Core Competency Management- A Framework for Human Resources Development with reference to Manufacturing industries

O. Sivaramakrishnan Magna Automotive India Pvt Ltd

Abstract

This paper focuses on advantageous elements of the human resources development process for the rise multinational and international businesses. It shows the complex structure of the interrelationship between strategic management & competency management. Further, it points out the need of learning content, core competency, by applying a methodical approach towards human resources development. Exploiting its potential and boosting its value to the organization maximizes the Return-On-Investment in people.

Introduction

The organization's success depends on the one hand, on the perceived value of the products and services offered, and on the other hand, on the competency of the workforce. Frequently, it has been debated that the success of the modern business depends more on the intellectual assets, such as implicit and explicit knowledge, of the workforce than on the tangible business resources. (Stewart, 1997 & Sveiby, 1997) In the practice, these assets incorporate knowledge and skills. It is quite often excluded of consideration that these assets involve also attitudes. By integrating knowledge, skills and attitudes to a new operational element, we introduce the term competency. Competency refers to any aspect of competence, such as knowledge, skill, attitude, ability or learning objective. The term "competency" is to be interpreted in the broadest sense to include learning objectives (those things that are sought) as well as competencies (those things that are achieved). (Elkjaer, 2000). According to IEEE Standard for Learning Technology (IEEE, 2007), (Ostyn. 2006), this document uses the term "competency" in preference to "competence". On the one hand, "competency" is frequently used in educational and training contexts in association with

performance ability for specific tasks and roles. On the other hand, it assumes a structured granularity that can be assessed and measured, whereas "competence" bears a holistic scheme that is difficult to formalize in operational terms.

Seen in light of the strategic management point of view, the problem is to identify the human resources development strategy to continuously maximize the competitive advantage based on the company's unique culture, capabilities and business objectives. Unfortunately, strategic management research has commonly not reflected individual competencies. Mostly, human resources management (HRM) is related to aligning the strategic objectives with the development of the workforce.

Established HRM methods such as job analysis, training, career development plans, etc. often omit the consideration of strategic objectives. Further, one of the main obstacles of recent HRM programs is the low use of the opportunities provided by innovative Information and Communication Technologies (ICT), especially web-based technologies. The use of ICT requires the responsibility of individuals to develop their competencies and benefit from new career and learning opportunities and of enterprises to recognize the challenges of the knowledge society, to respond to changes in the environment and the society and to properly implement change management. Also, current research undoubtedly demonstrates that recent HRM methods unsatisfactorily provide the opportunities needed to enhance the productivity of the knowledge workers to shape the productivity challenge in the knowledge-based economy. (Schippman, et al., 2000) Especially, the problems arise due to the missing cooperation and collaboration options, which are the basis for enhancing the growing multinational and international businesses.

Against this background, it is strongly required to implement a core competency-based approach to human resources development to help ensure successful deployment of a workforce enhancement and support business growth strategies. But there is still need on observing and exploring a wide range of aspects to be able to provide cutting edge professionally designed human resource programs.

Theoretical background

In this section theoretical background related to the concepts of "competency", "competency gaps", and "the competency-based approach" are discussed.

The term "competency" was first used in the managerial context in the research conducted by (Boyatzis, 1982) in the late 1970s in the USA to identify the characteristics which distinguish superior from average managerial performance. (Boyatzis, 1982) adopted the term "competency", plural "competencies", which he described as an underlying characteristic of an individual that is causally related to effective or superior performance in a job. The study concluded that there was no single factor but a range of factors that differentiated superior from average performers. These included personal characteristics, experience, motives and other attributes. Following the definition given by (Hay, 2001), for this study a competency is considered as a measurable characteristic of a person that is related to effective performance in a specific job, organization or culture. These characteristics are defined in terms of behaviors. Because competencies are behavioral, they can be developed.

Competency Gaps

It is important to identify which particular set of key individual competencies is required for a business to achieve its strategic goals. Antonacopoulou and FitzGerald, 1996 state that there is a danger if organizations concentrate on competencies of the past rather than on competencies of tomorrow. Hence, competency framework should reflect an organization's current and future needs. In this regard, competency management has an important contribution at the organizational and individual levels as it ensures that individual competencies are linked to strategies of an organization (Draganidis and Mentzas, 2006). Equally vital is the ability to "health-check" those competencies on a regular basis (Homer, 2001). Hence, from the management development viewpoint, it is important to know whether managers possess the required competencies to achieve an expert job performance. In this context, literature suggests that when competency needs are considered in terms of gaps, it allows for a better understanding of managerial performance (Agut et al., 2003). A discrepancy or a gap arises when a competency an individual possesses is lower than what is required for the expert job performance (Agut and Grau, 2002). Further, there are differences in the importance of different competencies for performing a job. By considering individuals' perceptions of how important a specific competency is for performing a particular job could avoid an unbalanced focus on less important competencies (Hansson, 2001). Although a perceived gap could sometimes be an expression of preference (Latham, 1988), such information is useful in decision making. For instance, once competency gaps were identified and, if necessary, an organization could decide to address those through appropriate strategies such as training, job enrichment, job content innovation, job redesign, enhancement of the organizational climate, etc.

(Goldstein,1991). Training is inevitable as it develops the skills and knowledge of the employee and enables them to take up challenging jobs (Subrahmanian, 2010).

Objective

In today's context industrial objectives are to reduce the "time to market", to reduce the product development cost, to increase innovation….. To meet these requirements, Manager's objectives are then

- To optimize the project organization and the assignment of missions with strategic Management.

- To manage human resources competencies & To develop new innovation management

- To develop core competencies and knowledge in their own domains (Knowledge Management, Skill development).

Competency Based Approach

Core competence and competence-based competition seem to be organizational paradigms and management thinking. We are actually more interested in the first axis, aiming to be much more effective in understanding how humans contribute to the organization's development and management. Accordingly, competence management is part of all the three company's control levels, i.e., strategic, tactical, and operational (Byham and Moyer, 1996 & Pfeffer and Sutton, 2000). It impacts the strategic level because it ensures that the competencies required for achieving the strategic objectives are correctly identified. For instance, it provides the definition of the policies for recruiting and training staff according to new strategies, missions, critical processes, or projects, and for retaining the key persons. It might also provide support whenever it is needed to tackle highly innovative projects and to make (re)organization decisions by looking at both the required and available (i.e., acquired) competencies (Hamel and Heene, 1994 & Dubois, 1993). It also impacts the tactical level because managers need to guarantee the achievement of the tasks for which they are responsible by reorganizing the work, reallocating the personnel, recruiting new members, or again deciding on the persons to be trained. Finally, it impacts the operational level because it can be used for day-by-day personnel reallocation, for instance, to face some unexpected situations (e.g., missing staff, or replacing assigned personnel not able to perform the work).

Identification of Key Capabilities

Identifying those capabilities that are crucial to the success of the business is the first and foremost important step. The identification process may involve internal benchmarking of key business

functions, such as general management, financial management, marketing, selling and market research, product R&D, engineering, production and distribution, etc. Although experiential knowledge of the company can help at this stage, value analysis may be conducted. The key capabilities are those that help to generate high profit margins and are the clear market winners in securing market share. However, relying purely on financial measures has implications. For example, key capabilities evolving through a firm's R&D that do not, as yet, generate a high profit margin would be eliminated at this stage. In many respects, such dynamic competencies will be very valuable to the firm. (Fig.1 below)
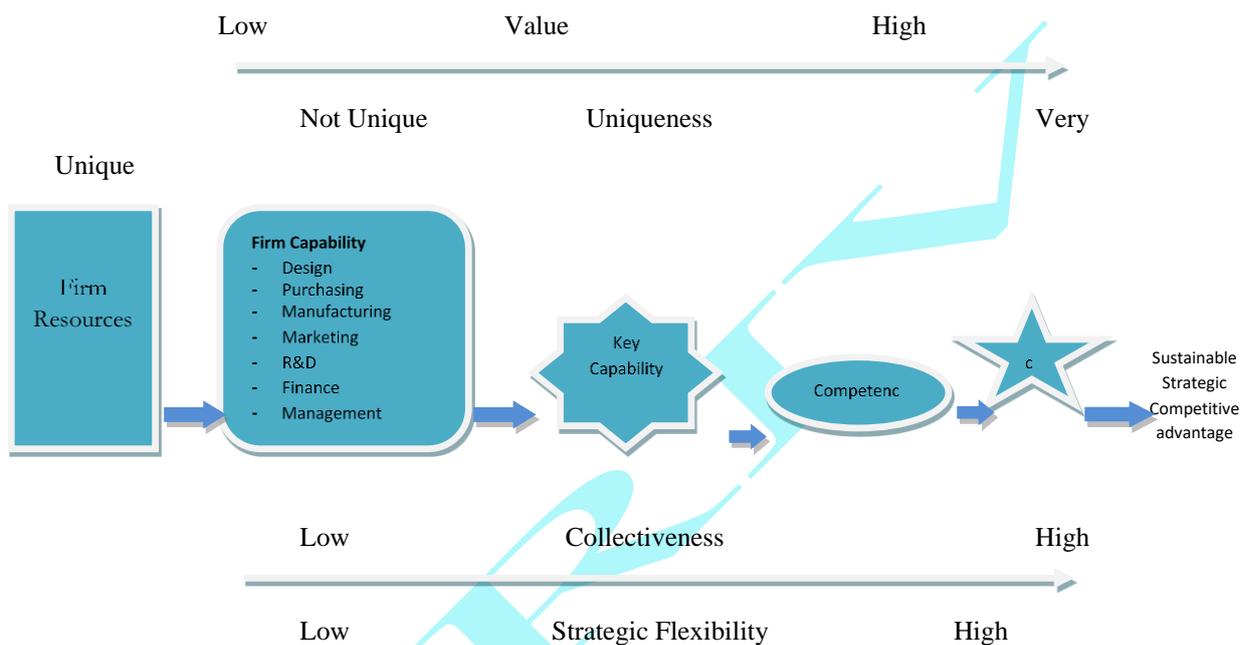
Thus, organizational learning and strategic flexibility provide a congenial environment for the development of core competence. Learning does not occur overnight; it requires an endless effort. Thus, senior management needs to pay due attention to determine rate and direction of learning could be though mobilization of organizational members, technical collaborations or joint ventures. The greater attention and more flexibility to people may be the keys to successful leadership. In longer run, an organization's ability to survive and grow depends on the sustainable competitive advantages.

Knowledge, human competences and the concept of fit

Human resource strategic management has shown the importance of the concept of flexibility because organizations with a complex and dynamic environment need flexibility to adapt to diverse and changing requisites (Snow and Snell, 1993). In particular, they highlight the importance of the need to ''reshape the structure of the firm's resources and make the necessary

internal and external transformations'' for those firms that operate in dynamic environments. In particular, Snow and Snell (1993) state that firms with high flexibility are those that have a capacity to ''examine the environment, evaluate markets and competitors, and rapidly make a reconfiguration and transformation that permits them to position before their competitors''.

Conclusion

A review of the literature makes it clear that recent trends in management have been towards the development of core competencies, the globalization of market and liberalization has enhanced competition. A powerful way to prevail in global competition is invisible to many companies. The area of core competence is emerging and needs a lot of attention in order to describe the capabilities which may lead to strategic approach of leadership in a range of products or services. Effective technology management and organizational process direct attention to organizational capabilities instead of focusing on specific technologies, to build and refine core competencies, skills and integrate multiple streams of technologies. It is important to incorporate the concept of flexibility that demands agility and versatility, creativity and innovation, responsiveness to change, non – rigidity, sustainable competitive advantage and capabilities that may evolve overtime. The less imitable the core competencies are, the more they become the factors for corporate success and greater is their economic return. Strategies are broad statements of intent which show the types of action required to achieve the objectives. A payoff for reaching those objectives is the corporate success and can be measured on the basis of profitability and growth. The top management has to think carefully which of its activities really create unique value and which activities can effectively be bought from outside. The core competence perspective must be the central subject of corporate strategy to be implemented with a perspective of strategic flexibility so as to effectively cope with the emerging challenges.

References

Antonacopoulou, E.P. and FitzGerald, L., 1996. Reframing competency in management development. *Human Resource Management Journal*, *6*(1), pp.27-48.

Agut, S. and Grau, R., 2002. Managerial competency needs and training requests: The case of the Spanish tourist industry. *Human Resource Development Quarterly*, *13*(1), pp.31-52.

Agut, S., Grau, R. and Peiró, J.M., 2003. Individual and contextual influences on managerial competency needs. *Journal of Management Development*.

Byham, W.C. and Moyer, R.P., 1996. Using competencies to build a successful organization. *Development Dimensions International, Inc*, *54*(1), pp.61-80.

Boyatzis, R.E., 1982. *The competent manager: A model for effective performance*. John Wiley & Sons.

Draganidis, F. and Mentzas, G., 2006. Competency based management: a review of systems and approaches. *Information management & computer security*.

Dubois, D.D., 1993. *Competency-based performance improvement: A strategy for organizational change*. HRD Press, Inc., 22 Amherst Road, Amherst, MA 01002.

Elkjaer, B., 2000. Learning and getting to know: the case of knowledge workers. *Human Resource Development International*, *3*(3), pp.343-359.

Goldstein, I.L., 1991. *Training in work organizations*. Consulting Psychologists Press.

Hamel, G. and Heene, A., 1994. *Competence-based competition*. Wiley.

Hansson, B., 2001. Competency models: are self-perceptions accurate enough?. *Journal of European Industrial Training*.

Hay Group, 2001. The Manager Competency Model.

Homer, M., 2001. Skills and competency management. *Industrial and Commercial training*.

IEEE Learning Technology Standards Committee, 2007. IEEE Standard for Learning Technology—Data Model for Reusable Competency Definitions (RCD). *IEEE*, *1484*, pp.1-2007.

Latham, G.P., 2011. Human resource training and development.

Ostyn, C., 2006. Service oriented architecture for competency-based lifelong learning and personal development. *Ostyn Consulting*, *121*.

Pfeffer, J. and Sutton, R.I., 2000. *The knowing-doing gap: How smart companies turn knowledge into action*. Harvard business press.

Shippmann, J.S., Ash, R.A., Batjtsta, M., Carr, L., Eyde, L.D., Hesketh, B., Kehoe, J., Pearlman, K., Prien, E.P. and Sanchez, J.I., 2000. The practice of competency modeling. *Personnel psychology*, *53*(3), pp.703-740.

Snow, C.C. and Snell, S.A., 1993. Staffing as strategy. *Personnel selection in organizations*, *448*, p.478.

Stewart, T.A., 1997. Intellectual capital: the new wealth of organizations, Bantam Doubleday Dell Publishing Group. *Inc., New York, NY*.

Subrahmanian, M., 2010. Evaluating training programmes in India Post. *Researchers World*, *1*(1), p.81.

Sveiby, K.E., 1997. *The new organizational wealth: Managing & measuring knowledge-based assets*. Berrett-Koehler Publishers.