

## In Focus: Competency-Based Management

### EDITORIAL

#### Core Competencies, Organizational Capabilities, and Job-Related Competencies

Organisational effectiveness depends largely on the ability to absorb and then use knowledge faster than competitors and, as a result, the focus in strategic management and business development is today turned towards the internal resources and capabilities of organisations. In this context, employees' competencies and the integration of HR policies and practices with business strategies play a central role for sustained competitive advantage. The culture of the lifetime employment does no longer exist. Rather, we are witnessing a shift from "people as workforce to people as competitive force" (Prastacos et al, 2002) where strategic thinking, innovation, creativity and business sense are critical requirements for succeeding in almost any kind of job. These new demands drive employees at all levels of organisations to develop new competencies.

The managerial concepts developed around the notions of competence, competency and capability are numerous and sometimes confusing. The most well-known notion in practice is certainly that of *core competence* coined by Prahalad & Hamel (1990). They define core competencies as "the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies".

After the ground-breaking thinking presented by Prahalad and Hamel, the concept of core capabilities and the *resource-based* or *behavioural theory of the firm* have had an important impact on strategic management leading to further development and refinement. This has also led to a modification of vocabulary. Core competence has given way to *core capabilities*, or, more generally, to *organizational capabilities*. Organizational capabilities integrate two dimensions of competitive advantage: the internal process and planning dimension –organizational capabilities reside in the systems, structure and knowledge of the organization (Ulrich & Lake, 1990), and the external customer satisfaction dimension –

organizational capabilities encompass the entire value chain and are visible to the customer (Stalk et al, 1992).

Capabilities are based on resources, in the sense that resources are inputs to capabilities. Resources, defined as those tangible (or intangible) assets that are tied semi-permanently to the firm and can be valued and traded (Makadok 2001), include financial capital, capital equipment, patents, trade contracts, brand names, process and product technology, organizational structure, information transmission patterns, and, last but not least, *skilled personnel*.

A capability, then, is the capacity for a set of resources to perform some task or activity. Capabilities refer to the organization's ability to exploit and combine resources, through organizational routines, in order to accomplish its targets.

If organizational capabilities can be defined as above, what then are core capabilities? Core or strategic capabilities are those that are grounded in the firm's resources *and* differentiate it from its competitors. In addition to this, core capabilities

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ought to be durable, clearly owned and controlled by the concerned company, non obtainable in the marketplace and difficult for competitors to identify, understand, transfer, and replicate in order to preserve the competitive advantage they offer.

With its focus on capabilities, competencies, resources, routines and skills, the resource-based view of strategy has led to an increased interest in the human resources of organizations as a contributor to core capabilities. A good fit between strategy, capabilities and individual competencies enables organizations to deal effectively with a continuously evolving and increasingly complex business environment (Lawler & Ledford, 1997).

In this context, and based on parallel developments in the field of HRM, the notion of competencies in the focused HR literature appeared in an attempt of HR specialists' to capture, define and describe new requirements for individual skills and behaviours.

In earlier work, McClelland (1973) viewed such individual job-related competencies as *psychological and behavioural attributes* which are associated with high performance.

Boyatzis (1982) suggested that a job competency is "an *underlying characteristic of an employee* (i.e., motive, trait, skill, aspects of one's self-image, social role, or a body of knowledge) which results in effective and/or superior performance in a job.

More recently, Sparrow (1997) defined competencies as *people's behavioural repertoires* (sets of behavioural patterns) which are related to work performance and can distinguish excellent from average performers. Further, according to Athey & Orth (1999) a job-related competency is a set of *observable performance dimensions*, including individual knowledge, skills, attitudes, and behaviours, as well as *collective team, process, and organisational capabilities*, that are linked to high performance, and provide the organisation with sustainable competitive advantage.

Thus, we retain from the above that an individual job-related competency is the...

...underlying set of behavioural patterns of an employee related to effective and/or superior work performance, acting both at an individual and collective level (effective/superior performance both in solitary and inter-personal work), and that provide the organization, in which they are implemented and applied, with sustainable competitive advantage.

It is particularly important to observe the dynamic nature of individual job-related competencies and the need for connecting competencies with changing business needs. Moreover, such competencies are characterised by an important

behavioural component that employees bring into a job in order to perform effectively.

To sum up, the resource-based view of strategy suggests that human resources can contribute to sustained competitive advantage through supporting the development of core competencies. At the level of individuals, occupying specific jobs and interacting with their environment, job related competencies can become a means for expressing what is valued in an organisation, what the expectations are and what characteristics will result in superior performance. Hence, individual job-related competencies provide a direct link between human resource practices and strategy.

### In this Issue of InnKnow FORUM

The ambition of this issue is to provide an overview and introduction to the area of competency-based management, building on experiences developed from a number of applied research projects conducted within the Management Science Laboratory at AUEB over the last two years.

In the first article Ioannis Nikolaou and myself propose a basic typology of competencies that is useful for reflecting on the basic nature of competencies that the organisation wishes to identify, include in a system and ultimately manage.

The implementation of competency management is a longitudinal project that requires particular attention to strategy and dynamically changing business conditions. In the second article, Gregory P. Prastacos, Maria Vakola and myself discuss the basic steps of a model developed within the Management Science Laboratory – COMP<sup>ETE</sup> a dynamic and forward-looking approach to competency management.

In the third article Maria Vakola and Gregory P. Prastacos analyse how competencies can support organizational change by identifying a number of factors observed from our implementation experiences.

Finally, Jocelyne Deglaine of the Grenoble Ecole de Management, France provides some interesting insights from Xerox France that have developed a system for certifying employees in terms of competencies.

As usual, at the end of this issue of InnKnow FORUM we indicate references and useful weblinks related to the topic in focus - competency management.

*Klas Eric Soderquist*



## WHAT DO COMPETENCIES LOOK LIKE? TOWARDS A TYPOLOGY OF JOB-RELATED COMPETENCIES

By Ioannis Nikolaou and Klas Eric Soderquist

Numerous lists, frameworks and typologies of different types of competencies are used in practice and described in the related literature. Here we provide an overview of different perspectives on competencies and of different competence typologies. For the organisation that plans to implement competency based management systems, a clear and relevant definition and formulation of employee competences is necessary so as to facilitate the design, development and acceptance of the system.

### Different Analysis Perspectives of Competence Typologies

There are several relevant analysis perspectives that help understand the meaning and applicability of different competency typologies. A review of the generic competence management literature and documented consulting practice led to an identification of the following six perspectives (May, 1999; Rowe, 1995; Kochanski; 1997, New, 1996; Drejer, 2001; Torrington & Hall, 1995):

1. Generic vs. organisation-specific competencies;
2. Managerial vs. functional competencies;
3. Competencies as skill/ability vs. competencies as behaviour;
4. Competencies as inputs vs. competencies as outputs;
5. Individual vs. team vs. organisational competencies; and
6. Transactional vs. transformational competencies.

Each one of these is described in more detail below.

### Generic vs. Organisation-Specific Competencies

Any typology that is developed beyond a single organization supposes that generic competence structures are relevant, at least for generating an *introductory framework* for competence management in a particular organisation. The generic competence templates identify common competencies across various organisations and levels of job positions. The problem with generic lists is that they assume a uniformity in job titles (Woodruffe, 1993), which is not usually the case since the same job title across firms does not necessarily mean equivalent work requirements or duties. It is therefore advisable to use generic competency templates for *inspiration* only.

Organization-specific competencies are developed following specific methodologies (see the following article in the newsletter) relying on extensive interviewing, field observation and documentary analysis in the concerned organization. An intermediate level, between generic and organization-specific competencies might exist in the form of sector-specific competence models that provides to organisations a tool for benchmarking with industry practice.

### Managerial vs. Functional Competencies

Managerial competencies concern the entire spectrum of competencies that are required for managerial positions. Roughly, the managerial competencies employed in competence management models can be defined in five basic categories commonly presented in OB textbooks: 1) planning, 2) organising, 3) controlling, 4) motivating, and 5) coordinating (Parry, 1996). Managerial competencies can be expressed as generic, i.e., relevant for any managerial job or they can be organization-specific.

Functional competencies are related to a specific job function. They can be of generic nature if they define independently of industry and organization what competencies are required for a specific type of job, for example that of a financial analyst. They can be of organization-specific nature if they define the competencies required for a financial analyst in a specific company. There is today a consensus in the competence management practice and theory that a focus on functional competencies in a job-description manner does neither lead to improved overall performance nor to an organizational culture more oriented towards leveraging human capital. This has led to a focus on managerial rather than on functional competencies in most competence management systems.

### Competencies as Skill/Ability vs. Competencies as Behaviour

Competencies as skill/ability define the sufficiency of skill and the sufficiency of ability. They describe *what* people do in their job. The key word is *sufficiency* which requires (Rowe, 1995): setting of standards for skills, abilities and performance, and measurement of whether the standard of performance is reached. In other words, competencies as skill/ability should consist of a quantifiable specification of what people have to do in order to perform satisfactory.

Competencies as behaviour defines the behaviours adopted when exercising a job. They describe *how* people do their job. Therefore, competencies as behaviour end up defining and evaluating personal behaviour. They can be defined as talents and qualities that make up an individual, independently of what is the content of his or her particular job at a particular point in



time. In opposition to measurements of skills and abilities, behavioural competencies are frequently evaluated based on grading systems. A competence management approach focusing on behavioural competencies is concerned by developing *excellence* as opposed to sufficiency in the skill/ability view. Thus, different levels of excellence can be defined both relative to different job positions and to different levels of qualification within the same job.

### Competencies as Inputs vs. Competencies as Outputs

The distinction of competencies as either inputs or outputs is directly related to how competence frameworks are used for the assessment of employees' competencies (Parry, 1996). When seen as inputs, competencies are identified and assessed as the characteristics and attributes people *bring* into a role and how they influence his/her ability to perform. This view dominates when the assessment is made in view of selecting new recruits or candidates for a new job position. Competencies as inputs help in selecting individuals with skills/abilities and/or behaviours that correspond to what has been pre-defined as necessary in order to perform correctly and/or excel in a specific job.

When seen as outputs, competencies are identified and assessed directly in relation to *performance at work* – how competencies are deployed on-the-job in order to maximize (pre-defined) performance outcomes. This view dominates when the assessment is made within a normally time-paced performance appraisal scheme. Competencies as outputs help in evaluating dynamically what is really necessary in order to perform correctly and/or excel in a specific job. Some argue thus that this is a "practical" perspective while the input perspective is more "theoretical" (Rowe, 1995). However, if no input standards are defined one might end up with an organization staffed with people having practical experience but lacking formal competence basis.

### Individual vs. Team vs. Organisational Competencies

Our review shows that most of the competence schemes initiated either by professional bodies or specific organisations/companies are individually based. Hand on heart, most performance appraisal and basically all career development systems assess the individual's contribution to performance and "fit" for a specific job position. However, individually assessed competencies do not help the organisation to judge individual contributions to the outcome of a group activity unless the assessment system is explicitly designed to do so.

The basic rationale for competence-based management in knowledge-intensive businesses

is to continuously define and redefine the *right balance of competencies within a team*. Team based competence management helps at two levels. First, it can help in identifying the right mix of technical and commercial expertise in product/service development or in customer advice. Second, it can help in defining the mix of people in project teams that will optimise the organizational learning effect. Organizations such as Valeo, Xerox or French media leader TF1 have designed their competence management systems to explicitly identify knowledge gaps in teams in order to enable staffing of teams in a logic "I Know 'A' You Don't, You know 'B' I Don't – Lets Come Together". Besides speeding up the competence development among individuals and, thus, improve team efficiency, this competency management approach reduces the problem that "knowledge walks" when individuals change jobs or positions.

The learning objective related to competence based team management introduces the issue of organizational competencies. Of utmost importance is to link competence-based management to strategic management as there is a critical link between individual competencies, team competencies and organizational competencies. When developing a competence-based management system for individual and team competencies it is critical to take into account the fact that these competencies to a large degree decides what strategies can be developed and how successfully they can be implemented (Avkiran, 1999).

### Transactional vs. Transformational Competencies

This distinction basically rejoins the one between competencies as skills/abilities and competencies as behaviours. Transactional competencies are those that are employed in daily operations, they are the human activity part of routines and standard operating procedures.

Transformational competencies are those that enable an organization to learn, to question and ultimately change existing routines and procedures. They include behavioural competencies such as innovative thinking, creativity, assertiveness, empathy, and motivational abilities. It is without doubt that these competences play an increasingly important role in the current organisational climate of risk, uncertainty and change (King & Anderson, 1995).

### Summary and Comments on the Perspectives

On the following page, table 1 summarises the above-identified perspectives with respect to the key significations, and major documented advantages and disadvantages.



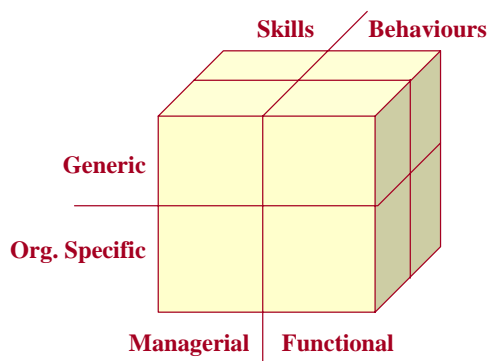


| PERSPECTIVE ON COMPETENCIES               | KEY SIGNIFICATION  | MAJOR DOCUMENTED ADVANTAGE  | MAJOR DOCUMENTED DISADVANTAGE   |
|---|--|---|---|
| <b>Generic competencies</b>               | Define common competencies across various organizations and levels of job positions.   | Defined from large samples and longitudinal field studies. Provides "ideas" for setting up corporate comp. management systems.  | Too generally formulated. Many generic competencies might lack relevance in a particular sector and/or firm.  |
| <b>Organisation-specific competencies</b> | Are developed following specific methodologies relying on extensive interviewing in the concerned organization.  | Provide specific and relevant competence frameworks for the particular needs of the organization.   | Can sometimes lead to "invention" of competencies that are poorly formulated, inadequately defined and assessed..   |
| <b>Managerial competencies</b>            | Define essential managerial competencies generally in basic managerial functions such as planning, organising, controlling, motivating and coordinating. | Support HRM of the managerial layers in an organization. Helps instilling a spirit of flexibility and empowerment in all layers of the organization.  | Tend to be very vaguely formulated if they are of generic nature.   |
| <b>Functional competencies</b>            | Define specific job-related competencies in a job-description manner.  | Enable, for organizations that undergo constant change, to "keep up" with the competence evolution. Particularly useful in public organizations where market mechanisms of hire/fire cannot be applied. | Functional competencies are a "necessary minimum" and do not really contribute to competitive advantage. If not frequently updated they might "freeze" the organization in a system of outdated competencies. |
| <b>Competencies as Skill/Ability</b>      | Define the sufficiency of skill and ability concerning what people are doing in their job. Require a functional definition of competencies.              | Help in determining if a person reaches a pre-defined threshold level or not, with respect to the ability of performing a specific job.   | Similar to functional competencies  |
| <b>Competencies as Behaviour</b>          | Define the degree of excellence of different specific behaviours adopted when exercising a job.  | Help to determine if a person is apt to excel in jobs where specific degrees of behavioural competences are required. Enable competitive differentiation.   | Risk for "inventing" competencies that are not really professionally related. Such <i>attributes</i> should be included with much precaution.   |
| <b>Competencies as Inputs</b>             | Competencies are identified and assessed as the skills/abilities and/or behaviours people <i>bring</i> into a role.                                      | Help in selecting individuals with skills/ abilities and/or behaviours that correspond to what has been pre-defined as necessary in order to excel in a specific job.                                   | If the pre-defined standards for skills/abilities and/or behaviours are wrong, there will be performance problems.  |
| <b>Competencies as Outputs</b>            | Competencies are identified and assessed as the skills/abilities and/or behaviours <i>deployed</i> on-the-job.   | One evaluates dynamically what is <i>really</i> necessary in order to perform correctly and/or excel in a specific job.   | If no input standards are defined one might end up with an organization staffed with people having practical experience but lacking formal competence basis.  |
| <b>Individual Competencies</b>            | Competencies refer to individual skills/abilities and/or behaviours.   | This sets the basis for competence-based HR management.   | Problems occur if individual competencies are poorly aligned to organizational goals.   |
| <b>Team Competencies</b>                  | Competencies refer to combined skills/abilities and/or behaviours in groups of people collaborating in a professional situation.                         | Help defining the right competence mix for solving specific problems. Contributes to org. learning and prevent knowledge from "walking".  | No specific disadvantages documented.   |
| <b>Organisational Competencies</b>        | Competencies refer to skills/abilities and/or behaviours that are present at the organizational level.   | Core capabilities are a source of competitive advantage. They translate a match between individual and team competencies and corporate strategy.  | No specific disadvantages documented.   |
| <b>Transactional Competencies</b>         | Competencies employed in daily operations: The human activity that is part of routines and standard operating procedures.                                | Similar to Competencies as skills/abilities   |   |
| <b>Transformational Competencies</b>      | Competencies that enable an organization to learn, to question and ultimately change existing routines and procedures.                                   | Similar to behavioural competencies, only that transformational competencies focus on behaviours and attributes that lead to change in the organisation   |   |

Table 1. Summary of different perspectives on competencies



The analysis conducted shows that there are certain specific relations between all these perspectives. There are also certain overlaps. We therefore attempted to isolate the significant different perspectives in a box matrix that can be used as a basis for developing an operational competence model in an organisation (Figure 1).



1. Generic Management Behaviours,
2. Generic Management Skills,
3. Generic Functional Behaviours,
4. Generic Functional Skills,
5. Org. Specific Management Behaviours,
6. Org. Specific Management Skills,
7. Org. Specific Functional Behaviours,
8. Org. Specific Functional Skills

Figure 1. Eight significant different types of competencies.

Each of these eight types of combined competencies constitutes a continuum, from the most specific "Organization-Specific Functional Skills", to the most general "Generic Management Behaviours".

A complete competency model should comprise, in its final shape, a set of competencies covering the types 5-8 in figure 1. It then defines central skills and behaviours at both the employee and managerial levels that are specific for the organization.

Whatever are generic competencies are useful in the design stage as an inspiration for the specific model. Generic competencies might also be necessary to include if they are required for fulfilling specific industry standards or accreditations.

## COMP<sup>ETE</sup>: A STRATEGIC FORWARD-LOOKING APPROACH TO COMPETENCY MODELLING

By Gregory P. Prastacos, Maria Vakola and Klas Eric Soderquist

The competency approach to human resources management is based on identifying, defining and measuring individual differences in terms of the abilities that are critical to successful job performance (Kurz & Bartram, 2002). The concept of competency lies at the heart of human resources management enabling a coherent approach to the management of people by integrating key HR activities such as selection and assessment, performance management, training, development, and reward management (Armstrong, 2001, Lucia & Lepsinger, 1999). In this article, we analyse and discuss a novel approach to competency modelling explicitly aligned with strategic business needs and oriented to long-term future success. We draw on recent experience from a longitudinal case study of one of the top five Greek banks, illustrating the step-wise development of a competency framework with the objective of supporting and communicating strategy and change.

### The Need for a New Perspective on Competency Modelling

The need for a forward-looking and proactive approach to competency modelling is driven by the increasing pace of change in the business environment. In this context, competencies can be used for translating strategy into job-related and individual skills and behaviours that people can understand and therefore implement. The challenge is not only to be able to define the organizational core competencies required for a business to compete successfully, and then define the right mix of skills and behaviours that the individuals would need to possess in order to produce and support those core competencies. Still more important is to be able to use these definitions in order to communicate and implement strategy and organizational change.

A central issue of concern is that the competencies defined most often end up as being backward-looking rather than future-oriented with respect to strategy and organizational change (Torrington et al, 2002). Competencies are defined according to the skills needed to *continue doing what the organization already does* in stead of focusing on *what is needed to perform effectively in the future* (Antonacopoulou & Fitzgerald, 1996). As a result, the organisation rewards behaviours that already from the outset may be obsolete and constitute obstacles to strategy implementation. In this sense, competency models hardly differ from the traditional approach of selecting and retaining employees who can perform a set of well-defined tasks, usually focusing on technical knowledge and skills (Sappey & Sappey, 1999). In dynamically changing, or in project-oriented business environments, such a view of competencies



seriously limits the organisation's potential for dynamically adapting to an evolving strategy.

### The COMP<sup>ETE</sup> Model of Competency Development and Modelling

Based on the limitation in current practice discussed above, a number of issues need to be addressed with respect to the development and implementation of competency-based HRM.

First, there is a need to shift toward a forward-looking and proactive approach to competency modelling. The COMP<sup>ETE</sup> model starts by grounding competencies in the current trends in the industry where the organisation operates.

Second, traditional approaches to competency modelling have been described as being poorly aligned to the key performance drivers of industries and for being expensive and time-consuming to implement (Athey & Orth, 1999). They will therefore be of little use for organisations with rapidly changing structures, processes and performance requirements. The COMP<sup>ETE</sup> model generates competencies based on the core capabilities of the industry leaders and competencies are structured in a way that makes it easy to delete outdated and integrating new ones.

Finally, another result of continuous change is that there is an increasing need to implement new business strategies quickly and effectively. Competencies, if generated from strategy, can be used as powerful communication tools in order to translate business strategy and changes in structure and processes into behavioural terms that people can understand and therefore, implement. The COMP<sup>ETE</sup> model adjusts the competences generated from industry core capabilities and trends to the goals and strategy of the organisation.

### Formulation of Competencies Based on Current Trends in Industry

The initial step towards building the competency framework is concerned with identifying the major current and future trends in the industry. Based on documentary analysis and interviews with industry experts, those trends are identified and described.

Focus groups are held with senior managers and HR staff in order to define the competencies necessary to face tomorrow's challenges.

### Formulation of Competencies Based on Industry Core Capabilities

The industry analysis continues in a second step that is an in-depth analysis of the core capabilities that differentiate the best from average or low performers in the industry in which the organisation operates. Examples of core capabilities are differentiated and efficient distribution systems with a broad range of customer channels (Banking Sector), efficient outsourcing and supplier integration procedures (Automotive Industry), and

market driven and rapid integration of new technology (Consumer Electronics).

Once major core capabilities are defined focus groups are again held with similar participants as in the first phase. The objective is to validate previously generated competencies and develop new ones essential for aligning to the core capabilities required in the industry.

### Formulation of Competencies Based on the Organisation's Strategy

Finally, in order to develop more specific competencies for the particular organization in which the competency system is to be developed, an in-depth analysis of goals and strategy is conducted. In this phase a suitable framework for strategy analysis should be employed (e.g., SWOT analysis, Five Forces, Value Chain, etc.). Basically, strategy is about two things: Deciding where you want your business to go, and figuring out how to get there (Brown & Eisenhardt, 1999).

Once the strategy has been depicted and analyzed, a final focus group is held for integrating, developing and concluding on the set of competencies to be included in the final system.

### Development and Validation of the Competency Model

Having generated an important number of competencies from the three independent but parallel phases of analysis described, a synthesis is reached (figure 2). Particular attention has to be paid to defining the scope of the different competencies identified so as to determine competency areas that cover the spectrum of trends and core capabilities and strategy. Next, the generalizability of the identified competencies should be examined so as to separate more generic ones forming competency areas, from more specific ones constituting detailed job-related competencies.

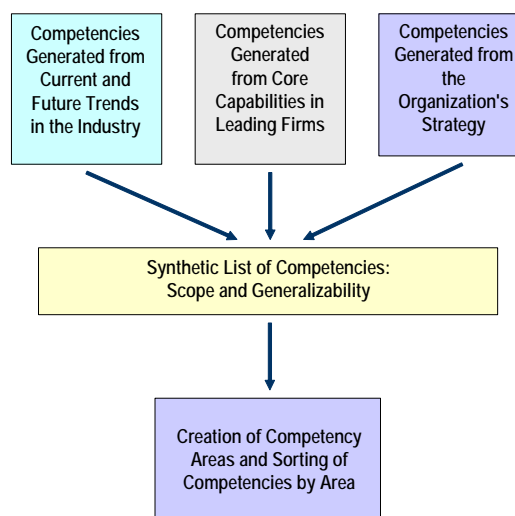


Figure 2. The process of grouping and synthesizing the competencies generated.



The last step before implementation is to validate the competency framework with a representative selection of the concerned job holders. The objective is to confirm the relevance of the final model and provide additional data in order to fine-tune the behavioural and functional profiles for each competency. This should be done by matching each task and job responsibility with functional and behavioural competencies that ensure effective performance in each job at all levels.

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The approach to competency model presented addresses the shortcomings of inflexibility and lack of future-orientation and strategic alignment addressed in current HRM practice. The COMP<sup>ETE</sup> model helps managers to capture and communicate industry trends, competitive imperatives and firm strategy in clear behavioural terms that can be easily understood and applied in operations.

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## THE USE OF COMPETENCIES FOR SUPPORTING ORGANIZATIONAL CHANGE

By Maria Vakola & Gregory P. Prastacos

In many cases, the implementation of competency-based management is part of larger restructuring programmes, especially in big corporations. We had the opportunity to observe such a project over an 18 month period in one of the leading Greek banks. Through participant observation and interviews with executives and job holders, we studied how the competency framework supported the roll-out of the change program. Five key areas for supporting the change program where competencies played a central role were identified.

### Communication of Strategic Changes

The reality of the transformation program was that strategic initiatives were deployed in a top-down manner. In this process of implementing the new strategy, the competency framework helped in several ways. First, the central HR department used competencies in order to *communicate strategic changes and their implications for operations*. More specifically, in their effort of translating the emphasis on customer service, the development of new distribution channels, and the new values, behaviours and roles attached to these changes, the HR managers translated these desired objectives into functional and behavioural competency profiles. This translation was facilitated through workshops including all levels of employees where specific methods, such as role play, were used to explain how competencies will make the organisation operate in order to meet its goals.

### Improvement of Employees' Understanding of How to Reach Goals

One of the major causes of failure of large-scale organizational change efforts is poor communication (e.g., Kotter, 1996). As a result, employees often have difficulties in understanding the messages being diffused. Competencies proved to be a powerful tool by enabling HR managers and change agents to communicate change objectives and management expectations regarding new ways of working. We observed how competencies also contributed to *employees' understanding* of the desirable actions and behaviours for reaching the goals set. A large majority of the interviewed job holders pointed out that competencies clarify where the bank wants to go and how it should operate in order to successfully reach these strategic destinations. Through the competencies framework, with well defined and expressed competencies, jobholders felt they gained a better understanding of what is expected, what is rewarded, what is desirable and what behaviours and abilities will be needed in the short-, mid- and more long-term future. "Competencies will help people understand the bank's vision. Many times in the past we heard about changes in what the bank will do in the future but until now, it was never very clear *how* such changes would affect us or what we would *need to do* in order to follow these plans" said an account officer with long experience from the branch network.

### Incorporation of New Behaviours in Daily Routines

At the level of day-to-day activities, the success of the transformation program depends on the extent to which new behaviours, roles and competencies are incorporated into employees' daily routines, i.e., *institutionalised in practices and operations*. One means for achieving this is training of employees. After an identification of competency gaps in the workforce, the HR department launched training sessions focusing not only on technical skills, as they used to do in the past, but also on competencies such as communication, teamwork or sales management and procedures. The identified competencies gap guided the development of new training seminars devoted to change management, team building and communication. These training sessions supported the change process not only in terms of acquisition of new knowledge and skills directly applicable in daily activities, but also in terms of allowing for the exchange of opinions and ideas to take place. "This has opened up a new dimension in my job", said a branch sales officer. "I have been able to share both new ideas and some worries with colleagues doing the same job in other branches" she continued.





### Support for Actions and Decision-Making

Another impact in day-today activities was expressed by one interviewee in the following way: "To me, the competency framework provides a fixed point that is essential in order to develop new routines and practices required in our new roles". The notion of fixed points was perceived as key to successful incorporation of competencies into daily routines. Many interviewees said that they found in the competency model a *reference framework* that could serve as focal point and rulebook for initiatives and decision-making in the frontline of customer interaction.

### Enhancement of Involvement in Change Implementation

The revamping of the training schemes, driven by the competency management system being adopted, also led to a significant *enhancement* of the participation and involvement of senior and middle level branch officers in the change implementation. The central HR department identified and formed a pool of high performing and high potential managers to take on the role of coaches in the training of their colleagues. The outcome was that these managers realised the need for change and they achieved a better and quicker understanding of their role in the new context compared to earlier change programs. One senior bank officer confirmed: "Competencies will differentiate us from competition. This bank survived so far because our customers trust us. We have very long relationships with our customers. But we have realized that this is no longer enough, we need to focus on other skills as well so as to actively bring new customers into the bank".

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As we were able to study how the successive implementation of the competency model in the bank unfolded, we could observe how it played a central role for supporting strategy implementation and the roll-out of the change program of which the competency project itself was part. As described above, these potentially positive impacts require a set of managerial levers in order to be optimally exploited.

The key to successfully use these levers is the development of a management agenda that focus on the integration between strategic management, change management and HR Management. Competency based management at its best consists of moving in a continuous loop of strategy formulation, competency model adaptation, change implementation, and application of competencies for optimized business results.

### COMPETENCY ACCREDITATION: THE CASE OF XEROX FRANCE

*By Jocelyne Deglaine*

The interest within Xerox world-wide for a rejuvenated approach to HRM is explained by a rapid transformation of the markets in which the company operates. The technology base of the corporation has changed radically as Xerox has entered the digital market, competing with companies such as IBM, Hewlett-Packard and Microsoft.

In this context Xerox has seen its margins falling leading to a strong emphasis on cost reduction and focus on new more value-adding services. Since 1999 a number of initiatives have been deployed to support the necessary corporate-wide change. For Xerox Europe, four axes can be distinguished:

- Customer centered initiatives such as the development of flexible and integrated business solutions,
- Development of new distribution channels and reinforcement of existing ones through a partnership approach with vendors,
- Renewal of the performance evaluation and performance management systems,
- Cost efficiency and cost reduction initiatives.

Naturally, these projects have led to a questioning not only of management systems and work habits, but of the very culture of the organization. Human Resource Management, of course, has to follow. More precisely, each employee has to adapt to, learn and relearn new work practices. From here was born the idea of developing a reference system for competencies and relate it to a competency-based evaluation process.

#### The Initial System

The competency initiative, Xcomp, started off by the construction of a reference framework identifying over 600 competencies constituting a common data base for all the job positions in the company. Second, a mapping took place in order to reposition jobs with respect to new market requirements. The competency framework is organized in three levels:

- **Core Competencies**, which are common to all jobs in the company. They include such items as leadership, process management, HR management, customer orientation, quality and result focus.
- **Functional Competencies**, which are shared by the holders of similar jobs. Examples include perception and interpretation of corporate culture, decision-making, communication-collaboration, and building of customer relations.
- **Professional Competencies**, which are specific to discrete professions or jobs. They include competencies such as presentation techniques,



knowledge of job-related processes, and application of tools and techniques for improved efficiency and productivity.

As can be observed from the above definitions and examples, the logic of the competency model is based on a distinction, at the individual level, between essential (professional), differential (functional) and collective (core) competencies.

From the beginning, it was made clear that due to the distributed nature of the sales workforce of Xerox, the competency system must be linked to a logic of self-evaluation. Hence, each sales agent can access the system, initially through a CD ROM, and benchmark his or her performance to pre-defined criteria and search for guidance in terms of perfecting competencies. Auto-evaluation is confronted to the evaluation of the sales manager of each sales agent and the two evaluations constitute the basis for discussion in yearly evaluation meetings and development of competency development action plans.

### **Evolution of the System – Lessons from the Initial Application**

The system was rapidly and successfully deployed in the sales function. Several objectives were attained in its initial phase of application. First, the pilot roll-out with the sales force was an important step in the process of gaining acceptance for the competency approach. Second, the evaluation mode and the transparent reference model helped developing a constructive discussion between managers and employees around the issues of empowerment and competency development. Third, the roll-out allowed for a necessary validation and improvement of the initially developed, somewhat theoretical, inventory of competencies.

Some limitations were also identified. After a boost of the interest in the system, related to the effect of newness, employees quickly lost interest and motivation in “thinking and acting by competence”. This was mainly because the positive effects in terms of career development were perceived as distant in time as the effect on performance indicators turned out to be small over the established evaluation periods (6 to 12 months). Moreover, the unified competency system was accused for being too theoretical and was difficult if not impossible to translate into different languages and transpose in different cultures.

In view of these difficulties the HR direction of Xerox decided to focus on a limited number of jobs related to sales and sales support representing between 10 and 15% of the global work force. Within Xerox France, three jobs were given particular emphasis: Sales Preparation, Sales Support, and Sales itself. For this employee population, a process of accreditation to different competency levels was introduced with the objective of making the use of the competency model obligatory in the HRM process.

The accreditation process defines, for each concerned job, specific career paths (typically based on hierarchical advancement or advancement grounded in technical expertise) and the related competencies required for evolution along these paths. Moreover, a more specific competency framework for each job concerned was developed for the purposes of the accreditation. This framework, defining “technical competencies”, “job-related competencies” and “behavioral competencies”, put additional emphasis on *how* employees function in the social context of customer contact, an aspect not really included in the Xcomp system.

In order to obtain an accreditation the employee and his or her line manager have to complete a file containing:

- The evaluation of the three types of competencies of the employee by the manager integrating the employee's auto-evaluation,
- The evaluation of the technical competencies by a technical manager/expert,
- The results of a simulation exercise on a case developed by colleagues and presented in front of the accreditation committee.

### **The Perception of Employees**

The focus of the research conducted on the modified competency system and the accreditation process had as prime objective the analysis of employees' perception of the initial implementation and application of the process. 17 accreditation files were examined out of which only two had obtained a negative evaluation.

Overall, the perception of employees was positive. The two unsuccessful cases were explained by the fact that the employees in question had not attained the requested competencies in terms of managing the sales team. Employees found that the new process is motivating as it is related to performance in a real-world context. Moreover, the process fosters collaboration in the development of competencies and knowledge as the simulation cases are developed among the colleagues themselves. The simulation also renders the evaluation more objective and allows for a more productive exchange of perceptions between employees and management. Finally, a strong motivator for really performing the auto-evaluation is that the additional steps in the process are dependent on the completeness and quality of the auto-evaluation.

### **In Conclusion**

The overall experience of developing and implementing competency-based Human Resource Management in Xerox, analyzed from within the French subsidiary, provides a good picture of the strengths and weaknesses of the approach. It shows that the route to competency-based



management is not an easy one and few if any organization would be able to avoid a period of trial-and-error before possessing a well accepted and functioning system.

If a few key issues are carefully managed, the positive effects in terms of adaptation to changing competency requirements and enhanced motivation and HR development are indisputable. The Xerox example show that those key issues are:

- Simplicity of the competency framework,
- Strong link between competencies formulated and the reality of the concerned profession,
- Strong link between competency assessment and career development.

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\* Indicate books particularly useful for the practising manager.

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## USEFUL WEB LINKS

**The Chartered Institute of Personnel and Development,**

[www.cipd.co.uk](http://www.cipd.co.uk). A rich site to explore with both depth and breadth on a large number of HR issues. Of particular interest for competency-based management is the section on performance management. There is also a free electronic newsletter accessible from the site.



### **The Consortium for Research on Emotional Intelligence in Organizations,**

[www.eiconsortium.org](http://www.eiconsortium.org). This site is dedicated to emotional intelligence and offers among many other things information about and examples of how to manage behavioural competencies.

### **The Employers' Organisation for Local Government,**

<http://www.lg-employers.gov.uk/leadership/competencies/index.html>.

The role of the organization is to help local authorities to achieve high standards of people management needed to ensure the continuous improvement of services. The site contains many examples of competencies focused on leadership.

Also to explore, the websites of **International Consulting Firms**.

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## **NEXT AND PREVIOUS NEWSLETTERS**

The next InnKnow FORUM, to be published Fall 2004, will be devoted to **New Product & Service Development**.

The focus of previous newsletters, available on our website, was:

**Change Management** (no 1, 2002).

**Strategic Performance Measurement – Balanced Scorecard** (no 2, 2002).

**Innovation and Entrepreneurship** (no. 3, 2003).

**Managing Knowledge** (no 4, 2003).

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