Organizational Performance and Competence Management

*The success of **any** organization is always about management*

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*More than ever, the quality and committement of an organization's human resources is **the** Key driver for sustained top level performance of a global organization.*

Background

Generic Management

The concept of Management is used in many different connections in an organization to day. Probably all have heard about Quality Management, Change Management, Environmental Management, Customer Relation Management, Knowledge Management and now - Competence Management.

What is management? What is the common understanding of this frequently used concept?

First of all it has two different significations - the group of people and what they are actually doing. The group of management could be found at different levels in an organization, i.e. executive management, middle management, what they are doing might be more difficult to define. But to be able to understand the importance of management we need to have a common understanding of the word.

> *Management: Coordinated activities to achieve objectives.*

Dr Edwards W Deming (1903 – 1993) has put his name one of the most generic management models ever seen, the PDCA-cycle.

Plan ⟶ Do ⟶ Check ⟶ Act

If we put the definition above into the Deming cycle it implies that you set the objectives in Plan, you coordinate activities in Do and you measure the achievement in Check. The result will be subject of an activity plan in Act.

Organizational Performance

Improving Business Performance

> ▌ *Forces of Change are Transforming the World of Business.*

The forces of change comes from different sources, such as

- ✓ Globalization and increased competition
- ✓ The electronic economy
- ✓ Technology and it's impact on business processes
- ✓ Changes in paradigm

The business environment today is much more complex and challenging. From the market point of view there is international competition everywhere, much shorter product life cycles and more customer involvement in the operations. The increasing complexity also emanates from the technological development and from fast growing interrelationships in business. We can add to all this the environmental changes coming from laws and deregulations and from ecological demands.

All together it puts emphasis on changes in paradigm for the organization.

- ✓ Decentralization and flattening of the organization
- ✓ Process vs hierarchy
- ✓ Participation and team-work
- ✓ Self-development of individuals

> ▌ *The Two Dimensions of Business Improvement.*

The classic business improvement matrix is made up from two dimensions: Customer value and Productivity. To improve business performance organizations traditionally have chosen to focus on improving business result by

- ✓ Cost containment

- ✓ Process reengineering

- ✓ Benchmarking

Today Business Excellence organizations are more focused on improving their organizational capabilities by

- ✓ Team building

- ✓ Knowledge Management

- ✓ Organizational learning

It's not an either / or situation, a competitive organization has to do both.

New sciences

During the 1990th decade quite a few new theories was born mainly in the USA. Most of them are today well known and implemented in many organizations.

The Learning Organization

In his book "The 5th Discipline" (1), Peter Senge expounds his views on the learning organization and his definition: an organization that is continually expanding its capacity to create its future. The characteristics of the learning organization are:

- ✓ Everybody participates in the operations and cooperates in the dialog,

- ✓ Barriers between professions are teared down and it's allowed to work in different roles,

- ✓ Everybody is engaged in a process of development where they can actively learn from each other.

The five disciplines, according to Senge, are

- ✓ Systems thinking. Individuals have difficulty seeing the whole pattern. System thinking is a conceptual framework to make the full patterns clear, and to help us see how to change things effectively and with the least amount of effort – to find the leverage point in a system.

- ✓ Shared vision. The practice of shared vision involves the skills of unearthing shared "pictures of the future" that foster genuine committement and enrolment, rather than compliance.

- ✓ Mental models. They are deeply ingrained assumptions, generalizations or even pictures or images that influence how we understand the world and how we take action. The discipline of

working with mental models starts with turning the mirror inward. Learning to unearth our internal pictures of the world, to bring them to the surface and hold them rigorously to scrutiny.

✓ Team learning. The discipline starts with "dialog", the capacity of members of a team to suspend assumptions and enter into a genuine "thinking together". Team learning is vital because teams, not individuals, are the fundamental learning unit in a modern organization.

✓ Personal mastery. It's the discipline of continually clarifying and deepening our personal vision, of focusing our energies, of developing patience, and of seeing reality objectively. The discipline of personal mastery starts with clarifying the things that really matters to us, of living our lives in the service of our highest aspirations.

Knowledge Management

In a magazine Thomas S. Stewart wrote about Knowledge Management (3): "Companies must learn to invest in and manage brain-power if they hope to compete in an economy where, more than ever, knowledge is what we buy and sell".

The intellectual assets of an organization could be divided into Human Capital and Structural Capital. The human capital consists of skills and knowledge of individuals and groups and the structural capital consists of codified knowledge such as information systems, databases and files.

The competitive organizations are managing the competence of their employees in a very structured way (see ISO 10015) and have very good information systems running to support them.

The Balanced Scorecard

To be able to put together all the demands on the organization and make sure different actions are linked together and to the overall strategy of the organization, the concept of balanced scorecard was developed. In the book: "The Balanced Scorecard – Translating Strategy into Action" (2), Robert S. Kaplan and David P. Norton presented a new management system. Their starting point was that breakthroughs in performance require major changes in the measurement and management systems used by an organization. Only monitoring and controlling financial measures of past performance cannot accomplish it.

Reliance on summery financial performance measures is hindering an organization's abilities to create future economic value. They have to develop their management:

- ✓ Translation of business vision and strategy into tangible objectives,

- ✓ Focus on future success,

- ✓ Measure the organization's performance across four perspectives,

- ✓ Balance between external and internal measures,

- ✓ Chains of cause and effect relationships.

The IT-technology and the Globalization of business requires new capabilities for competitive success, that is:

- ✓ Develop customer relationships,

- ✓ Introduce innovative products and services,

- ✓ Customize high quality products and services,

- ✓ Low costs and short lead times,

- ✓ Mobilize employee's skills and motivation,

- ✓ Deploy Information technology

Competence Management (CM)

Competence Management, as part of Knowledge Management, will play a very important role to sustained organizational competitive advantage. From the generic management model we can apply a definition on Competence Management:

> *Coordinated competence-related activities to achieve the objectives of the organization and its personnel.*

Assuming the Deming cycle (P-D-C-A) we developed the ISO standard 10015 as a Competence Management model containing the four stages:

- ✓ Design and plan training (P)

- ✓ Provide for training (D)

- ✓ Evaluate training outcomes (C)

- ✓ Define training needs (A)

The content and use of the standard will be elaborated further on.

The essence of Competence Management

The word "competence" in itself is difficult to understand and the ISO 10015 accordingly made a definition for its users:

> *Competence: application of knowledge, skills and behaviours in performance.*

This could help us elaborate on the significance of competence management.

To be able to "manage competence" in an organization the <u>first</u> key factor is to have the ability to derive competence requirements from the business plan and long-term strategy and prove it in terms of knowledge, skills and behaviours. The <u>second</u> key factor is to really grasp the available competence in all different parts of the organization, including behavioural. To be able to keep track on every individual in the organization, records must be kept on everybody.

Updated job descriptions for all categories of appointments in every department of the organization must be compared with the records on competence of the people employed at least annually for sustained top level performance of a global organization.

CM and Business Performance Improvement

Taking up the previously described need for changes in paradigm for the organization, the consideration for management will very much be a question of putting together teams with the right competence and to secure the link between the overall Vision and Strategy of the organization. This link is one of the most important activities in Competence Management. In ISO 10015 it's highlighted already in the Introduction as "Needs for improvement".

CM and Balanced Scorecard

The main idea with the Balanced Scorecard as a Strategic Management System is to mobilize the skills and motivation of the employees in the organization to be able to reach the long-term objectives. This approach sets focus on the need for a well-implemented Competence Management model for the organization to be successful.

The basic model of the Balanced Scorecard puts focus on four perspectives, two from outside – in (financial and customer) and two from inside the organization (business processes and learning).

Financial   Customer

Business
Processes

Learning
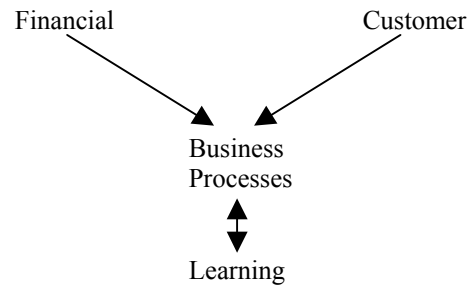
This approach will also help an organization to assure that needs for competence development arise from the overall strategy.

CM and Training

Training is one of the means available to close the gap between competences required and the existing competence in the organization. Competence Management applies the ability of the organization to successfully monitor the process of competence development (training) as described in ISO 10015. The standard also defines training.

> *Training: process to provide and develop knowledge, skills and behaviours to meet requirements.*

From a Competence Management point of view, *training* should be apprehended in the broader sense of *competence development* and not only as an actual provision of training.

CM and the Quality System

I assume that if one can agree upon the presented facts:

✓ Training is the process for identifying and closing the gap between required and existing competence in an organization,

✓ Competence Management is the art of monitoring this process,

✓ Mobilizing the skills and motivation of the employees is the key driver for sustained top level performance of a competitive organization,

✓ The success of an organization in the world market is all about management.

… the importance of competence development to an organization in a competitive global market, then becomes very obvious and not only that, but the significance of its management.

To ensure the quality of training one has to consider the process as part of the quality system of the organization. Monitoring and improving the

training process, in accordance with the recommendations in ISO 10015, will ensure that it is being managed and implemented as required.

At this level also Competence Development and Management could be subject to a third party certification on quality assurance.

Status and importance of ISO 10015 in Sweden

After the international publication of the standard in December 1999, the ISO 10015 (5) was translated into Swedish and published as an International, European and National standard in June 2000. So far we have been training people from all different industries and also from the public sector in the content and usefulness of the systematic approach of the standard.

It's a very useful standard especially for organizations in the service and high technology industries, where the competence of their employees is the only competitive mean they can use in the battle of new customers.

My company is the biggest training provider in Scandinavia and so far we are the only organization providing training related to the actual standard. We are now developing the next step for the Scandinavian market, a training program in different computer-based tools for Competence Management.

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