

# **Competence Based Business Development – Organizational Competencies as Basis for Successful Companies**

**Bernhard Schmiedinger, Klaus Valentin, Elisabeth Stephan**

(Profactor Produktionsforschungs GmbH, Steyr, Austria,  
bernhard.schmiedinger@profactor.at, klaus.valentin@profactor.at,  
elisabeth.stephan@profactor.at )

**Abstract:** The paper at hand presents a new competence focused management approach which is called competence based business development (CbBD). CbBD should support organizations of all kinds in the effective identification, measurement, combination and integration of organizational competences, which can be seen as a bundle of human competencies, tools and material. The creation of new business fields, products and services or the competence based organizational development can be named as fields of application. The theoretical background and the general framework for this methodology are presented in this paper as a first contribution to the scientific community, which manages the matching of human competence with organizational resources to build organizational competencies.

**Keywords:** Competence management, organizational competence, organizational development, strategic management

**Categories:** A.0

## **1 General Information about the Concept**

In the area of the knowledge based society the objective oriented utilization and development of organizational competencies become the major driving force for organizational success. In order to stay competitive organizations of all industries and sizes have to make therefore use of their consciously used and in many cases “hidden” knowledge related organizational competencies. With “Competence Based Business Development” (CbBD) Profactor has created for the first time a scientific sound and applicable management methodology that allows an efficient and effective identification, application and development of organizational competencies. Organizational competencies are defined as combination of employees’ know-how and tangible organizational resources like machines that are used for value creation or the support of it. They can be seen as the main source for successful products and prosperous organizational environments like internal administrative processes.

The “resource based view” of organizational success which can be found in management literature since the 70s of the last century gets more and more important nowadays in an economic environment that demands on the one side the ongoing cutting of costs and on the other side the continuous creation of product and process innovations from all kinds of organizations. Furthermore more and more organizations are confronted with highly dynamic external organizational environments caused e.g. by an increasing globalization of markets and continuously

changing customer demands. These influential factors lead to a reduced market potential in future. Organizations are therefore forced to enter new markets or to create new products and services for existing or new markets by a re-configuration of existing and newly created competencies. Especially for SMEs which have in many cases not the financial possibility and time to develop new competencies and/or products the optimal usage of existing competencies is of vital importance. It is therefore necessary to design and implement a management system that allows an effective and economical efficient usage and the development of organizational competencies.

CbBD is a management approach, which views the competencies of an organization as the most important starting point for organisational development. Based on a theoretically sound and industrial-need led methodology the possibility of an objective oriented identification, measurement, evaluation, combination and reconfiguration of tangible and intangible resources within an organization is created. The methodology supports organizations in the competence based development and launching of new products and services and the improvement of existing ones. Furthermore the application of the methodology supports the management in the development and improvement of internal procedures and structures.

The paper at hand presents the theoretical foundation of Profactor's organizational competence model. Furthermore it describes the state of the art in competence management and gives besides a short presentation of the management model as such an insight into the possible fields of application of Competence based Business Development.

## **2 State-of-the-art and research objectives**

To point out the need for a new strategic concept about business development based on organizational competence it is important to give a short overview about the existing approaches dealing with competence management. Due to cultural differences in the meaning of the term "competence" this overview concentrates on European approaches.

In the Fifties, Selznick used the terminus "distinctive competence" for activities in which an organization is really good in [Selznick, 1957]. With this theory he gives high priority to competence development and points out the advantage in competition which the existing competencies in companies could bring. Most of the succeeding concepts in this research area contain these fundamental ideas.

There are some approaches and also services how individuals can identify, increase and develop their competencies in a non-organizational context. The most famous concept is the "Balance of Competence", mainly applied in France and Switzerland. Such "Balances of Competence" have been first approaches to collect competencies of people in structured ways after the Second World War, which have been further developed till today (ex. Zukunftszentrum Tirol). The balance of competence is a tool for self-assessment and evaluation of own future development potentials [Erpenbeck, Rosenstiel, 2003].

The biographic documentation of an individual including evaluation of competencies is a long lasting process. We took the basic idea behind and created a short biographic interview and workshop design as first step. Erpenbeck and

Rosenstiel described over 40 methodologies to measure competencies and kept their focus on human competencies [Erpenbeck, Rosenstiel, 2003].

The competence evaluation for individuals on organizational level has to take under consideration not only the individual development, but also group, team and organizational learning. As one of the results of a Study performed by Erpenbeck and Heyse [Erpenbeck, Heyse, 1999] the human competence is defined as network of complex, self organized professional, methodical, social and personal competencies, created in a life-long biographic development. Human based company competencies are therefore also networks built out of single competence “packages” of each individual.

Based on Knowledge Management and the included learning and information handling, Probst describes in his concept how individuals and consequently also organizations can learn objective orientated and build up new competencies by learning. He extends his former knowledge management concept with learning circle and recommends knowledge management tools to support the process of learning [Probst, 2000]. As we see competencies more complex – like the described network – the CbBD approach uses knowledge management methodologies for increasing know how, but respects additionally social, economical and organizational influences.

Very similar to the competence project of Erpenbeck and Heyse the University of St. Gallen developed an approach for competence management, in order to measure them and to develop concepts for organizations [Fitzek, 2002]. Skill Mapping and Clustering are basis for competence portfolios which can initiate new business fields or reveal competence gaps. This concept is not only focused on individuals but also on companies, what is also aim of CbBD.

Considering the fact that CbBD sets the focus on strategic development of companies based on the identification and application of competencies, the individual competence concepts will be neglected and the main focus of this overview is organizational competence management.

One spread theory is the resource-based view. Representatives are Wernerfelt [Wernerfelt, 1984], Barney [Barney, 1991] and Conner [Conner, 1991], who said that companies should concentrate on internal resources and core competencies to be successful on target markets. Competencies are core competencies if they are relevant for competition, hardly to imitate, hardly to substitute and unique.

Prahalad's and Hamel's strategic concept [Prahalad, Hamel, 1990] handles with the problem of creating a future orientated, long range strategy. Core competencies, which are defined as the combination of skills in a company, could build the basis for market leadership. These should be identified, assessed in a portfolio and then developed to fit the future market requirements.

Many theoretical approaches have been developed in the past few years but hardly one of them can be applied in practice or shows a close relation between personal competencies and organizational resources.

CbBD tries not only to be a theoretical funded concept, but also describes concrete measures and tools helping strategic planning based on competencies and resources. But first it is important to explain the theoretical background and the basic concept.

### 3 Theoretical Background

Based on the surprising conclusion, that there is no clear common definition of competencies, the team had to create an own definition, based on the knowledge based application of methodologies in organizational context.

One example is taken from White [White, 1959], which is also used as competence definition in Erpenbeck/Rosenstiel:

*There is a competency motivation as well as competence in its more familiar sense of achieved capacity. The behavior that leads to the building up of effective grasping, handling, and letting go of objects, to take one example, is not random behavior produced by general overflow of energy. It is directed, selective, and persistent, and it is continued not because it serves primary drives, which indeed it cannot serve until it is almost perfected, but because it satisfies an intrinsic need to deal with the environment. [White, 1959: 318]*

Main parts of our CbBD competence definition are derived from here: capacity as not only active but also passive status of competencies; environmental influence; no random success in doing something and continuous learning as form of improvement.

The definition of competencies for the CbBD-Model, and also the theoretical background of the elementary level is:

*(Human) competence is a combination of knowledge (explicit and implicit), abilities and skills influenced by needs, motives, personal goals, values, standards and attitudes. It is marked by effective use of resources, repeated application and accomplishment of tasks within defined conditions. Active competencies differ from passive ones, by being (target-oriented) applied in organizational processes.*

CbBD extends the competence definition to organizations and includes therefore existing tools and materials to a new definition called “organizational competencies”:  
*Organizational competence is the combination of human competence and physical resources respectively actions successfully carried out by individuals using operating resources and work equipment or materials, to contribute to the organizational performance.*

This “bundling” describes the fact, that human competencies alone are not able to contribute anything to the companies performance without using existing tools or materials. Only the combination allows the “activation” of existing competencies, which happens within an organizational context (culture, employees, organization, and technology).

### 4 CbBD – the theoretical model

The CbBD theoretical model consists of the following four major parts, which are closely interlinked each other.

- Elementary level (human perspective)
- Passive level (organizational perspective)

- Active level (organizational perspective)
- learn and adaptation loop

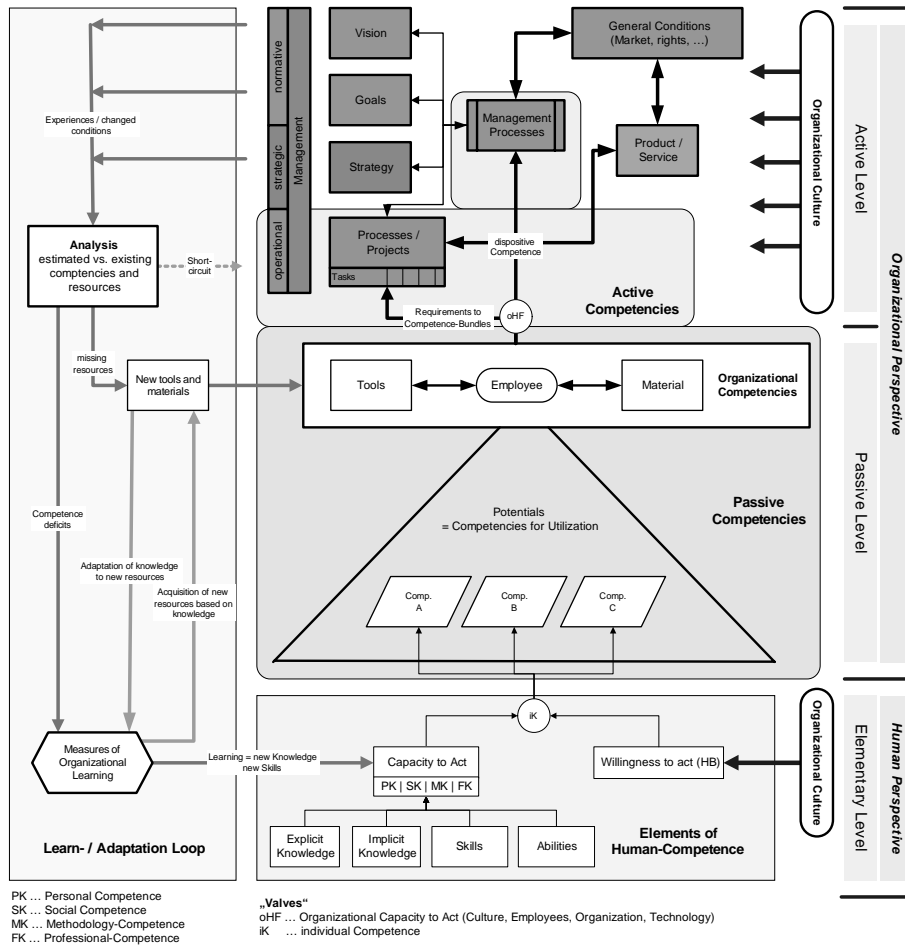


Figure 1: the complete CbBD-Model

Providing the basis of the model the competence levels differ in perspective and utilization of existing competencies. Starting at the human perspective the focus enhances to organizational level where human competencies are combined with existing physical resources. This leads in the active level to the utilization of these passive competencies in management or production oriented processes.

The learning loop represents an adaptation of the "double loop of Learning" from Argyris and Schön. It should also symbolize the systemic complexity of adjustment and learning on management and competencies.

#### **4.1.1 Elementary level**

The elementary level describes the individual human competence and its constitution. The human competence can be seen as the combination of the capacity and the willingness to act. Capacity to act is influenced by knowledge and skills. Willingness describes the motivation of an employee which and how much of the existing know-how will be provided to the organization. It is influenced by culture, well being, satisfaction and commitment to the organization.

As basic element in the competence pyramid the personal know how can be described as combination or sum out of explicit and implicit knowledge, skills and abilities.

#### **4.1.2 Passive Level**

Passive competencies are existing potentials in an organization which are not actually used for value creation or support of it. This means that the passive level describes the possible competencies provided by employees and existing physical resources.

Organizational competencies are the combination of materials, tools and employees (see 3 for a definition). Employees are the interacting element which is needed to apply physical resources. The existing human competence allows the application of tools and materials to fulfill certain tasks. Without application this combination is passive and therefore the description of an existing organizational potential.

#### **4.1.3 Active Level**

Active competencies are used for value creation or the support of it. The usage is mainly influenced by factors collected in the organizational capacity to act (e.g. culture, human, organization, technology). This organizational capacity increases or decreases the passive existing competence on the way to action.

Active usage could be in processes or projects with product (service) orientation or also in management processes. Active competencies are the combination of knowledge with tools and material to reach defined organizational objectives. As there are not always one to one relationships of competencies and products or processes, we used the term "competence bundles" as description for the combination of multiple active competencies. Such bundles are more than the sum of all parts, like a system, because they interact with each other and create a higher potential.

The active level is a high interacting level, because all parts influence another. Changes on the market influence the product and therefore the production process. Also strategy and management processes are affected to react on these changes. This forces an ongoing evaluation of existing and used competencies to react on the dynamic environment, which is handled in learn and adaptation loop.

#### **4.1.4 Learn and adaptation loop**

All competencies must be continuously evaluated, and the demand for new knowledge and resources has to be defined. The loop describes the feedback to basic elements and resources which is necessary to build up new knowledge

(Organizational learning OL) or to order new materials or tools. As one possible consequence passive competencies could be activated.

An essential point in creating new competencies is the ongoing evaluation of use. Like described in the “knowledge life cycle” of McElroy [McElroy, 2003], new knowledge must be reviewed, spread and set into action. The review decides where to use the new competence and where not. Some times a new competence could cost much more than an old one, without any increase of time consumption and quality.

## **5 Fields of Application**

The main application of CbBD is the combination of personal competencies with organizational resources. Within this context personal and product management are improved. A further field for application is organizational development which mainly supports the achievement of objectives mentioned above.

In case of product management, existing products can be improved or modified by an effective and target-orientated deployment of (existing) competencies within the company, on the one hand. On the other hand new products can be developed through a new combination of existing competencies and resources. For this case it is also very important to analyze market requirements, conditions and customer wishes to define realistic objectives.

In personal management one benefit of CbBD is the structured documentation of employees’ competencies. If managers are conscious of skills and abilities of their employees, they can set challenging objectives and can effectively distribute tasks. Advanced training according to interests and competencies and competence based teambuilding are also supported. Technological support and also a further application could be the development of a competence management system, where data of each employee are documented to find contact persons easily (e.g. Skill-Management).

Organizational development is supported as knowledge management, innovation management, the creation of networks or process engineering is part of CbBD methodologies to reach defined organizational objectives.

## **6 Current Status and Future Work**

Actual status of our work is the evaluation of our competence analysis methodology set. Currently it is based on biographic interviews (like Erpenbeck, Rosenstiel and Heyse use), questionnaires, workshops and document analysis (especially in fields of product, process and organization analysis). Main goal in this phase is the assessment of completeness and appropriateness.

As part of the EU founded project PLEXUS [PLEXUS, 2002], a project for developing the measurement and the monetary assessment of the intellectual assets, software has been created, which supports the creation of networks basing on assets of each partner. We now investigate how to improve the functionality of this tool to use it for competence evaluation and matching with existing needs.

## References

- [Argyris, C. and Schön, A, 1999] Argyris, C. and Schön, A. "Die lernende Organisation", Klett-Cotta, 1999.
- [Barney, 1991] Barney, J. (1991). Firms' Resources and the Theory of Competitive Advantage. *Journal of Management* 17, 1 99-120
- [Conner, 1991] Conner, K. R. 1991. "A historical comparison of resource-based theory and five schools of thought within industrial organisation economics: Do we have a new theory of the firm." *Journal of Management*, 17 (March): 121-154.
- [Erpenbeck, Heyse, 1999] Erpenbeck, John, Heyse, Volker (1999): *Die Kompetenzbiographie. Strategien der Kompetenzentwicklung durch selbstorganisiertes Lernen und multimediale Kommunikation*; Waxmann Verlag GmbH Münster
- [Erpenbeck, Rosenstiel, 2003] Erpenbeck, John & Lutz von Rosenstiel, Lutz (Hrsg.) (2003). *Handbuch Kompetenzmessung. Erkennen, verstehen und bewerten von Kompetenzen in der betrieblichen, pädagogischen und psychologischen Praxis*. Schäffer-Poeschel.
- [Fitzek, 2002] Fitzek, D. „Kompetenzbasiertes Management. Ein Ansatz zur Messung und Entwicklung von Unternehmenskompetenzen <http://www.wissen-und-innovation.ch/> (15.12.2004), Universität St.Gallen - Institut für Technologiemanagement, 2002.
- [McElroy, 2003] McElroy, Mark W. *The new knowledge management. Complexity, learning, and sustainable innovation*. Boston, MA: KMCI Press, Butterworth-Heinemann, 2003.
- [Pfeffer, J. and Sutton, R. 2000] Pfeffer, J. and Sutton, R. "The knowing-doing gap : how smart companies turn knowledge into action", Harvard Business Press, Boston, 2000.
- [PLEXUS, 2002] PLEXUS - Decision Support Tools and Methods for the Management and Measurement of Intellectual Assets across Cooperative Networks, EU Project IST-2001-32292; [www.eu-plexus.com](http://www.eu-plexus.com) (last visit: 14.04.2005).
- [Polanyi, 1966] Polanyi, M. "Tacit Dimension", Doubleday, New York 1966.
- [Prahalad, Hamel, 1990] Prahalad, C.K., Hamel, G. "The Core Competence of the Corporation" In: *Harvard Business Review*, 68: 3, S. 79-91, 1990.
- [Probst, 2000] Probst, G.J. et.al. „Kompetenzmanagement. Wie Individuen und Organisationen Kompetenz entwickeln“, Gabler Verlag, Wiesbaden 2000.
- [Selznick, 1957] Selznick, P. (1957/1997). *Leadership in administration*. Harper and Row, New York. Reprinted in Foss, N.J, (ed.), (1997). *Resources, Firms, and Strategies*. Oxford University Press, Oxford.
- [Staudt, 2002] Staudt, E. et.al. „Kompetenzentwicklung und Innovation. Die Rolle der Kompetenz bei Organisations-, Unternehmens- und Regionalentwicklung“, Waxmann Verlag GmbH, Münster 2002.
- [Wernerfelt, 1984] Wernerfelt, Birger. 1984. "A resource-based view of the firm." *Strategic Management Journal*. 5 (April-June):171-180.
- [White, 1959] White, R. W. (1959): *Motivation reconsidered: The concept of competence*. In: *Psychological Review*, H. 66, S. 297-333