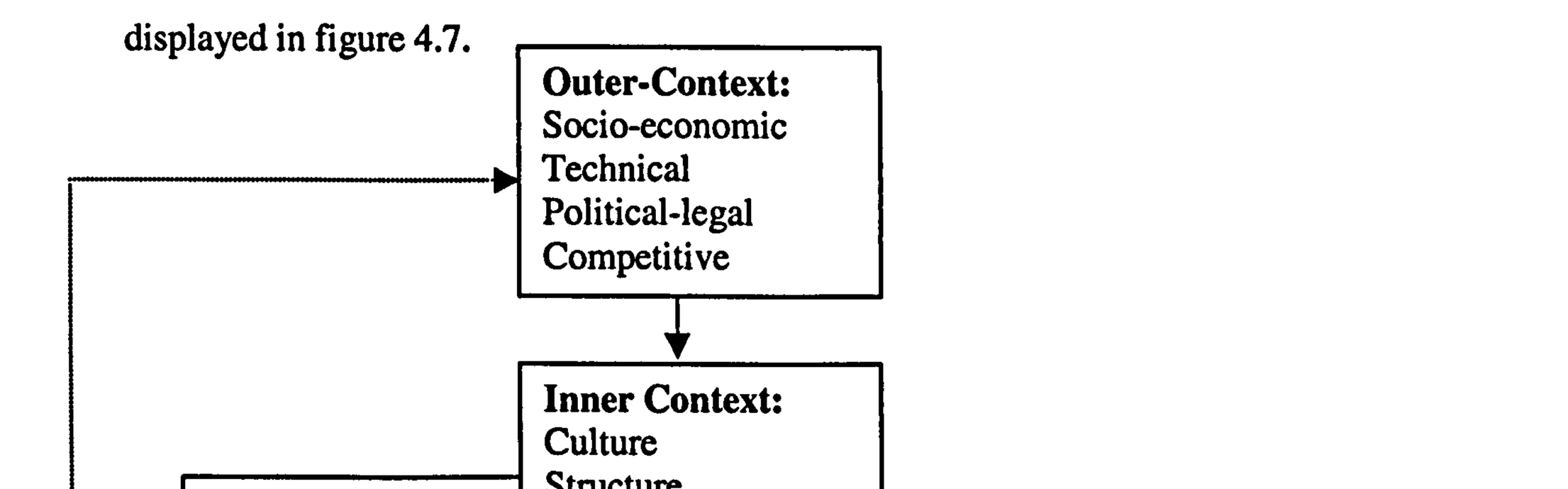


FIGURE 4.7 HENDRY AND PETTIGREW (1990) MODEL OF STRATEGIC CHANGE AND HRM

This model is a theoretical attempt at integrating and making allowance for the factors affecting an organisation's development. It introduces the inner context of an organisation e.g. culture, structure, as being influencing forces as well as being influenced by business strategy and the HRM context as is the view adopted by this research. It also recognises a more-embracing external context than that allowed for by Beer et al in its wider use of market forces being influenced by the business strategy. However, it does not have a direct reciprocating relationship defined between the outer context and business strategy, which is aligned with the systems view that the environment influence the systems but that the system does not have direct control over the environment, the stance adopted by this research and reflected in the presence of the initial sections of this chapter. Hendry (1995) also claims that personnel management has always intended to be strategic but it was too caught up in industrial relations to give strategic links much developmental thought.

Torrington (1989) argues that Human Resources Management is another dimension to Personnel Management and goes on to declare the latter as 'employee centred' and the former as 'resource centred '. Clearly he reinforces the shift between perceiving employee management as a separate part of the organisation and considering them a fundamental factor in the strategic resourcing of the organisations' assets and consequently directly affecting its success.

Friedman, Hatch and Walker (1998) advocate the emergence of a new dimension to people management that they term 'Human Capital' management. They believe in measuring the human capital of organisations and ensuring HR programs are valued accurately (hidden costs, administration, etc.) before adoption. They use the term capital in rejection of the term [employee] 'resource' because of the latter's association with disposable resources that are used up and thrown away.

Ginzberg & Vojta (1981) point to the importance of human capital in aiding economic growth:

> "..Human capital, defined as the 'skill, dexterity and knowledge' of the population, has become the critical input that determines the rate of growth of the economy" p49 Ginzberg & Vojta (1981)

The work of Friedman et al. attempts to measure the value of human capital. It is self-proclaimed as a paradigmatic shift from perceiving employees as resources to perceiving them as capital/assets which when invested in correctly will lead to value and organisational wealth. They promote the training and development of employees as knowledge bases. Their work is hardly revolutionary because it expands on what traditionally falls within the HR function and simply develops it by saying it needs to be financially measured. This may provide the human resource function with more leverage when influencing strategic direction of the organisation and when budgeting for human capital development. However, human resource management has already perceived the employee as an asset and could be argued that it uses the term resource to imply a certain usefulness of the employee, as opposed to something that is used and thrown away. Harel and Tzafir (1999) note that

> "Through an efficient human resource system, a company's employees become essentially a strategic asset. They form a system of resources and rare abilities that cannot be easily copied or replaced, and that provide a company with its competitive edge." p185 Harel and Tzafir (1999)

Clearly there have been significant changes within the management of Human Resources over the past twenty years, certainly with the turbulence occurring in the environment which is both directly and indirectly affecting the 'personnel function'. These changes have elevated the role of human resources from just an operations function to one which has strategic impetus and this is demonstrated by the increased outsourcing of non-core parts of the HR function. Processes such as payroll and administration have been outsourced by some companies (BP for example) in a bid to make the non-core parts of the function efficiently run by outsourcers and leaving the 'core' part of HR within the organisation. This implies the increased separation of the dual functionality of the HR department namely its operational and strategic roles. Partially as a result of this increased separation of the roles, the responsibility for

employees has shifted more towards the line manager than the HR manager and left the role of the human resources department as that of a strategic advisor.

It is beyond the scope of this project to examine in great detail all the conflicting perspectives of human resource management and personnel management, so an outline alone has been provided. Whether human resource management actually exists in any one of the forms defined is a thesis by itself. However, it is argued that the integration of human resource policies with overall organisation strategy is fundamental to encouraging the development of the role and the perceived value of humans as an organisation resource.

Many debates have taken place regarding the nature of Human Resource Management with Legge (1989) questioning the viability of strategically linking HR policies and yet still ensuring commitment, flexibility and quality and Keenoy (1990) arguing that Human Resource Management is just a term that hasn't been clearly defined as is therefore subjective to the interpreter. The debate is clearly unsettled however this research adopts a strategic approach to human resource management that links human resource policies to strategic goals given situational factors both internal and external.

4.6 Summary

This chapter reviews the impact that changes in the environment and within the system have had on organisations generally. It initially discusses the advancement of technology, the globalisation of the marketplace and the intensification of competition that have led to organisations to rethink the strategies they adopt and the way they currently use their resources. It has been argued that organisations are realising that they must be responsive and proactive when dealing with the environment, which may require a change in their mental model. Given all these changes in the environment, some organisations began to implement change programmes that were designed to streamline processes, align strategy with the marketplace and eliminate non-core processes amongst others. Organisations found the need to change became almost constant in order for them to satisfy the changing environmental requirements. This led to some authors defining the future structure and survival in terms of their

ability to learn and maximise their knowledge capabilities in order to have some form of competitive advantage. The pre-requisite for these types of organisations were a highly flexible and skilled body of employee resource that could themselves respond to all the environmental and organisational challenges.

Senge (1990) and Pedler et al (1988) argued for the concept of the learning organisation where the organisation's learning needed to be greater than the rate of change of the environment. They sought to make strategy and the organisation's climate 'learning-friendly' in order to create an organisational capability that could learn faster than the environment was changing. Earl (1997), Nonaka and Takeuchi (1995) emphasised the importance of developing knowledge through skills and networks in order to develop knowledge organisations.

The discussion of Human Resources development identified the demographic changes resulting in a shortage of skilled workers, impacting further the pressures on organisations to develop, utilise and retain their employees. It identified economic and political changes that impacted the demands on employers such as the Minimum wages act, the introduction of occupational standards and the Investors in People award. This section overall recognised the influences of the government in encouraging the fair treatment of employees and the emphasis they placed on effective and appropriate resource skilling.

The discussion then developed into a review of the history of the management of Human Resources. It emphasised the movement towards a more consensus style of employee management where employees worked towards a unitary view of the organisation which in turn rewarded and recognised employees and sought to provide them with more flexibility to self-develop their skill-set. The development of 'Human Resource Management' saw Human Resource practitioners trying to strategically fit and align Human Resource policies and disseminate responsibility for the employee down to the line manager. The Harvard Model developed this concept further and introduced stakeholders into Human Resource management model. Hendry and Pettigrew (1990) developed upon the Harvard Model and linked the socio-economical

and political factors into their model which reflected the approach taken by this research.

CHAPTER FIVE

Competency Literature Review

5.1 Introduction

The objective of this chapter is to review the existing literature in the field of competency development both in the organisational and employee context. It will review the work of prominent authors in the field, debate the various arguments presented and identify areas in the literature where gaps exist. Having done this the main points that are carried through into the research and consequently impact the Systemic Competency Framework presented in Chapter Eight will be summarised.[7]

5.2 Introduction to Competency Strategy

Systems thinking dictates that change occurring in a system will affect the subsystems within it, in the same light changes in the subsystem impact the synergistic attributes of the system. Therefore, changes occurring in organisational development will affect the human activity subsystem and its own development, the opposite also applies in that changes in the needs of the human members of the subsystem will affect the development of the organisation. It is a sensitive and direct relationship which influences progress in the development of either system. Having reviewed in previous chapters the changes in both the developments of the Human Resource function and organisations it is possible at this point to introduce the main focus of this research, namely competency management.

The professional body for human resource employees/managers and training professionals, known as the Chartered Institute for Personnel Development (CIPD), researches and discusses the demands now placed on 'the effective management of

[7] It should be noted that this review is dominated with literature that reflects the literature available prior to 1997. This is because it was literature from that pre-1997 period that helped formulate the survey. Where it has been appropriate, more recent literature has been included, but this tends to reflect only particularly significant work.

employees by employers'[8]. The CIPD regularly publishes literature and organises conferences to discuss the current trends in the management of Human Resources[9]. One of the fundamental changes they recognised in the past ten years has been the move made by organisations from solely focusing on output/goal orientated process of employee assessment, to incorporating behavioural/performance orientated process of employee assessment so as to develop the organisation's 'Core Competency Base'. Kandola (1996) notes the effect such strategies have on the development of human resource management:

> "[they] are now firmly established as the basis of a strategic approach to human resource" p21 Kandola (1996)

It is becoming clear that organisations are concerning themselves with managing for effective performance as an Industrial Society survey showed (1996) 46% of organisations adopting some form of competency strategy to increase effective performance. Spencer (1997) estimates that businesses in the U.S. spend as much as $100million per year developing competency models, clearly a sign that organisations are taking the strategic approach to Human Resource management more seriously.

The Competency journal (Mathewman Winter 1996/Spring 1997 and Winter 1997/Spring 1998) identified some of the key reasons major organisations are adopting competency type strategies:

- Royal Bank of Scotland – to facilitate change, define new roles and integrate all its human resource policies
- Nissan Motors – it is the best way to prove the effectiveness of training outcomes for business performance
- United Utilities – to foster radical business change
- Carlsberg Tetley – to channel the energy of their personnel to a common purpose within a now single enterprise.

In these organisations, senior executives are described as attempting to direct the development of their organisation by carefully developing the subsystems in line with organisational goals. This entails understanding the key effective performing

[8] Promotional Literature – Weightman, J. (1995) Competencies in Action CIPD UK

elements that operate within the organisation be it a hard element i.e. the output of a process or a soft element i.e. behaviour of an employee, the culture.

The words Competency and Competence have been used in many guises in the past twenty years. They have been used in the organisational context (Hamel and Prahalad 1990) to describe factors in organisations that lead to competitive advantage, in an employee context (Klemp 1980) to refer to superior behaviour of employees as well as in the Occupational context (NVQs) to name a few. The purpose of this stage of the research is to review existing literature around the concept and practice of competencies to elicit important points, gaps and areas for further research. In order to do this effectively the different guises of competencies (and competences) need to be understood, explored and contextualised with reference to this research.

5.3 Defining the different levels of competencies/es

Sparrow's (1996) convergence of 'competency concepts', recognises three types of competencies/ces that have been explored in literature and in organisation development (Table 5.1):

Competency/e s	Definition	Applied to	Rewards
Organisational/ Core competences	Resources and capabilities of the organisation as a whole	Underlying business processes and strategies	Organisationally sustainable employment & security
Managerial competences	Knowledge, skills & behaviours of occupation or sector	Generic vocational education & training	Externally transferable achievement and qualification
Behavioural competencies	Behavioural repertoires people input into a job	Tailored excellent behaviours to integrate all areas of HRM	Internally rewardable achievement and recognition

TABLE 5.1. SPARROW'S TABLE OF COMPETENCY TYPES.

Sparrow (1996) uses the term organisational competence to refer to the development of areas/capabilities of the organisation that make it more successful than others. He recognises the focus on tangible assets and strategic skills. Organisational competence as will be explored below, is primarily about developing the organisation

[9] Many of these books have been referenced in the Bibliography, e.g. Weightman J. (1995) Competencies in Action CIPD UK

for long-term sustainability through learning and focusing on the successful capabilities of the organisation.

According to Sparrow (1996) managerial competences are those specifically organised as transferable outside the organisation and can include individual competences that have been developed within an organisation. These can be (NVQs) or equivalent professional qualifications. However Sparrow's example merely explores those competences which are accredited outside the organisation i.e. NVQs, but some companies also develop their own competency strategy, specifically aimed at management, but that are not accredited externally. These competencies are designed to develop or enhance the behaviour of the employee in a managerial context but ensure that the 'managerial skill' is not as externally transferable as an externally accredited qualification. This therefore confuses the term managerial competency as this can also imply the necessary competencies required in becoming an effective manager irrespective of the occupation at an individual competency level. The last item in Sparrow's (1996) table perceives behavioural competencies as superior input into a job.

The issue with this classification table and with its definitions lies with the criteria used to classify the three types of competency/e and the use of the two words competence and competency which haven't been defined. The difference between organisational competence and the other two types is that the former is a collective form of competence development and the two latter are individually based. However, the two latter types then have different criteria in comparing themselves i.e. the difference between them is based on externally (managerial) and internally (behavioural) transferable skills. The classification table is not rigorous, as it does not have common differentiating criteria.

Weightman (1995) refers to the unpublished work of Lowendahl (1993) which distinguishes between organisational and individual competencies. He developed a matrix to map the relationship between organisational and individual competency (Figure 5.1). Lowendahl found that only by matching individual employee competence/y to organisational competence/y could the organisation reach a level of

expertise and maturity. The increasing uncertainty and dynamism of the environment requires employees to do more than just produce an output that directly contributes to the organisation's stock (directly or indirectly), for organisations to develop innovation, responsiveness and customer focused capabilities, the employees must play their part.

Individual Competency	Organisational competency: Low	Organisational competency: High
High	*People based highly vulnerable to exits*	***Balanced expertise and organisational maturity***
Low	*Unlikely to survive*	*Routine or model based highly vulnerable to obsolescence*

FIGURE 5.1 LOWENDAHL'S MATRIX OF THE RELATIONSHIP AND CRITICALITY OF ORGANISATIONAL AND INDIVIDUAL COMPETENCY SUCCESS.

The argument made here is that the development of employee behaviours aligned with strategic goals and in congruence with hard process alignment is expected to create an effect of synergy, such that the overall whole organisation will be capable and competent enough to deal with the environment (Hambrick & Mason 1984,Tushman & Romanelli 1985, Westley and Mintzberg 1989).

Therefore utilising this argument and addressing the confusing debate surrounding the terms competence and competency a new classification matrix is proposed that classifies using system terms, the two main levels of competence and competency resolutions given all that has been discussed (Table 5.2). Put simply, the table divides competencies/ces into two main levels of resolution and within those levels into two distinct sections:

1. Organisational level of resolution: Those that apply at the organisational level and include both the harder and the softer elements of organisational development.

The collective form of employee competencies/competences are a subset of this level and aid in delivering the organisational competencies/ces.

2. Employee level of resolution: Those that are applied at the employee level and contain various sub-classes aimed at developing collectively the elements of the organisation's capabilities.

These two main definitions are intended to distinguish between competencies/ces aimed at developing people and those at developing the organisation. The former contains within it team competencies, occupational and function competencies, which represent the collective form of employee competencies. The latter term is concerned more with the overall culture that has developed through the collective use of competencies and the more structural, technological and processual capabilities, not achieved or delivered by the employee.

Level of Resolution	**Simple Definition**	**Hard – Output - Competence**		**Soft – Input - Competency**	
		Form	**Example**	**Form**	**Example**
Organisational	Key area/ capabilities of the organisation leading to effective performance	• Processes • Structures • Technology • Strategy • Assets	Sony - Miniaturisation	• Cultural • Value system • Ethos and overall behaviour of the system	Customer-Focused
Employee	Behaviours or outputs of an employee leading to effective performance	• Functional Job Outputs • Occupational/ job families	NVQs	• Behavioural Job inputs	Customer-Orientated

FIGURE 5.2 COMPETENCY/CE CLASSIFICATION MATRIX

Both classifications of competencies/ces are designed to develop the overall capabilities of the organisation and 'equip' it with the necessary attributes to respond to market changes and challenges. In addition to this the collective attributes of developing employee competence can be reflected in the achievement of superior organisational performance. The use of the systems terms hard and soft reflect the nature of the definitions in that hard refers to tangible areas and soft to intangible areas.

The terms competence and competency have been long debated in the employee competency field and will be explored thoroughly in section 5.3.2.1. However, very little literature exists on the definitions at the organisation level. For the purpose of the organisation type of competency/competence the following terms are defined and will be explained further in the appropriate subsections:

Competence – This refers to competitive advantage gained through processes, assets, structure and technology (hard concept).

Competency – This refers to competitive advantage gained through the superior culture and value system that enables the organisation to effectively utilise the competences (soft concept).

The nature of the hard and soft concepts, dictates the difficulties associated with developing and evaluating the competencies/ces. Those that are hard in nature tend to be quantifiable and easy to discuss tangibly and objectively. Those areas that are considered soft in nature tend to be difficult to quantify and more intangible, consequently meaning they are harder to measure and more subjective.

5.3.1 Organisational Level of Resolution

Core competency/e management and mismanagement is said to be responsible for discrepancies in the competitive positions of firms (Rumelt 1984, Conner 1991). Organisations' competencies/ces need to be relatively unique to the organisation and not easily transferable into other organisation settings. Lado and Wilson (1994) argue that the importance of competencies/ces in achieving competitive advantage lies within their immobility and non-transferability. Barney (1991) argues that for competencies/ces to provide organisations with competitive advantage they must be:

1. Valuable to the organisation and enable them to take opportunities and defend themselves against threats, and
2. In the possession of only a few firms within a specific market.

Much research has been carried out on the role of core competencies/ces in organisations (Fiol 1991, Reed and DeFillippi 1990, Ulrich and Lake 1990 to name a few) all with different particular definitions on what can be included in the term 'organisation core competency/e'. Lado and Wilson (1994) combine both soft and hard elements of the organisation to give the generic definition:

> "Organizational competencies [sic] include all firm-specific assets, knowledge, skills, and capabilities embedded in the organization's structure, technology, processes and inter-personal (and intergroup) relationships." p72 Lado and Wilson (1994)

The development of core competence/cies is both a hard process/structure orientated task and a soft cultural/behavioural task. The hard processes are organised through re-arranging process structures in alignment with capability goals but it is the softer areas that are more difficult to manage and change. The idea of synergy being developed as a result of managing and assessing all employee behaviour so that they will contribute to the development of the organisation's core capabilities.

5.3.1.1 Organisational Level of Resolution - Hard

Hamel and Prahalad (1990) point to the importance of the recognition and development of organisational competence in light of the difficulty of growth in organisations and propose the identification, cultivation and exploitation of an organisation's "core competencies [sic]" as the way forward. Hamel and Prahalad (1990) compared the clarity present in the strategic intent and architecture of growing successful organisations with those present in the more stagnant organisations. They claim that identifying the core competences of the organisation, moving away from unnecessary business diversification to building strong alliances and re-centralising businesses meant that the skills of the organisation and those of its alliances worked together to encourage and cultivate growth. They perceived the organisation's competences to be focused particularly on their production skills and technology. Whereas Stalk, Evans and Shulman (1992) take this one step further in their discussion of how to become a *capabilities based competitor* (their equivalent of competence orientated but focusing more on processes rather than technology and production skills). They use the term capability to describe the identification and linking of essential business processes to customer needs by managers, making them able to enter new markets by transferring their essential business processes into new geographic and product markets. They highlight four principles that they deem crucial to competing and achieving growth via a strategy based on capabilities:

1. Recognition that business processes are the building blocks of corporate strategy not products and markets.
2. Competitive success depends on transforming a company's key processes into strategic capabilities that consistently provide superior value to the customer.
3. Companies create these capabilities by making strategic investments in a support infrastructure that links together and transcends traditional separate business units and functions.
4. The cross-functioning of capabilities based strategy means the CEO needs to champion the strategy.

These principles they believe underpin the successful capabilities-based companies such as NEC, Wal-Mart, Honda and Canon all of whom against the odds have managed to outgrow, overachieve or seriously threaten market share of their biggest/bigger competitor in their industry (G-Tec, K-Mart, General Motors and Xerox respectively). By focusing on the business processes and trying to target capabilities the organisations can then build on the core foundations that differentiate them from their competitors and thus use those core capabilities to drive strategic ambitions and goals.

It is important to recognise the impact that the infrastructure, namely the role of HR and the employees, has on the actual success of capability development. Principle 3 stresses the need for investment in the infrastructure and the importance of strategic co-ordination, an area heavily promoted by the recent trends in human resource management. By carefully directing the competencies of the organisation they believe they can survive and achieve growth.

5.3.1.2 Organisational Level of Resolution - Soft

Generic/core competencies are designed for all employees regardless of rank or job to develop in direct relation to the organisation developing those competencies. Mathewman (1997/98) defines core competencies as those:

> "Linked to corporate values...should apply to all employees irrespective of role, grade or other form of seniority." p4 Mathewman (1997/98)

The definition that is provided by Mathewman(1997/98) embraces the concept of threshold competencies that are the entry requirement deemed necessary for display and use by all employees at all levels. These generic core competencies create and reinforce the culture of the organisation and therefore are crucial in setting the working environment. They set up the value system by which all employees must understand and contribute to. Example of such a competency may be 'Customer Orientation'[10]. The generic core competencies may be required to different degrees in different roles but a minimum requirement is made of all employees.

It is heavily stressed (Amit and Shoemaker 1993, Ranson 1987) that in order for organisational competencies/ces to retain their competitive advantage status they need to be continually updated, upgraded and replenished. Lado & Wilson (1994) recommend that amending organisational competencies be done through

1. HR systems that emphasise hiring employees for the organisation as a whole's benefit.
2. The extensive socialisation of newly hired employees
3. Developmental performance appraisal
4. Skill based compensation strategy
5. Comprehensive training and development to provide new knowledge, skills and attributes

They heavily emphasise the need for recognition and removal of what they term as competence –destroying or constraining HR practices. These practices focus on short-term gains and ignore the values and overall objective of the organisation by not being strategically linked to the organisation. They also strongly advise for the strategic inter-linking of HR systems with the overall strategic intent of the organisation and argue that this alignment critically affects the success and effectiveness of developing organisational competencies that add competitive advantage.

[10] A typical organisational core competency exemplified in the Nokia

5.3.2 Employee level of resolution

The shift towards valuing employee behaviour in delivering organisational goals initially stemmed from a pivotal piece of research that took place in the mid to late 1960s led by David McCellend of the McBer Corporation in the United States. He sought to identify an alternative approach to analysing and predicting Human Performance than the established trait and intelligence approach. McCellend (1973) identified the increasing benefits for a competency approach summarised below:

1. Observing behaviour is the best way to understand performance, rather than relying on theories surrounding traits or intelligence.
2. Assessment is based on real-life observation and not artificial results that are achieved through psychometric testing for intelligence and traits.

The McBer Corporation later tried to define the set behaviours, skills, and social roles that made some 2000 managers perform more effectively than others (Boyatzis 1982). Thus the competency movement as it was defined started to pick up momentum and offered an alternative to the traditional performance measurement system and began to consider an alternative approach around a more behavioural system.

Where the competency movement targeted behaviours as drivers of effective performance, the NVQ system focused on developing standard occupational outputs that were reflective of effective performance on the job. The latter form was a type of what became known as 'competence' development ('competences' being the plural) and the former behavioural type became known as 'competency' development ('competencies' being the plural). These two terms have been the source of much confusion in the whole competence/y movement and need to be explored and clarified before progression in this chapter can occur.

5.3.2.1 Definitions

Fletcher (1991) and Walton (1996) note the confusion surrounding the words competency and competence in organisational and employee development, the former term implying the action/behaviour to achieving the output (the latter term). The following literature critique discusses the terms competence and competency as

defined by various researchers but in the employee context. It will be argued that these definitions can be adapted and used to define the entire competency movement. The term 'competency' was first coined by McCellend (1973) as

> "components of performance associated with clusters of life outcomes". p15 McCellend (1973)

This was later developed by the McBer organisation after their study into managerial competencies and Boyatzis (1982) summarised the results of the study and expanded Klemp's (1980) definition of competency to mean:

> "An underlying characteristic of a person which results in effective and/or superior performance ... this characteristic being either a motive, trait, skill, aspect of one's self image or social role or a body of knowledge they use". p24 Boyatzis (1982)

Clearly, Boyatzis' definition develops on the work undertaken by McCellend (1973) and includes traits in his definition. In the United Kingdom, the establishing of the NVQ system defined the minimum standards of expectations required from all industry sectors and employees, these standards used the term competence and referred to outputs required from particular occupations. The term competency was then used to refer to behaviour (input) that would lead to *effective* performance and the term competence referred to the *minimum* output that would be acceptable in an occupation.

Reid et al (1992) uses the term competence to refer to the outcomes approach and competency to the input. Woodruffe (1992) claims that the outcomes approach (competence) relates to outputs of a job that define areas of competence that an employee is competent or not competent in and the input approach to dimensions of behaviour (competency) that lead to effective performance. He argues that the two terms should remain separate because they should be assessed and developed separately. 'Competence' management focuses on the functional analysis of a role and how to carry out specific tasks within the role, while 'competency' management focuses on the behaviours that lead to effective outputs. Weightman (1995) argues that organisations must be clear before undertaking either approach as to what it is they are trying to achieve. There still lies an element of confusion in what these

authors are referring to. All discuss the terms and their differences but not one provides an example of each definition thereby adding to the confusion. Armstrong and Baron (1998) provide some indication of how these definitions are truly different and refer to

> "Competences... are about stripping jobs down into their component parts...they are concerned with output rather than input and an example of a competence is producing high quality service
>
> Competencies are...the dimensions of behaviours that lie behind competent performance...an example of which is achievement drive" p298 Armstrong and Baron (1998)

This definition goes some way to explaining how they are different but actually brings the two concepts closer together in referring one to the other. A behaviour that leads to an effective output is therefore the competency that leads to the competence. It is proposed in this research that organisations should be interested in assessing both in order to fully maximise on the employee as a resource. It is important that employees conduct the activities and specific tasks associated with their job and do so effectively, however their behaviour in completing those tasks can and has been observed by many organisations. If the tasks required of their roles change in the future, the underlying behaviour may still be useful to the organisation and adapted to suit another role.

The authors above seem to be insisting that the organisation should decide whether they are interested in behaviours that achieve effective performance or whether they are interested merely in the outputs of a role and the incumbent of that role. Competence management is about managing the output of a function that is using 'competence' management to assess outcomes regardless of the input that achieved the outcome, while competency management is concerned with the behavioural input into the job rather than just the outcome of the job. Hendry (1995) argues that the threat with using input competency strategy lies around the 'one best way' concept. He refers to the dictatorial threats of ensuring an effective output is achieved using specific inputs when several input routes may lead to effective output. However, some organisations may wish to develop core competencies in specific areas

regardless of the output because the expected outputs may differ according to the environmental needs. In reality organisations are placing more emphasis on behavioural/competency performance according to a 1997 study undertaken by the Industrial Relations Services which found that 53% of organisations adopted a behavioural/competency form of strategy, 8% used the NVQ/functional form and 33% used a mixed functional and behavioural form of strategy.

This result was interesting because it identified the growing awareness by companies for the adoption of some form of behavioural development strategy. However, the results also indicated that many companies felt that both a functional and behavioural strategy served their needs, and a distinction wasn't appropriate to their organisation, thus quelling the competency writers who demanded that the two forms remain separate (Woodruffe1992, Weightman 1995).

5.3.2.2 Employee level of resolution- Hard

The hard aspect at the employee level of resolution will be tackled only briefly here as it has been tackled in the NVQ section of the previous chapter. Employee Competence refers to the outputs an employee produces rather than the behaviour adopted to produce that output. It tends to focus on functionality of a role and the tasks that the employee needs to be able to carry out in order to satisfy the purpose of the role. Competences are the sub-objectives that lead to the role's objectives being delivered. NVQs are a type of externally accredited job competency because they are primarily concerned with outcomes. The 1997/98 IRS survey concluded that those companies encouraging the uptake of NVQs used them specifically as threshold competencies and applied their own competencies to employees to differentiate themselves from other organisations and develop further their employees. The MCI's management NVQ system provides an externally accredited framework for the training and development of management competences across industries and job roles. The MCI argues for a generalised approach to management competences, which doesn't rely on context or industry specifications. Hendry (1995) however, notes the tendency of organisations to specifically design management competences to be context specific. Armstrong and Baron (1998) also discuss the concept of

occupational competences as the expected outputs required of a group of occupations and are very similar to the job competences but at a more collective level of employee resolution.

5.3.2.3 Employee Level of Resolution - Soft

The soft employee level of resolution incorporates all the competencies that need to be displayed by individuals. Many definitions are offered for the term competency that will now be discussed.

The Concise Oxford Dictionary of Current English (1987) defines competency as the 'ability to do' and competencies as its plural, which reflects the traditional model of a person being competent or incompetent. However, when looked at in a more business context, subtle changes deliver the words into a new dimension. Hayes (1979) defines a competency as

> "A generic knowledge, motive, trait, social role or skill of a person linked to superior performance on the job" p2 Hayes (1979)

Hayes' definition has become more specific towards individuals in an employment context.

Spencer et al (1990) believed the term competency consisted of motives, traits, self-concept, knowledge and cognitive and behavioural skills. Woodruffe (1992) asserts that skills and knowledge should not be included in the competency strategy as it is really the effective part only that is important, and skills and knowledge are not considered the effective aspect of job execution. He claims that skills and knowledge are threshold requirements needed to carry out the job. The really effective performance, which may be based on other factors, is what competency strategy should be concerned with. Hendry (1995) argues against Woodruffe's (1992) assertion and makes the argument that any competency management strategy that excludes knowledge and skills would then exclude them in assessment, reward and all the other HR policies making them shallow.

In terms of assessment of a competency all that is important is whether or not the competency is demonstrable. All competencies identified on a competency list must be related to employees' behaviour. The competency list must contain demonstrable competencies for the competency to be assessed and to be regarded as effective (Woodruffe 1992, Hamchaoui et al 1998, Whiddett and Hollyforde 1999). Fletcher (1991) argues that it is the displaying of competencies that is important to effective performance and not the development. However, although understanding the underlying driver of the competency may not be important in assessing the competency it is imperative in order to effectively develop the competency.

Boyatzis (1982) argues that there are two types of competency: threshold and performance. A threshold competency is a minimum requirement competency that is expected of everyone and which can be applied at a core and job level and performance competency, which leads to superior behaviour. This distinction is not appropriate because different roles and different cultures require different levels of competency to be displayed. The defining of a competency should fundamentally be about effective performance i.e. appropriate and effective behaviour. The definition of effective is subjective to the organisation, and one organisation's effective performance may be another's superior performance. Whether the competency is merely adequate for the effective performance of the role or actually leads to superior performance in a role should be determined at the performance setting and review.

The above definitions all appear to share a common theme: the display of a particular skill, motive or aspect of knowledge with respect to organisations. This display emerges through behaviour that applies at all levels of the competency debate and must lead to effective performance for it to be of value. Organisations, managers, occupations and individuals all need to display their level of competency through their behaviour. Thus effective behaviour is required to display the development of any competency regardless of its underlying structure i.e. motive, skill.

Occupational competencies apply to an employee grade regardless of the actual job itself i.e. Managerial competencies apply to managers regardless of the specifics of their job title but focus solely on their behaviours displayed in managing other

people/projects. The research carried out in the 1960s and 1970s by the McBer organisation initiated the first real interest in competencies in areas other than production. They studied the characteristics of managers that would lead to more effective performance and developed a model of their findings. This model was to contain clusters of *behavioural* competencies that were deemed insightful into the effective performance characteristics of managers but that could also be applied at an individual level. Zingheim, Ledford and Schuster (1996) researched into the adoption of the list of competencies by the McBer organisation and found that most companies in the United States used the list as a foundation for their competency based human resource strategy.

Burgoyne and Stuart (1976) and Boyatzis (1982) provide examples of managerial competencies in their competency lists of 'what makes an effective manager'. Managerial competencies exist to promote effective *managerial* type behaviour irrespective of job title in an individual based on 'rank'. These can be externally transferable but do not necessarily have to be. Boyatzis (1982) identified four clusters of competence that effective managers should be competent in. These clusters were 'goal and action management', 'directing subordinates', 'human resource management' and 'leadership'. Goleman (1998) questioned the validity of identifying leaders based purely on their technical skills and intellectual capabilities. He noted instances where these two capabilities combined did not necessarily mean that those individuals became good leaders. He claimed these two capabilities were what he defined as 'threshold capabilities' that all leaders needed to have as an entry requirement to becoming effective leaders but that they needed a third capability which he termed 'emotional intelligence' to actually reach the effective level. McCelland, in a study in 1996, concluded that emotional intelligence was found to contribute to over-performance in companies by up to twenty per cent. Goleman (1999) defines emotional intelligence as self-awareness, self-regulation, motivation, empathy, social skills and group skills and he claimed they explained the difference between star performers and average performers in 90% of 188 companies he analysed in the early part of this decade.

The example of management competencies can be extended to sectors/functions of the organisation such that all I.T. employees would need to demonstrate certain behaviours, all front line staff would need to demonstrate certain behaviours etc. regardless of the actual job the employee is doing. These types of competencies would be defined specifically for functions. [11]

Job competencies are specific competencies that relate to an employee's job. They target the key activities/behaviours that are expected to lead to effective performance in the job. They will specifically define the types of behaviours that are supported by the core competencies both at an employee level of resolution and an organisational level of resolution.

Competencies are concerned with effort and input as opposed to competences, which focus on effect and output, thus making competencies harder to measure and attribute value to. It is competencies, which organisations are trying to develop to enhance the behavioural flexibility of employees and enable them to be more responsive and flexible to the dynamics of the organisation. The 1997/98 IRS survey concluded that behavioural organisational tailored competencies were more useful to achieving corporate goals than technical competencies identified externally. Focusing on behavioural input allows for closer linking and evaluating against corporate values and goals thereby reinforcing the culture and environment of the organisation.

Organisations may find that establishing job family relevant competencies aids them in identifying which roles require which type of competencies. Therefore when creating jobs they may find it easier to refer to a set of competencies that apply to the family of jobs that the new job belongs to.

5.3.3 Summarising the Debate

The debate surrounding these definitions can reach theological levels and needs to be carefully considered for framework creation and maintenance. However there is no

[11] As demonstrated at British Gas with its development of Customer Service competencies

real reason why both approaches to competency management are not adopted for jobs depending on what the organisation wishes to see being achieved from that job. The actual distinction between the two types of strategies are valid only to a certain extent but actually both working together will create effective performance providing they are designed that way. Of course, it is important to assess the output of a job i.e. the technical aspects, but it is also important to develop the culture and values of the organisation to ensure that the behaviour displayed in achieving these outputs is behaviour that enhances the individual's performance and the environment in which they work in. The behavioural approach also aids in the developing of potential outputs in the future and doesn't restrict training to simple delivery of job output at that time. To deliver an output, the individual must carry out particular actions, there is no reason why this action should not be regarded as behaviour and thus to holistically evaluate the output of an individual it becomes important to assess the overall job output which includes behavioural input. The debate regarding the use of the term competence or competency does not help organisations who use the terms interchangeably anyway (Whiddett and Holyforde 1999) and whose employees don't particularly understand the difference and are confused by it (Walton 1996).

Therefore having discussed the various views available it seems appropriate to explicitly define the terms competency and competence at the employee level.

> A Competency is an attribute at the level of resolution of an individual, which when displayed leads to effective performance, based on ability, knowledge and/or attitude. Ability encompasses the possession of skill and/or power; knowledge encompasses information accumulated through experience as well as education; attitude encompasses perception and behaviour motivated by motives and traits.
>
> Competence refers to the functional requirements of a job, which will lead to the job being done well, but not necessarily through the displaying of specific pre-determined behaviours (competencies).

This argument proposes the acceptance of the term competency as any attribute of a person or collection of people, highlighted as required for performing in the organisation effectively. It reasons the movement away from debating what in effect

an attribute *is*, to instead focusing on the actual *displaying* of the required attribute through behaviour. It accepts that a competency is observable and claims that the attributes of an employee input into a job and help create an effective output.

Given that most organisations are integrating and adopting both competences and competencies in evaluating employee performance, both competences and competencies will be discussed under the heading of competency generally unless competences are specifically referred to. The way a model and the strategies around it are created will be fairly similar for both competencies and competences and only where differences exist will competences be distinguished from competencies.

The main focus of this research will be on the competency strategy and model for the soft organisational level of resolution and for both the soft and hard employee level of resolution. The development of the competency model and associated HR policies given this remit will now be discussed.

5.4 Competency Frameworks

Competency Frameworks outline the various levels, clusters, numbers of competencies and applicable HR policies. This section will cover the various areas that organisations need to be aware of in determining their competency framework.

5.4.1 Clusters

Whiddett and Hollyforde (1999) define the term cluster as

> "a collection of closely related competencies" p10 Whiddett and Hollyforde (1999)

They provide the cluster example of 'Working with People' within which lie the competencies: Managing relationships; Teamworking; and Influencing

In some instances the organisation may align a competency cluster with a value that it adopts and wishes to enhance.

5.4.2 Levels of competency

Within the definition of competency there may be various levels that are appropriate for different job roles or grades. Employees in an organisation in different roles may require the use of a competency to different extents depending on their jobs. A customer service employee may need to be very courteous and customer orientated as one part of their role, while a manager in manufacturing may need to be customer focused to a much less significant extent. Weightman (1995) refer to levels of competency as indicating different career stages in an employee's life with the organisation. This distinction is a little messy as the manager in the above example has clearly further progressed in his/her career than the customer focused employee. Consequently the concept of levelling a competency model will be applied specifically to competency models where the different levels refer to the different levels of sophistication for those competencies. This may be because the model applies to all employees and therefore needs to reflect the different expectations made of employees higher up and further down the organisation's hierarchy or may refer to different grades in specific job competency models.

5.4.3 Importance of competencies

The other area that needs to be examined is with regard to whether all competencies are weighted the same in terms of importance. This has implications in Selecting and Recruiting employees who may demonstrate some of the competencies required but not all. It also becomes pertinent when assessing and rewarding competencies. Also if a core competency model is to be applied to employees in addition to a technical or role specific competency model then it is important to identify those competencies that are deemed essential otherwise the employee may have too many competencies on their development plan. Very little literature exists in this area of competency management.

5.4.4 Defining the competencies to include in the framework

The competency survey carried out by the IRS (1997/98) noted that the number of competencies included in a framework had reduced significantly since 1994. Their

1994 survey found some organisations with as many as 50 to 100 core competencies. These figures had reduced significantly to average at 10-11 core competencies by their 1997/98 results. The full results can be seen in the pie chart (figure 5.3). It is clear that simplicity in defining the key core competencies is prevailing in organisations. The IRS survey found that in 1997/8 there was much wider implementation throughout the organisation of a competency type of strategy than in 1994.

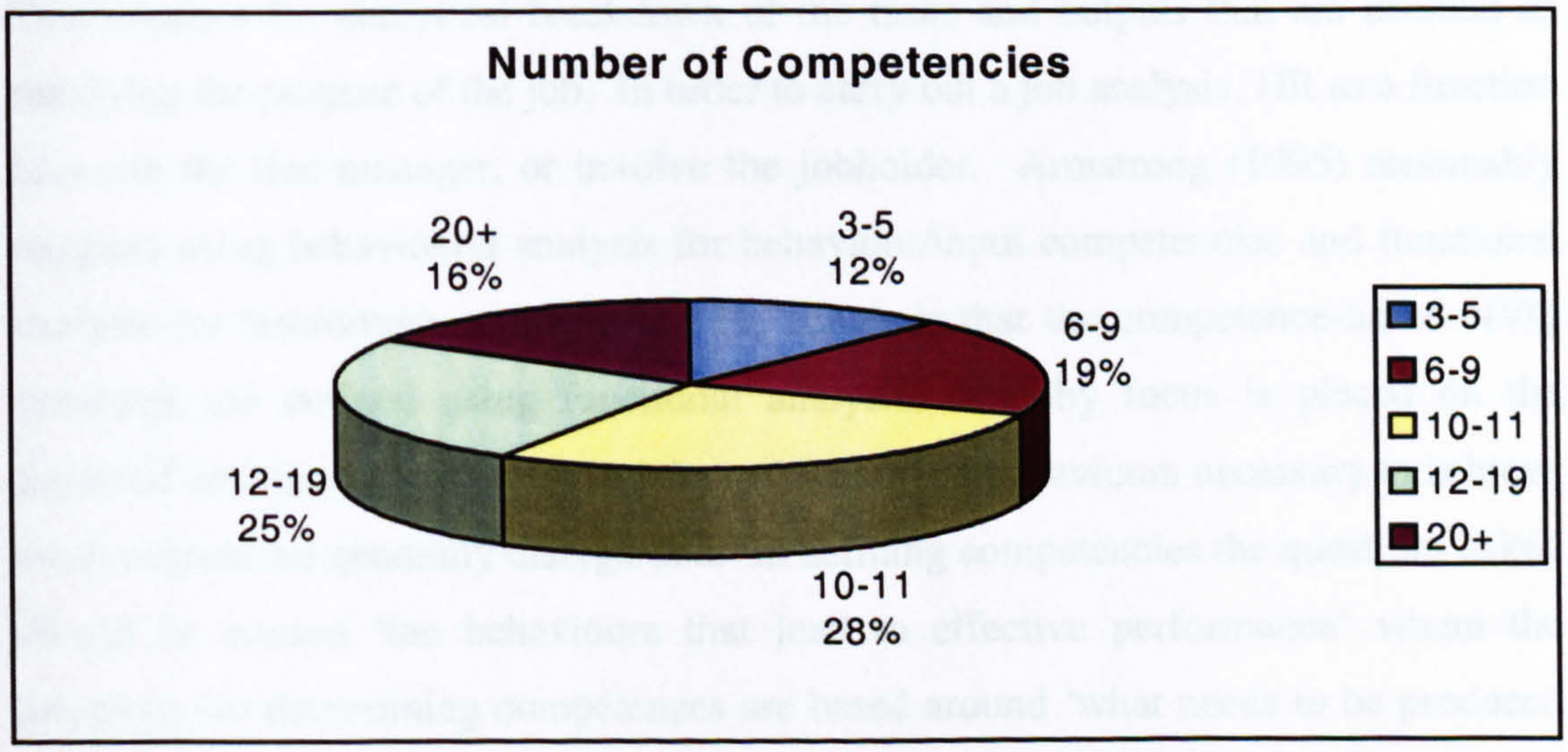


FIGURE 5.3 IRS SURVEY (1997/1998) – NUMBER OF CORE COMPETENCIES WITHIN FRAMEWORK

The IRS survey found that the overall goal of linking competency strategies to organisational goals had started to gain momentum. Core competencies were now perceived as linked to the corporate values and were crucial to the organisation successfully adopting the strategy. The determining of competencies had not been explored in the IRS survey but has been reviewed in the literature. A great determinant of how the list is constructed stems from the overall objective of the organisation for developing a competency framework. As much of the literature and previous chapters have pointed out, much of the point of a competency framework is in developing the people competency of the organisation to enable it to survive and grow in the environment it now operates in. It is therefore imperative for organisations to have a defined objective that they associate with their competency framework. The other critical aspect that needs to be decided is *whom* the actual competency strategy will apply to. This has consequences in that the model may need

to be extremely generic to cover all types of job roles within the organisation or may need to simply focus on developing a specific set of competencies.

The techniques used to determine the behavioural indicators of the competency and the competence itself are directly related to the type of output that is required from the competency model. Weightman (1995) typifies the suggestions made by competency gurus that Job Analysis is usually the technique adopted to identify job competences. This requires the analytical breakdown of the tasks and outputs that are deemed as satisfying the purpose of the job. In order to carry out a job analysis, HR as a function may use the line manager, or involve the jobholder. Armstrong (1995) reasonably suggests using behavioural analysis for behaviour/input competencies and functional analysis for task/output competence. He contends that the competence-based NVQ standards are defined using functional analysis, whereby focus is placed on the expected outcomes of activities in jobs and where the behaviours necessary to achieve those outputs are generally disregarded. In defining competencies the questions asked should be around 'the behaviours that lead to effective performance' where the questions for determining competences are based around 'what needs to be produced to satisfy the requirements of the role'. It is argued that there are no real reasons why the output and input approach should not both be used to create a competency model providing the technical aspects are removed from the competences.

Technical aspects refer to the tasks that are specific solely to the role and require specific technical skill. However, many roles require non-technical competences such as 'People Management' this may be specific to many roles and not necessarily require technical expertise. It seems that by amalgamating what outcomes are required from the employee with effective behaviours that they should be displaying, one can only lead to a list of skills, behaviours and activities that result in all round effective performance and consequent competitive advantage. No doubt the techniques used to elicit competences from competencies may differ as to may the assessment, but each competency/ce in a model should be assessed individually anyway. There is room for technical competence in roles, however these can be kept separate from core competency models and applied at a local level.

Kandola and Pearn (1988, 1992) support the use of many techniques to identify competencies and competences and suggest a variety of ways with which these can be identified:

1. Systematic Observation. To provide overall information as to job context, tasks, and potential issues and identify differences between good output and bad output. The use of a structured rating scheme is recommended.
2. Diaries. The jobholder keeps a diary of the tasks that s/he carries out and should be trained in what to look out for in terms of positive indicators. This is a highly subjective technique that is time-consuming and subject to the frame of reference of the jobholder. Also it is difficult to know for how long the jobholder should keep a diary before all the tasks/behaviours are identified.
3. Interviews. Interviewing job holders and their supervisors/managers using structured interviews which highlights the important aspects of the job and also what differentiates superior behaviour from standard behaviour. This technique according to Kandola and Pearn (1992), Armstrong (1995) and Hendry (1995) is the most often used in identifying competencies at this level. Armstrong (1995) suggests the basic objective of such an interview is to assess

> "What are the positive or negative indicators of behaviour which are conducive or non-conducive to achieving high levels of performance"
> p341 Armstrong (1995)

This technique can pre-empt the responses expected from interviewees into a list of pre-expected competency headings, which may force-fit an analysis. Armstrong(1995) proceeds to identify weaknesses associated with this approach in that it is dependent on the interviewer deducing from the responses s/he receives from the interviewee and also suggests that an inductive approach to grouping these responses into competency headings is desirable. Spencer and Spencer (1993) developed Behavioural Event Interviewing which required two samples of job holders being interviewed regarding critical incidents encountered in their jobs. One sample would represent those jobholders who performed exceptionally in their role and the other sample would represent average jobholders. The interviews would then be compared and differences in critical incidents would isolate the most effective competencies. Russ-Eft (1995)

criticised this approach because of the likelihood that it would miss some critical behaviour incidents that were represented by both samples.

4. Critical Incident Technique. This is the generation of a list of activities or effective behaviours within a job as identified by the jobholder or supervisor and put into critical or non-critical categories. The technique (Flanagan 1954, 1974) is used with groups of people because of its intense subjectivity. It asks employees to identify the areas of responsibility within a job and asks them to analyse the critical events that lead to successful and unsuccessful performance outcomes within that area of responsibility rating them on a scale, thereby delivering positive and negative indicators. Armstrong (1995) suggests the collecting of information to try and establish what the circumstances of the critical incident were; what the individual did; the outcome of what the individual did. Both time and money are required to collect and analyse resources yet Russ-Eft (1995) argues that the quality of data collected may actually be more cost-effective to the organisation in the long-term.
5. Repertory Grid. Based on Kelly's (1955) personal construct theory, which discusses the way individuals devise personal constructs that reflect their perspective and views of the world. It too involves group work to elicit the underlying behaviour that makes effective workers different to less effective workers. An analyst follows certain steps known as the 'triadic method of elicitation' to define the particular constructs associated with certain elements that are effective contributors to performance.
6. Checklists and Inventories. There does exist a range of products that either enable organisations to buy a complete competency model or to develop one using a checklist. The Position Analysis Questionnaire and Job Components inventory is suggested by Hendry (1995) as being the most often used but the latter requires the use of Hays Management experts to administer.
7. Workshops. This involves the bringing together of a group of people usually jobholders, managers and a member of the HR department to discuss the effective and ineffective behaviours related to a job. Armstrong (1995) suggests this technique as an effect form of competency defining.

8. Expert Opinion – Bringing in experts from outside the company to advise on definitions. This can in some cases be in the form of actually purchasing an 'off the shelf' competency strategy.[12]

Regardless of the technique, Twigg and Albon(1992) recommend strongly the integration of strategic focus with lower level participation.

> "A good competency list comes from marrying bottom up observation and top down strategic thinking" p88 (Twigg and Albon 1992)

Overall, reviewing the techniques suggested, it becomes apparent that developing a list of positive behavioural indicators and outputs is critical to defining what makes up a list of competencies/ces (respectively). The positive behavioural indicators and outputs are intended to explain to the assessor and the employee exactly what behaviour/outputs (respectively) is expected of them in reference to a particular area of competence. Care needs to occur in the application of these techniques to current top performers of the organisation because asking these top performers to keep a diary or participate in critical incident interviewing places emphasis on past behaviour and not necessarily what the organisation wants for the future. This is especially pertinent when trying to create a competency model as the behaviours are intended to deliver the organisation's objectives and vision for the future, these behaviours may not necessarily be the same behaviours that some top performers are exhibiting. Morgan (1989) warns of what he terms this 'rear mirror' competency definition by which he refers to the identifying of good behaviours in past top performers that may not be ideally suited to the culture that the organisation wishes to see emerging in the future.

Having said all of the above many organisations are now supplying 'off the shelf' competency lists, which have been formulated and generalised for adaptation into organisations. Various 'Competency dictionaries' are available on the market where the organisation pays to have consultants select which competencies best fit their organisation. Not to forget the external consultants who may also be brought into the organisation to develop the list.

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[12] Some companies like 'The Gaze company' have researched the competencies relevant for particular sectors of an organisation and offer an all-in package.

The creation of the competency/ce list has been explored as the first stage in adopting a competency strategy. The next stage involves the using of the competency model within the organisation.

5.5 Assessing Competencies and Performance Management

Ultimately the success of the competency model and associated policies should be linked to the achievement of the initial objectives of the competency strategy. It has been argued that such a strategy enables the achievement of organisational objectives and aids in delivering competitive advantage. In order for this effectiveness to be realised, the competencies need to be assessed and this impacts Performance Management.

Armstrong and Baron (1998) point out

> "[the] aim of performance management is to integrate individual or team objectives with those of the organisation" p25 Armstrong and Baron (1998)

by this they refer to participatory strategic orientation as well as top-down objective setting. This quite clearly is a similar train of thought as that defined by the core competence movement and the work by Hamel and Prahalad (1990,1994) and the link recognised by Lowendahl (1993).

Armstrong and Baron (1998) define Performance Management as

> " A strategic and integrated approach to delivering sustained success to organisations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors." p7 Armstrong and Baron (1998)

Strategic referring to the wider system – viewing things holistically

Integration in four ways:

- Vertical Integration- Overall objectives to team – to individual
- Functional Integration – linking functional strategies within different parts of the organisation.

- HR Integrated – linking organisation development and human resource development and reward to integrate the approach towards management and development of people.
- Integrating Individual Needs with those of organisation.

Organisational, team and individual success achieved through continuous performance improvement and development. It is concerned with how performance is achieved and not just what performance output is achieved. Continuous communicative dialogue between different hierarchical levels in the organisations is imperative and continuous feedback a must.

Performance management is concerned with planning for future success through the measurement and assessment of results, the way of achieving those results and the skills utilised in getting there. It is perceived as a way of integrating work and learning so that learning becomes a continuous process and aids the organisation in becoming a learning/knowledge based organisation. Armstrong (1995) notes that performance management is concerned with agreeing behavioural aspects of a role with the employee that lead to effective performance outcomes. In terms of competency strategy the behavioural indicators that define a competency need to take into account all the relevant viewpoints so that assessment of the employee is fair. According to the performance management model of Torrington and Hall (1995) the reviewing and appraising performance process in performance management is not a top-down appraisal but a process whereby continuous support and feedback is provided throughout and rewarded.

It therefore becomes appropriate to discuss the following areas:

1. Assessment and development of competencies
2. Relating pay to competencies

5.5.1 Assessment and development of competencies

The assessment of competencies has been integrated into most organisations' personal development plans for employees according to the IRS survey (1997/98). It is important to point out, however that not all organisations actually undertake performance development planning. The performance management model as defined

by Armstrong (1995) captures the main concerns of performance management assessment under four key headings (p439):

Inputs: Skills, knowledge and expertise individuals bring to their jobs

Process: how individuals behave in carrying out their work –competencies

Outputs: measurable results or competences

Outcomes: impacts of their results on the team and organisation.

But the question of how employees are assessed against the competencies is not discussed. Whiddett and Hollyforde (1999) note four significant contributions competencies make to performance management these are summarised below:

1. Establish levels of performance required in roles
2. Identify the areas for performance improvement
3. Identify succession plans given performance
4. Discuss future career interests/direction

Actually assessing the competencies will impact on the performance review process. In cases of competence assessment where the job output is important, traditional forms of output assessment are useful and logical to use because set measures determine whether goals are achieved. However, when dealing with competency assessment, difficulties occur because of the overall softness. How is behaviour recorded? To what extent is the behaviour being displayed? And the actual objectivity/subjectivity of observing behaviour can be problematic. These points are just some of the potential issues that organisations need to consider. Very little of the literature acknowledged the differences in tackling behaviour assessment, most simply incorporated competency development into traditional employee development. It may simply be that these authors are assuming that competencies are observed as their hard counterparts are, yet it can be harder to quantify the observation of competencies due to their intangible nature. Some recording of behaviour displayed needs to occur for it to be assessed accurately. Clearly there is a difference between the traditional forms of performance objective assessment and competency assessment. The former is easier to observe objectively because it is related to outputs that are produced, whereas the latter is concerned with the exhibiting of behaviour which tends to be assessed in the eyes of the observer in a more subjective way. Therefore it becomes important to consider the most appropriate way of

achieving a realistic and fair assessment of the employee that may require a move away from the problems of the manager 'playing God'.

Performance appraisal systems, developed mainly in the 1970s and 1980s, were designed to allow managers to provide their employees with feedback as to how they were measuring up against overall organisational and personal goals and objectives. This 'playing God' (originally McGregor 1957) was objected to by many managers and led to the development of multi-opinion assessment techniques of which the 360 degree feedback technique is the most well known. 360 degree feedback is a technique, that according to Ashridge Management Research Group (1997), is used by the majority of organisations (over 50% in their survey) adopting a competency strategy for managers. The report argues that 360 degree feedback is a technique that helps to capture the full complexity of behaviour. 360 degree feedback is defined by Ward (1997) as

> "the systematic collection and feedback of performance data on the individual or group derived from a number of the stakeholders on their performance." p7 Ward (1997)

The technique involves asking for the observational ratings of an employee's peers, direct reports, manager and customers (internal/external) using questionnaires to determine his/her overall performance. The ratings on the questionnaires may question the importance of a skill as well as whether the employee being assessed can display it. The main disadvantages as identified by the IRS in their survey 1997/1998 is that this technique can be too time- consuming and difficult to administer by human resource managers. It does however further enforce some of the very foundations of performance management namely, team responsibility for overall learning (Armstrong 1995). Technological developments in recent years have meant some companies sending 360 degree feedback forms via the Intranet of the organisation (Aon Consulting survey 1998).

Whiddett and Hollyforde (1999) suggest the developing of a questionnaire designed specifically to assess behaviour through the rating of the individual's performance by a selection of people, similar to the 360 degree feedback process. Alternatively they

suggest the use of record books, which record incidents when behaviour was displayed. They note that this technique requires training on behalf of both the assessor and the employee being assessed. The other technique they suggest is based around dedicated competency assignments, where the employee is assigned a specific project and given the opportunity to display the relevant competencies. Similar to this is the concept of simulations which more and more organisations are beginning to use to assess managers (Wall Street Journal November 19th 2000). These simulations replicate conditions that require specific behaviours to be demonstrated in order for effective outcomes to be generated. Motorola in the U.S. and Ford Motor Company are just examples of two companies using simulations to assess employees as well as for recruitment purposes. The terms validity and reliability are pertinent in the assessment of competencies because these terms define whether the competencies identified actually do lead to effective behaviour and whether the assessment tools actually measure the correct competencies.

Having assessed the employee and identifying the areas for improvement, the next step is in developing areas that require improvement.

5.5.1.1. Training & Development

In terms of employee development, little literature exists on how competency strategy influences training and development. Whiddett and Hollyforde (1999) note that training is usually undertaken because of a lack of technical ability, e.g. work output/competence and that competency training should concentrate on the underlying behaviours which aren't usually picked up in traditional training resources. It is clear that in instances where the culture of an organisation has traditionally 'trained' employees in particular technical skills (competence), which they can see is linked to achieving outcomes of their job, emphasis needs to be placed on recognising the additional importance placed on behaviour. This is something that some employees may see as very difficult to understand because it doesn't agree or fit in with their mental model of performance and consequently training and development. Argyris et al's (1978) Double Loop learning model (figure5.4) depicts the influence of mental models of the real world on strategy formulation, structure and decision rules.

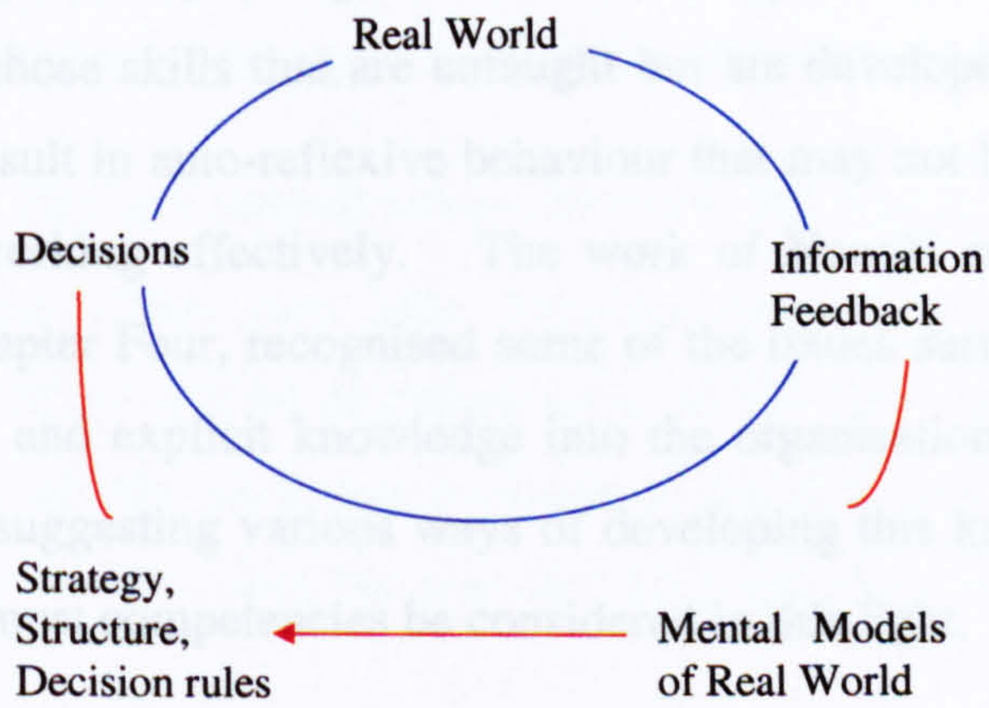


FIGURE 5.4 ARGYRIS ET AL. (1978) DOUBLE LOOP LEARNING

The model shows how people use mental models of the real world to structure their decisions and in effect the behaviour that is a consequence of these decisions. If the organisation has changed the expectations made of employees so that it wants specific behaviours to both drive these decisions and result in these decisions being taken then a re-emphasis on the new 'real world' needs to take place. The model emphasises the importance of top management commitment in creating a competency strategy that represents their new mental models. In both cases employees need to understand exactly what a competency strategy entails, how it affects them and how its success affects the organisation. Changing employees' mental models of their role in the organisation from only output producer to behaviour 'producer' needs to be augmented before the organisation attempts to develop and train their employees in any of the competency areas because any training that occurs before this augmentation may not be as successful as it potentially could be. If an organisation is seeking to develop behaviours in employees that traditionally did not exhibit such behaviours yet still achieved good performance e.g. an insurance broker who was a top performer however achieved that status through unscrupulous behaviour, then the initial learning is much more about changing their mental model of what is expected from them in the new business environment.

Reviewing training and development opportunities requires careful review of competency definitions. If a competency is a skill, than the techniques used to develop a skill can differ to the techniques used to develop a motive or trait, for

example Hendry (1995) recognises the difficulty in developing tacit skills in employees e.g. those skills that are untaught but are developed from experience and scenarios that result in auto-reflexive behaviour that may not be part of a job role but are crucial to working effectively. The work of Nonaki and Takeuchi (1995) as described in Chapter Four, recognised some of the issues surrounding the transfer of tacit knowledge and explicit knowledge into the organisation and sought to combat these issues by suggesting various ways of developing this knowledge depending on its form. So to must competencies be considered in this light.

Defining a competency becomes very important when designing training programmes for a particular competency. It is at this point that different training methods may become pertinent to actually developing the competency. A motive may be much harder to develop than a skill and consequently careful consideration as to how to develop this needs to be considered. Traditionally, four types of development techniques (Ulrich 1997) have been in general use:

1. Formalised training through training activities/courses
2. Developmental experiences such as job rotation and secondment to other parts of the division
3. Action learning (Revens 1971, Kolb et al 1974) whereby employees work in teams to acquire the necessary practice of applying skills on real-business problems.
4. Use of outward bound activities to improve certain skill sets such as teamworking. E.g. corporate survival days at Accenture where consultants need to work as a team to 'survive' in the jungle for an evening.

Weightman (1995) adds to this list by including coaching of employees by more competent employees and the use of simulations to allow employees to practice different behaviours and observe the outcomes.

Ulrich (1997) notes the reliance HR managers have on the provision of a combined portfolio of training and development resources based on the above four techniques. This is important because when designing the training and evaluating the training of competencies, it may be necessary to use an array of resources to develop behaviours.

It is argued here that some competencies will be harder to develop due to their non-technical nature and more emphasis needs to be placed on learning from observing.

5.5.2 Relating Pay to Competencies – Reward and Recognition

Up until the late 1990s very little literature existed on the linking of pay to competencies. Below will be described some of this later work. The reader should note that not all of this work was available at the time this chapter was originally written and have been included because they are particularly useful.

Much has been written generally about the field of reward management and the need to gain commitment and effective performance from employees through financial and non-financials rewards. The non-financial incorporate the intrinsic satisfaction employees might feel when they achieve a level of competency/ce, are promoted and given responsibility for it. The financial rewards are representative of those rewards given through salary and bonuses. The concept of linking pay to performance and performance management is embedded in the heart of Human Resource Management and is represented in both dominant HRM models. Armstrong (1995) argues for the holistic integration of reward management into HR management as it provides a number of levers for improving performance and commitment. However, much arguing has occurred around the use of pay as an incentive or reward, which need to be addressed.

Whiddett and Hollyforde (1999) argue that pay is a reward for doing a job and that a pay structure has the following purposes:

1. Motivation
2. Rewarding performance fairly
3. Retention and attraction of staff
4. Recognition of achievement
5. Confirmation and support of the organisation's culture

Armstrong (1995) recognises the purpose of pay as 'motivating' and 'rewarding' people (p617). Typically an organisation will have some form of pay structure by which it pays employees. Armstrong (1995) notes the creation of a typical graded pay structure is one where:

> "Jobs will be allocated to job grades...which will have been determined by some type of job evaluation...there will be a pay range for each grade....which takes into account the market rates for jobs" p617 Armstrong (1995)

The pay band width depends on whether it is a typical graded pay structure or a broad band pay structure, the former which is restricted to banding particular jobs together and the latter which tends to adopt a wider range of jobs together sometimes across the entire organisation. These pay structures tend to increase an employee's salary by a specific percent each year and only until recently have they begun to be related to actual performance. Whiddett and Hollyforde (1999) note the tendency for these pay structures to be determined using job analysis that does not usually include competency factoring. Thus although the definitions of pay described above use the word motivation and reward, these pay structures were mainly rewarding tenure (Hendry 1995). New forms of relating pay to performance such as Performance Related Pay (PRP) have been incorporated into pay packages to act as an incentive or bonus for employees' performance (Armstrong 1995). Armstrong (1995) defines PRP as:

> "Paying for performance is the process of providing a financial reward to an individual which is linked directly to individual, group or organisational performance" p647 Armstrong (1995)

Cannell and Wood (1992) argue that PRP has become the most often used method of determining pay progression. Gomez-Mejra & Balkin (1992) point to the issues associated with merit pay (a form of PRP) and its tendency to motivate employees to only focus on those tasks likely to create the rewarded output. Hendry et al (2000) make the distinction between incentivising and rewarding for performance. They argue that what some companies use as monetary incentives for executives are actually rewards for historic achievement.

Campbell et al (1998) summarise the main issues associated with PRP and offer the following arguments (Table 5.2):

Poor Measurement of Performance	Traditional Solution
a. Low validity of supervisory ratings b. Work performance can be too interrelated	a. Use more objective measures/scales and train raters to avoid common errors b. Avoid merit pay in these cases
Poor Acceptance of Supervisory Feedback	**Traditional Solution**
a. Disagreement with evaluation b. Supervisors unskilled in giving feedback c. Conflicting feedback objectives	a. Involve employees in the process b. Train supervisors with guidelines c. Use a separate session for each objective
Limited desirability of merit award	**Traditional Solution**
a. Typical reward is too small	a. Increase merit percentages, use zero-sum percentages
Noise hides Work-Merit link	**Traditional Solution**
a. Too great a time lapse b. Inconsistencies among reward systems	a. Clarify work-merit link in performance appraisals b. Build trust in the Performance appraisal system
Potential unintended consequences	**Traditional Solution**
a. Focus is only on merit-related activities b. Loss of satisfaction and intrinsic motivation	a. Use a loosely coupled approach to merit b. No consensus that these are real issues

TABLE 5.2 CAMPBELL ET AL (1998) SUMMARY OF PROBLEMS ASSOCIATED WITH MERIT PAY (P136)

Armstrong (1995) notes some of the problems with PRP as:

- Lack of evidence that it does act as a motivator given that organisations tend to allocate small rewards, however Armstrong recognises that it has high face validity and that any size reward can act as a means of recognising someone for their behaviour and performance.

- Teamwork might suffer if individual rewards are only made. However, if teamwork was considered very important to an organisation then it should introduce it as a competency it is keen to develop and reward.

The ratings from performance reviews tend to be used to determine the financial rewards gained through PRP. When operated in a pay structure it provides a guide for progression within the pay band. However, if competencies are being reviewed along with the performance objectives as to what degree they have been achieved and the combined 'rating' actually determines the PRP then competencies are included in acting as a motivator. It is only when performance reviews are simply 'performance output' reviews that competencies do not act as financial motivators. Sparrow (1996) recognises a trend towards person based pay rather than job based pay given the rate of change of job tasks.

Some human resource practitioners[13] believe it is critical for organisation performance to reward employees as it shifts emphasis from job title to contribution to the organisation as a person. These people believe it is the way organisations will pay in the future once the difficulties have been overcome. Sparrow (1996) notes that research conducted by the CBI and Hay management consultants concluded that forty five percent of UK companies were considering linking rewards to competencies. A 1997 Towers Perrin study revealed 20% of the 150 large multi-national respondents were already linking pay to competencies. However Sparrow (1996) recognises the following potential issues that may arise in rewarding through competencies:

1. The technique used to define competencies may be flawed in that it doesn't recognise effective performance behavioural indicators. Sparrow points to the use of simple competency derivative methods that merely ask a few senior managers what they believe effective performance 'looks like'. The question of validity will always be prevalent in the defining of competencies and it is for this reason that a selection of techniques was recommended in previous sections of this literature review. In effect, the same argument could be used for criticising general performance output assessments which traditionally use job analysis techniques

[13] personnel and development managers at Volkswagen UK and Guinness

and 'Management by Objectives' to determine performance objectives. As a systems thinker it could be argued that this form of reductionism does not necessarily lead to overall holistic appreciation of a role.

2. Sparrow argues that the issue of which competency to reward is prevalent in organisations. He notes that some competencies do take longer to develop and this may prove difficult in rewarding for competencies that take longer to develop than others. The retaliation here is to ensure that those devising the framework are aware of the difficulties in developing particular competencies and ensuring employees adopt a more long-term view of these particular competencies. It may be that these particular competencies have lower weighting in terms of importance for the first few years and then managers increase their weighting to allow for their development. Although this seems a complicated process, if organisations are reducing the number of competencies in a model to a manageable amount, then it should be easier to implement.

Armstrong and Brown (1998) note that pay tends to be one of the last HR policies that uses competencies to determine itself. They note the rising tendency to incorporate competence factors into job factoring and pay determination as used by Thomas Cook and Triplex Safety Glass. Armstrong and Brown also note the tendency to range the ways pay progression policies use competencies. They observed two extreme forms of techniques for the progression of pay:

1. Linked to the achievement of a level of competency, which is then weighted – Volkswagen UK and the Woolwich Bank adopt this method yet they criticise this for the precision in which you measure competency across the organisation.
2. Linked to the overall assessment, which takes into account performance and behavioural objectives as adopted by Glaxo Wellcome.

They recognise the tendency for organisations to find a medium ground where competencies levels/ratings achieved are linked to pay increases as well as a bonus. Table 5.3 is their example of how this works.

Competency Level		Level 1		Level 2		Level 3		Level 4	
		% of Base pay	% cash bonus	% of Base pay	% cash bonus	% of Base pay	% cash bonus	% of Base pay	% cash bonus
Position in Range	High – Expert	1	2	2	3	2	6	2	8
	Mid – Competent	2	1	3	2	4	4	4	6
	Low - Learning	3	0	5	0	7	1	8	2

TABLE 5.3 ARMSTRONG AND BROWN (1998) EXAMPLE OF A PERSONAL ASSESSMENT OF COMPETENCIES AGAINST A TARGET JOB PROFILE

The point here is that a mix of pay increase and bonus is implemented. They strongly support the point made regarding ensuring the quality, validity and reliability of competencies in the initial framework and the assessment tools implemented to support their development.

Given the potential confusion around incentives and rewards as identified by Hendry et al(2000) and the tendency for small rewards to be allocated as recognised by Armstrong (1995) and Campbell et al (1998) it seems that a useful approach linking competencies to reward and recognition needs to act as both an incentive and a reward system. This means that using competencies in succession planning needs to take place in order to compensate for the sometimes small rewards, and to target more than one motivational lever.

5.6 Recruitment and Selection Strategy

According to Beaumont (1993), three important themes arise from current human resource literature that attempt to cope with the demands now placed on recruitment and selection in organisations operating in the type of business environment highlighted in previous chapters/sections. Firstly, demographic trends and changes in the law with respect to fairness and equality at work have tried to encourage fairness, equality and respect for individuality in recruitment and selection. Secondly, and

linked closely to the first, changes in the labour market and increased pressure from the environment has meant changes in the requirements made of employees. This obviously impacts the recruitment and selection of employees as they are no longer assessed purely on their outputs in previous jobs, but actually in their ability to work in teams, learn new skills, be flexible, show innovation and many other new requirements. Thirdly, linking human resource strategy to strategic objectives encourages the use of selecting employees that contribute overall to the organisational culture and direction. It is very important at this point to note that Beaumont (1993) specifically identifies these three themes as emerging in the literature of human resources. This is not to say that the three themes actually occur in the real world and care must be taken in not interpreting them in such a way. They are themes suggested from a vast source of literature and are not widely observable in companies as Wright and Storey (1997) claim. Storey's (1992) research found only a handful of the fifteen companies assessed attempting to move towards a more strategic and environmentally focused human resource selection and recruitment strategy. Dowling and Schuler (1990) define recruitment as

> "searching for and obtaining potential job candidates in sufficient numbers and quality so that the organisation can select the most appropriate people to fill its job needs" p34 Dowling and Schuler (1990)

and Hackett (1991) defines selection as

> "predicting which candidates will make the most appropriate contribution to the organisation"p60 Hackett (1991)

Traditional forms of recruitment and selection techniques have mainly revolved around finding candidates that can suitably satisfy a job role, however when specifically using a competency strategy to guide recruitment and selection, Armstrong (1995) shifts the focus onto performance rather than job content. He encourages the forecasting of future competency requirements through the analysis of existing gaps and recruiting for these areas. This clearly reinforces the absolute importance in linking human resource strategy with overall organisation strategy as it highlights the need for human resources to satisfy the needs of the organisation of the future. This means that linking HR strategy to organisational objectives is key to

ensuring that the competency strategy satisfies the requirements of the organisation over a significant period of time. It also raises the question of the dynamic nature of a competency strategy. If the organisation is unsure of the direction it is to take due to the lack of clarity in its environmental future, then a rigid competency strategy that is dictatorial of the type of competency required 'today' will not be applicable to the structure or direction of the organisation 'tomorrow'.

Goodstein and Davidson (1998) claim that the competency based selection process is based upon a simple assumption

> "the best predictor of future behaviour is past behaviour"p2 Goodstein and Davidson (1998)

They reinforce the notion of using behavioural indicators as competency criteria and suggest the use of behavioural-incident interviewing to draw these competency indicators out.

Armstrong (1995) also reinforces the use of behavioural interview technique which ask for instances in the past which have resulted in certain behaviours being exhibited, he also recognises the importance of assessment centres to elicit information and review how candidates would respond in given situations. In a survey carried out by the occupational testing consultants Saville and Holdsworth Ltd. in 1989, 37% of organisations employing over a thousand people used assessment centres to recruit. Hendry (1995) describes assessment centres as using a battery of tests and simulation exercises to test for behaviour. He stresses the need for making sure that recruitment and selection incorporates competencies, as it is crucial in the argument for a strategic approach to human resource management. The Industrial Relations Society Survey in 1997/1998 found that 'competency interviewing' occurred in 87% of the organisations they surveyed. The overall use of competencies within Recruitment and Selection is shown in figure 5.5. The chart displays the extent to which respondents used competencies in the different phases of recruitment and selection. The results show more than 50% of respondents are using competencies in designing person specifications, designing and running assessment centres, psychometric testing and

interviewing. These results show that competencies are being used with the majority of respondents in the majority of recruitment and selection techniques.

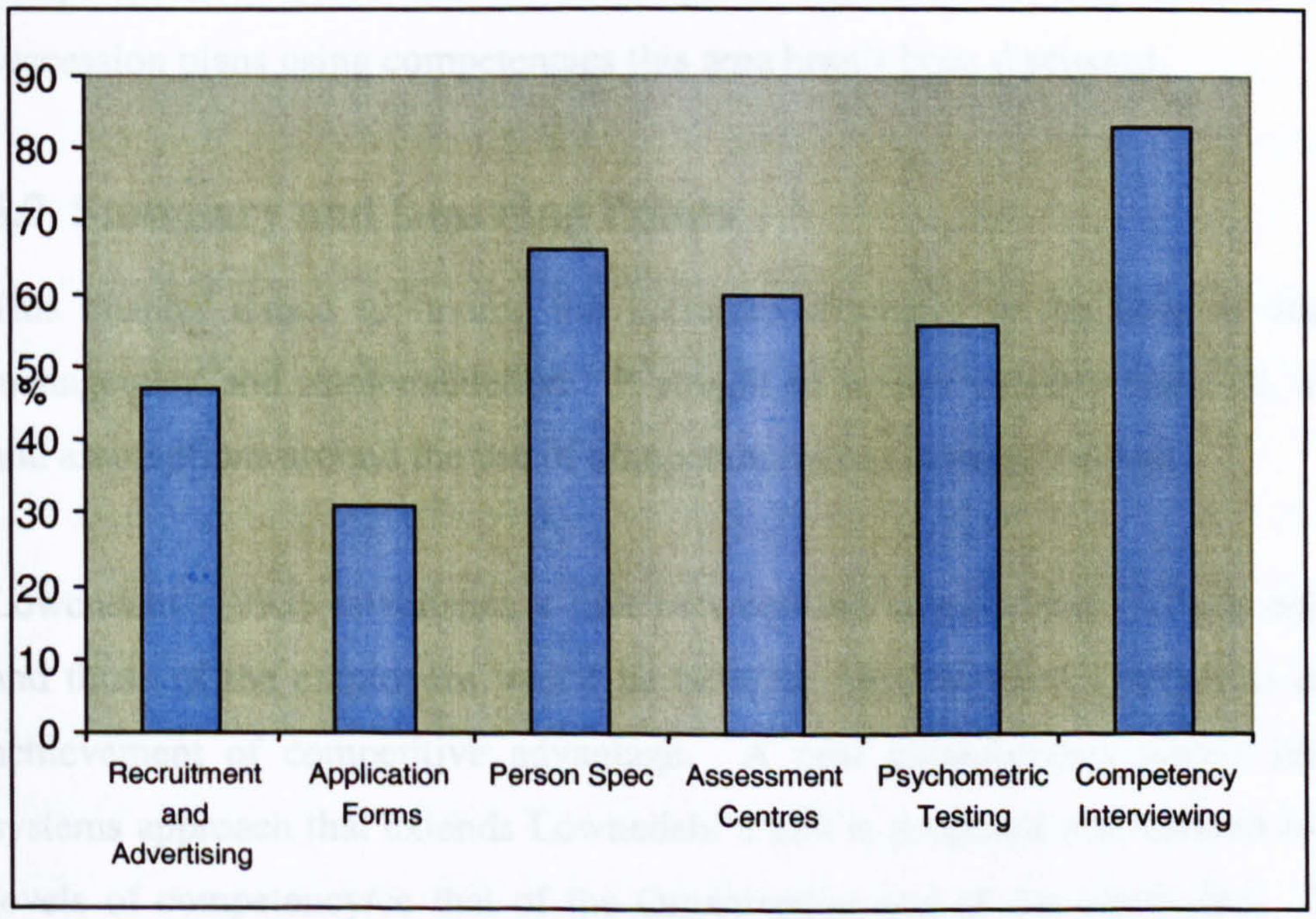


FIGURE 5.5 USE OF COMPETENCY STRATEGIES WITHIN RECRUITMENT AND SELECTION – IRS SURVEY 1997/98

According to survey results those companies that focused on competencies in their recruiting and selection had 'considerably better' results in finding suitable people for their organisation than those who didn't. It does need mentioning however that a definition for the rating 'considerably better' was not provided in the survey and may not necessarily indicate that the recruits were better suited for the roles.

When researching competency strategy in organisations it was deemed important to assess whether the respondent integrated competency strategy into their recruiting and selecting processes and then considering this for further analysis in the case study research.

In the areas of post selection very little literature exists on the impact of competency strategy on Induction for new employees yet Lado and Wilson (1994) described it as being an important area of focus. This too was felt to be an area for further investigation as it is almost the first time a new employee has the opportunity to be

exposed to a competency style of management/working. In this same way little research was found to be available on succession planning and the link with competencies. Given that at some point organisations may choose to design succession plans using competencies this area hasn't been discussed.

5.7 Summary and Learning Points

This chapter aimed to review the literature available in the area of competency management and implementation. It sought to review existing research, arguments and assumptions around the use of competencies/ces in organisations.

Lowendahl (1993) establishes a link between the competencies of the organisation and those of the employees which he believes need to work together to enable the achievement of competitive advantage. A new classification matrix based on a systems approach that extends Lownedahl's link is proposed that defined two overall levels of competency/ce that of the Organisation and of the employees. The latter collectively a form of the former. Overall the purpose of competencies and competences were defined in the terms of striving to develop the capabilities and consequently the effectiveness of the organisation to deal with environmental varieties. This research is focused primarily on the development of employee capability towards achieving organisational competitive advantage.

The confusion surrounding the terms competence and competency have been discussed and the use of the former to refer to the necessary work-related tasks and outcomes and the latter to effective behavioural inputs was declared. The discussion then led to whether the two forms could be used together in a competency model. It was argued that organisations were adopting this dual approach anyway and the actual concern lay in ensuring that each competency/ce was determined, assessed and developed individually from the outset. The chapter then proceeded to discuss components of competency frameworks. It identified clusters and levels within a competency model. It revealed the lack of literature and research surrounding the definition of competency levels and weightings both of which are deemed to influence

the assessment and rewarding of competencies and consequently are earmarked for further research.

The 1997/98 IRS survey found an increase in the linking of competency models to organisational goals thereby stressing the relevance of competency strategy enabling Human Resources to gain strategic momentum. No research or literature discussed the actual defining of the purpose of the model and the practical implications of linking it to strategic goals. The various techniques being used to determine the list of competencies was then discussed and the recommendation by Twigg and Albon (1992) to integrate strategic direction with lower level participation was accepted as being systemic in its approach and worth considering in developing a framework. The approach of using top performers solely to define the competency model was criticised heavily for its lack of future-orientation and 'rear-view mirror' driving (Morgan 1989). It was accepted that for competency models to achieve their aim of concentrating on behaviour as well as output, emphasis needed to be directed on those who displayed effective behaviour as well as simply performed well. Organisations had to be aware that sometimes these top performers were not necessarily exhibiting the most effective or desirable behaviours required for success now and in the future.

Section 5.5 of the chapter proceeded to tackle the Human Resource policies that were identified as requiring leveraging in order to strategically shape the Human Resource function. The setting of performance objectives was discussed and the emphasis performance management places on reaching a consensus with the employee as to the appropriate inputs and outputs required to effectively perform were noted as was the emphasis placed on continuous development and feedback. Literature on the assessment and development of competencies was not significant and yet this area is deemed very important in this research because of the shift in emphasis from an output (more objective) assessment to an input (more subjective) assessment that competency assessment requires. A variety of techniques were identified that helped reduce the unfairness sometimes imposed by a single subjective assessment of behaviours, these techniques included 360 degree feedback and simulations, but require further research. Almost no literature existed on the use of competencies in succession planning and this area was also earmarked for further investigation. No

literature or research was available that looked into the use of competencies in role profiling and this will also be reviewed in later points.

Training and development was then tackled in this chapter and yet again little literature (prior to the late 1990s) was available to tackle the impact of competencies on the mental models of employees and the resources traditionally used to train and develop them. The impact of introducing a behaviour-based form of performance review where previously an output only form existed requires an adjustment in mental model throughout the organisation it is here proposed. This is a key area of the Systemic Competency Framework which will later proposes that an adjustment is undertaken through extensive communicating to employees of the shift in emphasis in their performance reviews and will include adopting a more participatory approach to defining the competencies to ensure buy-in early. The actual resources available to develop and train employees need to be reviewed in light of the shift in emphasis on particular behaviours being required and the difficulty and differences in time span some competencies incur in development. Ulrich (1997) noted the preference of Human Resource managers using a combined portfolio of resources for training and development. The argument then made was that competency model formulators need to be aware of differing development times across competencies and allow for that in assessing, developing and rewarding behaviour.

The relating of pay to competencies was discussed in light of the increasing trend towards performance related pay. It was acknowledged that this trend had to embrace competencies to ensure the message of their importance was communicated as dictated by HR strategy. It was recognised that this embracing was potentially tricky and various approaches to relating pay and reward were discussed and will be explored later with Armstrong and Brown's (1998) findings of the tendency for organisations to base part of the pay increase on competencies and then allocate a bonus in addition to that. Finally, the adoption of competencies into recruitment and selection was discussed with 87% of respondents in the IRS survey (1997/98) admitting to using competency based interviews to recruit employees and finding 'considerably better' results in recruitment. Career progression being ignored by most authors yet still deemed significant because once again it is important to identify from

an organisational and individual point of view whether competencies are going to determine succession plans. Little literature existed on the use of competencies in career progression and induction. The induction process in organisations is an opportunity to describe the competency approach to employees who may not have experienced this form of performance management in previous employment. These areas will be explored in more detail in the survey and reflected in the Systemic Competency Framework.

Overall no framework existed in the literature to guide practitioners through the formulation of a competency strategy which was perceived as a significant gap in the field of competency management and which this research now seeks to fill. Given this body of literature almost no information was available on the implementation of competency strategies and the most appropriate or effective ways of implementing a new way of performance assessment. No literature also existed on the evaluation of competency strategy success or attempted to identify critical implementation success factors. Authors have written about defining competencies, creating competency models and how these competencies are associated with Human Resource policies yet none discuss the implementation strategies and evaluating criteria. This also needs to be addressed in this research and in the Systemic Competency Framework.

This chapter has sought to identify trends, assumptions and gaps in the field of competency management. Most of the literature (pre 1997) was used to formulate the questions for the survey, which sought to close some of the gaps that were identified and test the assumptions made and debated. Results from the survey will then be used to formulate the Systemic Competency Framework.

CHAPTER SIX

Survey Results

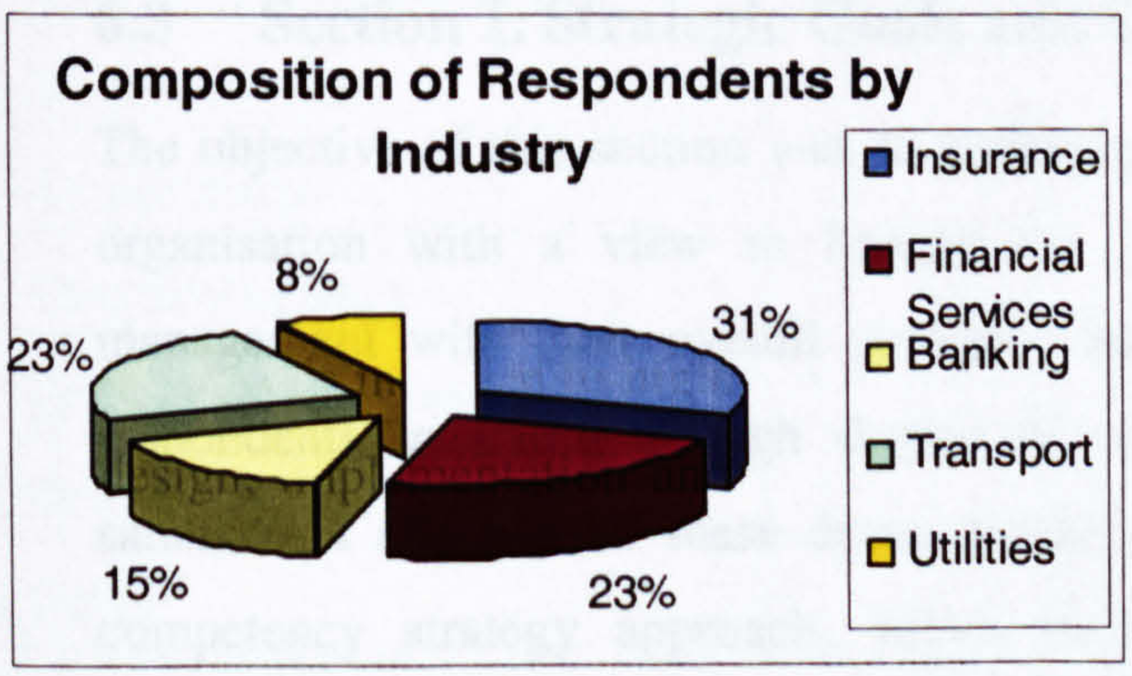
6.1 Introduction

This chapter embodies the results of the survey that was conducted in the summer of 1997. It is intended to highlight the successes and difficulties in the real world in the design, implementation and evaluation of a competency strategy, so that important points can be integrated into a framework to guide organisations in designing and evaluating their competency approach. The literature reviews have been used to design this survey in conjunction with The Marketing Council and its members. The rationale behind each section and each question is explained as well as the results being presented. The conclusions drawn from the analysis are discussed in the final section of the chapter with learning points being earmarked for integration into the Systemic Competency Framework that both the literature review and the survey have helped devise.

6.2 Participating Companies

Forty companies in total responded to the survey. Of these forty, thirteen companies had developed or were developing a competency strategy and therefore their response could be included in the analysis. The composition of the respondents is depicted in charts 6.1 and 6.2 below

CHART 6.1 COMPOSITION OF RESPONDENTS BY INDUSTRY



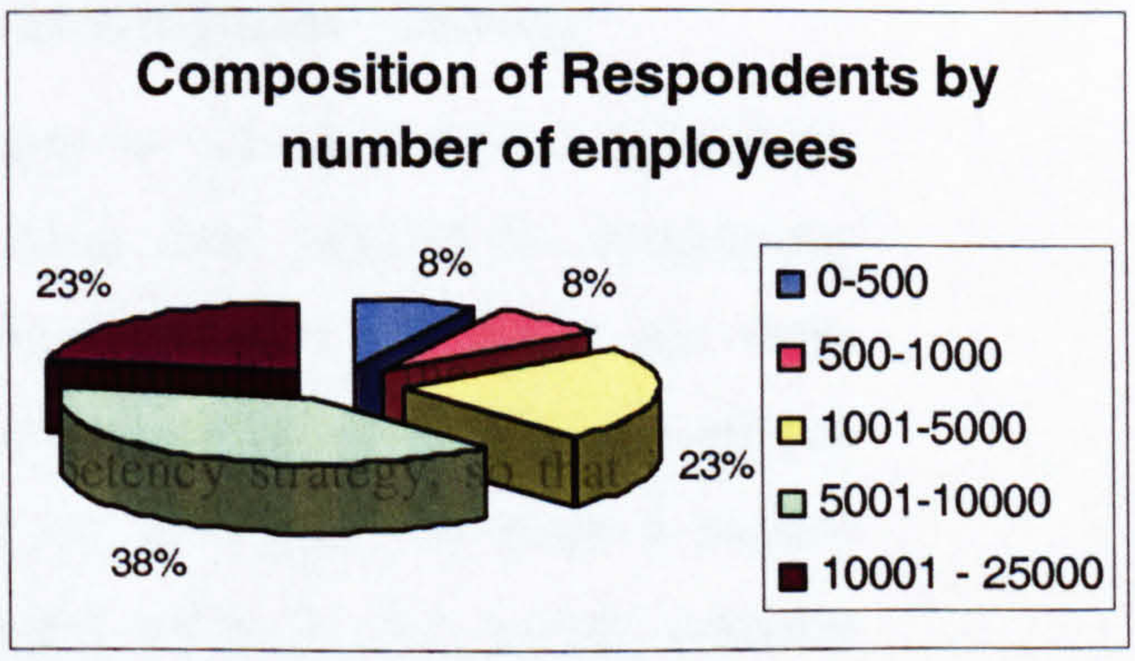


CHART 6.2 COMPOSITION OF RESPONDENTS BY NUMBER OF EMPLOYEES

The respondents predominantly came from the financial-type industries and tended to be predictably large in terms of a human resource base. The individual companies will not be identified by name but will instead be represented by a letter from A-M and will follow the colour code depicted in table 6.1. Their respective industries are displayed alongside their letter.

COMPANY	
A	Insurance
B	Insurance
C	Financial Services/insurance
D	Banking
E	Financial Services/Banking
F	Insurance
G	Insurance
H	Financial Services
I	Retail
J	Utilities
K	Transport/Shipping
L	Transport/Shipping
M	Financial Services

TABLE 6.1 COLOUR CODES ALLOCATED TO RESPONDENTS

The survey will be analysed in more detail in the following sections, which have been separated in accordance with the sections of the survey. Each section will be described in terms of its overall objective prior to exploring and analysing the results for each question.

6.3 Section 1. Strategic Goals and Organisational Climate

The objective of this section was to understanding the priorities of the respondent's organisation with a view to linking the policies they adopted in competency management with their overall strategic objective. It was anticipated that those respondents indicating a high degree of customer service orientation, employee satisfaction and market share desire would be the most likely to adopt a holistic competency strategy approach, which influenced most of the human resource management activities highlighted in previous chapters. The first question required

respondents to indicate the most important objectives of their business. Table 6.2 below represents the results.

Company	A	B	C	D	E	F	G	H	I	J	K	L	M
Shareholder Return	✓		✓		✓	✓	✓	✓		✓		✓	✓
Market Share	✓	✓			✓				✓	✓	✓		
Return on Assets				✓	✓		✓		✓			✓	
Other			✓*										

TABLE 6.2. Q1.1. PLEASE INDICATE THE MOST IMPORTANT OBJECTIVES OF YOUR BUSINESS? *GLOBAL SHARE

The results show the majority of respondents deem shareholder return as one of their most important objectives. Clearly, shareholders are interested in the overall performance of the organisation as that impacts their share price and dividends. Given this, it is anticipated that the organisation's management understands the impact of employee performance on overall organisation performance. However, issues potentially arise when shareholders don't understand the value of investing in employee development. This is then explored in Question 1.2, which required respondents to select from a given set of policies, those that they believed would help achieve their business objectives. The results are displayed in table 6.3. Eleven respondents recognised the importance of customer satisfaction and employee skills in achieving business objectives.

TABLE 6.3 Q1.2. PLEASE HIGHLIGHT THE POLICIES YOU BELIEVE WILL ACHIEVE YOUR BUSINESS OBJECTIVES:

	A	B	C	D	E	F	G	H	I	J	K	L	M
Customer Loyalty/satisfaction	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
Employee Satisfaction			✓		✓	✓	✓	✓		✓		✓	
Employee Skill	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
Acquisitions			✓	✓	✓							✓	
Cost Reductions					✓	✓		✓		✓	✓	✓	
Quality Improvements	✓				✓		✓	✓		✓	✓	✓	
Brand Management	✓							✓		✓		✓	
Other													✓*

* Staff Development

Interestingly, three of these eleven companies did not make the connection between employee satisfaction and the achievement of business objectives. Given that they recognised the importance of employee skills, it is surprising that they do not link the utilisation of this skill with the satisfaction of employees.

Question 1.3 was designed to evaluate the type of working environment and management styles that had been established within the organisation. Specific statements presented in the question emerged from the Marketing Council's view on 'employee friendly' organisations. It was felt that those organisations, which already recognised employee performance and development and focused on developing the organisation through their employees, would be better receptive to a competency strategy. Additional statements were included in this question to try and gauge the working structure within the organisation i.e. statements about quality culture, leadership, process and function oriented culture.

The statements within the question were designed to work with the following model: If roles and objectives are clearly defined then the organisation can be said to be aware of the importance of defined employee contribution toward achieving the overall organisation objectives. If good performance, initiative and innovation is recognised and rewarded then the organisation is reinforcing its commitment towards achieving organisational goals through its employees, thus enabling trust and loyalty to flourish (in line with Maslow's (1943) hierarchy of needs) and implies that a positive attitude towards effective behaviour already exists.

Table 6.4 maps the results to question 1.3. which uses a 4 point scale in the following way: if the respondent ticked not evident 1 point is allocated, 2 points for Difficult to tell; 3 for fairly evident; and 4 for Clearly evident. Interestingly, five companies claimed they did not see any real evidence of employees having the right skills to do their job. This may be the core reason for the adoption of a competency strategy, but for the full effectiveness of the competency strategy to be realised, the recruitment of new employees using competency based assessment needs to be in place in addition to the development and training opportunities that support competency development.

This represents a combined approach to developing particular competencies in the organisation through the introduction of employees with the right skills into an organisation and through developing existing employees.

	A	B	C	D	E	F	G	H	I	J	K	L	M
Roles and Objectives are clear and defined	3	2	3	4	3	3	3	4	2	3	4	3	3
Excellent Performance is recognised and rewarded	3	3	2	3	2	4	4	3	3	2	1	3	3
Trust and loyalty are evident among employees	2	2	1	3	2	3	3	2	4	3	4	3	3
Employees are empowered	2	2	1	3	2	2	3	1	2	3	3	2	1
Employees who use their initiative are rewarded	3	3	2	2	2	4	3	2	2	3	2	2	2
Innovation is rewarded	3	2	2	2	2	4	3	1	2		2	2	3
Employee self development is encouraged	3	3	3	3	3	3	3	2	4		2	3	4
Teamwork is encouraged	4	3	3	3	2	3	4	2	4		2	3	4
Employees are considered internal customers	3	2	2	2	3	1	3	3	4		2	3	3
Staff have the right skills to do their job	3	1	3	2	2	2	3	2	3		3	3	4
Total	29	23	22	27	23	29	32	22	30	14	25	27	30

TABLE 6.4 Q1.3 PLEASE INDICATE THE WAY YOU SEE YOUR ORGANISATION WORKING:

The results depicted in table 6.4b were used in conjunction with the results to question 4.4 which questioned the difficulties responding companies had experienced in trying to implement a competency strategy. One element that it asked respondents to consider was whether the culture was prepared. From the combined results, company (E)'s culture indicated a lack of employee development and reward focus in the climate, which could be argued as presenting difficulties if these issues are not addressed before a competency strategy is introduced. Companies (L) and (M) also claimed to have difficulties in preparing their culture for a competency strategy, their responses to question 1.3 indicated a culture which did not empower employees or reward them for using their initiative. However, if one reviews the competencies specified by these respondents in question 2.5, the actual competencies include empowerment and delegation, consequently it is argued that trying to develop these competencies in a culture which doesn't encourage them through process and policy support, will be a difficult task. Understanding the current culture will enable practitioners to plan for some of these difficulties. Further analysis of the responses to question 1.3 will be reviewed in later sections.

6.4 Section 2 Emergence of Competencies and Strategy Links

This section questioned the development of competencies and their connections with the strategic goals of the organisation. It was a starting point for the understanding of

factors influencing the success of a competency strategy. It sought to understand how organisations linked competency strategy to strategic goals and how these competency strategies were designed and disseminated into the organisation.

Evaluating the successes and failures of a competency strategy was tackled in section four of the questionnaire and are referred to in this section of the chapter because they can be used to evaluate the approaches the companies adopted. Question 4.4 asked respondents to identify difficulties they were facing in implementing a competency strategy. The responses to this question will be linked to the analysis of responses throughout section two and section three of the questionnaire because it will help to identify why these difficulties may have been faced. It therefore becomes appropriate to review the results for question 4.4 prior to assessing the results for section 2. Chart 6.3 shows the results to questions 4.4. Analysis of the chart shows four key areas that proved problematic in implementing a competency strategy these are

1. Explaining competencies universally
2. Communication
3. Attributing effectiveness to the competency strategy
4. Measuring competencies

Over half of the respondents expressed all of the four above factors as being problematic. Reasons for these difficulties will be explored in context of the more specific responses to the question sin section 2 and 3 which follows.

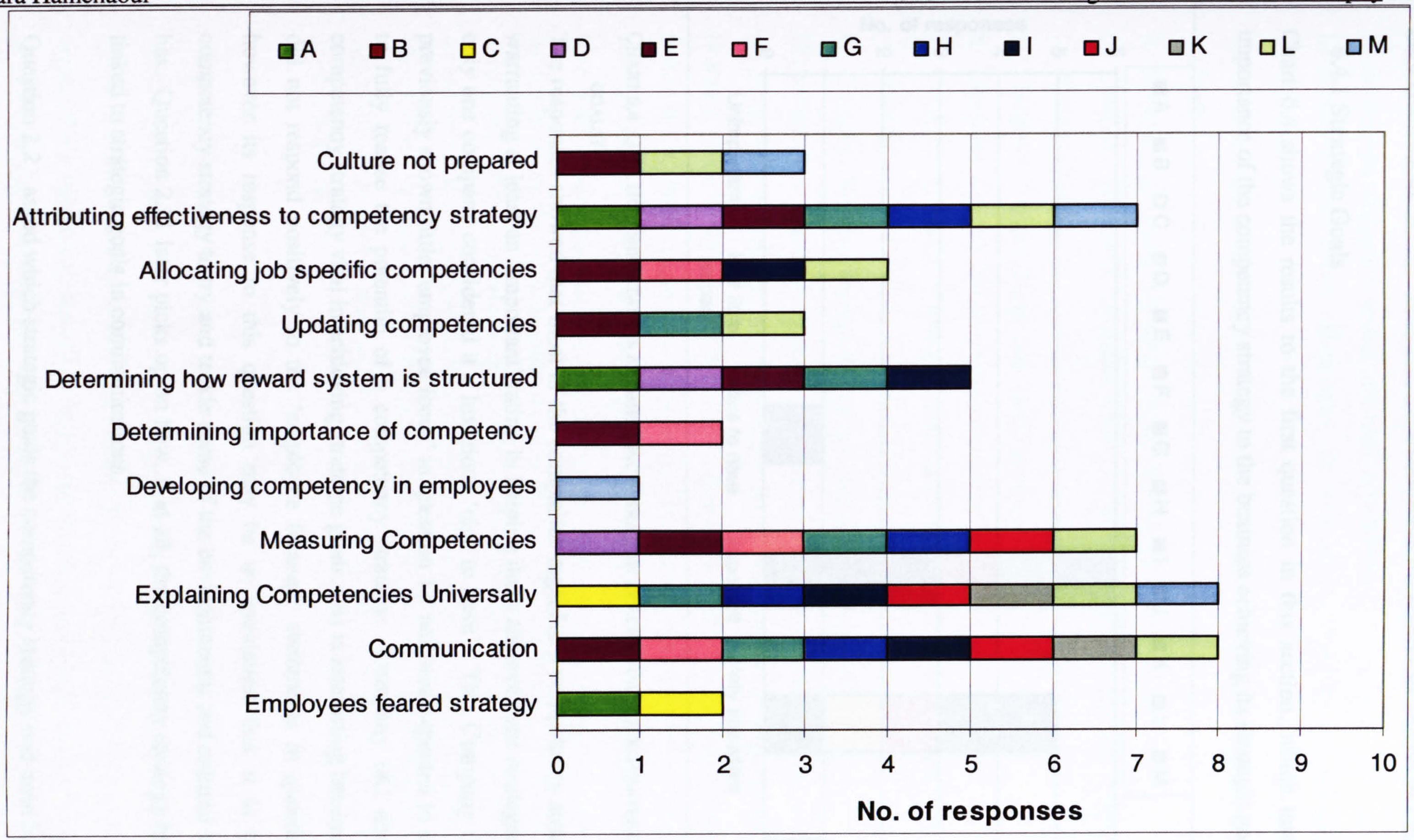


CHART 6.3. Q 4.4 WHAT DIFFICULTIES HAVE BEEN/ARE BEING EXPERIENCED WHEN TRYING TO IMPLEMENT THE COMPETENCY STRATEGY.

6.4.1 Strategic Goals

Chart 6.4 shows the results to the first question in this section, which tested the importance of the competency strategy to the business achieving its strategic goals.



CHART 6.4 Q 2.1 HOW IMPORTANT IS A COMPETENCY STRATEGY IN ACHIEVING YOUR STRATEGIC GOALS?

The responses showed that most of the companies regarded a competency strategy as warranting at least an 'important' rating in helping them achieve their strategic goals, only one company considered it a luxurious 'nice to have'. This Company (D) had previously shown little 'employee focus' in question 1.3 and was expected to struggle to fully realise the potential of a competency strategy. Company (K) deemed a competency strategy vital in achieving strategic goals, this is interesting because it too did not respond positively to the 'employee focused' statements in question 1.3, however its response to this question may be an indication that it is using a competency strategy to try and tackle some of the environmental and cultural issues it has. Question 2.11 later picks up on how, if at all, the competency strategy has been linked to strategic goals in communications.

Question 2.2 asked which strategic goals the competency strategy had been linked to and was left as an open-ended question.

Of the thirteen companies taking part eight noted links:

1. Company (A) noted 'Employee Development', 'Quality of outputs' and 'Flexibility'
2. Company (E) noted 'Customer Service', 'Shareholder Return' and 'Developing Staff'
3. Company (G) noted 'Group's Mission Statement' and 'Core Values'
4. Company H) noted 'Business Plan', 'Support Plan', 'Re-enforce Organisation Success Criteria'
5. Company I noted 'Employee Skill Development'
6. Company J noted 'Employee Development'
7. Company L noted 'Customer Satisfaction', 'Process Improvement', 'Business Growth'
8. Company M noted 'developing people and process simultaneously'.

Considering the responses to the previous question, it would have been expected that all those who recognised the importance of a competency strategy in achieving strategic goals would also recognise the goals that their competency strategy was linked to. This is especially relevant to Company K who deemed a competency strategy as vital and companies C and F who deemed it very important. The point here made is that organisations may realise that a competency strategy is important to the business but do not fully understand in which ways it is important or in fact what it impacts. This understanding is vital if the competency strategy is to be fully realised since it is hypothesised that the competency strategy cannot be communicated effectively if its impact on the business is not included in the communication. If the organisation does not understand the business impact then it cannot make the link in communications.

6.4.2 Creation of Strategy

Question 2.3 asked who created the competency strategy currently in operation. The results are shown in table 6.5. Six respondents said that Human Resources solely created the competency strategy. It is anticipated that for a competency strategy to be suitable for the business, then the business will be consulted in its vision for the future. Although these respondents did recognise the Human Resources function as

designing the strategy, responses to question 2.4 actually showed that the Human Resource function did consult the business. In fact responses to both these questions, indicated that regardless of whom actually created the strategy in most cases various members of the business were consulted and a participatory approach adopted. This research project suggests that an organisational competency strategy needs to be designed with the people who best understood the organisation's vision for the future.

	A	B	C	D	E	F	G	H	I	J	K	L	M
Board of Directors											✓	✓	
Human Resources	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	
Board of Directors & Consultants								✓					
Other		✓*		✓❖					✓✞				✓⊠

TABLE 6.5 Q2.3 WHO CREATED THE COMPETENCY STRATEGY CURRENTLY IN OPERATION?

*Financiers, ❖ Line Management, ✞ Line Management and Consultants, ⊠ Quality development Team

Question 2.4 (Chart 6.5) delved further into the design of the competency strategy and asked how the competencies and behavioural indicators were identified.

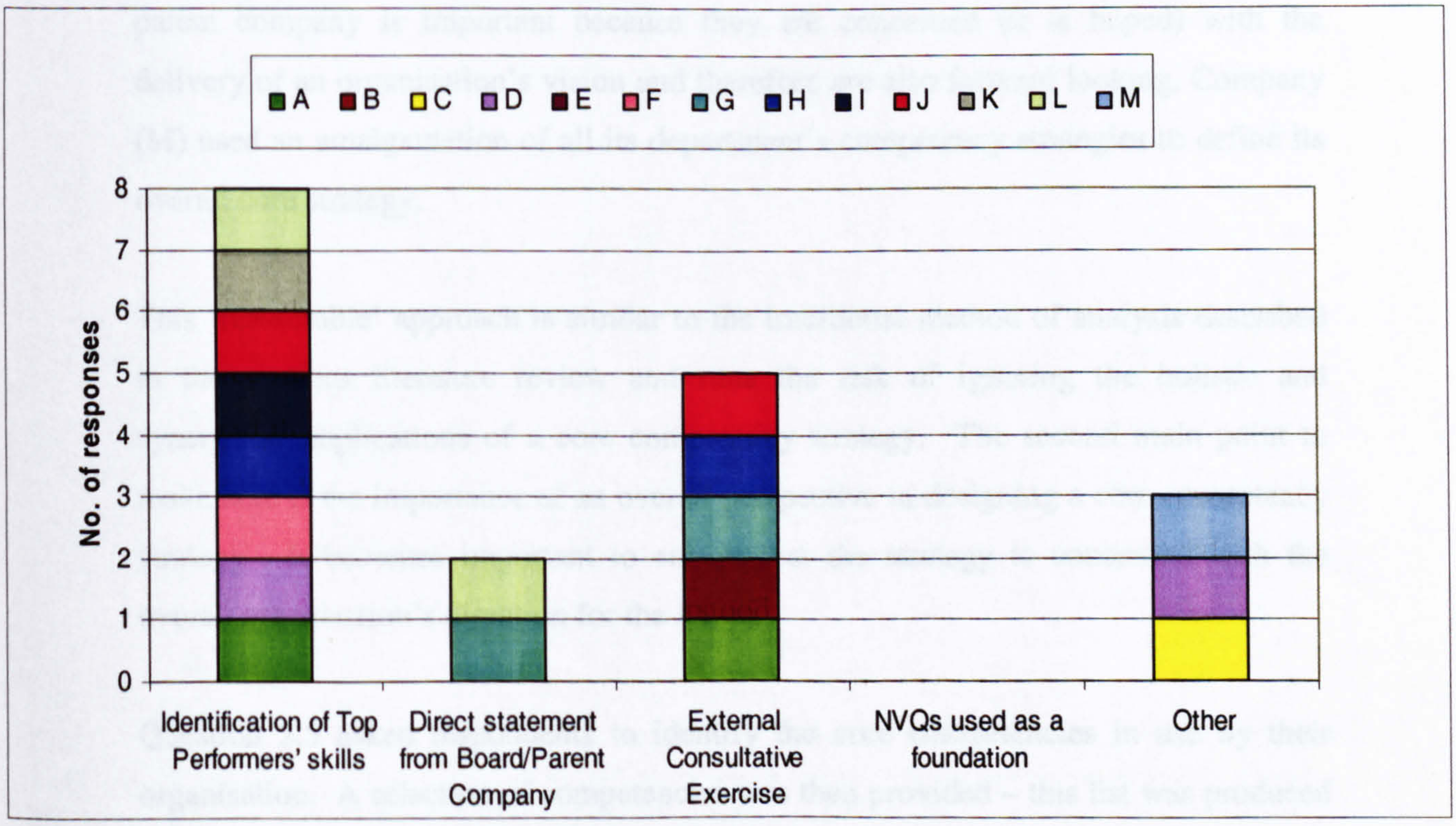


CHART 6.5 Q2.4 HOW DID YOU IDENTIFY COMPETENCIES AND BEHAVIOURAL INDICATORS?

The argument here is similar to the argument for the previous question in that if the competency strategy is expected to help achieve the goals of the future then it needs

to be designed with the future in mind. This means research needs to be undertaken with subject matter experts who are best positioned to understand the future of their business.

Eight companies identified competencies through analysing their 'Top Performers' skills, three of these eight (A, H and J) also used an external consultative exercise, while I and L also used the direct statement provided by their parent company. It is argued that identification of top performer's skills is one of the effective ways of encouraging effective performance within the organisation, however this is clearly impacted by the organisation's definition of top performer and the extent to which it is quantitatively based. The uses of external consultants, internal and external research (Companies C and E) or the parent company is an interesting result. Consultants (external research is included) tend to be regarded as objective in so much as they are not subsumed by the organisation (however the point is recognised that they are still suppliers to a client and may be influenced by the client's desires – this is clearly not the case for external research if it is not sponsored by the organisation). The board or parent company is important because they are concerned (it is hoped) with the delivery of an organisation's vision and therefore are also forward looking. Company (M) used an amalgamation of all its department's competency strategies to define its overall core strategy.

This 'reassemble' approach is similar to the traditional method of analysis described in the systems literature review and runs the risk of ignoring the holistic and synergistic implications of a core competency strategy. The second main point to make here is the importance of an overall perspective in designing a core competency strategy. It becomes important to ensure that the strategy is concerned with the overall organisation's direction for the future.

Question 2.5 asked respondents to identify the core competencies in use by their organisation. A selection of competencies was then provided – this list was produced after thoroughly reviewing case studies and through interviews. The results are presented in table 6.6.

Competency	A	B	C	D	E	F	G	H	I	J	K	L	M	Total
Account Management								✓			✓			2
Achievement Drive	✓	✓							✓	✓	✓	✓		6
Adaptability	✓						✓	✓			✓	✓		5
Analytical Skills		✓	✓	✓	✓		✓			✓		✓		7
Business Awareness	✓	✓	✓		✓			✓		✓	✓	✓	✓	9
Change Orientation	✓		✓			✓	✓	✓	✓	✓		✓		8
Coaching	✓		✓					✓		✓		✓	✓	6
Commercial Acumen	✓		✓	✓				✓	✓	✓		✓		7
Communication			✓	✓	✓	✓	✓	✓		✓		✓	✓	9
Conceptual Thinking								✓	✓			✓		3
Corporate Understanding						✓				✓			✓	3
Continuous Improvement						✓	✓		✓			✓		4
Creativity/Innovation	✓	✓	✓			✓	✓	✓		✓		✓		8
Cross-cultural awareness			✓											1
Customer Service	✓	✓	✓				✓	✓		✓	✓	✓	✓	9
Decision-making		✓	✓	✓	✓		✓		✓		✓	✓	✓	9
Delegation							✓			✓	✓	✓	✓	5
Empowering							✓	✓				✓		3
Financial Management		✓								✓		✓		3
Information Management	✓		✓		✓			✓						4
Influencing Skills	✓	✓	✓		✓		✓	✓		✓		✓		8
Interpersonal Skills	✓	✓		✓			✓			✓		✓	✓	7
Listening Skills	✓						✓			✓	✓	✓	✓	6
Leadership		✓	✓	✓	✓	✓	✓			✓	✓	✓	✓	10
Motivation	✓			✓		✓		✓		✓	✓	✓		7
Monitoring Performance					✓		✓	✓					✓	4
Negotiating Skills		✓					✓			✓		✓		4
Objective Setting		✓					✓						✓	3
Openness												✓		1
People Management					✓		✓	✓		✓		✓	✓	6
Personal Development			✓		✓	✓		✓				✓	✓	6
Planning/Organisation		✓		✓	✓		✓			✓		✓	✓	7
Problem Solving		✓		✓			✓	✓		✓		✓		6
Project Management										✓		✓		2
Quality Focus							✓			✓			✓	3
Resilience		✓	✓	✓	✓							✓		5
Results Orientation		✓	✓				✓	✓	✓	✓	✓		✓	8
Strategic Thinking	✓	✓	✓				✓			✓		✓		6
Team Skills		✓	✓			✓		✓	✓	✓		✓	✓	8
Technical Skills		✓			✓		✓					✓	✓	5
Total	**14**	**19**	**18**	**10**	**13**	**9**	**24**	**20**	**8**	**26**	**11**	**32**	**19**	

TABLE 6.6 COMPETENCIES SOUGHT FOR DEVELOPMENT

The most often cited competencies are depicted in Table 6.7

Leadership
Creativity/Innovation
Customer Service
Decision Making
Communication
Business Awareness
Change Orientation
Influencing Skills
Interpersonal Skills
Results Orientation
Team Skills

TABLE 6.7: MOST OFTEN CITED COMPETENCIES

From these results it can be observed that at the time of research the competencies in Table 6.7 were deemed the most popular to develop at a core level within the organisations. It can be argued that considering the environmental changes described in previous chapters, organisations are seeking to face environmental challenges with strong leadership and creativity & innovation at the core of its 'soft' capability, that is it is seeking to develop leadership and creativity & innovation as their soft organisational competencies. This reinforces the arguments presented earlier in this thesis with regards to organisations requiring two sources of core competence both at a hard (process, asset based) level and at a soft level (behaviour, employee) level. If the organisations claimed in earlier responses that they were adopting a competency strategy and linking it to strategic goals clearly organisations are advocating both the soft and hard approach to core competency development.

What also becomes apparent is the quantity of competencies deemed core to the organisation (Table 6.8).

Company	Number of Core Competencies
A	14
B	19
C	18
D	10
E	13
F	9
G	24
H	20
I	8
J	26
K	11
L	32
M	19

TABLE 6.8 NUMBER OF CORE COMPETENCIES ADOPTED WITHIN RESPONDING ORGANISATIONS.

Table 6.8 shows that some companies adopted as many as thirty-two competencies and others as few as eight. It will be argued that in order for an organisation to develop competencies in these areas the number of competencies needs to be reasonable. The argument is strengthened by the point that not only will employees have to develop all the competencies that are core to the organisation but those aimed at their specific job too. This means that in addition to the thirty-two core competencies they may have to focus on developing a number of additional job-specific competencies.

Question 2.6 questioned the intended audience for the competency strategy. The question was designed to understand if an organisation adopting a core competency strategy would apply its competency strategy to all employees, thus developing an overall core competence or whether they would target a specific audience. Chart 6.6 displays the results.

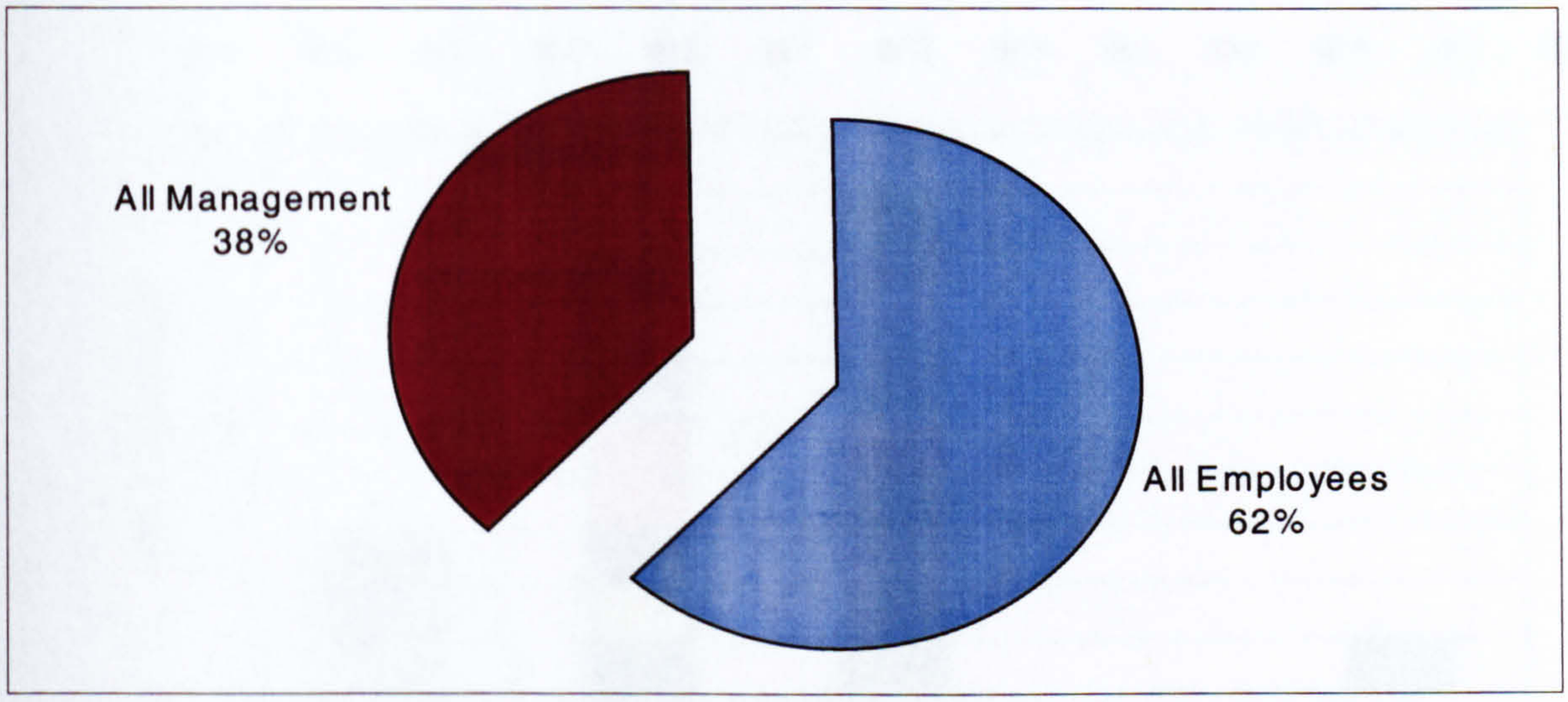


CHART 6.6 Q2.6 WHO IS THE COMPETENCY STRATEGY AIMED AT?

The results fall in line with expectations. If a core competency strategy is to succeed then it needs to, as the name implies, apply to the core of the organisation's employee base. Applying the strategy to all employees would clearly meet this need, however applying it only at management level may indicate that the organisation believes it is imperative that its leaders display the behaviours who in turn will influence the rest of the employees.

6.4.3 Job Specific Competencies

Question 2.7 targeted job specific competencies and asked who aligned job specific competencies to the respective jobs. The results are shown in Chart 6.7 below. Overall the responsibility of alignment fell mainly to Human Resources and the Jobholder and Manager. Eight of the responding organisations claimed that the employees closest to the job roles allocated job specific competencies to the jobs namely the jobholder and their manager.



CHART 6.7 Q2.7 WHOSE RESPONSIBILITY IS IT TO ALIGN JOB SPECIFIC COMPETENCIES TO JOBS?

One company (B) ignored the jobholder and their manager completely in aligning job specific competencies. This company is still developing its competencies and could not therefore express the difficulties it was experiencing in implementing the competency strategy. Five companies used the job holder, manager and Human Resources to allocate job specific competencies to jobs. Of these, three companies (E, F and L) expressed difficulties in allocating job specific competencies in Question 4.4. Company (I) used Human Resources and the manager of the job role to allocate competencies, they too expressed difficulty in allocating competencies to roles. It will be argued that deciding on the allocation of job specific competencies should involve the people closest to the role. However, care needs to be taken in involving too many people in the decision-making process because of the different and sometimes conflicting worldviews that each participant may have. It will be argued that a participatory approach to this type of competency strategy is critical in getting competencies accepted and that the two critical people who should be involved are the jobholder and their manager.

Question 2.8 (Chart 6.8) asked respondents to identify the factors that were considered when aligning job specific competencies to jobs. All companies considered the job role demands in aligning job specific competencies. Companies

(C), (F), (H), (I), and (J) recognised the importance of culture in allocating competencies to jobs. Company (C) thought all three factors needed to be considered. Company (B) recognised the importance of job role demands on aligning job specific competencies, however they did not consult either the jobholder or the manager of the job role to align competencies.

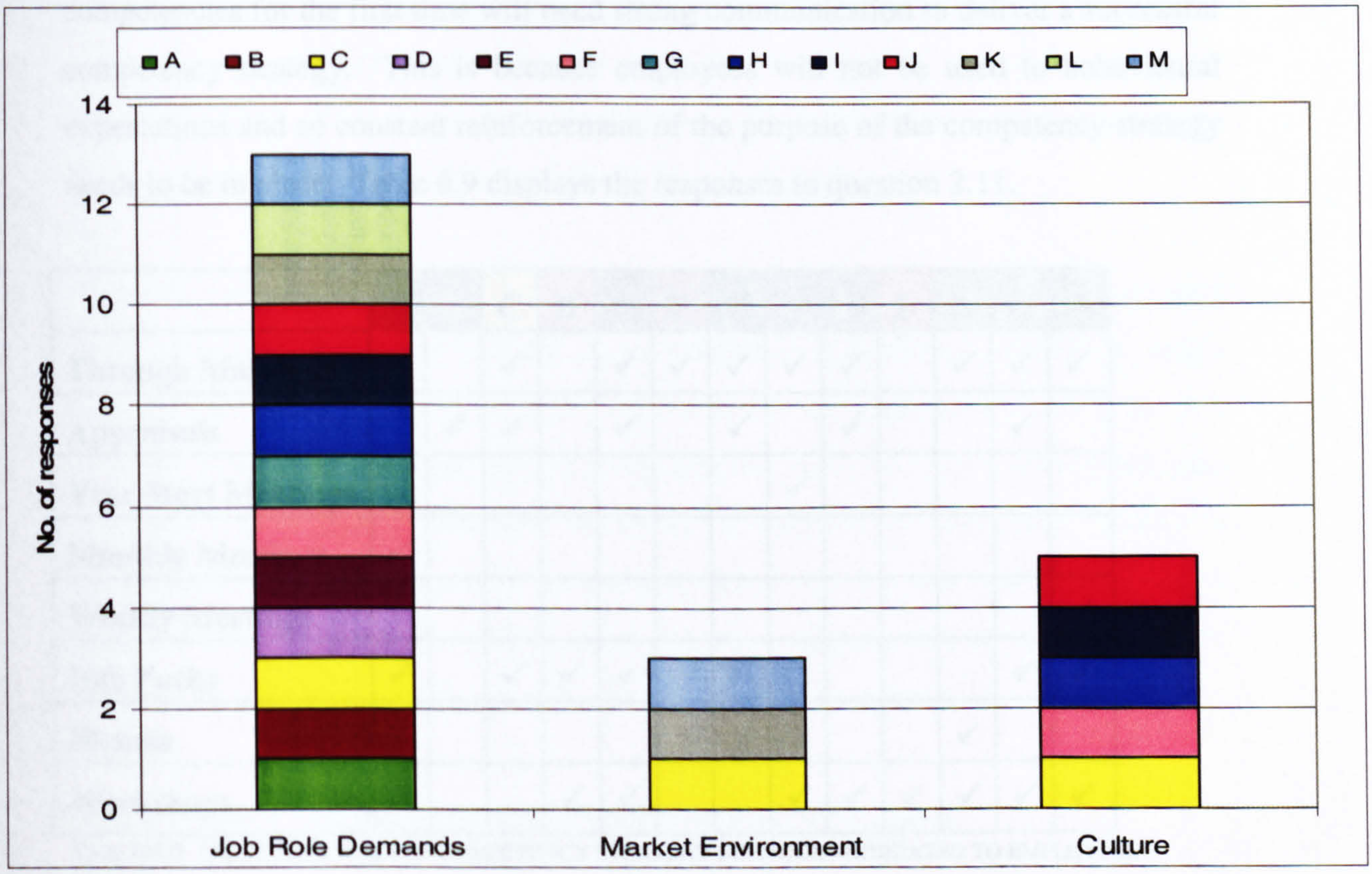


CHART 6.8 Q2.8 WHAT FACTORS ARE CONSIDERED WHEN ALIGNING JOB SPECIFIC COMPETENCIES TO JOBS?

In allocating importance to competencies, Companies (A), (E), (J) and (L) considered competencies to be of different importance levels according to the Job Role. The remaining nine companies said they thought they were all equally important. Job analysis (E) and discussions determined the importance with the jobholder (A, E, J and L) Companies (B) and (F) expressed difficulty in determining importance levels of competencies. Clearly it is important to some companies to differentiate between important competencies and non-critical competencies. Further guidance to companies needs to be provided to overcome these difficulties, this will need to be addressed in the Systemic Competency Framework.

6.4.4 Communication

Questions 2.11, 2.12 and 2.13 questioned the communication tactics employed to deliver the competency strategy into the business. Question 2.11 started by asking overall how the competency strategy was communicated to employees. It will be argued in this research project that those organisations who have introduced competencies for the first time will need strong communication to deliver a successful competency strategy. This is because employees will not be used to behavioural expectations and so constant reinforcement of the purpose of the competency strategy needs to be in place. Table 6.9 displays the responses to question 2.11.

	A	B	C	D	E	F	G	H	I	J	K	L	M
Through Managers	✓		✓		✓	✓	✓	✓	✓		✓	✓	✓
Appraisals		✓	✓		✓		✓		✓			✓	
Year Start Meetings								✓					
Monthly Meetings	✓												
Weekly Meetings													✓
Info Packs	✓		✓	✓	✓							✓	✓
Memos											✓		
Workshops				✓	✓			✓	✓	✓	✓	✓	✓

TABLE 6.9 Q2.11 HOW HAS THE COMPETENCY STRATEGY BEEN COMMUNICATED TO EMPLOYEES?

Most respondents adopted a wider scoped approach to delivering the competency strategy to its employees. Company (G) used only a managerial approach either through appraisals or direct management contact. Over half of the respondents (A, C, E, H, K, L and M) used at least three forms of communications with Company E using competency terminology throughout Role definition, Job advertising and Performance management development programmes. Three companies (B, F and J) used only one approach (Appraisals, Managers and Workshops respectively) these companies later expressed difficulty in overall communicating their competency strategy. In addition to these three companies, companies (G), (H), (I), (K) and (L) also expressed difficulties in communication. Clearly, companies need further assistance in determining the most suitable and effective way of communicating their competency strategy.

Four companies (A), (B), (K) and (I) linked their competency strategy to strategic goals in communications. This would have the benefit of stressing the importance and the value that the company placed on the competency strategy and would strengthen its position in terms of acceptance throughout the organisation. Interestingly companies (B) and (K) claimed in an earlier question (2.2) not to link competency strategies with strategic goals yet claimed to link them in communications, while six of the companies who did make a link with strategic goals did not link them in communications (E, G, H, J, L and M).

Of the four companies (A, E, J and L) who initially mentioned that they did allocate importance to competencies, two did not communicate the different importance levels (A and J) while two communicated the importance at the appraisal (A and J) and at a meeting prior to the appraisal (J). If competencies are to be used to rate employees and they are allocated different levels of importance, it becomes critical to communicate the importance to employees who will be assessed against these competencies. This allows those employees who are particularly weak in certain areas to concentrate their efforts on the most important competencies.

6.5 Section 3 Implementation of Competency Strategy

This section was designed to elicit how the competency strategy was implemented and the difficulties encountered in implementation. It is divided into sub-sections and is geared towards establishing to what extent competencies have filtered through areas of employee development. As in section 6.4, here too a question from the latter half of the survey should be discussed before proceeding into the analysis of this section. Question 4.5 asked respondents to rate the improvement the competency strategy had on various Human Resource policies within the business. This section will refer to those responses throughout the subsections as they are presented in table 6.10. Respondents to Q4.5 were asked to use the rating scale 1 – Not Improved, 2 – Hardly Improved, 3 – Improved and 4 – Greatly Improved.

Area	A	B	C	D	E	F	G	H	I	J	K	L	M	Rank
Appraisal	3	-	2	3	3	-	3	-	3	3	1	3	3	**4**
Promotion	3	-	2	3	3	-	3	-	2	3	2	3	2	**5**
Training	3	-	3	2	3	-	3	-	3	3	4	3	4	**2**
Reward and Recognition	2	-	2	2	3	-	3	-	1	-	1	2	1	**9**
Pay	2	-	3	2	3	-	3	-	1	-	1	2	1	**8**
Recruitment	3	-	3	2	3	-	4	-	2	-	1	2	1	**7**
Achievement of Strategic Goals	2	-	3	2	3	-	3	-	2	3	3	2	2	**6**
Customer Focus	3	-	-	2	3	-	4	-	3	3	4	2	2	**3**
Self-development of employees	3	-	4	3	3	-	4	-	4	4	3	3	4	**1**

TABLE 6.10 QUESTION 4.5 HOW WELL HAVE COMPETENCY STRATEGIES IMPROVED THE AREAS DESCRIBED.

The results clearly show a marked improvement for most organisations in the areas of training and self-development of employees. The areas showing least improvement are stated as Reward and Recognition and Pay. These results will be examined further in this section.

6.5.1 Competency Appraisals

This subsection targeted the assessment of competencies. Respondents were asked which techniques were used to assess behaviours. Most companies stated the use of evidence-based questions and the 360 degree profiler to assess competencies. Over 50% used a variety of techniques to assess competencies. Approximately half of the companies expressed difficulties in trying to assess competencies however 80% of respondents stated that competencies had improved their appraisal outputs.

6.5.2 Promotion

Respondents were asked to what degree competencies were used when assessing employees for promotion and succession planning. Table 6.11 displays the results by Company and Chart 6.9 highlights the appropriate percentages.

Necessary to have following competencies:	A	B	C	D	E	F	G	H	I	J	K	L	M
Generic and job	✓	✓	-				✓		✓		✓		
Generic			-									✓	
Job specific only			-		✓					✓			
Important competencies			-	✓		✓		✓					✓

TABLE 6.11 Q3.21 TO WHAT DEGREE ARE COMPETENCIES USED IN THE PROMOTION OF EMPLOYEES?

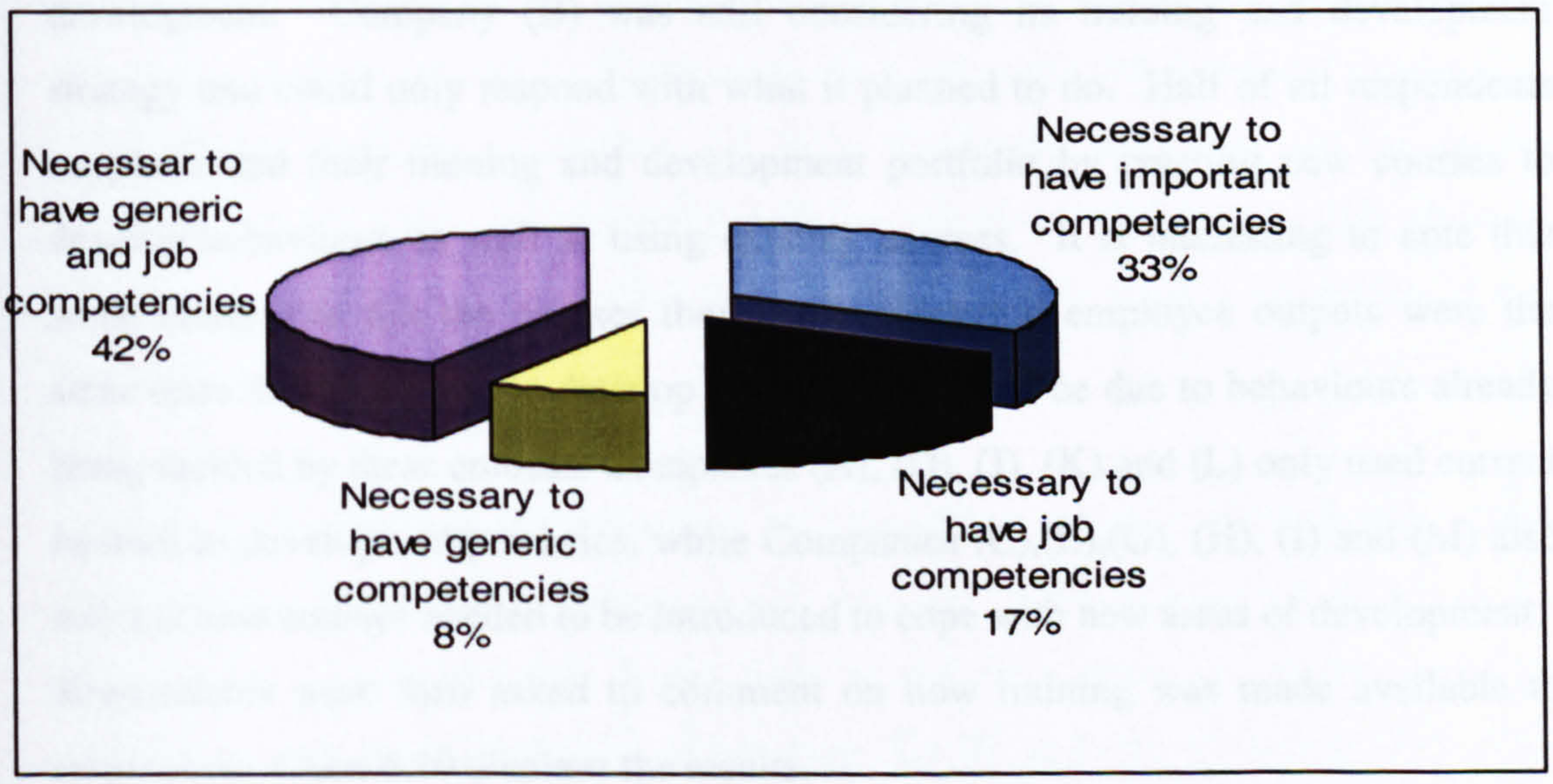


CHART 6.9 PERCENTAGE BREAKDOWN OF QUESTION 3.21

Company (C) did not use competencies as a promotional aid. Companies (E) and (J) chose to link promotions with job specific competencies only and both companies showed an improvement in their promotions. Companies (A) and (G) used both generic and job competencies to determine promotions and they too found improvements in their promotional process, however companies (I) and (K) who also stated both job and core competencies as being important claimed their promotions process had hardly improved. Clearly there is a growing emphasis for competencies to be used in succession planning with 60% of respondents seeing improvement in their succession planning. It is argued that those linking succession planning to job competencies can more easily make the link between effective succession planning and ineffective succession planning. However, when testing the effectiveness of a core competency strategy it is harder to identify the impact of core competencies on succession planning.

6.5.3 Training and Development

This section was designed to understand how competencies had impacted training and development within the organisations. It initially set out to understand whether competencies had been linked to training and how adopting a behaviour based development strategy had impacted the organisation's training strategy.

All the companies bar (B) and (F) linked their competency strategy to training and development. Company (B) was still considering its training and development strategy and could only respond with what it planned to do. Half of all respondents supplemented their training and development portfolio by creating new courses to develop behaviours as well as using existing courses. It is interesting to note that some companies felt the courses they used to develop employee outputs were the same ones they could use to develop inputs. This could be due to behaviours already being tackled by these courses. Companies (A), (D), (J), (K) and (L) only used current courses to develop competencies, while Companies (C),(E),(G), (H), (I) and (M) also felt that new courses needed to be introduced to cope with new areas of development.

Respondents were then asked to comment on how training was made available to employees. Chart 6.10 displays the results.

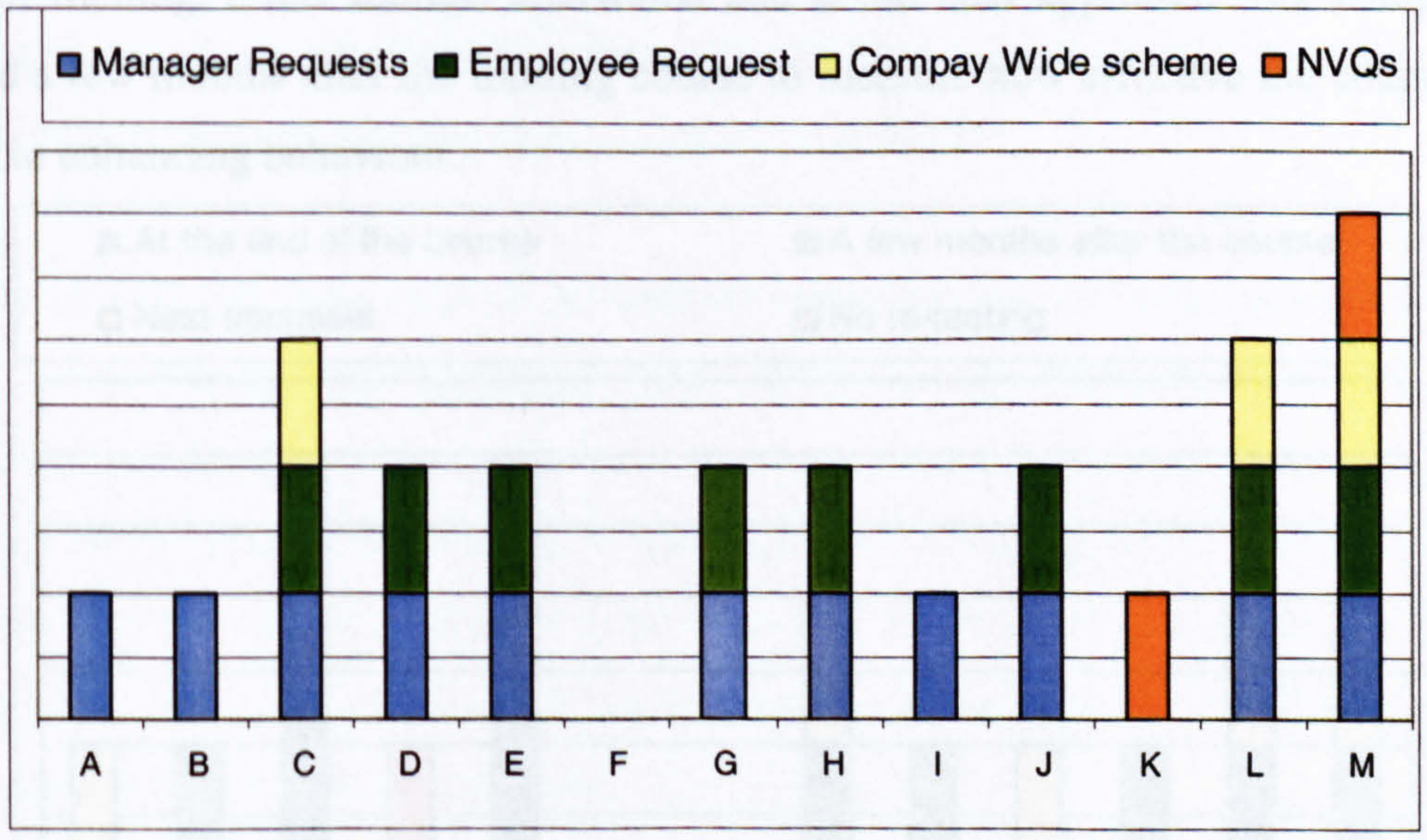


CHART 6.10 Q3.33 WHAT IS THE CRITERION USED TO INTRODUCE TRAINING TO AN EMPLOYEE?

In view of the drive for competencies to allow an employee to self-develop the results indicate that the companies respond when an employee does take this

initiative. Clearly though the development of a competency is very much dependent on the manager recognising the need for development.

Companies were then asked to comment on whether competencies were prioritised for development. Clearly this question was intended to tie in with those companies that differentiated competencies in terms of importance. Companies (A), (D), (G), (I), and (J) prioritised according to the importance of the competencies in a role. Companies (C), (E), (H) and (L) also prioritised in this way but additionally considered the company's needs as well. Companies (B) and (M) intended to develop all competencies equally. Company (J) only prioritised according to the overall company's needs, this is interesting because company (J) did allocate different importance levels to a job role but did not then proceed to train according to that philosophy.

Question 3.35 asked respondents how training effectiveness was measured. Chart 6.11 displays the results. Company (D) did not re-test employees to check for development. Company (A) tested only at the next appraisal, which could be anything up to a year afterwards. Companies (C), (E) and (M) tested regularly at the end of training, a few months afterwards and at the next appraisal. Six companies tested a few months after the training course to measure how effective the course had been in enhancing behaviour.

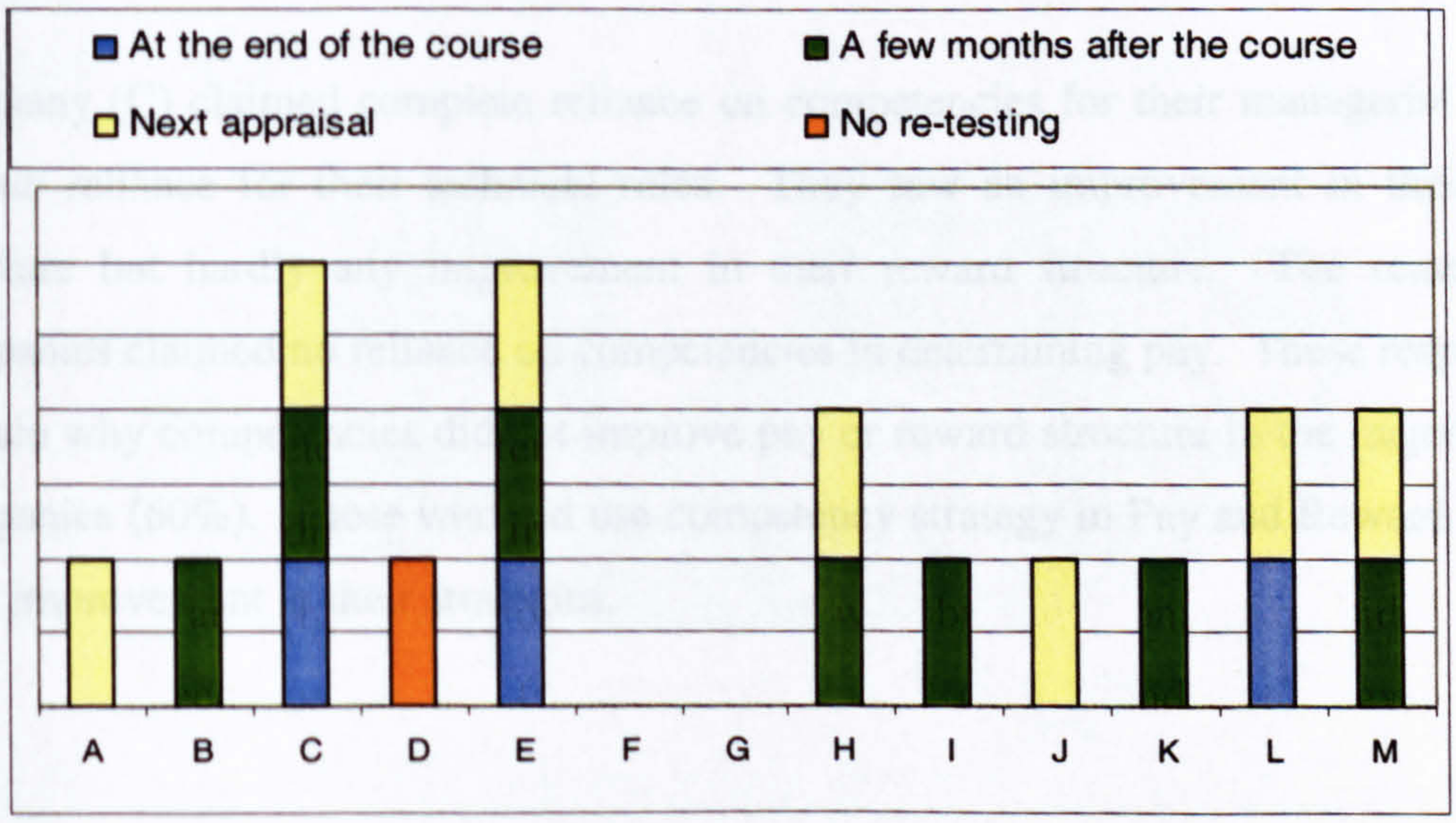


CHART 6.11 Q3.35 WHEN DOES RE-TESTING EXERCISE OCCUR AFTER THE TRAINING TO HELP RE-ASSESS COMPETENCIES OF INDIVIDUALS?

If training had not resulted in amended behaviour 50% (A, C, D, G, H, I and J) of the respondents would respond with a re-evaluation of the employee. Overall 70% of respondents claimed an improvement in their company's training as a result of the competency strategy and claimed their training methods were effective in developing competencies.

6.5.4 Reward and Recognition/Pay Structure

This subsection sought respondents' views on the use of competencies for reward and recognition. It was felt that an incentive to develop behaviours would lead to more competencies being developed. This concept was measured in this section of the survey. Four companies (A), (C), (G) and (K) rewarded employees through financial means for developing competencies. Companies (A) and (G) found determining this link difficult and only company (G) saw an improvement in this area following the introduction of competencies. Company (K) saw no improvement in introducing reward mechanisms linked to competencies. Five companies claimed a partial reliance on competencies in determining pay structures. Companies (E), (G) and (I) determined this link according to competency levels achieved as outlined in appraisals. Company (A) relied on a % of competencies specified, while company (K) relied on all specific competencies. These latter two companies saw hardly any improvement in their pay structure as a result of this link.

Company (C) claimed complete reliance on competencies for their managerial roles and no reliance for their technical roles. They saw an improvement in their pay structure but hardly any improvement in their reward structure. The remaining companies claimed no reliance on competencies in determining pay. These responses explain why competencies did not improve pay or reward structure in the majority of companies (60%). Those who did use competency strategy in Pay and Reward noted little improvement in their strategies.

6.5.5 Recruitment

This subsection queried the use of competencies in recruitment and selection of employees. 23% of respondents (companies A, E, G) used competencies to recruit all employees and these companies rated this area as improved in question 4.5. 23% of respondents did not use competencies in recruitment. 38% of respondents (companies D, F, I, L, M) used competencies to recruit all managers, interestingly these companies did not insist on managers having the competencies to be recruited and also rated little if not improvement in the recruitment process following the introduction of competencies. The two companies that used competencies to recruit first line management only insisted on the managers having the important competencies.

6.6 Section 4 Effectiveness

Having established the overall competency strategy the concluding section examines the effectiveness of their strategy and how often they examined that effectiveness.

Question 4.1 asked respondents how often they assessed the effectiveness and applicability of their competency strategy. Results are displayed in chart 6.12 below. Most companies felt the competency strategy was still in its early days and thus could not determine when it would be re-assessed. Company E continuously re-assessed the strategy.

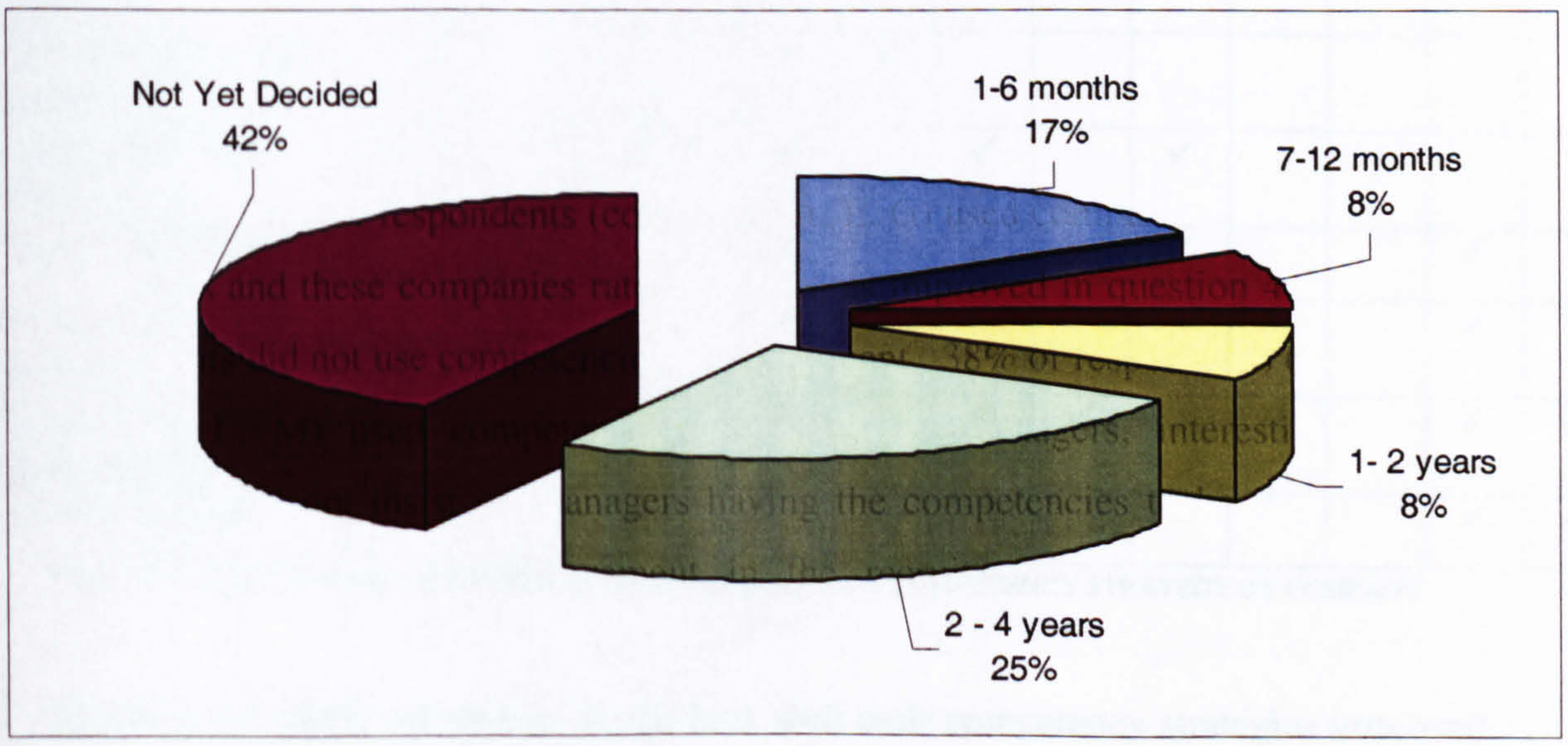


CHART 6.12 Q4.1 HOW OFTEN DO YOU RE-ASSES YOUR COMPETENCY STRATEGY AND THE COMPETENCIES WITHIN IT?

It was important to the Marketing Council to question the link between customer satisfaction and employee competencies, this was done in questions 4.2 and 4.3. All Companies except Companies (B) and (D) measured customer satisfaction. Five of the companies related customer satisfaction to employee competencies (Companies A, E, G, H and K). The connection between employee skills and satisfying customers was not seen as an obvious relationship.

This subsection then went on to question the difficulties companies were experiencing in implementing a competency strategy. The responses to this have been peppered throughout this analysis but will be briefly summarised here again in table 6.12 from the organisation's perspective. Clearly companies (E) and (L) felt they had the most difficulties. Communication was very clearly seen to be one of the biggest challenges facing the responding organisations.

Factors	A	B	C	D	E	F	G	H	I	J	K	L	M
Employees feared strategy	✓		✓										
Communication					✓	✓	✓	✓	✓	✓	✓	✓	
Explaining Competencies Universally			✓				✓	✓	✓	✓	✓	✓	✓
Measuring Competencies				✓	✓	✓	✓	✓		✓		✓	
Developing Competencies in Employees													✓
Determining importance of Competencies					✓	✓							
Determining Reward System Structure	✓			✓	✓		✓		✓				
Updating Competencies					✓		✓		✓			✓	
Allocating Job Specific Competencies					✓	✓						✓	
Attributing effectiveness to Competency strategy	✓			✓	✓		✓	✓				✓	✓
Culture not prepared					✓							✓	✓

TABLE 6.12 DIFFICULTIES EXPERIENCED IN IMPLEMENTING A COMPETENCY STRATEGY BY COMPANY

Question 4.5 asked companies to rate how well their competency strategies improved HR policy effectiveness. The results are shown in table 6.13 below.

Rating	Not Improved	Hardly Improved	Improved	Greatly Improved
Appraisal	10%	10%	80%	0%
Promotion	0%	40%	60%	0%
Training	0%	10%	70%	20%
Reward and Recognition	30%	40%	22%	0%
Pay	30%	30%	33%	0%
Recruitment	20%	20%	44%	10%
Achievement of Strategic Goals	0%	50%	50%	0%
Customer Focus	0%	30%	44%	20%
Self-development of employees	0%	0%	50%	50%

TABLE 6.13 COMPETENCY IMPACT ON HR POLICIES

According to the respondents, competencies had the greatest impact on Appraisals, Training and the self-development of employees. The least impact was recorded on Reward and Recognition and Pay, which could be linked to the low usage of competencies in these areas and lack of thorough commitment to using competencies as decision-making measures.

6.7 Discussion

This section of the chapter will discuss the issues and interesting areas that arose from the survey analysis and how these issues/areas will be investigated further and managed in the framework being developed. These issues/areas will be coupled with the findings from the literature review to design the initial framework that will be investigated further in the case studies.

6.7.1 Cultural Issues

A cross-section of 'employee friendly' cultures were represented in the pool of respondents to this survey. Organisations that were considered to be employee friendly still had problems in implementing a competency strategy due to cultural constraints. It seems that no matter how focused a company is on developing an 'employee friendly' culture, it will still have difficulties in establishing and

implementing a competency based development strategy. This proves the point that a competency strategy can be regarded as a completely new way of developing and assessing employees and thus needs to be treated in the same way as a major change initiative. Mental models need to be changed because those considered top performers in the 'old' output-orientated organisation might no longer be considered top performers in the new input-orientated model. Understanding the current culture and consequently the organisational mental model is advantageous to competency devisors as it aids them in setting realistic objectives and timelines. A culture review also allows planning for the implementation of the competency model and the associated strategy to focus on areas of the culture that might require more emphasis.

6.7.2 Strategic Emphasis

Almost all of the companies claimed their competency strategy was important to some degree in the achievement of strategic goals. Only four of the thirteen companies linked their competency strategy to strategic goals in communications. Six of the companies who were able to specify which strategic goals their competency strategy was linked to, did not make these links clear in communications. It has been argued that one of the main benefits of an employee competency strategy is that it puts emphasis on desirable behaviours rather than just outputs. One of the expected effects of this behavioural emphasis is that the behaviour of the employee will improve and consequently, the service they provide as a result of those behaviours will improve. Customer Service is thus expected to improve in quality both internally and externally. Only one of the organisations made the link between employee behaviours and customer satisfaction through service.

The conclusion made here is quite severe. Organisations may recognise that a competency strategy is important, but not fully understand how it helps achieve strategic goals. Consequently, the communications released into the organisation will not be able to make the link with strategic goals, thus not emphasising the importance of the competency strategy. This is further reflected in the large number of responses that expressed difficulty in the communication strategy. If the cause and effects of a competency strategy are not fully understood by those designing and implementing it,

then the message sent to those directly affected by the strategy will be mixed and unclear. In addition to this, if the organisation is not linking competencies to other HR policies then that too weakens the importance rating of the competency strategy. Customer Service is clearly impacted by the behaviours of employees, this needs to be understood at the most fundamental level and communicated to employees. If employees are receiving instructions to adopt a competency strategy and not fully understanding the impact the strategy might have on the organisation, then they may well devalue a competency strategy in favour of an output based system. The 1998 IRS survey[14] into competency frameworks claimed that competencies 'provide a common language that sets out clearly and vividly the expectations the organisation has of each and every member of its workforce.' This is not occurring because of the lack of clarity surrounding the purpose of a competency strategy and the potential impact it will have on the organisation. Seven of the organisations expressed difficulties in attributing any improvements to a competency strategy – this will clearly be the case if the purpose of a competency strategy is unclear and not integrated into the overall key performance indicators of an organisation.

6.7.3 Competency Strategy Formulation

In creating a competency strategy, a couple of factors have been identified as being important from a systems perspective. Soft Systems advocates a participatory and pluralistic approach to take into account the multi-perspectives that influence situations. When defining a core competency strategy, six of the strategies were formulated solely by human resources. However, the majority of competency model devisors did consult various parts of the business through identification of top performers' skills and in some instances took an external route and used consultants. Considering the need for a core competency strategy to address the future core capabilities required by the organisation to survive and grow, it is anticipated that some external perspectives are gathered on the future trends of the business and where it needs to focus its efforts. Human Resources solely developing a core competency strategy need to take a participatory and objective approach to defining the

[14] Industrial Relations Survey (1998) Annual survey of competency frameworks - 108 organisations surveyed

requirements for the business. Certainly given that only five of the respondents undertook an external exercise to define and determine the appropriate capabilities for the future business, it could be argued that the remaining respondents could face a too insular approach to competency development and did not benefit from considering the external environment and developments within its future. A similar argument has been presented for those companies choosing to define behavioural indicators using top performer's skills.

This approach is criticised because it will reflect the most appropriate behaviours of the company in its current state but not necessarily in the desired state. The behaviours of several top performers in an organisation may be very different yet the outcome the same (the 'one best way' approach argued by Hendry 1995), so it becomes important to differentiate between effective outputs, effective inputs and desirable effective inputs. This last term refers to those inputs that help create effective outputs but that are also desirable. E.g. a salesman may use unethical behaviours to get a sale – this would be considered an effective input but not necessarily a desirable effective input. It therefore becomes important to define the competencies in terms of their desirability as well as their effectiveness. The framework presented later in this thesis needs to address the formulation of the competency strategy at both a core and a job specific level to ensure that a futuristic strategy is created. This futuristic strategy can then be designed to tackle the potential future demands placed on the organisation as well as the current demands placed on the organisation.

Another interesting point is the lack of allocation of weightings to competencies given the number of competencies that some organisations have defined. Clearly at the heart of an organisation's core competency strategy, there needs to be the message that all employees should have these core capabilities. However, when organisations have as many as thirty one possible competencies, this becomes difficult to manage from an employee development perspective. If organisations do insist on high numbers of competencies then it would be reasonable to allocate weightings to those competencies considered vital for management, important for lower level supervisors and desirable for employees. Given that organisations will also have job specific

competencies the message needs to be clear as to what behaviours will be expected from the employees within reason. The high number of competencies can also be linked to the lack of clarity around the purpose of the competency strategy. If the competency strategy designers are unclear as to the real purpose of the competency strategy in measurable terms then they may try to capture all 'essential' competencies in the core competency strategy, and not really focus on those that will help deliver a core competitive advantage.

6.7.4 Communication

Wiener(1948), Checkland (1981) and Beer (1985) emphasise the importance of communication in organisations. In implementing universally applicable strategies, the issue of communication becomes a pivotal point for success or failure. Policy formulation alone is difficult and tricky enough to get right, but without the correct communication strategy an excellent strategy may never achieve its full potential and leave its formulators wondering where *they* went wrong.

The American Compensation Association (1997) found that most companies that successfully launch behavioural performance strategies communicated with employees before implementation. Much difficulty was experienced in delivering a competency strategy to the businesses through the appropriate communication channels. This area needs to be clearly addressed in the framework due to the potentially large impact that a competency strategy has on an organisation. The competency strategy should be communicated in the same way as a change management expert would communicate a new important strategic direction. Thus when communication is tackled in the framework later in the thesis, a change management approach will be used. Simply leaving the communication until the point of appraisal is not sufficient, especially if the employees being appraised are having the competencies applied to their performance retrospectively.

6.7.5 Human Resource Policies

The Human Resources department have been seen in previous chapters to focus energies on the management of employee areas through policies related to Pay, Succession Planning, Training and Development, Recruitment & Selection and Reward & Recognition. In systems terms it can be argued that for a competency strategy to be truly effective it needs to realise its synergistic potential. That is, it needs to apply at the lower levels of employee management for its true qualities to emerge. If employees are asked to develop particular behaviours and do not see such behaviours tying into their future development within the organisation or their pay or their development it follows that once again the value of developing these behaviours is reduced. Couple this with unclear HR strategies and it is understandable why so many difficulties were faced in implementing the competency strategy. The various HR policy issues will now be discussed individually.

6.7.5.1 Appraisals

Traditionally in output-based assessment systems, the employee was assessed against the outputs they had produced over the course of the year. When reviewing behaviours it is unreasonable to take a static point in the employee's time and review that, for fear of assessing with either the 'halo'[15] or 'horns' effect and not really taking into account the employee's behaviours over the course of the year. The same can be said for outputs however it is easier to prove the quality of an output because in many cases the output still exists, something which clearly isn't the case for behaviours. Consequently, companies have responded to this potential issue by incorporating more feedback into the appraisals through the use of 360 degree feedback and a variety of other tools including simulations and customer data.

[15] Where a recent event clouds the weights unevenly on the performance rating – 'Halo' refers to rating an employee highly because of something they did well recently not taking in their performance across the year or other specified period. 'Horns' relates to rating an employee unfairly poor across the entire assessment period because of a recent negative performance.

6.7.5.2 Promotion and Reward & Recognition

Forty Two percent of respondents claimed it was important for employees to have both generic and job competencies before being promoted. Companies are not supporting and reinforcing the competency strategy if they do not use it for promotion and succession planning. The message therefore sent to the business becomes that of 'Align yourself to these behaviours but you won't necessarily get promoted/rewarded for them'.

Alignment is very important as Stalk, Evans and Shulman's (1992) third stage towards becoming a capabilities based competitor states:

> "Make progress visible and bring measurements and reward into alignment". p67 Stalk, Evans and Shulman's (1992)

Not aligning also has the effect of communicating to the business that it is still outputs that they should focus on because they will be rewarded on outputs. The culture does not get a chance to adapt to the behaviours and the HR policies start to wear away the potential effect of the competency strategy.

6.7.5.3 Training and Development

Most respondents linked competency strategy to training and development. If you are asking employees to develop behaviours then you need to provide them with the support mechanisms to develop those behaviours. A full review of the training courses on offer needs to be carried out to ensure that there are sufficient means of developing these behaviours. Reinforcement of the learning from courses/training should be carried out throughout the year through on-the-job feedback. This is something that needs to be considered from a managerial training perspective, as managers may not be used to coaching for the development of behaviours. Performance reviews are key in assessing a person's competencies and where weaknesses are found training is offered. Thus after training it becomes key to assess the significance of the training in many different ways pertinent to the behaviour being developed. This is an area that has proved weak in many organisations who either don't have the time or inclination to re-test for behaviour development. Testing

for learning is a difficult exercise when the learning in some cases is abstract and reflects a change in the world-view of that individual (as most core competencies require). It becomes easy to imply that you have learnt something learning is not about merely attending a course/seminar but about changing your perceptions and models. Lack of feedback generates a misguided view of the state of an organisation and will lead to poor strategy analysis overall.

After this initial learning and changing stage the debate as to what exactly should constitute a requested competency becomes pertinent only in terms of offering different training techniques which may need to be adopted to deal with different types of competencies i.e. motives, traits, knowledge. This issue however is mostly relevant individually to organisations and is difficult at this point to generalise.

6.7.5.4 Recruitment

Almost a third of companies did not use competencies in recruitment and selection. Again, the message being communicated into the business is that organisations are not looking for new entrants to have these behaviours. Clearly this is an opportunity for companies to start introducing these behaviours into the organisation from outside. It also means that they do not necessarily have to go through the training process in order to develop these behaviours. Once again, the techniques used in this area need to be integrated into the framework to ensure organisations understand how recruitment is affected by a competency strategy.

6.7.6 Testing for Effectiveness

Measuring the effectiveness of the competency strategy regularly was not an area fully explored by the respondents. 42% had not yet decided on this policy and this is also reflected in respondents expressing difficulty in attributing effectiveness to a competency strategy. An effective competency measurement system needs to be in place to ensure that the behaviours are still applicable for the organisation, that the competency strategy is achieving its objectives (thereby reinforcing the point that the objective of the competency strategy needs to be clearly defined from the outset) and

that the correct support mechanisms are in place for successfully delivering these behaviours into the organisation and thereby delivering on the softer core capabilities.

6.8 Summary

This chapter has analysed the responses from the survey sent out on behalf of the Marketing Council. It has analysed each question to understand some of the gaps that still exist in the real world in trying to understand how a competency strategy can be successfully implemented. It has explored the support mechanisms that need to be in place for full competency implementation and asked companies using competencies to comment on how they have implemented such a strategy and the difficulties and successes they have encountered. Four issues dominated the difficulties being experienced by organisations, these are communication, explaining competencies universally, attributing effectiveness to competency strategy and measuring competencies.

The issue of cultural-readiness for a competency strategy have been addressed and the argument made that organisations should be aware of their current cultural state or mental model before designing and implementing a competency strategy. It has identified key points in the linking of the competency strategy to strategic goals and has recommended the use of a participatory, objective and future orientated approach to competency design. The impact of a competency strategy on human resource policies had been investigated (with the direct exception of induction) and the results indicated a tendency for organisations to use more than one approach in assessing competencies, to ignore the concept of re-testing in training and development and to not tend to link the use of competencies to reward and recognition.

All these difficulties, issues and points will be addressed in the Systemic Competency Framework.

CHAPTER SEVEN

The Systemic Competency Framework

7.1 Introduction

This chapter will introduce the Systemic Competency Framework that was developed following the literature review and the survey. The Systemic Competency Framework seeks to incorporate the interesting points and arguments debated in the literature review with the outcome of the survey and represents much of the contribution to new knowledge of this thesis. It seeks to address the issues identified from the survey and literature review and incorporate the success factors and areas for consideration into a comprehensive framework that takes a holistic approach to competency management.

7.2 Introduction to the Systemic Competency Framework

The Systemic Competency Framework has been designed as a qualitative tool that practitioners can use to both design their competency model and to diagnose problems within it. The framework is intended to be applied in these contexts irrespective of the actual type or content of the competency model.

The case studies that follow this chapter were chosen for this research because they represent opportunities to both design and diagnose competency models in the real world and are different in their audience. The framework will trace the various stages that practitioners should go through when designing a competency strategy and represents the findings discussed in previous chapters. The stages contained within the framework are outlined in figure 7.1.

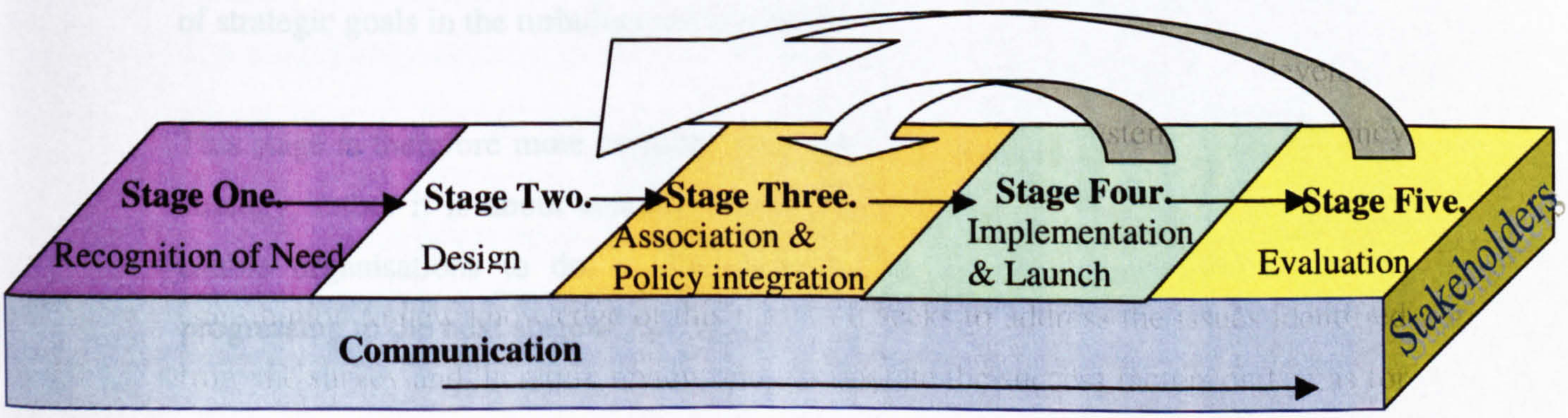


FIGURE 7.1 THE SYSTEMIC COMPETENCY FRAMEWORK

Stage One represents the initial understanding of the purpose of a competency model. Stage Two, as guided by Stage One, considers the pertinent points in actually designing the competency model. Stage Three is concerned with the integration of competencies into HR policies. Stage Four takes the work conducted in the previous stages and implements the policies and the model. Stage Five is evaluative because to seeks to review the achievement of the competency model's objective and to update it if needs be. Underpinning all the five stages are two critical elements that need to be considered throughout and those are Communication and Stakeholders. These two will be discussed throughout the descriptions of the five stages.

7.3 Stage One: Recognition of Need

The first stage is fundamentally one of the most important stages in this framework. This stage is critical to the overall success of the competency strategy because ultimately it will form the objective of the competency strategy and if defined strategically will ensure buy-in from senior people within the organisation. The survey results showed respondents recognised the need to link the competency strategy with strategic goals in order to propel its importance, however when it came to actually identifying which strategic goals it could be linked with, very few respondents could make the link. This certainly carried over into the communication strategy of the competency model. If a competency strategy is to be regarded as important to developing the soft capabilities of an organisation, then its importance needs to be communicated to stakeholders, in particular those impacted by the competency strategy. Linking the competency approach to strategic goals in communications relays the message that this is an important strategy that will enable the organisation to succeed in the future because it enables and supports the meeting of strategic goals in the turbulent environment.

This stage is therefore more complex then just recognising a need for a competency strategy, rather it is about actually focusing on what the competency strategy will enable organisations to do. The following areas need to be targeted before progressing to the next stage of the model:

1. Purpose of a Competency Model
2. Supporting/enabling strategic goals
3. Defining the success of the competency strategy

These will be now discussed further.

7.3.1 Purpose of a Competency Model

Model devisors need to be clear as to the purpose of a competency model and should define its purpose clearly from the outset. Typical 'purposes' could include:

- 'to develop a targeted level of capability in areas important to our business';
- 'to increase the capabilities of all our employees, giving them more satisfaction and enabling us to deliver a better service to our customers';
- 'to enable our business to work better given the fundamental behaviours we should expect from our employees' and
- 'we want to encourage a culture where behaviour is rewarded and not just output'.

The purpose needs to address the target of the competency strategy i.e. technical competencies, job competencies or core competencies.

Model devisors need to consider the overall communicative language that will be used to relay the softer purpose of the competency model, which can be used to satisfy those interested in developing the culture of an organisation.

7.3.2 Supporting/enabling strategic goals

Questioning which strategic goals the competency model enables, will help HR managers create a strong argument for why a competency strategy is important to the organisation. The strategic goals should be reviewed and linked to the competency strategy. It is important that the link is identified at the beginning of the development of a competency strategy because it will enable the development of commitment to the competency strategy from the onset. This link is made easier if organisations are adopting some form of balanced scorecard, because the recognition of the contribution employee development has on the overall business already exists to some extent. This link is also important because although organisations are beginning to recognise the need for a capable employee base, sometimes the actual reason why it is

important to have a capable employee base may be lost. An example of how a competency strategy may be linked includes linking the competency strategy to delivering better service to customers, increasing quality of customer service which many survey respondents recognised as enabling them to meet their business objectives. Once the link is identified, it is crucial to incorporate the link in communications.

7.3.3 Defining the success of the competency strategy

This area is important in the initial stages of development because it provides an opportunity for realistic expectations of the competency strategy to be defined. The survey results showed that many organisations found difficulty attributing effectiveness to a competency strategy, it is key therefore to set about asking the question 'what will success look like?' and defining realistic and timely objectives that could be met. Since competencies target behavioural development, organisations may find that identifying success factors comes from external and internal measures such as service delivery and customer satisfaction (assessed using customer questionnaires that ask for behavioural feedback). A broad approach to measuring competency strategy effectiveness should be adopted, one where different perspectives are sought in measuring effectiveness. This may include asking those who are at the receiving end of the behaviours (i.e. clients – through feedback surveys), those trying to exhibit the behaviours (i.e. employees – through feedback mechanisms such as appraisal forms, feedback questionnaire, employee satisfaction surveys) and those managing the exhibiting of behaviours (i.e. managers). It should also be noted that some competencies might take longer to develop than others might and can depend on the existing culture of the organisation.

7.4 Stage Two: Design

Stage Two is concerned with actually designing the model that will form the core of the competency strategy. Clearly the design of the competency strategy impacts the overall success of the competency strategy as measured by the objectives outlined in Stage One. The following considerations become pertinent:

7.4.1 Adapting an existing competency model

In some multi-conglomerates and international companies, the competency strategy may be determined by the parent company. Diagio have decided to leave it to their individual subsidiaries to create and implement their own strategies. HSBC holdings however, have had their competency strategy dictated from the parent company in Hong Kong as have Xerox (UK) Ltd. who have implemented the same model as that of its parent company in the USA due to the amount of research that their USA office undertook initially. Problems arise when organisations adopt other subsidiary company's competency models because of the differences in crucial success areas such as corporate culture, management commitment and buy-in and communication channels. Therefore, although organisations can theoretically adopt existing models, these models will be based on analysis undertaken and behavioural indicators defined that may differ culturally to the adopting company. Cultural integration needs to be conducted through reviewing the culture as explored in a later subsection.

7.4.2 Creating the competency model

The target audience of the competency model affects the routes the model devisor can adopt in formulating the model. Generally speaking, model devisors should look to create a competency model that is easy to understand, apply and relevant to all those being assessed by it. It is argued in this thesis that model devisors, regardless of the ultimate user of the competency model, use a participatory approach utilising external and internal sources to design the competency model. Therefore the criticality of getting Stage One right becomes pertinent because competency model devisers should use results from Stage One to deliver steps in the behaviour-eliciting methodology. If the competency strategy has been linked to the provision of high quality customer service for example, then research both external and internal needs to be conducted to identify future trends in delivering customer service in that particular industry. Externally speaking, competency model devisors should utilise institutions that have conducted research into these areas and try to include their recommendations into the overall approach to devising a competency model. These external institutions will be better positioned to extract competitor or industry information that may prove helpful. In addition to this external approach it becomes critical to involve internal research of

a participatory nature into the methodology as a true soft systems approach would dictate.

Internal research can take many forms as have been discussed in previous chapters. As a rule, it is proposed that a core competency strategy should include seeking the opinions of leaders within the organisation who have a vision of the future for the organisation. It may be that the information they supply is only relevant to senior people within the organisation, consequently it is important to consider the levelling of competencies to account for the different grades and levels within the organisation. This requires taking the competencies to a lower level of resolution and should therefore involve using members of this lower level system. Levelling the competency model will send a clear message to the organisation that these behaviours are being expected across all levels of the organisations. It will also indicate to lower level employees the type of behaviours expected of them at senior levels and will consequently provide them with a behaviour career plan. Different methods of eliciting ideal behaviours include critical incident interviews, surveys and focus groups. If a more specialised competency model is being devised i.e. one that is only applicable to a certain section of the company, then once again a participatory approach would dictate the participation of the end-users and/or their managers in eliciting behavioural indicators.

When actually determining what composes the competency model required, devisors should aim to generate both positive and negative behavioural indicators that describe how the competency can be observed. These behavioural indicators should then be suitably clustered under a competency heading and description and these in turn may themselves be clustered under a competency cluster heading and descriptor. An example is depicted in figure 7.2.

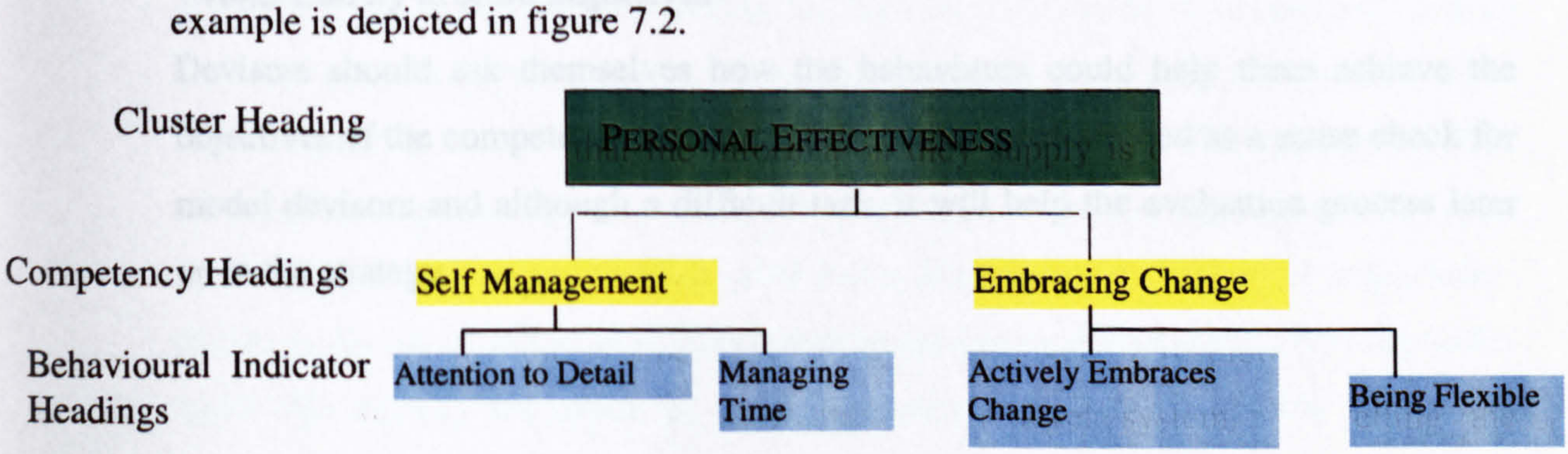


FIGURE 7.2 AN EXAMPLE OF A COMPETENCY MODEL CLUSTER AND THE RELEVANT SUBHEADINGS

Eliciting competencies for different sections/cuts of the organisation will impact how that behaviour is identified. Fundamentally, at the heart of eliciting competencies is the future orientation of any behaviour-gathering method. Many survey respondents cited the creation of their competency strategy pre-dominantly from the identification of top performers' behaviours. This rear view mirror driving (Morgan 1989) means that the future behaviours required are dependent on the behaviours of current 'top employees'. Such an approach hinders companies seeking to change their culture using a competency strategy because they are creating the foundations using the old culture.

Behavioural indicators are useful for describing in short sentences what a competency 'looks like'. During competency generating exercises, it is important to identify what those competencies look like if one is to observe them in employees. This can prove quite difficult because of the soft nature of competencies and delivering articulate sentences to describe ideal behaviours may be something that the model devisor considers doing themselves. Practitioners should remember that a competency needs to be observable for it to be assessed easily and that different types of competencies are more difficult to observe than others e.g. a skill is easier to observe than a trait. Clearly this will then impact how the success of the competency is measured over time and therefore realistic expectations of measuring the success of a model need to be adapted. As a guide, the devisor should attempt to define the behavioural indicators using action words i.e. verbs. This encourages the delivering of observable behavioural indicators.

7.4.3 Clarity around objectives

Devisors should ask themselves how the behaviours could help them achieve the objectives of the competency strategy. This question is designed as a sense check for model devisors and although a difficult task, it will help the evaluation process later on in the strategy.

7.4.4 Defining effective and essential competencies

This area is important because through the internal research conducted, several effective competencies may be recognised as leading to effective performance, however those competencies may not necessarily be desirable behaviours. The distinction needs to be made in evaluating which competencies to include in the model between simply effective competencies and desirable, effective competencies. This is where external research can prove helpful and give devisors a guide to which competencies will help deliver future success. In order to develop soft core capabilities, it becomes crucial to identify the threshold level of capability that is demanded by an organisation. This requires the competency model to be defined in terms of the competencies that are essential to developing the core of the organisation and those that are only perceived as additionally desirable. By developing this core level of capability across the organisation, when coupled with hard core capabilities (technical/process capabilities) the organisation formulates a strong competitive strategy that is able to flex its capabilities to deal with turbulent environments. Developing a strong core capability base means that the foundations of capability for the organisation are placed and flexibility and innovation to deal with the turbulent environment becomes easier to achieve because the capable roots are in place.

7.4.5 Culture assessment

It is important to recognise inhibitors that may reduce the success of a competency strategy. If an organisation traditionally has a very autocratic culture and one of the competencies recognised as being important is 'Using Initiative', then this organisation may find that this competency will take longer to develop effectively because of the legacy of the existing culture. It is therefore recommended that an audit or capability gap be performed to help formulate realistic expectations of when these competencies will be dominant within the organisation. This audit will help identify the corporate mental model and enable evaluation of specific areas that need challenging. Such an audit will involve surveying employees within the organisation to determine the extent to which they believe the competencies exist. This capability audit will identify the extent of the competency gaps and will enable devisors in

designing training modules to address these gaps as well as target communications to specific weak or difficult areas.

7.4.6 Communication

Once the devisor has formulated the method for generating the competencies, they should initiate the communication and communicate their intention to formulate a competency model. This communication should not simply be a trickle-down form of communication as dominated by survey respondents, rather they should be considering a communication strategy that is branded and continuous. This involves the consideration of a branding that is always associated with the competency strategy. Although this can prove costly, the survey results have shown communication to be the one area where much focus needs to be placed on. At this stage of the framework, the branding exercise should commence and an introduction to the upcoming competency activities should be communicated via such means as a newsletter, email or the Intranet. It is important to describe to stakeholders why this strategy is being formulated, how it is being formulated and what the next steps will entail. A key message to ensure that they understand that although they all haven't participated in formulating the competency strategy, colleagues have represented them.

To conclude Stage Two the following summarised points have been made that should be considered in designing a competency model:

1. Parent competency models that are used, should go through a cultural adaptation specific to the culture of the child company.
2. Definitions of competencies should be clear and precise observable behaviours that are easily related back to the success of the organisation. If weightings for competencies are to be allocated by jobholder and their manager then this needs to be correctly communicated in policy documentation and managerial training.
3. Emphasis should be placed on defining future successful behaviours and not necessarily reinforcing existing ones.
4. External and Internal research should be conducted to:

a. Provide a level of objectiveness to the development of the competency model (external research is not influenced by the devisor's organisational politics and opinions)
b. Develop a model that is reflective of the future requirements of businesses (external research may have determined future trends)
c. Develop a model that is applicable to the needs of various stakeholders within the organisation and takes into account cultural inhibitions (internal research with key stakeholders can ensure the expected behaviours meet their expectations, it also allows those all around the organisation to provide their input which may prove valuable as they are to be affected by it).
d. Establish credibility of competency model (seeking external research input will give further objective credibility to the model).
e. Get buy-in from stakeholders because their opinions have been sought (internal research will generate this providing realistic expectations have been set e.g. stakeholders should be aware that many factors will dictate what will eventually form the model.

5. Core competency models should be levelled to apply to the entire organisation and should ideally be limited to less than twelve competencies.
6. Evaluate competency list and use external and internal research to eliminate undesirable effective competencies.
7. Conduct a capability gap to identify ease with which competencies will be developed and to help define training and evaluation modules later in the strategy.
8. Communicate to organisation that a competency model is currently being constructed and how the model will impact them. Explain to them what a competency actually means and how it will differ to the existing policy/strategy. This will begin to pre-empt issues associated with a lack of uniform understanding of the competencies as identified by the survey.
9. Test the model with stakeholders to encourage buy-in and validate competencies.

7.5 Stage Three: Association and Integration

This stage is primarily concerned with the initial consideration and preparation for the association of the competency model with key supporting HR policies. These HR policies include Training & Development, Pay, Selection & Assessment, Reward and Recognition and Succession Planning. A systemic approach to strategy formulation ensures that the inter-relatedness present within strategies is recognised and optimised. If the competency model is created and launched with no real view as to how it may link with supporting HR policies in the future then overall a lack of synergy may result. A lack of holistic appreciation results in opportunities not being identified and manipulated. Therefore, the reductionalist point of view adopted by most of the organisations contributed to the overall lack of adoption throughout the organisation of the competency strategy.

> "The Challenge for HR is to develop systems of HR practices that create a synergistic effect rather than develop a set of independent best practices of HR. This requires a changing mindset from the traditional sub-functional [selection, training, appraisal, compensation, etc.] view of HR to one where all of these independent sub-functions are viewed as interrelated components of a highly interdependent system." p40 Barney and Wright (1998)

If the competency strategy is to determine much of the development of employees then it needs to be integrated into most aspects of their management to ensure the impact of the strategy is recognised. If people are to accept the overall worth of such a competency strategy it must be introduced into all aspects of their career. If they are asked to adopt a competency model in one of these areas and not in others what may follow is a lack of overall adoption and thus its full potential may not be realised. The problems that then arise include the non-achievement of a uniform understanding between managers of the importance each part of the competency strategy has in achieving overall synergy. This is reflected in the survey results which showed that one of the areas posing difficulties was the universal adoption and understanding of competencies.

That is not to say that the supporting HR policies need to be launched immediately, but that the link to these strategies needs to be recognised so that the overall effectiveness is optimised. A study carried out by the American Compensation Association (1997) found that a competency model had to be introduced to the company with a significant time lag prior to it being linked to compensation for the compensation strategy to be effective. Devisors consequently need to consider the following:

If the aim of performance management is to "integrate individual or team objectives with those of the organisation" (Armstrong and Baron 1998 – p25) then clearly a competency model impacts performance management. Overall targets of performance still need to be set with employees, however a competency strategy now requires the assessment of softer aspects of that employee's performance. This clearly is not the same as reviewing an employee's outputs (as discussed in Chapter Five) and requires the competency devisor to consider the most appropriate methods for assessing behaviours effectively. From the moment of launching the competency model, employees need to be made aware of the impact the model will have on their performance review. Emphasis is then placed on their demonstrated behaviours as well as their outputs. Consequently, they will be asked in performance reviews to describe situations where they felt they behaved in a particular way. It would then be down to the manager and/or colleagues to assess that behaviour (possibly using a 360 degree feedback tool) or, if dealing with front-end staff, actually using customer feedback. This change potentially requires a shift in mental model both of the manager who needs to manage performance differently and of the employee who needs to consider their behaviour as well as their output.

The actual method of assessment changes because of this focus on inputs in addition to the outputs and consequently a more continuous method of assessment may be more suitable to ensure a fully reflective assessment is made. Devisors need to consider the communication of this critical point to all stakeholders because it requires them to take continuous action in preparation for a performance review. Where traditionally managers may be used to assessing the outputs of an employee, it is important to consider training of these managers in ways of assessing behaviours and relevant techniques. This training should tackle the mental model issues that reinforce the use of a more holistic evaluation of performance. It may be that

customer feedback (both internal and external customers) suddenly becomes important to assessing the behaviour of employees. If the competency model is that of a levelled core competency model then it needs to be communicated clearly that a basic level of each competency is required from each employee. Specific competency models not aimed at all employees need to also be explained to the appropriate employees and specific levels of competencies allocated to the job roles. This overall process can be quite confusing as employees are faced with core competencies they should develop as well as technical – all this in addition to the performance objectives and targets they are issued with. To lighten this confusion, it is recommended that role profiles are designed for the entire organisation that clearly explain what competencies are expected of each type of role within the organisation. These role profiles should cut across all the roles in the organisation and act as a route planner for development of employees.

7.5.1 Ensuring Training and Development is aligned

In the same way that the culture of an organisation both affects and is affected by a competency model, thus requiring a culture audit, so too does the alignment of training and development to a competency model require an audit. As has been discussed in previous chapters, training and development can take many forms i.e. courses, on-the-job activities, books etc. When considering aligning the training and development policy/offering to a competency model the following become pertinent:

1. Conducting a mapping of current training and development resources to competencies. Given the recognition that different forms of competencies may require different types of training e.g. a motive being harder to develop than some skills, and ensuring that those competencies deemed essential are heavily focused on in training and development resourcing.
2. Identifying gaps in training and development of competencies.
3. Identify forms of training and development that cover the gaps and create a map of all resources to competencies providing anticipated timelines for particular competencies that need longer to convert into observable behaviours.

4. Create a process of opportunity that enables employees to access the training and development map.
5. Reviewing the success of training and development resources regularly to measure their effectiveness. This could include the review of resource effectiveness against performance reviews of employees after they have utilised that method of learning.

7.5.2 Linking competencies to Compensation, Reward and Recognition

Linking competencies to compensation, reward and recognition is achieved through the attribution of a percentage of pay or bonus to the achievement of a particular rating in performance evaluation. The role profiles of employees will specify which competencies are deemed essential and which are deemed desirable. Those deemed essential should be rewarded accordingly.

This framework will not provide a dictatorial statement as to how organisations should reward or pay for competencies, however it will provide a guideline as to the techniques that are available and strongly recommends the use of reward and recognition to promote the use of competencies. The methods outlined in Chapter Five suggest the use of a combined pay and bonus link which are associated with the displaying of the competencies and not simply the development of the competencies. This link needs to be made regularly in the current sense of performance reviews being an ongoing process.

If employees are perceived to display a set of competencies then they should be rewarded. The form of this reward can take many shapes and should be linked to the preferences of the organisation and their rating of how important a competency strategy is to the business. Several options have been considered and are now presented:

1. Bonus scheme – per competency

This suggests the use of a bonus scheme which rewards individuals via a lump sum that is paid to them when a competency has been effectively displayed and led to superior performance. This technique is very similar to many of the current reward

and recognition programmes already being administered by organisations[16]. The bonus is not necessarily a large sum of money because it is awarded on an individual competency basis.

2. Bonus scheme – overall competency rating

This scheme considers the overall competency of an employee and uses their performance review as a guide to how much a bonus they could be paid. The employee's pay might still be linked to their outcomes, however as an incentive to display the required competencies the bonus scheme might be linked to an overall competency rating. This scheme requires competencies to be weighted in order for the overall rating to be reflective of the role as well as the core competencies required. Each competency is therefore allocated a weighting in terms of its importance in a role (core competencies can use role profiles to allocate weightings) and the achievement of a rating is then apportioned to that weighting. All the apportioned competency ratings are then added up and used to calculate the bonus.

3. Integrated into performance objectives ratings

This scheme requires an employee's role to be viewed as consisting of two parts: the performance objectives and the competencies (which can include job specific and core). The elements of all the parts are allocated a weighting and overall should add up to 100%. The employee's performance is then reviewed against all the parts and a decision to increase pay or award a bonus is made on the basis of their overall performance (input and output) rating.

These techniques can be combined and indicate a selection of schemes that can be useful to organisations wishing to link competencies to pay and show their commitment to competency development yet are troubled with the complexity that arises from making this link.

7.5.3 Selecting and assessing potential employees using competencies.

Using competencies in selection enables organisations to introduce new employees who advocate and demonstrate behaviours within the competency model. Advertisements and role profiles for applicants should be targeted around behaviours

[16] The Xerox corporation has such a policy

as well as past achievements. In assessing applicants (both new and as part of succession planning), competencies should be integrated to the assessment process be it in the form of behavioural-event interviewing e.g. give me an example of a time when you demonstrated 'x' behaviour? , or through simulations. The research has shown (see Chapter Five) that competencies aid in finding more suitable people for organisations. What was found to be missing was any indication from the research that once recruited the new employees were inducted and introduced to the competency model. As part of the induction process, employees need to be made aware that their performance over the year will be assessed using both targets (as applicable) and behavioural expectations.

The use of competencies in succession planning is still in its embryonic stages with more emphasis being placed on the individual having the right outcomes-based experience in deciding on succession paths. However, the argument made is related back to top management commitment that these behaviours are required for developing the culture of the organisation. The managers need to display the effective behaviours in order to convince the employees that:

a) the organisation is promoting the use of such behaviours by using them in planning the organisation's roles (use of Role Profiles to strengthen this message)
b) that the managers can recognise these advocated behaviours (because they display them) and act as a coach and effective reviewer of the employee's own performance.

Consequently, the argument is made that top management commitment to competencies needs to be displayed in their using them to succession plan.

The above-discussed HR policies need to have 'success' identified before launch in a similar way to 'success' being identified for the competency model. Devisors need to be clear as to how success in these areas is defined and attributed.

A summary of the points for Stage Three is presented below:

1. Future integration and association of HR policies needs to be considered from the initial stages of the competency design project. This is to ensure a holistic approach is adopted from the outset. Consideration of the motivations of

stakeholders should be undertaken to ensure their drivers are identified and designed into the HR policies. Model devisors should seek to integrate competencies in all areas that impact an employee's career to stress the importance of developing behaviours and the core capability of the organisation. This also further reinforces the perceived top management commitment to the development of competencies.

2. Success should be defined at the start of the association and integration process, ideally defined when the model is being designed.
3. Potential association and integration needs to be communicated with the communication of the competency model regardless of whether or not there exists an implementation delay of the HR policies. This ensures the importance of the competency model is recognised in terms that are relevant to the employee as well as to the organisation. These communications should therefore seek to communicate why competencies are important to the organisation, how they affect the individual and what will be expected of them following the launch of the model. It ensures that employees understand that even if their pay is not immediately linked to their behavioural performance it may be at a later date and is therefore worth paying attention to.
4. Intend to integrate wholeheartedly and not for the sake of appearances. Association and integration needs to be taken seriously, if employees are to take non-development of competencies seriously e.g. If the competency model is linked to succession planning then employees should not be promoted without developing those competencies deemed essential for the role.
5. Use role profiles to indicate how competencies may affect employee career development and entitlements. Role profiles can be used to communicate competency expectations, pay related competency expectations and how career progression may be affected by the lack of competencies. They also provide an overall view of the role.
6. Consider varying tools of assessment to allow for realistic and regular behaviour monitoring. This includes potentially reviewing customer feedback (internal and external customers) as well as the more traditional forms of assessment. Communicating the need for regular behaviour recording by both manager and employee. This may require the training of managers in

observing behaviours as well as the mechanics of weighting competencies and actually managing their development.

7. Conduct a Training and Development audit to identify gaps in the Training and development portfolio. Recognise the different training needs of different types of competencies and seek to address gaps and determine timelines where possible for the development of competencies.
8. Align reward and recognition policies and succession planning with competencies to demonstrate commitment to their development.
9. Set in place milestones for introducing the HR policies and then for reviewing their effectiveness. Set HR policy objectives against specified timelines so that a review is more useful and can be used as a point to adjust the HR policies.

7.6 Stage Four: Implementation and Launch

Having considered the integration of the competency model into the various HR policies, it now becomes appropriate to officially launch the model. As research has shown getting employees to accept a competency model and develop universal understanding of its purpose and meaning is one of the biggest challenges. Managing the launch carefully and being prepared to spend money on the launch may help increase the chance of successfully overcoming these barriers. A culture audit will have indicated to the model devisor how prepared (or not) employees may be to embrace a competency model. When this stage in the framework has been reached, the organisation should have been subjected to various forms of introductory communications, which will help prepare the organisation for the competency model and accompanying strategy. If the organisation has been used to a solely output-based method of performance review then the successful adoption of a competency strategy will require changes in the mental models of both managers and staff. This needs to be recognised and embraced at the time of devising the model and its launch strategy as it will require longer periods of adjustments for both sets of employees. This means managers need to go through periods of training and learning as to how a competency strategy is different to the 'old' way of reviewing performance, how it is

important to the organisation achieving its strategic goals and what new techniques they will be required to employ to effectively use the competencies. Clearly, managers gaining a universal understanding of these elements of the competency strategy will enable the trickle-down communication to be more relevant and accurate.

The actual launching of the competency model and accompanying policies needs to be carefully timed and the following should be considered:

I. Universal understanding by managers needs to be established before the official launch so they can reinforce the purpose of the strategy and field questions from employees. Test this understanding before launching through meetings and feedback forums.

II. The competency model needs to be absorbed by all employees before a yearly review can take place. The yearly review needs to clarify and define the expectations made of employees in terms of delivering essential and desirable behaviours at both core and more specialised levels in the upcoming year and not applied retrospectively. Employees at this point need to be clear on how developing competencies will affect their pay, reward, succession planning etc. even if these policies have not yet been launched. Competencies that are pertinent to a person's role should be available from the role profiles established. These should be discussed and agreed with employees to ensure anomalies are not just ignored and a participatory approach is adopted.

III. Launches should use many forms of communication so as to impress and appeal to employees in different ways. Reinforcing communications should be cascaded and reliance on a managerial trickle-down should be minimised.

Following the initial launch of the competency model, any further launches of associated HR policies should use the same branding and should incorporate more than one form of communication to reinforce the message and top management commitment.

7.7 Stage Five: Evaluation

The actual evaluation criteria of a competency strategy should have been identified at the start of the process of developing the competency model. This stage is now

merely about implementation of an evaluation tool/method. The competency success definitions decided upon need to be evaluated after the model has had a chance to be absorbed by employees and after the employees have been evaluated against them. The model devisors should have set realistic timelines related to developing competencies and need to have taken into account the cultural impact on timelines that may have occurred. Reviewing the performance reviews of either the entire employee population or a representative sample will enable an assessment to be made of the implementation and launch of the competency model as well as progress that has been made in developing the competencies. However, it does not address the potential issue of whether the competency model is still applicable to the organisation.

Research both externally and internally needs to be once again conducted to ensure the validity of the competencies against demands from the environment. External research will enable the model devisor to update the competency model if it requires updating and internal research should test the content of the model and its accessibility and applicability to the organisation. Internal research should include a data-gathering technique that is applied to both management and employees. Unless one adopts a deterministic stance, it is difficult to predict the emergent properties of some competency models, the time lags involved in realising strategic decisions are sometimes difficult to determine, thus leaving strategists very much relying on past behaviour to indicate typical results. Consequently, the adoption of certain characteristics/behaviours may lead to the submergence of other equally important traits that may not have been previously accredited. This needs to be anticipated and compensated for if the submerged capability is deemed core to the organisation.
Finally, if the strategic goals have been altered then the model needs to be re-evaluated in light of the changes.

The Systemic Competency Framework is positioned as both a diagnostic and design aid to model devisors. In its design capacity, the model devisor should follow each stage in sequential order and map their project plans against these stages. The considerations presented in each stage should be used to avoid potential areas of difficulty and enhance the success of that stage. In a slightly different way the diagnostic function of the framework demands the reviewer to consider their approach

to each of these stages and compare it with that recommended. The rationale presented for each stage should then be considered and evaluated against the outcome of that stage when it was implemented and differences linked back to the rationale.

7.8 Summary

This chapter has introduced the qualitative framework devised from the literature review and the survey results described in preceding chapters that acts as the main contribution to new knowledge of this research.. The Systemic Competency Framework has been created as a design and diagnostic tool for competency strategy devisors regardless of the exact type of competency/ce model. The Systemic Competency Framework consists of five stages that provide pointers and guiding considerations to the different components of designing, implementing and managing an effective competency strategy.

Stage one of the framework concerns the setting of the purpose and objective of any competency strategy and linking it to strategic goals. This stage reinforces the human resource management aspect of this research because it concentrates on propelling competency strategy into a driver of organisational performance. It does not simply position competencies as 'another HR concept' rather it concentrates on defining the success of the competency strategy in terms of an organisation's objectives.

Stage Two of the framework tackles the concepts behind the design of a competency strategy. It highlights the importance of cultural adaptation and awareness when designing a competency model, an area that has been ignored in much of the literature because competencies were deemed to define the culture and not necessarily be affected by it in the first instance. This stage deals with the effects the existing policies and culture might have on the corporate mental model and suggests concentrating on identifying the inhibitors to competency success that the culture and mental model might exert. Having identified some of these inhibitors, it becomes important to design a competency model that accepts these inhibitors and tries to achieve the competency strategy's objectives in light of these restrictions. It recommends the use of external and internal forms of research to gauge a futuristic

understanding of competency requirements as well combining an objective external approach with a subjective internal approach. It recommends the use of a soft participatory approach to designing the model, one that identifies the stakeholders and seeks their representation in model formulation. This has the added advantage of communicating to stakeholders the intent of the business and attempts to gain buy-in from them at an early stage. It is this stage at which official communications with regards to the intended introduction of a competency strategy should be initiated and incorporate multiple branded communication mediums.

Stage Three of the framework is concerned with associating and integrating the competency model into the relevant human resource policies. It is concerned with ensuring the overall holistic intentions of the competency strategy are achieved through the demonstration of commitment to competency development from the organisation. This commitment is displayed through the linking of training and development, performance management, pay, reward and recognition, selection and assessment and succession planning to competencies, as they tend to be towards performance objectives. It recognises the time lag that might be involved in such a link but suggests the positioning of such links prior to official implementation and launch of the competency model. This stage discusses the implications of introducing a competency strategy where one didn't previously exit and explores further the importance of reinforcing the change in mental models by rewarding and integrating competencies into the management of an employee's career. The use of role profiles is recommended to direct careers and to attempt to define a universal understanding of the competencies an area deemed particularly problematic. A training and development audit is discussed which should ensure the development of behaviours as opposed to outcomes if a competency model wasn't previously being used. It is suggested that the developing of competencies be monitored as some competencies may take longer to develop than others. This needs to be incorporated into the design of the competency model and described in any competency manuals to inform managers and employees that some competencies require long-term concentration and focus. The linking of pay and reward and recognition to competencies is explored and three possible techniques suggested which allocate importance to competency development by linking financial reward to the displaying of the competencies.

All the policies discussed in this section should, in the same way that the competency model is defined, have their own success defined. Model devisors should seek to integrate 'whole-heartedly' and if aligning policies to competencies should not make exceptions the rule e.g. if succession planning incorporates competencies then employees should not be promoted into role without the correct competencies. This strengthens the implementation of the competency strategy and sends the message that the organisation is committed to developing this capability. The framework does not suggest that all the human resource policies are implemented at the same time, however it does recommend that they are considered at the design stage and before implementing the competency model. This is so that the policies all work cohesively together and that they can be communicated in preparation for their arrival at the implementation stage of the model itself.

Stage Four of the Systemic Competency Framework tackles the considerations associated with formally implementing the competency strategy. It highlights three main points that are important for this stage:

1. A testing of the universal understanding at managerial layers needs to have occurred.
2. Employees need to be given sufficient time to absorb the competency model before being evaluated and rewarded accordingly.
3. Launches should incorporate many forms of communications and should be directly applied to different levels of the organisation. Trickle-down communications should be at a minimum.

Stage Five of the Systemic Competency Framework is the evaluation stage of the framework. Having defined the criteria that made the competency strategy successful in stage one, Stage Five is concerned with reviewing that criteria and making adjustments given the differing timelines that may need to be associated with some of the criteria being fulfilled. This stage requires a comprehensive review of the strategy, the model and the implementation plan and requires the use of external and internal review techniques to assess the strategy's impact on external and internal customers. It communicates to the business the importance it is placing on getting

these competencies 'right for the organisation' as well as measuring the effect these competencies might be having on external stakeholders.

The Systemic Competency Framework presented can be used to assess an existing competency model by tracing the events that led to the existing model against those recommended. In its design context, the framework provides an overall approach to the entire management of the competency strategy and should be referred to throughout the design, implementation and review stages.

CHAPTER EIGHT

Application of the Systemic Competency Framework in the Real world

8.1 Introduction

Having developed the initial competency framework based on the literature review and survey results, case study validation and consequent action research was then conducted within two of the organisations who responded to the survey.

Two organisations were receptive to the idea of further research and validation or design of their competency model against the 'competency framework'. These organisations were HSBC Holdings and Aon Consulting. This chapter will trace the validation process within these organisations.

Case Study 1 reviews the diagnostic work carried out with HSBC holdings and will discuss how the company fared against the Systemic Competency Framework and whether or not it could identify with it. Case Study 2 discusses the design application of the Systemic Competency Framework conducted within Aon Consulting. For each case study, a brief introduction to the background of the company will be followed by a description of how the Systemic Competency Framework was used in either a diagnostic or design capacity.

In order to validate the Systemic Competency Framework the following criteria had to be met:

1. The framework enables those using it in its diagnostic capacity to recognise the difficulties and successes they encountered in designing, implementing and evaluating their competency strategy and the associated causes of these difficulties and successes.
2. The framework enables those using it in its design capacity to formulate a comprehensive competency strategy that is holistic and therefore linked to strategic goals. That the strategy is participatory in nature, culturally adapted and sets up human resource policies to ensure employee commitment to the competency strategy as well being flexible enough to cope with environmental variety now and in the future.

8.2 Case Study 1 - HSBC Holdings

This case study was carried out towards the end of 1999 and involved several diagnostic meetings and interviews with members of HSBC Holdings, the Head office for the international bank HSBC. The case study developed after the Manager of Human Resources Planning & Policy was contacted and given the opportunity to validate HSBC's competency strategy and assess its effectiveness.

8.2.1 Background

Headquartered in London, HSBC Holdings plc is one of the largest banking and financial services organisation in the world. The HSBC Group's international network comprises some 6,500 offices in 79 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa employing some 140,000 employees.

HSBC provides a comprehensive range of financial services: personal, commercial, corporate, investment and private banking; trade services; cash management; treasury and capital markets services; insurance; consumer and business finance; pension and investment fund management; trustee services; and securities and custody services.

The Human Resources department in HSBC holdings was charged with devising human resource strategy at a global level. Recent global acquisitions had resulted in HSBC acquiring businesses of differing capabilities. In some markets it had acquired the market leader and in others it had been opportunistic and acquired failing institutions, both strategies designed to penetrate that particular country's financial industry. All core human resource strategy that emerged from the Head office needed to be disseminated into all the subsidiaries. Integrating all the work practices and policies was a substantial challenge, and this involved adopting a global holistic Human Resource strategy.

8.2.2 Stage one: Recognition of Need

HSBC developed several competency models to apply to different staff levels within their business. They developed a Senior Management Competency model, a

Management Competency model and a Clerical Competency model. The diagnostic exercise was charged with reviewing the Senior Competency model and Managerial Competency model and accompanying strategy. The models and strategies were both designed in conjunction with one another and both were seen as a natural evolutionary step in performance management. The HR manager noted HSBC's tendency to 'follow the crowd' and admitted that once competencies had been accepted in other banking institutes, HSBC developed their own.

8.2.2.1 Purpose of the Competency Model

Global Human Resources defined the competency model and the accompanying strategy. They communicated the purpose of the strategy in their 'Guidelines to Executive Performance Development Programme (EPDP)' document which was distributed to both those being appraised and their appraisers. The EPDP document described the overall approach to assessing individual performance based on behavioural assessment (competencies) and achievement of key performance indicators (KPIs) and consequently was representative of both the hard and soft forms of employee assessment. Within the EPDP, a diagram was used to explain the benefits of EPDP and how EPDP linked personal achievements to corporate achievements. This diagram is reproduced in figure 8.1 and shows the generality of the linking of corporate goals with individual goals. The diagram attempts to describe pictorially the purpose of the EPDP but does not make specific references to the competencies.

The purpose of the competency model is defined within the purpose of the entire performance appraisal system, which is defined as:

> "The means by which individual performance is linked to the bank's business objectives and operating plans. For the bank to be successful every manager must establish and agree precise, measurable and objective standards and goals for individual performance" p1[17]

[17] Internal document titled 'Guidelines to EPDP'

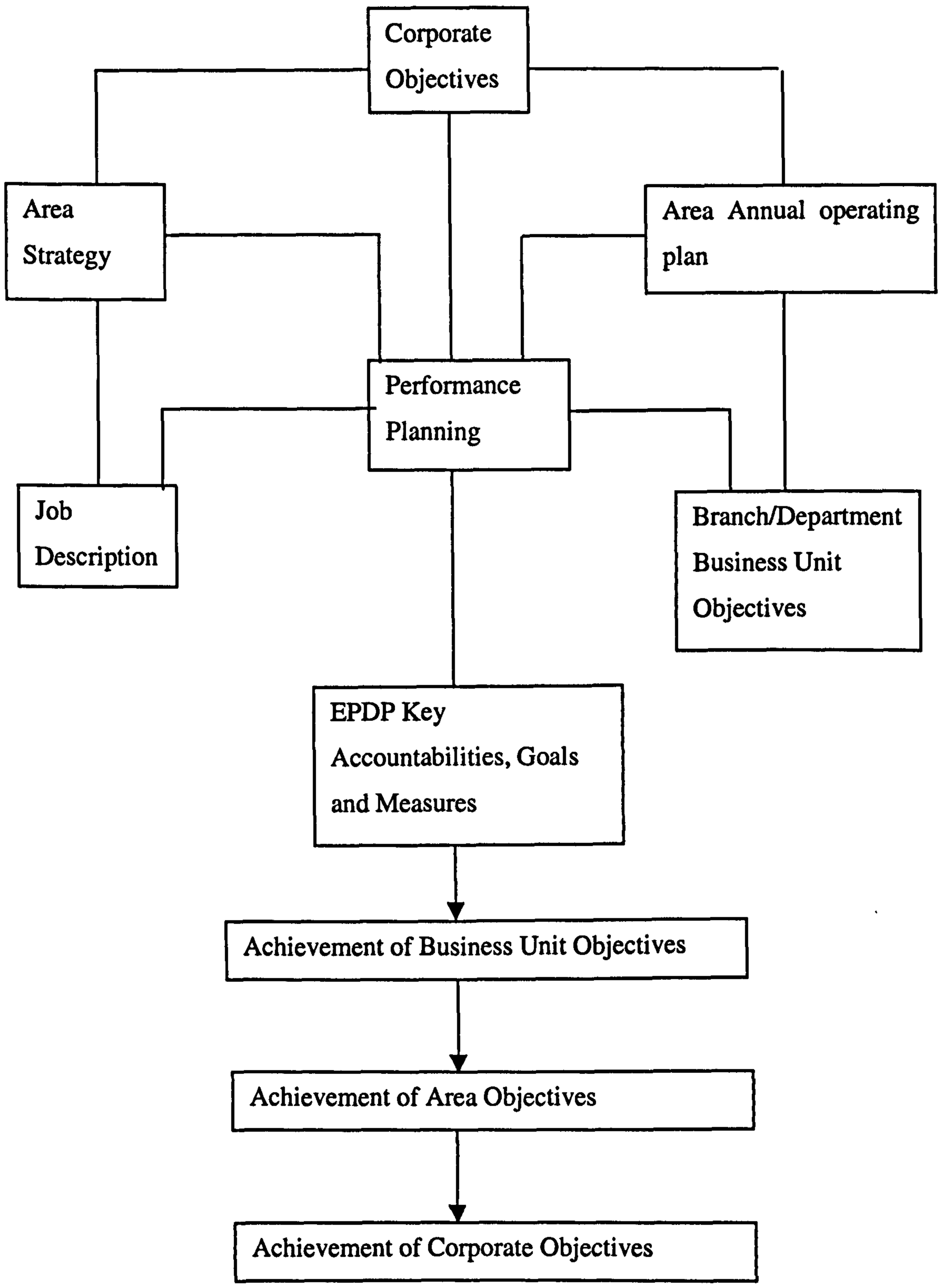


FIGURE 8.1 THE LINK BETWEEN PERSONAL AND CORPORATE ACHIEVEMENT

The document describes the benefits of EPDP to the Appraisee as

> "It quantifies your major goals.... It enables you to see and review what you have achieved during the year...It provides information about your abilities, aspirations and potential.... It enables you to focus on future development and training needs." p3[18]

These definitions are problematic for the following reasons:

The purpose is not clearly defined and does not refer to which objectives/goals the EPDP might enable. This was because the goals changed yearly and HSBC did not wish to reprint the document yearly, however it meant that an abstract description of why the EPDP was important was provided to employees and their appraisers alike.

The benefits paragraph places much emphasis on the 'harder side' of performance. It refers to the quantification of major goals – clearly a reference to the KPIs rather than to competencies and consequently demeans competencies by implying that they do not refer to employees' major goals.

8.2.2.2 Supporting/enabling strategic goals

The competency models were designed to contribute to the overall business needs that were defined as Shareholder Value and Cost Control. HSBC recognised that in order to increase shareholder value they needed to perform well by innovating products. This was difficult given their 'follower' attitude and meant that they needed to adopt a cost cutting programme and a competency development programme. They believed that through utilising and maximising their employee skill base, they could leverage their skill capability to compensate for their lack of hard capability. Clearly they had defined and identified the goals, which they believed would be met through the successful implementation of an appropriate competency strategy. However, this wasn't communicated to the stakeholders who were impacted by the strategy. Instead the employees were simply told through the 'Guidelines' document that competencies were being introduced as part of their overall performance review and not actually make the link regarding which strategic goals the competencies might enable/support.

[18] op. cit.

8.2.2.3 Defining the success of the competency strategy

HSBC did not think that the actual success of the competency strategy was relevant and did not have any measures put in place to review its effectiveness. The competency strategy was just considered to be one way of evaluating employees and its success was simply to be measured by how well employees responded to it. This 'success' measure is more related to how well the competency strategy has been communicated than how effective the competency strategy has been in delivering strategic goals.

8.2.2.4 Stage one review

According to the first stage of the competency framework, HSBC have failed to set-up the correct foundations for a successful competency strategy. Although Global HR has identified the strategic objectives that the competency strategy will enable, they have not communicated those links or considered how success would be measured. Simply relying on adoption as a sign of success means that Human Resources will not gain a strategic grounding as a result of the competency strategy because there is no way of linking organisation success to the competency strategy. In addition to this, the actual competencies measured cannot be evaluated for their effectiveness or ineffectiveness at developing the appropriate capabilities. Overall, the Head of HR recognised that one of the issues still prevalent within the organisation was that of elevating the strategies that Human Resources devised onto the strategic stage. He felt that due to the non-financial nature of many of their policies, they tended to be ignored when requiring top management commitment even though they were attempting to adopt the balanced scorecard. In such a situation where top management is not convinced of the importance of some HR strategies it becomes even more important to communicate how the competency strategy might impact the achievement of strategic goals.

The Head of HR also noted the lack of uniform understanding and overall adoption of the competency strategy by its intended audience. He noted that the competency section of the EPDP was not being completed correctly and appraisers had fed-back to HR that the model was not being adopted. This issue can be attributed to the lack of

emphasis placed on the importance of the competency strategy and by its demeaning in the actual EPDP document. By not linking it to strategic goals in communication and by stressing the importance of quantifiable goals in the EPDP document, HR was enforcing the message that the competency strategy was not important to the business.

8.2.3 Stage Two: Design

Eight points were proposed for consideration in the second stage of the Systemic Competency Framework. Table 8.1 displays how HSBC responded to these considerations.

TABLE 8.1 HSBC CONSIDERATIONS AT THE DESIGN STAGE

Consideration	HSBC Response
1. Cultural Adaptation of Parent Company Models Locally	HSBC Holdings in the UK developed the competency model for global use. The Head of HR in the UK made the point that 'Language was the only difference' when it came to competency models. However when the competency model was delivered to the worldwide Human Resource offices it was assumed that the HR personnel would consider the cultural issues locally. It was recognised that the Hong Kong bank in Canada had a different culture to that of the Brazilian bank they recently acquired. The Canadian bank had a 'can do' attitude, while the Brazilian bank had low morale and had been failing prior to the acquisition. The local HR functions would then consider how to adapt the implementation of the competency strategy to allow for these cultural differences.
2. Clearly Defined use of Competencies / Competences	The competency model defined ten competencies for the two management models. These competencies were defined using positive behavioural indicators. The behavioural indicators were vague in places and could not be clearly related to observable behaviours. Examples of such vagueness include: 'Commercial Orientation – A style of thinking which guides the individual in management activities'; 'Lateral Thinking – The ability to generate solutions to problems'

	The first example is a good example of an ill defined and difficult to observe competency, the idea that an employee's 'thinking style' can be observed is confusing. Rather the competency commercial orientation can be observed through the indicator: 'demonstrates consideration of commercial issues when making management decisions.' The second example is extremely vague and imprecise. According to the definition presented lateral thinking is the same as mere problem solving. An employee being assessed on this competency could argue that they solved a problem and should therefore be considered a lateral thinker. An example of an indicator for the competency lateral thinking is ' devises out-of-the box solutions to problems'. Clearly, the behavioural indicators need to be clear and observable in order for them to be universally interpreted by employees in the way in which they were meant.
3. Future Orientated and 4. External and Internal Research	External providers designed the competency model using a job analysis technique. The external providers used only the top performers' behaviour to design the competency models. HSBC declared early on in the review that they were followers and not leaders. They had recently adopted the E.V.A. style of financial management and were highly focused on adding to Shareholder value. Consequently they had to adopt a cost-cutting philosophy to keep up with the market place. Rather than trying to transform their organisation into one that tried to lead the marketplace they were merely trying to be responsive to it. This explains their 'top performers only' approach to competency modelling and means that they will always be one step behind their marketplace. If they attempted to consider what competencies might be required of their business in the future, they may strengthen the leverage provided by the cost-cutting strategy in-conjunction with their future orientated soft capability and enable a change in their

	marketplace attitude. The job analysis approach had acted as an initial communication to those participating and acted as a buy-in tool for those involved, however may not act as a buy-in tool on a global basis.
6. Evaluate competencies and identify desirable effective competencies and 9 Test with stakeholders.	The competency list was evaluated and tested against stakeholders, however an external review of how desirable these effective behaviours were was not conducted. Consequently, HSBC were developing behaviours that were effective at producing the required output by current jobholders, however were not necessarily externally recognised as desirable. If an external review had been conducted, alternative effective behaviours may have been identified as being more desirable and appropriate towards achieving their objectives and enabled the to be more proactive than responsive to changes in the industry.
7. Capability gap	No capability exercise was conducted to identify the current climate for competencies. Consequently, realistic expectations of when these competencies could be developed could not be determined because no measure of the current state existed. Competencies that were regarded as not being adopted could simply have been those competencies that would take longer to develop naturally given the current culture of the organisation.
8. Communicate formulation of competency strategy	No communication prior to the release of the competency model was initiated. Those employees who were invited to participate in the job analysis were the only ones who were introduced to the competency model prior to its release. It could be argued that as these employees are the top performers, then they are the ones who will less likely require an extreme change in behaviour following the introduction of the competency model. Rather it is those employees whose behaviours may require radical changing that need introduction to the model from an early stage to get used to the concept and changes they are likely to need to make. If the model was future orientated and required a change in most

	employees' behaviours then there is a stronger argument to introducing the changes the business is introducing to the way it expects its employees to behave.

8.2.3.1 Stage Two review

The design stage of the HSBC management competency models met some of the considerations of the Systemic Competency Framework successfully. The definitions of some of the competencies were ill-defined and ambiguous, leading to a lack of universal understanding of the competencies which consequently meant that the ratings given in performance reviews were not comparable and 'fair'. This was reinforced by the feedback received by the Head of HR and commented upon in the review of Stage One. The use of external consultants introduced an external approach to competency modelling and coupled with the participatory nature of job analysis meant both an objective and subjective perspective was gained from the design methodology. The lack of external research however, meant that alternative effective and potentially more desirable competencies were not explored. The lack of future orientation in devising the model meant HSBC would continually play 'catch-up' to the marketplace. The Head of HR felt the capability audit was a critical missing piece in determining how successful the competency strategy had been so far. The lack of 'success' measures coupled with the missing capability audit meant that the devisors could not tell how effective the competency model had been in delivering them from their previous state to the existing state. The lack of communication at the second stage of the competency framework resulted in a slow adoption of the competency model due to the time it took for employees to familiarise themselves with the concept.

8.2.4 Stage Three: Association and Integration

HSBC had used an external consultant to advise them on how and when their competency model should be integrated with their HR policies. The external consultant recommended the delaying of any integration to allow employees to develop high comfort levels with the competency model itself. This consultant had

recognised an overall discomfort from employees with regards to the competency model and suggested the delaying of integration as a consequence of this, however how he recognised this 'discomfort' was unclear. HSBC recognised that it would eventually need to link most of the relevant HR policies to the competency strategy, but were only now considering their integration and association strategy. Given that the Competency model had been introduced nine years prior, the delay in extending the use of competencies could well have led to the levels of discomfort recognised by the external consultant.

It was intended that the appropriate layers of management merely as part of their yearly review use the competency model. Each year they would be assessed against the criteria set for them behaviourally. The documentation designed to communicate how performance reviewers should assess behaviours noted that reviewers should use behaviour observed through fact and statistic to decide on an employee's abilities. Where the employee was assessed regularly on meeting performance targets (quarterly) their behavioural assessments were only recorded once a year, thereby increasing the 'Horns' and 'Halo' effect a short-term memory/approach might result. The assessment of the competencies was made using a seven point rating scale that ranged from 'very little ability' to 'exceptional', with reviewers encouraged to use both ends of the scale. The reviewer was charged with assessing the reviewee's competencies in isolation to the reviewee and then discussing his/her ratings in a development review discussion. This approach does not suggest a participatory approach to assessing behaviours and may result in the reviewee not being given the chance to increase or enhance their ratings that were the result of one person's observations.

8.2.4.1 Training and Development

The Systemic Competency Framework provided five points to consider ensuring the alignment of Training and Development towards developing competencies. HSBC performed poorly in covering all the points. To commence, no formal mapping of training and developmental tools against competencies occurred in the first instance. Regional HR and training offices were relied upon to provide appropriate training and

development but were not authorised to undertake a mapping exercise. HSBC's obsession with providing Total Shareholder Value (TSV) meant that all time that members of management spent on internal policies and procedures had to be justified in terms of providing shareholder added value. This being the case, it meant that the HR departments around the world were finding it hard to justify the time they spent on setting the foundations for developing competencies. This affected the entire training and development portfolio, because it meant that no capability gaps were identified and thus no new forms of training and developing competencies were explored. This was also going to influence any 'competency effectiveness' review that HSBC may choose to conduct because there would be so many factors that were not considered or aligned towards competencies that identifying and correcting any inhibitors would be a phenomenal task.

8.2.4.2 Compensation, Reward and Recognition

Given the lack of role profiles in existence, and the deliberate policy of postponement, HSBC chose not to link base pay to competency development. They were implementing a policy of merit pay, which was directly related to the performance indicators but completely isolated from their competency development. Given that competencies were not being rewarded, the success of the competency strategy was to be greatly affected. No role model policy or package existed to motivate the employees to develop the competencies. The entire EPDP process was linked to succession planning and in the documentation sent to appraisers and appraisees, references to career progression was made in light of both performance outputs and abilities. The message being sent out therefore is that behaviour will be used to determine next positions in conjunction with outputs, and therefore developing competencies will be possibly rewarded by promotion. Although this is a form of competency recognition, there are some instances when promotion may not necessarily follow the development of competencies and the employee may feel cheated if not rewarded.

8.2.4.3 Selection and Assessment

The recruitment process for managers at HSBC used competency style interview questions to identify competency fit between the applicant and HSBC. These questions were used to assess applicant's previous exhibited behaviours in the workplace, however were not used to form a final judgement on the applicant's suitability for the role. HSBC used competencies in selection and assessment however, still recruited those employees that met its performance needs but not its behavioural requirements. This reinforces the overall lack of commitment to using competencies and sends a negative and misleading message to those using competencies, because they may think that competencies are not used seriously for recruitment and consequently are not used seriously for succession planning, although this is not the case.

8.2.4.4 Stage Three review

In using the summary points of the Systemic Competency framework to assess Stage Three, the following points are made in Table 8.2:

TABLE 8.2 ASSESSMENT OF STAGE THREE

Systemic Competency Framework	HSBC
1. Future integration and association of HR policies needs to be considered from the initial stages of the competency design project.	1. Very little consideration for HR policy integration was undertaken at model conception by the model devisors at HSBC. The policy of Total Shareholder Value policy meant it was very difficult for HR regional offices to promote the use of competencies because it partly conflicted with this justification policy. Pay was not included in the integration policy at any point and its impact as a motivator was not assessed. A clear message as to the top management commitment towards competency development was not forthcoming.

2. Success should be defined at the start of the association and integration process, ideally defined when the model is being designed.	2. Success for any of the HR policies was not defined.
3. Potential association and integration needs to be communicated with the communication of the competency model.	3. No communication for the future integration of competencies into the HR policies was announced at any point in the communication of the competency model initially.
4. Intend to integrate wholeheartedly and not for the sake of appearances.	4. A lack of commitment to the competency model was demonstrated in the fact that employees could be promoted into roles without achieving all the competencies required for that role, as well as the recruitment of employees into management positions without the necessary competencies.
5. Use role profiles to indicate how competencies may affect employee career development and entitlements.	5. Role Profiles were not used at all throughout the organisation. Line managers had to assess the suitability for promotion of employees without fully understanding what the new role might require both in terms of performance outputs and behavioural inputs.

6. Consider varying tools of assessment to allow for realistic and regular behaviour monitoring	6. Regular performance records were not re-enforced in the organisation, nor in fact was an appraisal system for senior managers advocated. Rather it was recommended that senior managers undergo review once every three years and managers once every year.
7. Conduct a Training and Development audit to identify gaps in the Training and development portfolio.	7. Regional HR offices were tasked with adapting their training portfolios to manage the needs of competency development. No formal training and development audit took place.
8. Set in place milestones for introducing the HR policies and then for reviewing their effectiveness.	8. HSBC were unclear as to when some of their HR policies were to be implemented and were not sure of how its success was to be measured.

Overall the summary points above indicate several serious flaws in HSBC's integration and association policy. No clear strategy had been established and communications and stakeholder involvement were poor. Overall they performed badly when asked to consider the points in this stage and recognised the need to articulate their HR policy integration strategy in order to progress in competency development.

8.2.5 Stage Four: Implementation and Launch

The missing culture audit within HSBC meant that HR was not aware of how prepared the culture was for the introduction of the competency model. This impacted the overall implementation strategy because it meant that weaknesses were not targeted. However, HSBC did recognise the importance of getting managers to universally understand the impact of the competency model on their appraisal

responsibilities and all managers were trained on the new form of appraisals prior to the launch of the competency model. When the model was officially launched it did not make reference to future integration of HR policies and consequently employees did not fully understand how it might impact their careers, pay and development prospects. The lack of role profiles meant that career progression was not made clear and the overall commitment by top management of the development of competencies was not reinforced. The competencies were officially launched using information packs and managerial workshops. Great reliance was placed on managerial trickledown and not enough on direct communication to the employees affected by the introduction of the competency model. Overall branding was missing due to the cost-cutting nature of the organisation and its shareholder value justification policies.

8.2.6 Stage Five: Evaluation

HSBC claimed to review their competency strategy every two to four years. This was carried out by speaking with managers using focus groups to gauge their overall opinions as to the success of the competency strategy. In the nine years that competency model was introduced no refinements or external assessment of the actual content of the competency model was conducted. Rather, they have adjusted their HR policies to delay the introduction of a reward system linked directly to competencies, but have at no point measured the relevance of the competencies to their organisation since inception. Given the change in the business environment for most businesses in the past ten years, an external review of the relevance of the competencies is important to ensure the core capability of the organisation is still relevant and providing competitive advantage. The lack of defined success criteria for all elements of the competency strategy means that identifying areas for improvement and refinement becomes a difficult task. Reviewing the competency model's implementation using a piecemeal approach lacks the synergistic benefits of assessing how all the elements of the competency strategy work together and means that real improvements can never be recognised. The overall success of the competency strategy is real terms can therefore never fully be identified.

8.3 Case Study 2 - Aon Consulting

The Aon Consulting research differed to that of HSBC because it used the Systemic Competency Framework in its design capacity to deliver the competency model and some of the associated HR policies. Consequently in reviewing the framework it is satisfaction of the second validation criteria that is sought.

8.3.1 Background Information

The Aon Corporation is a Fortune 500 Company considered a leader in insurance brokerage, risk management products and consulting, personal lines, warranties, and human resources services and consulting. It is traded on the Chicago, Frankfurt, London and New York stock exchanges, with 1999 annual revenue at approximately $7.1 billion. The Corporation has seen much of its growth due to acquisition and merger and is now tasked with integrating all the legacy policies, systems and processes towards working to the vision of 'One Aon' worldwide. This case study focuses on the Aon Consulting arm of Aon Corporation, which is an actuarial, employee benefits and human resources consultancy. It has over 1,500 employees operating out of 13 UK offices and is considered the fifth largest employee benefits consultant[19] and is made up of several divisions listed below as described on their internal website:

- Actuarial & Benefits Consulting - Designs and implements employee benefits programmes.
- Communications - Advises on, writes and designs employee benefits, pension and business communication campaigns.
- Compensation Consulting - Helps companies achieve their business objectives through advising on appropriate pay levels and structure, designing and implementing long-term incentive plans, bonus arrangements, share schemes and flexible benefits.
- Employee Risk Solutions - Set up in August 1999 as a joint venture between Aon Risk Services and Aon Consulting. It helps keep organisations and their

[19] According to their own website: www.uk.aon.com/about/busl_desc/facts.asp

employees healthy and productive, and thereby reduces costs to businesses in relation to employee absence, turnover and litigation.

- Executive Benefits - Advises companies on benefit options for directors and senior executives as well as advising executives personally about pension and benefit planning.
- Aon Management Consulting – Advises organisations on selection and assessment, organisational change and leadership effectiveness.
- International Benefits - Advises multinational companies on their overseas employee benefits issues.
- Investment Consulting - Focuses on the assets of pension schemes and assists in formulating investment policy, selecting investment managers and monitoring investment performance.
- Legal & Documentation Services - Advises on various legal issues relating to pension schemes, including negotiating with statutory bodies.
- Pension Administration - The business provides a complete administration service. Services include member data maintenance, cash management, scheme accounting, pensions payroll, and benefit calculation.
- Risk Benefits - Deals primarily with insurance relating to group life cover and disability cover, as well as insurance and annuities on an individual and group basis.
- Trustee Services - Provides professional trustee services to the trustees of occupational pension schemes.

These divisions grew as a result of aggressive acquisitions in the 1990s. As a result of this, Aon did not experience much organic growth as an organisation, rather it tended to simply incorporate the legacy policies, processes and culture of those companies it had acquired. The exponential rate of technological growth in the latter part of the 1990s meant that new smaller organisations were able to compete in Aon's marketplace[20] and win significant contracts that were traditionally Aon's. This forced the organisation to review how it competed in the marketplace and work towards leveraging its core capabilities towards the new competitive environment.

[20] Interview with David Scott, Head of Strategic Development for Aon Limited

8.3.2 Stage one: Recognition of Need

The Head of Global Human Resources for Aon Corporation, was charged with the delivery of a Global Performance Management Toolkit by the end of January 2001. In view of this launch the Head of Aon Consulting in the UK requested a consulting team (of which I was a Lead Consultant) to conduct a Role Profiling exercise for all 1500 employees in the UK. This exercise was designed to integrate all the roles of the acquisitions and provide an overall role-profiling framework that all 1500 employees fitted in. As part of this exercise, a competency model was required that integrated all previous core competency models that existed and consequently united the employees under one core competency model. As the lead consultant in this project, it was my responsibility to ensure that the competency model designed was as effective as possible. This meant using the Systemic Competency Framework to drive the competency model and the UK strategy around it that fell within the team's remit. The Head of Global Human Resources was interested in integrating the Performance Management Toolkit with the output of the UK work and therefore the consulting team were able to contribute to the overall strategy of the competency model and its communication.

8.3.2.1 Purpose of the Competency Model

In order to fully understand and communicate the purpose of the Competency Model the first step in Stage one required the review of the strategic goals of the organisation. Aon had been a participant of the survey research conducted and had indicated that its most important objective was market share. Interestingly, the survey respondent did not specify the policies that were been put in place to achieve their goal. The Head of HR recognised the key drivers needed to be in place to achieve their strategic goals and compete in the current and future environment as:

- Customer satisfaction and value
- Response to changes in the environment
- Integration of business practices, knowledge and processes

The Head of HR recognised that in order to achieve growth in market share, the organisation needed to be better and faster at responding to client's requests, and to offering them the same technological capabilities as some of the new entrants into the

market. Process Redesign initiatives were concentrating on improving and integrating the technological capabilities and processes, and concentration now needed to be placed on ensuring the core capability of the organisation was targeted for development towards the future environment. Therefore, the strategic goals that the competency model and its accompanying strategy could be linked revolved around the acquisition of market share through leveraging the employees' capabilities to serve the customer thereby ensuring satisfaction and repeat business, to respond to the changes in the environment and to promote an interdependent culture where business was acquired through knowledge and lead sharing. The purpose of the competency model is defined as:

"To provide/develop essential and desirable qualities for the entire organisation that are central to delivering effective performance to enable the future needs of customers to be met".

Coupled with the results objectives that also formed part of the performance management process, the Head of Global HR believed success would be generated through the combination of an output oriented approach and a behaviour orientated approach (figure 8.2)

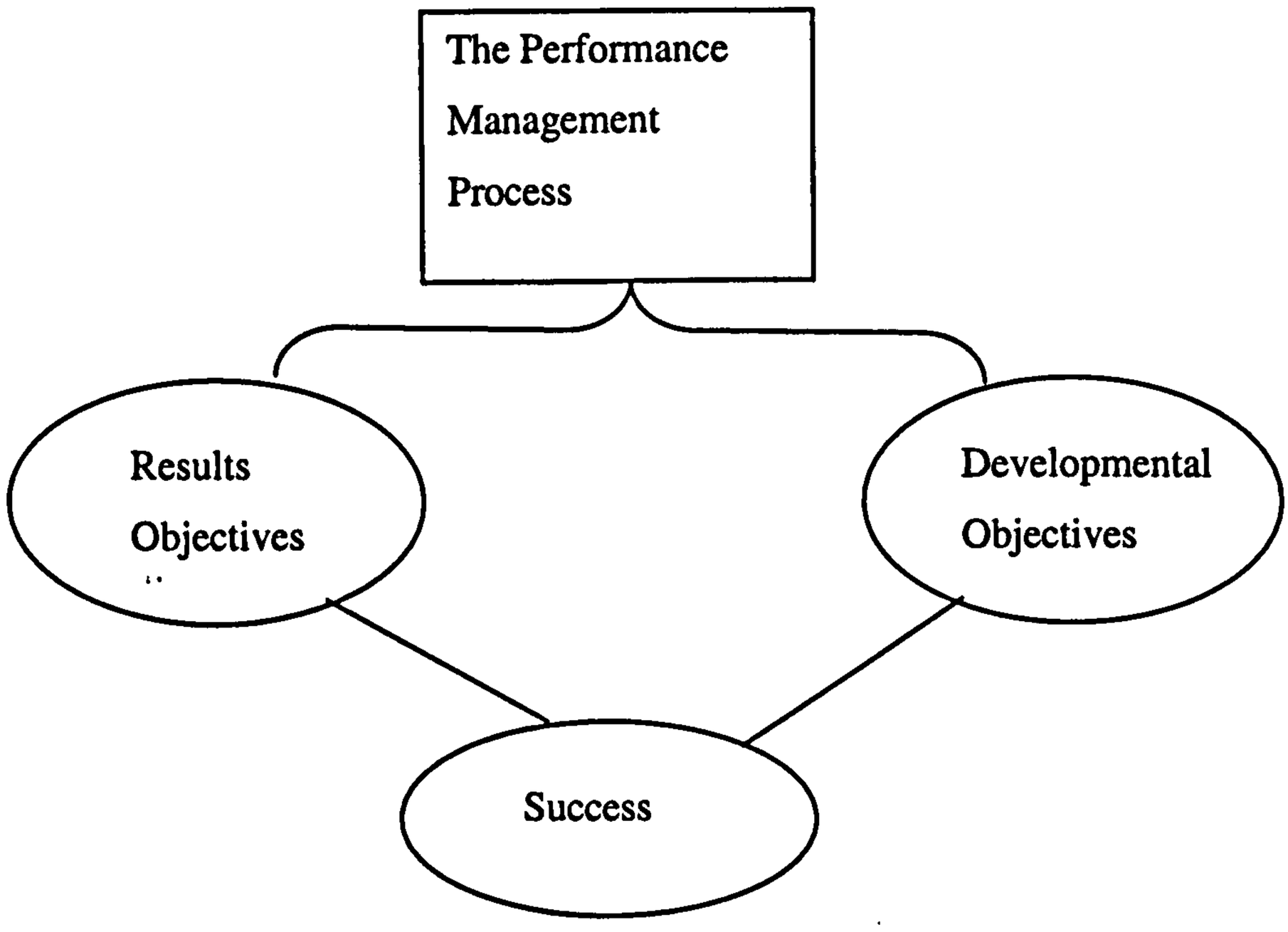


FIGURE 8.2 OUTPUT OF PERFORMANCE MANAGEMENT TAKEN FROM INTERNAL DOCUMENT 1

Although success is not clearly defined in the diagram, the internal document refers to:

> "Establishing (a) link ensures that individual development plans include the core competencies necessary to meet the result-orientated... objectives, that are part of the overall performance management process...one of the most important levers available for enhancing individual and organisational performance.
>
> The individual performance objectives should be directly linked to Aon's overall strategic objectives" p2 Internal Document 1

8.3.2.2 Supporting/enabling strategic goals

Given the discussions with the Head of HR, and the Internal Document 1, the strategic goals had been linked to the competency model indirectly and clearly explained why they might be important for success. The next part of stage2 involved using this link to communicate to employees the importance of the competency strategy in achieving customer satisfaction and responding to market needs. A communication in the form of a preliminary email was sent to all Aon Consulting UK employees, notifying them of the changes to the competency models they were used to working with. The link to strategic goals was described in a newsletter that was then also sent to all Aon Consulting employees outlining the research methodology involved in designing the new competency model and how their input would be required.

8.3.2.3 Defining the success of the competency strategy

In order for the consulting project to be considered a success, a competency model and strategy needed to be delivered to the Head of HR that met the project's objective. This success however, was not the same as the competency model/strategy being successful. In order for it to be successful, 'success' needed to be defined in terms of the purpose. If the purpose was defined as trying to develop qualities that would lead

to future customer needs to be met, then the success of the competency model needs to be considered in two ways:

1. Do the competencies identified meet the needs of delivering results objectives so that current and future customer's needs are ultimately satisfied.
2. To what extent have these competencies been developed in our employee base.

The two elements above are measured in two different ways. The former requires an understanding of the performance objectives that will be disseminated throughout the organisation. However these performance objectives differ across employees and therefore will be difficult to predict without linking the competency strategy directly to customer satisfaction. That way the competencies are driven by satisfying customers which will be similar to the behavioural requirements of delivering results objectives which should be geared towards satisfying customers. Consequently the satisfying of the first measurement criteria should be achieved through the conducting of customer research both at the design stage and then again in the evaluation stage, while the latter requires regular review of the performance management documentation that assesses the development of competencies.

8.3.2.4 Stage one review

Aon Consulting were clear on the need for a competency model, however defining the purpose and the strategic goals was a difficult task that required much thinking on behalf of those involved. Following various meetings with the Head of HR, the purpose as presented in this stage was defined. This purpose helped clarify for the Head of HR the actual reasons why a competency model was important and gave him leverage points with which to convince other senior members of management of the importance of the competency model. The success measures required an alternative approach to success definition than that initially considered by the Head of HR due to the complexity of the relationship between performance objectives and the behaviours that satisfy those objectives.

8.3.3 Stage Two: Design

The Head of HR mentioned several points which had resulted in negative feedback for previous competency models that needed to be addressed in designing the new competency model. These issues were:

- Too many competency models existed within Aon Consulting but none were specifically linked towards the achievement of the organisation's strategic goals. The old core competency model was felt to be confusing and employees and managers had complained there were too many competencies at a core level totalling twenty nine core competencies in addition to any technical job competencies that existed within the business. This confused the allocation of competencies during the Performance Management process as although the competency model was defined as Core, twenty-nine core competencies were considered too difficult to develop and some were consequently missed off the development plan.
- The levelling of the competency model was segmented into two levels but there was a lack of uniform understanding as to how these two levels applied across the organisation. The two levels consisted of a Core level and an Advanced level but no documentation existed as to how they differed in applicability across the organisation.
- There was no link between the core competency model in the UK and the US-defined leadership success factors used in succession planning. Consequently leaders in the UK felt the lack of integration with the US model mean their career development opportunities were excluding postings in the US.

In addition to these issues, the Systemic Competency Framework needed to address the following eight points as presented in table 8.3.

TABLE 8.3. AON CONSULTING CONSIDERATIONS OF THE DESIGN STAGE

Consideration	Aon/Consulting Response
1. Cultural Adaptation of Parent Company Models Locally	The core competency model was intended to incorporate the global leadership competency model throughout. However, because the leadership competency model was a global model, any significant changes in the competencies used would lead to the

	destruction of its global use as a succession-planning tool. Culturalisation of the language within the competencies of the global model was undertaken by reviewing the model with prominent leaders within the UK business.
2. Clearly Defined use of Competencies / Competences	From the outset the core competency model was designed to incorporate inputs that would lead to effective outputs. These competencies were defined using positive behavioural indicators that were designed to be observable by those assessing the competencies. All the behavioural indicator statements were written with observation in mind and assessed using managers and employees feedback. The integration of the global leadership model occurred through the levelling of the model into three perspectives: • Strategic – refers to the application of competencies at a senior leader level • Application – refers to the effective application of the competency at intermediate level • Fundamental – refers to the very basic application of the competency Behavioural indicators for each of the levels were written so employees could easily identify the expected behaviours at their level. The competencies were then clustered into three clusters that drove the achievement of strategic objectives through the: • Delivery of Value to Clients • Deliver of Value to Aon • Working in Teams • Acting with Integrity was deemed as a crucial foundation competency required regardless of the strategic objectives and linked to legal compliance.
3. Future Orientated; 4. External and	Due to the purpose of the competency model being aligned to customer satisfaction and consequently market growth, the use of

Internal Research; 6. Evaluate competencies and identify desirable effective competencies; 7. Capability Gap; and 9. Test with stakeholders.	external and internal research in order to generate future satisfaction and market growth was paramount to satisfying the success criteria. This heavily influenced the methodology for defining the competencies and resulted in the following approach: • Desk research conducted with Institutes representing the professions within Aon. The Pensions Management Institute, Association of Chartered Certified Accountants, Association of Accounting Technicians, Chartered Institute of Personnel Development and the Faculty and Institute of Actuaries were all contacted to gather research into developmental trends of their profession. Most of these organisations had conducted various studies into the changing nature of their profession and were able to provide key areas that required future development. The behaviour lists that they produced are presented in Appendix 2 and were used to guide the development of core competencies within the organisation. • Internal research was conducted in conjunction with the culturalisation of the language used in the global leadership competency model. Leaders within the business were asked to consider the important competencies required to deliver effective performance in the future. In addition to this, further internal research was conducted throughout all levels of the organisation in the form of a capability survey that was used as part of the capability gap. The framework suggests the use of the capability gap analysis to identify the required time period and training & development tools required by the business to bridge the gap between desired competency base and actual competency base. The capability analysis can however also be used as medium for communicating further the intentions of the business to develop a core competency model and can also gauge the opinion of all employees as to the relevance of the competencies to effective performance in the business. For

	Aon this capability analysis took the form of an electronic Lotusnotes-based survey that was sent to all employees within Aon Consulting in the UK and sought their opinion on the importance of specific competencies in delivering effective performance and satisfying customers. The employees were then presented with a list of the specific skill and behaviour descriptors and were asked to rate them on a five-point scale. The survey achieved a response rate of 20% and was promoted in its capacity as a "participatory approach to defining the core competencies of the organisation"[21] as well as "a tool to identify how far we are from achieving these core areas of competence"[22]. The analysis of the survey helped crystallise those competencies that were deemed as essential by the business, those were that deemed desirable by the business and those that were considered unimportant. In total, twelve core competencies were identified as being future-orientated, customer focused, objective orientated and appropriate to the business.
8. Communicate formulation of competency strategy	Communication of the competency model being formulated was conducted through corporate wide e-mails and through the administration of the survey that was accompanied by a description of the purpose of the survey along with the strategic implications of a successful competency model and strategy being devised.

8.3.3.1 Stage Two review

The final competency model can be examined in Appendix 3. The model contains three clusters of competencies all chosen because they represent the achievement of strategic goals. The 'Delivering Value to Clients' cluster focuses on the primary policy that Aon believes will deliver market share growth. The 'Working with Teams' cluster enables the effective performance to be achieved and consequently

[21] As taken from the email accompanying the lotus notes survey
[22] Op. Cit.

leads to the delivery of value to clients. The 'Delivering Value to Aon' cluster concentrates on the development of future business within the company through the adaptation to the environment and the sharing of knowledge throughout the business – all areas discussed in the literature research as being problematic to organisations.

The external research ensured that the competency model adopted a future orientated perspective and that the competencies were desirable within the professions that worked within Aon. This helped drive the role profiles (an example of which can be found in Appendix 4) that were created to cover all fifteen hundred employees in the business and these were later used in the implementation stage to communicate how the role profiles worked with the competencies and generic performance objectives across the business.

The capability gap served to identify the most appropriate competencies as well as recognising the areas that were to be examined in the association stage for training and development. The final model was a levelled model that took into consideration the future of the business, allowed employees to contribute their opinion as to the future and importance of competencies and acted as a communication tool and a participatory integration tool designed to achieve the strategic objectives of the business.

8.3.4 Stage Three: Association and Integration

Aon Consulting had in the past adopted a policy of rewarding effective performance through bonuses and commission structures linked to achievement and over achievement of performance objectives. No real incentive had ever been provided to reward competency development, in fact, for many parts of the business the competency models simply were not being used in performance reviews. No clear links were made between competencies and succession planning in all competency models that existed and this was leading to management asking why there was a need to develop competencies. The existing competency model was not integrated into job descriptions and therefore managers were unsure of how to link competencies with succession planning. Overall the HR policies did not support the development of core competencies within Aon Consulting. It therefore became appropriate to consider how this stage of the framework would impact the future HR policies.

8.3.4.1 Training and Development

The capability analysis identified three areas in the business that required concentration of training and development. These three areas were identified as being very important and yet lacking in the business. The capability analysis was consequently used again to assess the 'existence' of the competencies that had been used to create the core competency model. A training and development audit was then conducted to analyse the available resources for developing the competencies in the core competency model. Where gaps existed in the available resources, especially in competency areas that were identified as particularly weak in the capability analysis, additional resources were recognised and recommended. These resources were identified by the training department following reviews with training providers as to the most appropriate ways of developing these areas. Following the training audit a matrix was developed that mapped training and development resources to the new competencies with the intention of releasing it with the competency model. Appendix 5 displays this matrix. The next part of this sub-stage was to ensure that upon its release, employees would know where to access the resources and consequently both the training matrix and a directory of where the resources could be accessed were placed on the Intranet. All the training and development resources that existed for use within Aon Consulting had a feedback process associated with them. This process consisted of a form that was sent to the employee upon requesting the training or development that queried their expectations from using the resource. Upon utilising the resource the employee was then sent a further form requesting assessment of the resource in meeting their objectives. This process was reviewed and amended slightly to include questions surrounding the training matrix. Overall the process was deemed successful in identifying which resources achieved the objectives of the employees utilising them. Therefore success of the training and development initiative was linked to the feedback of evaluation forms which contained a new question surrounding the ease with which the resource was located, developed using the resource and then actually used in the role.

8.3.4.2 Compensation, Reward and Recognition

The role profiles were intended to provide the business (both management and employees) with a map of the types of roles within the business, the types of outputs

and inputs required of the roles and consequently a guide to succession planning. These role profiles provided focus for managers in establishing performance objectives and competency development targets. The role profiles were associated with every role that existed within the business and therefore could be used to guide managers and employees alike to develop in specific areas. Employees' basic pay was not related directly to performance objectives, however traditionally the bonus scheme was connected to the achievement of team performance objectives which were disseminated in a 'Management by Objectives' style to individual employee performance objectives. These individual performance objectives were weighted and upon assessment would guide an increase in pay or award of bonus at the end of the financial year. No direct link was made to competency development and achievement, rather the Head of Global HR considered the achievement of performance objectives as being enabled by the competencies and thus rewarded indirectly. However, the argument in the literature review and in the framework has indicated that different behaviours can lead to the same type of output and thus the behaviours advocated need to be representative of the type of culture and working ethos HR wants to develop within the business.

The Head of HR believed that

"Providing a comprehensive understanding of the core job competencies through development planning and then linking that development planning to an effective performance management process provides the accountability and the recognition of progress that people need for success"

However the employees were not being directly recognised and consequently a reward scheme was designed which tied into the achievement of the competencies required by the role. This reinforced the message that behaviour was important to the business and would be rewarded directly and indirectly. The scheme was intended to be rolled out over the period of the first year to give employees the opportunity to get used to the different behavioural requirements made of them.

Competencies were already being used globally to establish a leadership core capability within the organisation and were used in leadership succession planning as core attributes required of an AON leader, yet they were not being rewarded further

down the employee hierarchy. Consequently an employee seeking to develop into a leadership role would use the role profiles as a guide to the competencies required, however would not necessarily allocate enough importance to them because they have not been reinforced previously through recognition. Only if the manager of the employee had reinforced their importance would the employee really recognise them as a necessary requirement for promotion. The reward scheme designed was intended to reinforce the importance of competencies to the organisation, but further communications were required to emphasise their importance both to the organisation and to the employee. This was addressed in the implementation phase.

Success of this policy would be determined when reviewing how many employees had been awarded a competency specific reward and through reviewing the achievement of core competencies in the evaluation stage.

8.3.4.3 Selection and Assessment

The Selection and Assessment process did not traditionally use a competency-based approach to recruit new employees even though it was used to promote into leadership positions. This impacted the organisation because it was not developing core competence in all the available routes i.e. through developing existing employees and through recruiting employees with the right capabilities. Given the newly developed role profiles, it would be fairly easy for an employee seeking to recruit for a specific role to identify immediately from the role profiles, those competencies that were deemed essential and desirable for the role. A competency based interview was scheduled to be designed over the year which would require managers to go through a training programme to guide them through the appropriate techniques surrounding competency-based interviews. A leadership assessment simulation was already in place that used the Global Leader competencies to aid in succession planning for senior managers. This could be amended to allow for those lower down the hierarchy to be assessed, however budget constraints meant this could not occur for three years. The success of this policy would be determined when those being employed using the competency based system were evaluated in appraisals.

8.3.4.4 Stage Three review

The application of the eight summary points for Stage Three is provided in Table 8.4 below:

TABLE 8.4 ASSESSMENT OF STAGE THREE

Systemic Competency Framework	Aon Consulting
1. Future integration and association of HR policies needs to be considered from the initial stages of the competency design project.	1. Much consideration for HR policy integration was undertaken at model conception. The role profiles were used to communicate and reinforce the importance of the competency model in succession planning and appraisals as well as in selection and assessment which wasn't yet due for release. Top management was committed to rewarding competency development and recognised that the importance and adoption of the competencies would take longer than the first year of assessment. Consequently, although a reward policy was introduced, it was intended more to motivate employees in the following year as it was expected that the transfer to the new competency model would have implications for the length of time it took to develop the competencies.
2. Success should be defined at the start of the association and integration process, ideally defined when the model is being designed.	2. Success for the HR policies was defined throughout the association and integration process.

3. Potential association and integration needs to be communicated with the communication of the competency model.	3. The role profiles were distributed ahead of the competency model and provided an introduction to the competencies and their impact on succession planning. All communications regarding the impending release of the competency model made reference to the uses for the competencies and how they would impact both employees and the organisation.
4. Intend to integrate wholeheartedly and not for the sake of appearances.	4. Top management was committed to the integration of the competency model into the various facets of HR development and although budget constraints restricted the release of a sophisticated succession planning tool, a basic tool e.g. the appraisal was amended to include competencies. The reward policy was a significant step in Aon to stressing the importance now placed on competencies.
5. Use role profiles to indicate how competencies may affect employee career development and entitlements.	5. The role profiles developed were used extensively to integrate competency based career development and succession planning.

6. Consider varying tools of assessment to allow for realistic and regular behaviour monitoring	6. Performance reviews were encouraged every six months and managers were expected to submit performance review forms to HR at these milestones. These reviews were based on managerial observations at lower levels of the organisation and 360 degree feedback at higher levels of the organisation. The introduction of the competency model through a one-day workshop for managers emphasised the importance of using additional evidence to support competency assessments. The additional evidence referenced 'customer feedback (both internal and external, formal and informal)'.
7. Conduct a Training and Development audit to identify gaps in the training and development portfolio.	7. This was conducted and resulted in a training matrix being established and communicated to all employees.

8. Set in place milestones for introducing the HR policies and then for reviewing their effectiveness.	8. Most of the HR policies were implemented in conjunction with the release of the competency model. Timelines for reviewing their success tended to be set for one year from the date of release but these timelines were considered as preliminary review points to assess the implementation strategy more than the effectiveness strategy as two years were deemed more appropriate given the shift culturally from regarding competencies as nice-to-have to attributes essential to business survival and employee development and progression.

8.3.5 Stage Four: Implementation and Launch

The launch of the competency model officially occurred in December 2000, a month before the official commencement of the Performance reviews. The survey that had been conducted as part of the capability audit initially introduced employees to the development of a competency model and the associated HR policies. However when it came to actually officially launch the model several areas needed to be covered the first being ensuring that managers universally understood the model and its implications. Consequently a one-day workshop for managers within Aon was conducted to introduce them to the upcoming Performance Management system, role profiles and the competency strategy. Most managers had at some point been consulted throughout the devising of the strategy and the role profiles and consequently this was not their first exposure to the strategy. To ensure universal understanding this workshop concentrated on techniques to assess competencies, how behaviour should be recorded in performance reviews and the implications of adopting the competency strategy. The actual launch of the model occurred in January and a communication pack was sent to every employee highlighting the

importance of the competency model, how it would affect them and explained that they would not be assessed against the model in January 2001 but that they would be assessed after every six months. This policy was to ensure that all employees became acquainted with the competencies selected for their role before being assessed against them. A budget was allocated to the branding of the competency model and all communications followed this branding to reinforce the commitment made by top management to successfully implement the strategy.

8.3.6 Stage Five: Evaluation

The success of the competency strategy depended on the following criteria being satisfied:

- The competencies identified meet the needs of delivering results objectives so that current and future customer's needs are ultimately satisfied.
- The competencies are being successfully developed and displayed in our employee base.

The first criterion was partially met through the conducting of internal and external research into customer needs. However these need to be reviewed on an ongoing basis to ensure that they are kept up-to-date.

The timeline set for the evaluation of the second criterion was set initially six months after the launch of the strategy. The performance management documentation was reviewed to assess the percentage of initial development amongst the employees and the comments associated with lack of development. The Head of HR conducted two half day workshops with a cross-section of managers representing employees who were beginning to successfully develop competencies and those who weren't. Overall, the feedback regarding the competency model was positive with clarity and universal understanding of purpose being top of the positive feedback. Negative feedback received was around the lack of time initially that the employees had to acquaint themselves with the competencies associated with their role. Further communications were required at the launch to strengthen the importance of the strategy in achieving strategic goals. Further evaluation is expected to take place at regular six-month intervals.

8.3 Validation of the framework and Lessons Learnt

Reviewing the validation criteria for the Systemic Competency Framework resulted in the following observations:

In its diagnostic capacity the Systemic Competency Framework enabled the Head of HR at HSBC to relate to some of the issues that existed within the organisation with regards to the competency strategy. The missing capability audit although difficult for him to manage globally would have enabled the regional offices to determine their own timelines and implementation effectiveness measures. The lack of proactive competency language in the EPDP document reduced the importance of the competency strategy in the eyes of those who read the document because it simply reverted back to stressing the importance of outcomes. No internal top management communication exercise was conducted to ensure top management were committed to the competency approach and consequently they were unable to reinforce the approach. The incorporation of a cultural adaptation node in the design stage of the framework was appreciated by HSBC who felt that was an important element in globally transferring the competency model. Overall the model helped frame for the head of HR the strategic issues around the failings of the model as well confirming for him the successful factors.

In its design capacity the framework requires both a short and long term evaluation perspective. In the short term, Aon Consulting's competency strategy was designed with the organisation's strategic goals in mind as reflected in the model itself. It adopted a futuristic perspective by researching anticipated trends in the marketplace and considering the organisation's own behavioural variety that needed to be developed to cope with these trends. It was designed using a participatory approach and attempted to secure top management commitment before official implementation. This was reflected in the six month review of the strategy and resulted in significant differences being noticed between case studies 1 and 2. Although not all the HR policies were implemented, they were incorporated into the communication strategy and designed for future implementation. In terms of long-term validity, the strategy designed from sing the framework needs to be evaluated over the next few years.

Having conducted the two case study evaluations using the Systemic Competency Framework the following lessons were learnt and applied to the framework.

- The objectives of the Competency strategy need to be realistic in terms of generating top management commitment and evaluation.

This lesson stems from some of the barriers presented while reviewing the HSBC competency strategy. In many instances the Head of HR recognised the strategic objectives of the competency strategy but faced too much resistance from senior managers to be able to fully implement a competency strategy. Aon Consulting also faced some of these problems when actually creating the competency model. The global leadership model, which was due for integration, could not be amended because the Global Head of HR wanted to keep it unchanged and this frustrated some managers and employees whose opinions were requested. The evaluation process at Aon Consulting needed to be managed carefully and realistically. The head of HR was expecting to see significant improvement in the actual capabilities of his employees within six months and was disappointed when these improvements were not extremely obvious. Careful management of expectations needs to be integrated into the framework so top management does not lose commitment when they initially evaluate the strategy.

- An existing core competency model needs to be reviewed in terms of where it went wrong and what went right before introducing a new competency model.

Aon Consulting did not want to repeat its mistakes of the past and consequently an initial review of the previous competency model helped avoid repeating the same errors.

- The framework should be easy to use and understand

In both instances amendments to the presentation of the framework were required in order to make it easier to read from a third party perspective. It is anticipated that a booklet outlining the stages of the framework be produced which provides sample forms to complete and aid the practitioner.

- Sub-stages can occur in parallel and not necessarily in discrete steps

Defining the purpose of the competency model in Stage One of the Systemic Competency Framework and linking it to strategic objectives could be combined and would give a stronger purpose to the competency model. Focusing on the future

orientation of the competency model in Stage Two could be combined with the conducting of internal and external research, as the latter is a means to the former.

- Timelines associated with developing competencies is complicated

HSBC did not have any timelines associated with their competencies and could not link their development with successful training and development resources. Aon Consulting found this task difficult and time-consuming and had to use external providers to guide them through it. Understanding the average time it takes to develop a competency is important because it sets realistic weightings for these competencies. An adjustment to the model would therefore require that the generous timelines be allocated to all competencies and their achievement reviewed by assessing the performance of those who did develop and display these competencies and observing on average how long it took them.

8.4 Summary of Chapter

The purpose of this chapter was to validate through its application, the Systemic Competency Framework using real world competency strategies. It reviewed the existing competency strategy of a large multi-national financial institution and helped identify some of the root causes of the issues restricting the success of the competency strategy. The model was then used in its design mode to design the strategy for a large employee consulting company. Using the framework to guide its design meant a more holistic and participatory approach to competency strategy was devised. This strategy, once implemented showed definite signs of improving the acceptability of a core competency strategy within the business. The preliminary evaluation of the designed strategy showed a more cohesive and universal understanding of the competency strategy and how it would affect the future achievement of Aon Consulting's strategic objectives. Overall the literature review and survey helped shape the systemic framework into one which was applicable in the real world without being over-prescriptive. The lessons learnt from the real world will be integrated into the framework and reviewed in the concluding chapter.

CHAPTER NINE

Conclusion

9.1 Chapter Structure

This chapter will aggregate and conclude all that has been previously discussed in this thesis. The objectives of this research as defined in Chapter One will be reviewed in light of all that has been researched and written in the previous chapters. The contribution to new knowledge of this research will be discussed given the gaps that the research has attempted to fill and their effectiveness at filling those gaps will be assessed. Finally, direction for areas of future research efforts will be discussed.

9.2 Satisfying the Objectives

Chapter One identified two research objectives:

1. To understand the key drivers and problem areas associated with the successful creation, implementation, management and evaluation of an organisation's employee competency strategy; and
2. To develop a framework to guide organisations in developing and managing their employee competency model.

The methodology described in Chapter Two sought to satisfy these two objectives. A review of how each stage contributed to satisfying these objectives is appropriate.

Stage One of the methodology defined the research objectives following several discussions with the Marketing Council and Human Resource practitioners. These discussions revealed a lack of understanding around the issues and success factors that were associated with an employee competency strategy in the UK. Organisations were adopting such strategies without fully understanding their purpose, how they should be implemented and the impact they would have on the organisation. No formal framework existed that could guide organisations into developing an effective competency strategy that recognised its own potential contribution to the organisation. These concerns resulted in the formulation of the two research objectives.

Stage Two of the research involved the reviewing of literature in three key areas. These reviews all contributed to the development of the research in their own ways which will be explored now.

The systems review identified the relevant systems approach that was to be used in this research. It discussed the use of systems science as a meta-discipline to achieve the research objectives. The systems approach dictated the need to understand the system's environment to appreciate its interactions with that of the open system of the organisation. This meant reviewing the changes and challenges in the environment that were affecting organisations and the way these organisations sought to respond to these challenges, introducing the concept of Ashby's (1956) requisite variety. This was done in Chapter Four, which explored the wider environment of which organisations are contained within. The narrower environment is also explored in Chapter Four, which then turns its focus to changes in the field of human resource management. The systems approach is used to identify the appropriate strategic approach to human resource management used by the research, one that explores the environmental influences on the organisation as well as the relationship between the various subsystems within the organisation. It uses this to understand the way in which competency management should be positioned to organisations wishing to adopt such an approach, because it seeks to elevate it to strategic status. This then formulates further research conducted because it seeks to understand how organisations are making the link between strategic goals and competency management. The concepts of communication and control, hierarchy and emergence and participatory decision making are used in defining the areas of further interest that formulated the survey. These concepts were then used to form the foundations for a systemic (holistic) framework.

The Systemic Competency Framework is systemic in both content and structure. 'Content' in that the purpose of a competency strategy and its success should be defined in the context of the organisation's overall success/objectives. The literature reviewed the elements within the competency strategy and their relationships with each other as well as within the overall objective of the system. The framework then considered the synergistic qualities of each of the elements of the sub system (the HR policies) and considered their contribution to achieving organisational objectives.

The differences between the hard and soft schools of thought were used to define a competency/ce classification matrix in Chapter Five.

It uses the systems approach to review the literature and formulate the survey and case study format. A systemic approach is used to understand and position the field of competency management and consequently to define the structure and the content of the Systemic Competency Framework. The principles of communication and control, environment interaction, synergy and requisite variety are used to assess the first research objective and aid in formulating the second. The participatory nature of the soft systemic approach is applied to developing the framework as well as to the selection of case studies as a research method. Overall participation is deemed critical throughout the framework for the successful formulation and implementation of a strategy that employees can relate to because they have contributed to it.

The second part of Stage Two involved the review of literature that discussed the environmental challenges and system changes. This chapter's contribution to the research can be identified in several key areas:

1. It identified the variety in the environment that are challenging organisation status quo. It explores some of the suggested ways of retaliating against that variety from a socio-technical perspective. It provides a rationale to practitioners for why demands are being placed on employees to be more flexible, better skilled, more responsive and more knowledgeable. It seeks to provide understanding of the environmental factors that were affecting employee work life and made organisational objectives difficult to achieve. By linking organisational objectives with employee objectives, it is argued that the changes and challenges presented by the environment can be tackled.
2. It also indirectly indicates the requirements for a competency strategy – that of a model which is focused on developing behaviours that are appropriate and responsive to the environment, do not have a short shelf life and enable the employees to satisfy the changing demands of the customer.
3. It sought to describe the challenges facing the human resource management movement in trying to impress upon organisation leaders the impact that human resource policy and strategy has on the achievement of strategic

objectives. Thereby providing understanding as to how to position a competency strategy in light of these challenges.

Chapter Five represents the last part of Stage Two and reviews the available competency literature. It presents the importance of employee competency in enabling organisation competency and presents a new classification matrix that uses systems terminology to distinguish between the different terms and levels that competency strategy applies to. This matrix is reproduced in figure 9.1 and represents the first new contribution to knowledge of this research.

Level of Resolution	**Simple Definition**	**Hard – Output - Competence**		**Soft – Input - Competency**	
		Form	**Example**	**Form**	**Example**
Organisational	Key area/ capabilities of the organisation leading to effective performance	• Processes • Structures • Technology • Strategy • Assets	Sony - Miniaturisation	• Cultural • Value system • Ethos and overall behaviour of the system	Customer Focused
Employee	Behaviours or outputs of an employee leading to effective performance	• Functional Job Outputs • Occupational/ job families	NVQs	• Behavioural Job inputs	Customer-orientated

FIGURE 9.1 COMPETENCY/CE CLASSIFICATION MATRIX

It is a simple classification system that defines two levels of resolution of the competency approach. The research explores the different levels and targets the employee level for this research remit. The chapter then reviewed all the difficulties associated with this level of resolution and explored the literature to identify both learning points and gaps that required addressing and incorporating into the survey and the Systemic Competency Framework. This would then satisfy both research objectives. The difficulties and learning points are summarised as:

1. Confusion surrounding the terms competency and competence are dominating much of the literature. However, although the distinction between the two is made, organisations are choosing to ignore their differences and incorporate them both into their performance reviews. This will provide both a review of

the inputs/behaviours that employees demonstrate in a role as well as the outputs/competences that they deliver.

2. Competency models should contain clusters and levels that clearly relate to employee roles. Little literature existed around levelling competency models .
3. Organisations were seeking to link their competency strategies with organisational goals yet a lack literature existed to address how this could be done. Focus of competency models was not always future based and led to what Morgan(1989) called rear-view driving. This meant employees would not necessarily have the appropriate behaviours to deal with environmental variety of the future because they were based on the past.
4. Pay was recognised as an area which proved difficult to link to competencies and few organisations chose to do so.
5. The impact of competencies on training and development was explored and the need to adjust mental models both at a corporate and individual level were discussed.
6. Little literature around the areas of competencies and succession planning, training and development, role structuring and selection and assessment existed.
7. No overall framework to aid practitioners develop and implement a competency strategy existed.
8. No literature existed on the success of competencies and how that success is measured or evaluated.

These points represent a summary of the areas that were used to formulate the questions in the survey and also the Systemic Competency Framework.

Stage Three of the research involved the use of the points raised in the previous stage to construct a survey. The survey was sent to two hundred and fifty Human Resource directors of organisations in the UK to try and gauge their experiences in adopting a competency approach. Forty companies responded to the survey, of which only thirteen had a competency strategy. This response rate of 16% was disappointing and traced back to a poor distribution list as well as difficulties associated with identifying the target audience. The survey, as described in Chapter Six, was designed to be a descriptive and prospective survey, which both elicited characteristics and

information form the respondent as well as identified potential case study subjects. The survey achieved both. The main findings from the survey are summarised below:

1. Cultural issues, communication problems, developing universal understanding of competencies and attributing effectiveness to the competency strategy proved very difficult for organisations.
2. The competency approach helped improve the appraisal system, the training policy and the self-development of employees in organisations responding to the survey.
3. Mental model shifts were required to transform to this new way of assessment.
4. Respondents understood that the competency strategy helped chive strategic goals but did not use this link in communications and could not identify which goals it helped achieve.
5. Few organisations used external sources to identify their competencies or deliver future orientated competencies.
6. Competency models were not being levelled or weighted and too many competencies still dominated core competency models.
7. No clear strategy has been adopted regarding the integration of competencies in to HR policies.
    a. Appraisals tend to use multiple assessment tool to assess behaviours
    b. Less than half of respondents made promotion decisions based on competencies
    c. Few are linking financial rewards to competency approach
    d. Pay and reward and recognition are deemed to be unaffected by the introduction of a competency approach
    e. Training and development resources require re-assessment for competency applicability
    f. 1/3 of respondents did not use competencies in recruitment and selection
8. Organisations were not fully utilising the synergy that can be created by aligning HR policies with competencies.
9. Very few competency models were tested for effectiveness or evaluated.

These findings and the systems concepts helped formulate the Systemic Competency Framework presented in Stage Four of the research methodology as well as identified

participants for Stage Five. The survey approach was an effective form of information gathering because it identified some issues and successful areas within the competency approach.

Stage Four of the research culminated in the creation of a *Systemic Competency* Framework that was to form the second major new contribution to knowledge of this research. This five stage qualitative framework took the systems approach and created a guide that was holistic, participatory concerned with communication and the power of stakeholders and the overall synergistic qualities of a competency approach. The framework is repeated below in figure 9.2.

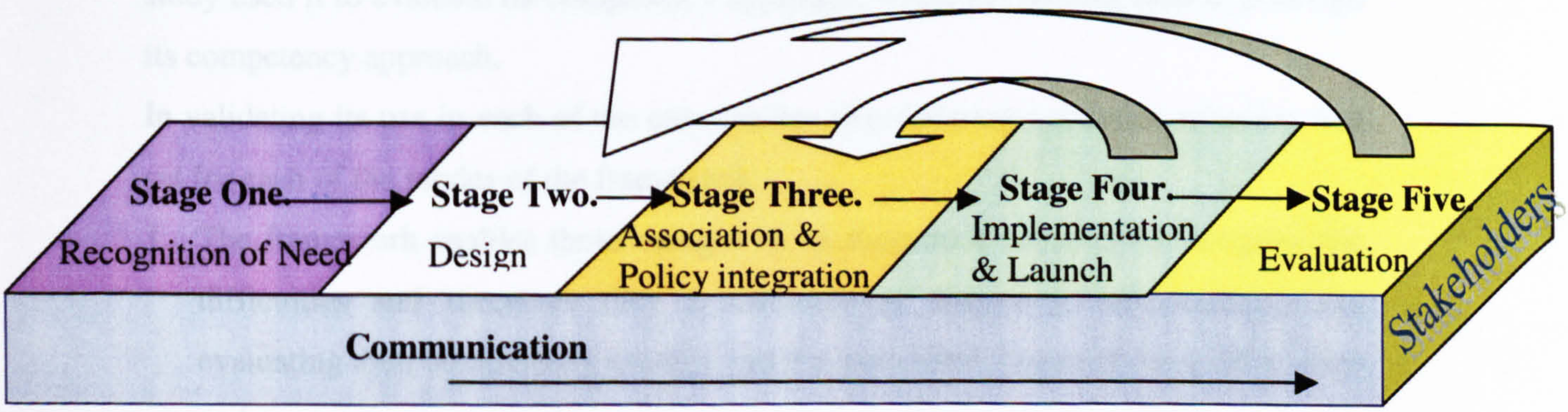


FIGURE 9.2 THE SYSTEMIC COMPETENCY FRAMEWORK

This five stage framework was designed to be used as both a *design and* diagnostic aid to practitioners. It seeks to address the gaps identified by providing the competency approach with a focus from which it can position itself strategically. Its initial stage concentrates on the identification of the need for a competency strategy by which later success can be defined and attributed to. Its design stage aims to develop a model using a participatory approach which draws employee contribution toward strategy formulation and implementation. This stage is intended to be future–orientated through the use of external and internal research, taking into account some of the cultural issues that may hinder the model by conducting a cultural assessment. In the association and integration stage it framework seeks to maximise the potential of the competency model by integrating it with the HR policies that influence its overall synergy. The implementation stage brings together some of the mental model issues that need addressing and the communication tools that need to be used. The final stage is concerned with the evaluation of the effectiveness of the strategy in line

with its overall objective. Two underlying themes run throughout the framework that need constant addressing, that of communication and stakeholder involvement. These two concepts require consideration and management throughout the five stages to ensure commitment and enhance the success of the competency approach. Once again both these underlying themes stress the importance for continuous buy-in and employee participation (drawn upon from the systems approach).

Stage Five of the methodology required the initial validation of the Systemic Competency Framework using two case studies that had been identified in the survey. Each of the case studies used the framework in a particular context. The first case study used it to evaluate its competency approach, while the second used it to design its competency approach.

In validating its use in each of the case studies two different validation criterion was set for each of the modes of the framework:

1. The framework enables those using it in its diagnostic capacity to recognise the difficulties and successes they encountered in designing, implementing and evaluating their competency strategy and the associated causes of these difficulties and successes.
2. The framework enables those using it in its design capacity to formulate a comprehensive competency strategy that is holistic and therefore linked to strategic goals. That the strategy is participatory in nature, culturally adapted and sets up human resource policies to ensure employee commitment to the competency strategy as well being flexible enough to cope with environmental variety now and in the future.

The satisfaction of this validation criterion has been discussed in detail in Chapter Eight and is summarised here with learning points presented in bullet point format.

Overall in its diagnostic capacity the model enabled the head of HR at HSBC holdings to identify some of the strategic and operational issues around the failings of their model as well confirming for him the successful factors. In its design capacity, the framework was successfully used to develop a competency strategy in Aon Consulting that used a participatory approach, was holistic and future-orientated as

well as seeking to set up the associated HR policies which would be integrated into the strategy. The learning points for the framework include:

Having conducted the two case study evaluations using the Systemic Competency Framework the following lessons were learnt:

- The objectives of the Competency strategy need to be realistic in terms of generating top management commitment and evaluation.
- An existing core competency model needs to be reviewed in terms of where it went wrong and what went right before introducing a new competency model.
- The framework should be easier to use and apply through developing documentation to support it
- Sub-stages within the framework can occur in parallel and not necessarily in discrete steps
- Associated timelines with developing competencies is complicated and difficult to achieve without observing behaviour changes over time.

Incorporation of these lessons will enhance the real world value of the Systemic Competency Framework.

The action research approach adopted to validate the framework met the two main objectives described in the methodology chapter. These points are:

1. The intervention into a situation provided understanding of the situation, changed it and encouraged the review of it on an ongoing basis; and
2. The research involved contributions from those involved in the change process and those affected by it.

In both case studies, the intervention resulted in a change in approach, both from the participants of the case studies as well the interventionist. The contributions of those involved were part of the participatory nature of the research and were met in both cases.

Overall this research has met the two research objectives and provided two overall contributions to new knowledge. The first has been in defining a competency classification matrix that distinguishes at two levels of resolution the different types of competency and competence levels in a system. The second contribution has been in two parts. The first is the application of a systems approach to competency

management and the second is utilising this approach to develop a Systemic Competency Framework that enables organisations to design and diagnose their competency approach using a qualitative framework.

9.3 Future research

Having completed the research, several areas presented themselves as requiring further investigation.

The two case studies helped develop and initially validate the framework yet by no means were exhaustive enough to completely validate it. A more longitudinal study of the uses of the Systemic Competency Framework in aiding organisations design, manage and evaluate their competency strategy would further consolidate the framework and make its long term value more known.

In a similar vein to the first suggestion, testing of the framework by someone unfamiliar to its construction but who wanted to use it in an intervention would more satisfactorily test its ease of use in the real world and would no doubt enhance its value to practitioners.

In addition to the above two areas of further research, research into the benefits of competency strategies on the organisation's ability to deal with requisite variety have not yet been conducted and would be invaluable to the competency management movement.

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APPENDICES

Appendix I

The Marketing ©ouncil

Identification of Competencies in Customer Focused Organisations

Organisation Name : .....

Address:.....

.....

Contact Name:.....Tel:.....

Position:.....Date:.....

OBJECTIVE OF RESEARCH

To identify the main issues that organisations need to target/tackle when developing an employee competency strategy. The findings will therefore enable organisations to benchmark their strategies within their industry sector.

Assumption : Employee Skills improve Customer Satisfaction. Competencies are demonstrable skills.

DEFINITIONS

To minimise the possibilities of confusion surrounding the interpretation of certain words in the questionnaire, the following definitions are provided :-

Competency

"Certain characteristics or abilities of a person that enable them to demonstrate appropriate specific actions which result in effective and/or superior performance"

Generic/Core Competency

Competencies that the organisation would like to adopt as a company with no reference to a person's job. e.g. "Quality orientated"

Job Specific Competency - Customer Focus

This refers to competencies that apply to specific job roles. For the purpose of this survey we ask you to consider only those job competencies that are specifically aimed at improving customer relations whether dealing with internal (employees) or external (purchaser) customers i.e. listening skills.

1 *STRATEGIC GOALS AND ORGANISATIONAL CLIMATE*

1.1 Please indicate the most important objectives of your business :

(please tick appropriate boxes)

Shareholder Return ❑ Market Share ❑ Return on assets ❑

Other***(please specify)*** .....

1.2 Please highlight the policies you believe will achieve your business objectives :

(please tick appropriate boxes)

Customer Loyalty/Satisfaction ❑ Cost Reduction ❑

Employee Satisfaction ❑ Quality Improvement ❑

Employee Skill ❑ Brand Management ❑

Acquisitions ❑ Other ***(please specify)*** .....

1.3 Please indicate the way you see your organisation working :

(please circle one number per statement)	*Not evident*	*Difficult to tell*	*Fairly evident*	*Clearly evident*
Roles and objectives are clear and defined	1	2	3	4
Excellent performance is recognised & rewarded	1	2	3	4
Trust and loyalty are evident among employees	1	2	3	4
Employees are empowered	1	2	3	4
Process orientated structure	1	2	3	4
Function orientated structure	1	2	3	4
Employees who use their initiative are rewarded	1	2	3	4
Innovation is rewarded	1	2	3	4
Employee self development is encouraged	1	2	3	4
Team work is encouraged	1	2	3	4
Employees are considered internal customers	1	2	3	4
Managers have clear and strong leadership	1	2	3	4
A quality culture is encouraged	1	2	3	4
Staff have the right skills to do their jobs	1	2	3	4

1.4 Do you have a competency strategy?

(please tick one box)

Yes ❑ ***(please go to Q2.1)***

No ❑ ***(please go to Q1.5)***

No, but one was considered ❑ ***(please go to Q1.5)***

One is being developed ❑ ***(please go to Q1.6)***

1.5 Why was a competency strategy rejected?

.....

.....

.....

1.6 How are your employees' skills currently being developed?

.....

.....

.....

.....

(Thank You for your attention, please send back your partially completed questionnaire in the envelope provided)

2. EMERGENCE OF COMPETENCIES AND STRATEGY LINKS

2.1 How important is a competency strategy in achieving your strategic goals?

(please circle one)

unimportant	*has little impact*	*nice to have*	*important*	*very important*	*vital*
1	2	3	4	5	6

2.2 Which strategic goals has the competency strategy been linked to?

.....

.....

2.3 Who created the competency strategy currently in operation?

(please tick appropriate boxes)

Board of Directors solely ❑ Board of Directors and Consultants ❑

Human Resources ❑ Other ***(please specify)***.....

2.4 How did you identify competencies and their behavioural indicators?

(please tick appropriate boxes)

Identification of Top Performers' skills ❑ External Consultative Exercise ❑

Direct statement from Board/Parent Company ❑ NVQs used as a foundation ❑

Other ***(please specify)***.....

.....

2.5 Please identify the core competencies in use by your organisation by ticking the most accurate description below. *Please attach your own organisational copy of your competencies, including all job-specific competencies*

(please tick appropriate boxes)

Account Management	❑	Achievement Drive	❑
Adaptability	❑	Analytical Skills	❑
Business Awareness	❑	Change Orientation	❑
Coaching	❑	Commercial Acumen	❑
Communication	❑	Conceptual Thinking	❑
Corporate Understanding	❑	Continuous Improvement	❑
Creativity/Innovation	❑	Cross Cultural Awareness	❑
Customer Service	❑	Decision Making	❑
Delegation	❑	Empowering	❑
Financial Management	❑	Information Management	❑
Influencing Skills	❑	Interpersonal Skills	❑
Listening Skills	❑	Leadership	❑
Motivation	❑	Monitoring Performance	❑
Negotiating Skills	❑	Objective Setting	❑
Openness	❑	People Management	❑
Personal Development	❑	Planning /Organisation	❑
Problem Solving	❑	Project Management	❑
Quality Focus	❑	Resilience	❑
Results Orientation	❑	Strategic Thinking	❑
Team Skills	❑	Technical Skills	❑

If you find your competencies are not among this list please specify them on an attached sheet.

2.6 Who is the competency strategy aimed at?

(please tick appropriate boxes)

Directors ❑ First Line Management ❑ All Management ❑

Sales People ❑ Marketing People ❑ All Employees ❑

Other ***(please specify)***.....

2.7 Whose responsibility is it to align job specific competencies to jobs?

(please tick appropriate boxes)

Manager of Job Role ❑ Job Holder and Manager ❑ Human Resources ❑

Consultants ❑ Benchmarking Manager ❑

Other ***(please specify)***.....

2.8 What factors are considered when aligning job specific competencies to jobs?

(please tick appropriate boxes)

Job Role Demands ❑ Market Environment ❑

Culture ❑ Other *(please specify)* .....

2.9 Are all competencies equally important?

(please tick one box)

Yes ❑ *(please go to Q2.11)* No ❑ *(please go to Q2.10)*

2.10 How is their importance determined?

.....

.....

.....

.....

2.11 How has the competency strategy been communicated to employees?

(please tick appropriate boxes)

Through Managers ❑ Appraisals ❑ Year start meetings ❑

Monthly meetings ❑ Weekly meetings ❑ Information packs ❑

Memos ❑ Workshops ❑

Other.....

2.12 Has the competency strategy been linked to achieving strategic goals in communications with employees?

(please tick appropriate boxes)

Yes ❑ *(please go to Q2.14)* No ❑ *(please go to Q2.15)*

2.13 How have the more important competencies been reinforced throughout the organisation?

(please tick appropriate boxes)

Specialised communication e.g. leaflets ❑ At meetings ❑

At appraisals ❑ They haven't ❑

Not applicable ❑

Other *(please specify)* .....

3 IMPLEMENTATION OF COMPETENCY STRATEGY

3.1 COMPETENCY APPRAISALS

3.11 What techniques are employed to assess behaviour ?

(please tick appropriate boxes)

Evidence based questions ❑ Simulations ❑ 360° profiler ❑

Other *(please specify)* .....

3.12 How is behaviour measured ?

(e.g. scale of 1-7 where 1 = Role Model - 7= Needs Complete Development) .....

.....

.....

.....

.....

3.2 PROMOTIONS

3.21 To what degree are competencies used in the promotion of employees?

(please tick one box)

Necessary to have generic and job competencies ❑

Necessary to have generic competencies ❑

Necessary to have job specified competencies only ❑

Necessary to have "important" competencies ❑

3.3 TRAINING AND DEVELOPMENT

3.31 Are competencies directly linked to training and development?

(please tick one box)

Yes ❑ ***(please go to Q3.32)*** No ❑ ***(please go to Q3.41)***

3.32 How have you developed your training and development programme to encompass your competency strategy ?

(please tick appropriate boxes)

Identified existing courses/tools that could develop competencies ❑

Created new courses/tools to develop competencies ❑

Other ***(please specify)*** .....

3.33 What is the criteria used to introduce training to an employee ?

(please tick appropriate boxes)

Manager recognition of any "missing" behavioural indicator ❑

Employee requests training to develop any specific competency ❑

Company wide training initiative ❑

NVQs ❑

Other ***(please specify)*** .....

3.34 Are competencies prioritised for development?

Yes, according to their importance in a role ❑

Yes, according to company's needs ❑

No, all competencies are developed equally ❑

3.35 When does a "re-testing" exercise occur after the training to helps re-assess competencies of individuals?

(please tick appropriate boxes)

At the end of the course/training ❑ A few months after the course/training ❑

At the next appraisal ❑ No re-testing occurs ❑

Other ***(please specify)*** .....

3.36 If training has resulted in a specific competency not being developed, what is the likely next step for the employee?

(please tick appropriate boxes)

Go on another course ❑ Probationary period ❑ Re-evaluation ❑

Nothing ❑ Other ***(please specify)*** .....

3.37 How effective have your training methods been in developing competencies?

(please circle one)

Ineffective	Not very Effective	Effective	Very Effective
1	2	3	4

3.4 *REWARD AND RECOGNITION/ PAY STRUCTURE*

3.41 Do you reward employees that develop new competencies ?

(please tick appropriate boxes)

Yes, Financially ❑ Yes, Non-Financially ❑ No ❑

3.42 What is the link between pay structure and competencies?

(please tick one box)

Complete reliance on competencies ❑ ***(please go to Q3.43)***

Partial reliance on competencies ❑ ***(please go to Q3.43)***

No reliance on competencies ❑ ***(please go to Q3.51)***

3.43 How do you determine pay structure link?

(please tick appropriate boxes)

Achievement of competencies specified ❑

Achievement of a % of competencies specified ❑

Achievement of a certain level of competency as outlined in appraisal ❑

Other ***(please specify)***.....

3.5 *RECRUITMENT*

3.51 At which levels are competencies used to select and recruit employees?

(please tick one box)

Directors ❑ First Line Management ❑ All Managers ❑

All Employees ❑ Other.....

3.52 How much weighting is placed on competencies in recruitment?

(please tick one box)

If they don't have all the job-specific competencies they don't get the job ❑

If they don't have the "important" competencies then they don't get the job ❑

Competencies are important but a person can still get the job ❑

Dependent on Job Role ***(please expand)***.....

.....

Other ***(please specify)***.....

.....

4 *EFFECTIVENESS*

4.1 Every how often do you re-assess your competency strategy and the competencies within it?

(please tick one box)

1-6 months ❑ 7-12 months ❑ 1-2 years ❑

2-4 years ❑ we don't ❑ Has not been decided yet ❑

Other ***(please specify)***.....

4.2 Do you measure customer satisfaction?

(please tick one box)

Yes ❑ ***(please go to Q4.3)*** No ❑***(please go to Q4.4)***

4.3 Do you relate customer satisfaction to employee competencies?

(please tick one box)

Yes ❑ No ❑

4.4 What difficulties have been/are being experienced when trying to implement the competency strategy?

(please tick appropriate boxes)

Employees feared strategy	❑
Communication	❑
Explaining competencies universally	❑
Measuring competencies	❑
Developing competency in employees	❑
Determining importance of competency	❑
Determining how reward system is structured	❑
Updating competencies	❑
Allocating job specific competencies	❑
Attributing effectiveness to competency strategy	❑
Culture not prepared	❑

Other *(please specify)*.....

.....

4.5 Please rate how well the competency strategies have improved the following areas :-

(please circle appropriate number for each section)

	Not Improved	Hardly Improved	Improved	Greatly Improved
Appraisal	1	2	3	4
Promotion	1	2	3	4
Training	1	2	3	4
Reward and Recognition	1	2	3	4
Pay	1	2	3	4
Recruitment	1	2	3	4
Achievement of Strategic Goals	1	2	3	4
Customer Focus	1	2	3	4
Self-Development of employees	1	2	3	4

5. GENERAL

5.1 Which of the following best describes your industry's sector ?

Products	*please tick*	Services	*please tick*
Agribusiness	❑	Accounting/consultancy	❑
Energy/natural resources	❑	Banking	❑
Forests Products	❑	Broadcasting	❑
High Technology	❑	Education	❑
Manufacturing		Entertainment/leisure	❑
Appliances	❑	Financial services (excl. Banking)	❑
Aircraft	❑	Government/military	❑
Automotive	❑	Health care	❑
Electronics/medical equipment	❑	Hospitality	❑
Farm equipment	❑	Insurance	❑
Furniture	❑	Publishing	❑
Machinery and machine tools	❑	Repair/wholesale trade	❑
Apparel	❑	Social services	❑
Chemicals/plastics	❑	Telecommunications	❑
Consumer packaged goods (excl. foods)	❑	Transport/shipping	❑
Food products & processing	❑	Utilities	❑
Pharmaceuticals/biotechnology	❑	Other.....	

5.2 How many full-time employees, in the UK, do you have?

(please tick one box)

0-500	❑	500-1,000	❑	1,001-5,000	❑
5001-10,000	❑	10,001-25,000	❑	25,000 +	❑

5.3 What % of your UK employees are managers ?

(please tick one box)

0 - 5%	❑	10 -20%	❑	20 - 30%	❑
30 - 40%	❑	40 - 50%	❑	50%+	❑

Please use the space below to add any comments

Thank you for your help. Please return your completed questionnaire in the enclosed envelope with a copy of your organisation's competencies.

If you do not wish to participate in more detailed interviews please tick here ❑

If you require any further information please contact:-

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Appendix II

Desk research summary

Pensions management institute

- Qualified members are expected to:
- Be professional
- Have high standards of technical expertise
- Act with integrity
- Undertake CPD

- What kind of person is successful in pensions
- Confident in dealing with all sorts of people
- Meticulous in attention to detail
- Able to absorb and analyse complex information
- Able to make sound decisions
- Good at communicating – orally and in writing
- Good with figures
- Good at working in a team

AAT

Changes in last five years

- Greater professionalism
- Able to take greater responsibility
- Wider range of skill areas
- Better teamwork
- Better management and supervisory skills
- Run complete accounting areas
- Better communication skills
- Able to manage projects through to completion
- Participate in more areas of business

ACCA

- Finance departments have to respond to a feeling of lack of confidence in risk control systems
- Need a broader outlook
- Design and implementation of business systems, project and people management, corporate governance and strategic financial decision-making
- Adaptable, but still conforming to standards
- Flexibility – keep in touch with IT/E-commerce developments
- Life long continuous learning

Financial mail on Sunday

- Finance departments becoming more business-focused
- Technical abilities plus good communication and interpersonal skills

- IT and business knowledge
- Interpretation and decision support

Faculty and Institute of Actuaries

- Intellectual satisfaction
- Understanding finance
- A managerial role

Appendix III

Communicating and Influencing

Strategic

Application

Fundamental

Communicates Effectively

Expresses ideas persuasively; understands and values others' ideas and frames of reference.

- Delivers corporate messages clearly, concisely and effectively in individual/group settings
- Written communication reflects and reinforces the corporate values and vision
- Listens actively and attentively to others, no matter what their level or role is
- Tailors communication style to suit the specific audience and purpose
- Maintains composure in difficult circumstances and addresses issues confidently
- Builds a positive image when communicating with external agencies and clients
- Ensures upwards communication channels are put in place

Communicates Persuasively

Emphasises positive messages and benefits when communicating to colleagues and clients, ensuring clarity of message and sensitivity towards recipients at all times.

- Delivers presentations clearly and confidently and is able to address questions effectively
- Writes convincing and well-structured formal business documents
- Communicates with external agencies using sensitivity and discretion
- Uses logical persuasion (if; then) to persuade others to accept a viewpoint
- Chooses most effective arguments, rather than simply the most obvious
- Ensures colleagues and team members communicate effectively with each other

Considers Communications

Considers needs and level of audience when conveying information, ideas and feelings. Speaks and writes clearly and concisely. Uses different styles to get a message across.

- Passes on information to others accurately and promptly
- Listens carefully to the needs of others and asks questions to clarify when in doubt
- Writes fluently and succinctly using appropriate style and grammar
- Is sensitive to others' opinions and acknowledges opposing viewpoints
- Adopts a clear and professional manner when dealing with people on the telephone
- Deals with sensitive or confidential materials discreetly
- Uses logic to get viewpoint across

Appendix IV

Role Profile

LEVEL 4: ASSOCIATE CONSULTANT

Capsule summary

Associate Consultants will generally have a minimum of 2 years experience as a Senior Assistant or 2 year's relevant industry experience. They are likely to be qualified to at least degree level and studying for professional qualifications.

Those aspiring to this role will need to have an effective performance record involving increasingly complex and technical demands on their time, progress with professional examinations and an understanding of basic client management issues.

Associate Consultants will continue to develop their technical competence and build up client management skills. Under supervision, they will be allocated specific projects and responsibilities for named clients. This will involve delegation of work and include involvement in the billing process.

Additional responsibilities may include initial report drafting, day to day supervision of more junior colleagues, checking more advanced work of others and possibly providing limited advice to clients.

Purpose

To originate and implement appropriate technical solutions to support the delivery of client-facing services.

Indicative grades

F & G, possibly H.

Indicative job/role titles

- Associate Consultant
- Senior Actuarial Student
- Senior PA
- Senior Administrator.

Accountabilities

- To complete set tasks within the timeframe given
- To organise information and maintain systems
- To create data capture templates
- To identify and communicate ideas for process improvement

- To maintain ethical standards and legal requirements
- To help create a 'managed office' environment
- To contribute to the day-to-day supervision of more junior staff
- To support research activities by conducting data analysis and preparing reports
- To promote and maintain defined standard policies and procedures
- To provide straightforward technical advice internally
- To develop technical knowledge and an awareness of Aon's services.

Competencies

- Satisfies Client Expectations (Essential)
- Considers Communications(Essential)
- Undertakes Analysis (Essential)
- Identifies with Aon's Vision (Desirable)
- Utilises Technical Competence (Essential)
- Understands own area and impact on business development (Essential)
- Responds positively to change (Desirable)
- Provides Encouragement to others (Essential)
- Gets Involvement (Desirable)
- Willingly Co-operates (Essential)
- Acts with Integrity (Essential)

Appendix V

Code	Competency	Skill	Addressed by
T112	Business Development	Business Development Skills	Three Days, Residential
T113	Business Development	Credit Control	One Day Course
T114	Business Development	Insurance Negotiation for Results	Two Days, Residential
T11	Client Focus	Client Awareness	
T12	Client Focus	Client Report process	
T32	Business Development	Developing Client Relationships	2 (1) day courses
T15	Communication	Report Writing	
T25	Communication	Business Telephone Skill	1 day course - Sheffield
T26	Communication	Presentation Skills	2 day workshop
T28	Communication	Business Letter Writing Skills	1 day course
T29	Communication	Business Telepone Skills	1 day course
T30	Communication	Business Letter Writing Skills	1 day course - Sheffield
T31	Communication	Business Telepone Skills	1 day course - Sheffield
T35	Communication	Negotiating/Listening Skills	2 day course
T36	Communication	Presentation Skills	2 day course
T38	Communication	Report Writing	1 day course
T42	Communication	Training Skills	Train the Trainer 1 day course
T60	Communication	Counselling and listening	2 day course
T4	Commitment to Aon	Aon Awareness Course	
T5	Commitment to Aon	Departmental Awareness	
T43	Commitment to Aon	Introduction to Aon	1 day course
T44	Commitment to Aon	Corporate Structure & Partnerships	1/2 day
T19	Team Leadership	Leadership skills	course
T20	Team Working	Delegation Skills	Course
T21	Developing People	Coaching skills	1 day course
T22	Developing People	Assessing Training Needs	
T23	Developing People	Career planning	
T58	Developing People	Performance Management	1 day course
T64	Developing People	Performance Management	0.5 day course (refresher PDP)