# COMPETENCY MANAGEMENT INITIATIVES IN A REPUTABLE POWER SECTOR UTILITY

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## Abstract

The present paper is based on a cross-sectional case study of Competency Management initiatives in a reputable power sector utility. The general aim of the study was to investigate how a large power sector utility developed and integrated Competency Management tools with existing organizational structure and to pinpoint opportunities and pitfalls in this regard. In order to do this, the author mapped and categorized the Competency Management initiatives developed in the company. The paper concludes with a number of hypotheses and propositions that may be used for further investigation into how firms may go about to optimally organize their knowledge management strategies.

## Keywords

Competency Mapping, Competency Management, Human Resource Management System, Performance Effectiveness Process, Assessment Centre, Development Centre.

## Introduction

Competency management for highly regulated industries is a valuable strategy in both helping to avoid compliance risk and in minimizing the impact of adverse outcomes in nearly all areas of compliance in which product and service quality is important. This is particularly true for highly regulated industries, where global compliance, quality and reputation are critical. World-class organizations use competencies to articulate and leverage exceptional organizational performance. Competency management is at the heart of successful performance management— the process that drives individual performance leading to the organization's overall success. In highly regulated environments, it is not only important to define relevant competencies, but a level of assessments is required to ensure that individuals possess sufficient knowledge to perform their jobs properly. To be effective on any scale, skill and competency management must be part of an integrated approach to compliance process control and linked measurably to job performance and organizational performance.

## The Opportunity Recognition Phase

For the power sector utility, the major business imperatives to initiate the Competency Management process are:

- Organizations are subjected to a competitive acid test - even essential service like power utility is no exception.
- Building organizational leadership is critical to competitive strength.
- The effective performance of people is the main focus area.

- HR strategy is to be formulated based on committed and competent people who are essential to business success.

The company's human resource strategy considers that competency and performance improvement of employees are basic requirements of an organization; in this regard competency mapping provides a framework for an optimum fit between the job position and job holder.

## Rationalistic and Innovative Organizations

On an organizational level, we shall separate the rationalistic from the innovative organization [cf. Hedlund, 1994]. The two main strands in this discourse are the goal-oriented rationalistic form, suitable for a stable and predictable environment, and the organic form, appropriate for changing conditions, fresh problems, and unforeseen requirements for action. The rationalistic organization includes characteristics from scientific management [Taylor, 1911], bureaucracy [Weber, 1947], mechanistic systems [Burns and Stalker, 1961], goal-directed rationalistic organizations [Pfeffer, 1982] and a perspective on organizations as closed and stable systems [Thompson, 1967]. The rationalistic organization is knowledge-routinized or expert-dependent. It has well-established recurrent activities characterized by repetitive tasks and known problems and is driven by an ambition to optimize performance and eliminate redundancy [Blackler, 1995]. Competency is therefore either defined as the knowledge and experience of technologies, the rules and procedures required to perform repetitive tasks or as levels of expertise for more qualified tasks. Making competency visible and retrievable, and thereby available to the organization as a whole, is thought of as a way to enhance performance and to avoid reinventing the wheel. Since future tasks and problems are presumed to be known, competency is defined and categorized beforehand. The innovative organization, in contrast, depends on a different sort of rationality that includes characteristics of organic organizations [Burns and Stalker, 1961], that is to say, emergent, almost-random organizations [Pfeffer, 1982], with a perspective on organizations being open and dynamic systems [Burns and Stalker, 1961]. The innovative organization has little or no prior knowledge regarding the requirements of tomorrow. In the innovative organization, competency has to be associated

with processes of change. Competency must be seen as dynamic, emergent and situated in constantly changing practice and is therefore hard to define precisely and beforehand. The large power sector utility can be conceived as a rationalistic organization where competencies can be defined beforehand. The organization is focusing on mapping leadership development competencies as it's leadership development philosophies are:

- To provide careers to people based on objective assessment.
- To establish a leadership pipeline to spot talents in their careers and then fast track them to senior leadership positions.
- To ensure that increasingly more vacancies are filled from within.

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## Performance Effectiveness Process

The performance effectiveness process of the company mainly consists of two parts: Job Analysis and Competency Profiling. The organization is designed in such a manner as to deliver the corporate strategies by specifying competencies and skills required of people for high performance. Through job analysis the competencies required to perform the job are identified and through competency profiling, individual's strengths are identified. As a result the company is in a better position to match between job requirements and people performance which in turn yields organizational effectiveness. The company's performance effectiveness process initiative is taken to link the human resource strategies of the company with the overall corporate strategies as the effective performance of people is the main focus area.

## Linking HR Processes to Organizational Strategy

Job Analysis is a systematic process by which management gathers and analyses information related to the tasks, duties and responsibilities of the jobs within the organization. The management's philosophy is to get a clearly designed competency framework for a target job that will be or is currently being performed. Furthermore, job analysis is also done to manage change and to reflect the culture of the organization. In the organization's effectiveness, process job analysis is followed by competency profiling.

"A capacity that exists in a person that leads to behavior that meets the job demands within parameters of organizational environment and that in turn brings about desired results". Boyatzis (1982)
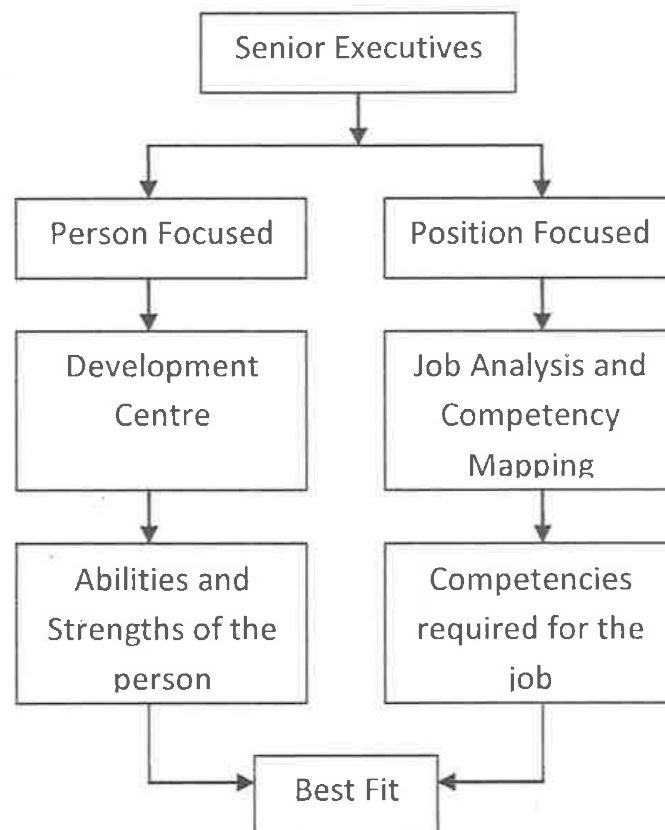
The company defines competency in the following manner:-

*"A competency may be defined as a group of related knowledge, skills and attitude which impact on job performance."*

According to the management competency would be-

- Behaviourally defined
- Observable
- Discrete
- Reflect the organization's culture
- Visionary / forward looking
- Manageable number

The job analysis followed by competency profiling is done with the motive to identify both the job-related competencies and person specific competencies, so that, the organization is in a better position to set the best person in the most suitable position which is considered as 'Person Job-Fit'. The organization's effectiveness process framework is given below:

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     │     Centre        │           │    Competency     │
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     │  Strengths of the │           │  required for the │
     │      person       │           │        job        │
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Though multiple techniques could be implemented to identify person-related competencies, the organization is mainly focusing on a 360 degree feedback and assessment and development centers. These are generally considered as future-oriented techniques which cater to the needs of leadership development and career and succession planning. The competencies are mapped in the following way:

- A structured approach to job analysis is applied to senior management.

- A focus group is formulated consisting of job holder, superior and peer.

- Twelve competencies defined in sixty descriptive elements are used by the focus group.

- The focus group evaluates the impact of each element.

- The focus group is responsible to identify the role of an individual.

- The resultant profile is not intended to describe the current role holder's particular set of attributes or to describe the current role holder's performance.

- The resultant profile is intended to describe what is required to be highly effective in this role.

- The competency profile of senior management is thus completed.

The position-related competencies are mapped through job analysis and competency profiling while the person-related competencies are mapped through the development centre approach. An assessment centre is a multi-faceted and multi-dimensional approach designed to provide reliable and valid information about the range of competencies of an individual considered to be necessary for successful performance at a target level in a specific job. In an Assessment Centre, each participant gets the opportunity to see that he is performing the same task as his peers in exactly the same circumstances. Thus, the assessment centre which is used for development forms the ideal platform to base a management development programme and is called the development centre. Under this arrangement, managers are assessed at a development centre, which seeks to gauge participants' strengths as well as their personal limitations in a non-threatening environment.

## Purpose of Competency Development Centre

1. To identify "Business Leaders" for the future.

2. To identify high potential managers who can perform the general manager's role in future.

3. To provide managers a forum to identify their strengths and their areas of development against certain competency parameters.

4. To promote self-directed development.

It is basically an open-ended approach wherein a continuous reinforcement of soft skills is undertaken at regular intervals in order to integrate the capabilities of individuals with the ever-changing environment for a given role. In the company concerned, the objective of the Development Centre is potential assessment of the job holder or the person who is going to play the role in future. In this process the person's abilities are measured against desired competencies. The development centre comprises a series of exercises, case discussions and personality tests and the duration is three days. The company has designed two modules for middle management and senior management. Some of the Development Centre I competencies which have been identified for middle level management are:

- Analytical
- Innovative
- Strategic
- Persuasive
- Supportive
- Communication, etc.

Some of the Development Centre II competencies which have been identified for senior level management are-

- Analytical and decision making

- Empathy and interpersonal skills

- Quality and customer focus

- Adapting and responding to change, etc.

In this context it is worth mentioning that, after identifying the person related and job specific competencies, the next step is to match them. It can be best done if two competency databases can be prepared both for person-related and job-specific areas, which can then be integrated by some means. The best way to do this is through the preparation of a Competency based Database Management System. It can be targeted at managing and sharing competencies and it can be used at least for the following crucial tasks. Firstly, the Competency Manager can be used to track down competent persons within a company. This functionality could be used when a person needs assistance or help for something; a project manager is gathering competent persons for a project or a document writer needs some background information about something. Secondly, it can be used as a tool during development discussions between superiors and their employees; the current competencies and the competency areas needing improvements can be identified and the development path(s) can be planned. Thirdly, it can serve as a tool for formulating the company's strategic goal.

## Role of Information Technology in Competency Management

*"Competency is the ability and will to realize knowledge into practical results."*

This definition implies that certain pieces of knowledge must be used to solve some task(s), which hopefully will satisfy a need in the market and thereby lead to some practical results. Furthermore the definition also implies an ability or skill for applying the possessed knowledge. So, a common denominator to definitions of competency is knowledge. IT-supported competency management is of interest to the field of strategic management. Information Technology (IT) support for

managing competency is based on a rationalistic view of competency. While these competency systems might work in rationalistic organizations, it can be argued that in more dynamic settings, such as in innovative organizations, the interest-informed actions that capture the emergent competencies of tomorrow require different types of IT support.

## Competency Systems

In situations when real-time and action-based status is expected, it is crucial that the systems are up to date. If only historical records are available, the systems are useless to the innovative as well as rationalistic organization regardless of whether interests or formal competencies are stored. IT-supported competency systems vary from single user PC-based systems to sub modules for competency planning and management integrated in complete solutions for HRM that also support payroll, recruitment and other basic HRM functions. The latter type of integrated HRM solution is offered as part of enterprise resource planning (ERP) systems, again integrating HRM functions with other business functions and processes. For example, major ERP systems such as SAP and PeopleSoft offer HRM modules which comprise modules for competency management.

Organizations wanting to establish long-term employment need to focus on career development and long-term goals for their employees. This requires an overview of the competency of each employee, an area well suited for IT support. A competency system typically includes the following functionality :

- Registering competency data informal education, skills, experiences, etc.
- Mapping of present and future target competency levels for business units and employees.
- Analysing competency gaps at various organizational levels.
- Recording the outcome of personnel discussions.
- Suggesting, storing and tracking competency development actions.
- Serving as a repository for CVs, training and course offerings.

These systems also offer various search capabilities, such as for conducting organization-wide competency searches related to global staffing as well as extensive report generating options. Competency system gives indispensable information about where the knowledge resides.

## Conclusion

Before I conclude this research analysis I need to address the following points:

### How can competencies do wonders for an organization?

The answer to the above question is very simple and straight, i.e., by leveraging the existing competency practices to greatly increase the impact of competency enhancement for business results. This emerges from the fact that a single person with lower competencies can lower the entire team's competency and presumably the reverse is also true. In order to do this in Smithkline Beecham, the following questions are to be addressed:

1. Does HR value competency?
2. Are all stakeholders involved?
3. Is the management proactive in the introduction of competencies?
4. Are all line managers convinced about the benefits?
5. Has the management tailored competencies to suit the local market and culture?

When answers to all the above mentioned questions are in the affirmative the next questions can be asked.

## Why do companies require this?

Again the answer is simple and focused. Competency enhancement was done for :

1.  Business needs;

2.  Aligning behaviour with business strategies; and

3.  Integration of HR systems based on competencies.

Information literacy combines an awareness of the value of information and knowledge to the organization with the skills and competencies that enable an individual to play a full, effective and rewarding role in knowledge environments.

(TEPL, unpublished, 1999)

If the goal is to optimize the profit and the problem is to find an optimal combination of demands to meet, tasks to solve and resources to apply, competency management is the only solution. For competency management, especially from the personnel management's point of view, it may have been a dominating perspective to view the organization's tasks and the organization's knowledge portfolio as given and view the market served as the only variable possible to influence. A competency management system must help broaden this perspective and integrate the organization's three systems. The organization's competency does not have to be the result of past job descriptions – it could also be a result of planned and emergent changes (Mintzberg & Waters, 1985) in the demand, task or knowledge system.

A competency management framework in terms of well-defined competency management process is necessary to achieve effective utilization of the IT-based tool (Houtzagers, 1999; Pickett, 1998). This framework also needs to include a competency catalogue, specifying the different skills and competencies needed throughout the organization. These entities form the base for specifying job profiles. Furthermore, defining too many competency elements results in an "over-specified" competency catalogue, and the process for mapping, registering

and maintaining this becomes too resource-demanding so that the system risks not being used.

In this context the problem of over-exercising a competency ought to be mentioned. Say, a firm has a competitive advantage derived from a reputation for high reliability and design leadership. It may seem obvious that the firm should exercise the related resources and competencies as much as possible to achieve as great a competitive advantage as possible. Surely this should result in improved profit for the firm; however, this may not always be true. Two kinds of disadvantages can result from this mindset.

**First:** over-exercising a competency can lead to overshooting customer requirements and hitting another important trade off – cost.

**Second:** opening up a large gap in performance between a firm and its competitors can make them fairly desperate. It is seldom wise to make competitors desperate for they may then do something different. They may invent another way to compete because they have no choice. Firms with competitive advantage (s) stay fully invested in the competitive status quo.

So, a focus on the competency areas of most critical importance for the organization's performance should guide the identification of central competency elements (Houtzagers, 1999).

## Future Scope

Competency Development and Management System (CDMS) belongs to the category of knowledge management systems, which are structured online repositories of knowledge assets that a community of users accesses and maintains on a continuous basis for learning and knowledge sharing purposes. This concept paper addresses the challenge of enhancing the social dimension of CDMS with social network-based concepts and tools. When faced with an information need, managers often turn to who they know or might be able to provide the relevant information, as reflected in the following questions:

1. Who could I access who actually uses/applies the targeted competencies on a regular basis?

2. Who could I access who had gone recently through an experience similar to the one we are going to embark on?

3. Who could I access who can provide me advice on how best to proceed in developing the target competencies?

4. Who could I access who can provide me with the targeted competency in a "real-time" mode (i.e. learning in progress)?

5. Who could I access who can advise me on which document/site/ programme is the most efficient/most pleasant way of developing the targeted competencies?

6. Who could I access who can provide me direct or indirect access to the people listed above?

7. Which type of access to all these people can I actually get?

In future these questions can be addressed with the proposed improvements in Competency Based Database Management System which is to be integrated with Human Resource Management System (HRMS).

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