

# AGILE BASED COMPETENCY MANAGEMENT

## ABC Management

### Output 2 / Activity 2

**Guidelines:** Using the CAWC method as a tool for setting strategic directions within an organisation

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The Competency Assessment based on Work Contexts method (CAWC) of the Agile Based Competency Management project (ABCM) is designed to be used as method of competency assessment, not just from an individual point of view but also as a process that helps organisations in setting clear strategic directions. The CAWC package includes:

- ✿ 20 competencies,
- ✿ 5 aspects related to each of these competencies,
- ✿ 1 mother case for each one for these aspects,
- ✿ 10 contexts at Managers' lever and therefore up to 50 contextualised cases at this level, per competency,
- ✿ 09 contexts at team member's level and therefore up to 45 contextualised cases at this level, per competency,
- ✿ 22 Knowledge pills developed for e-learning purposes.

The current guidelines are meant to offer support in defining a clear strategic frame for the business and also for the HR function. Both are linked and both have critical impacts on the current and future performance of the business.

These guidelines gives an opportunity to describe both the strategic business planning and the strategic HR planning processes, to establish the link between them and to show how the CAWC method and its package can help managers to set the strategic direction to their business.

The strategic HR planning process is about assessing the current HR situation, planning the HR requirements, Analysing the gap and finally developing HR strategies. Therefore, during this process, the identification of the business's core competencies is crucial.

In that respect, it is important to state that choosing and describing the CACW competencies is based on the most needed competencies at European level, following a survey and interviews conducted with business practitioners, HRM specialists, and training and consulting experts, as well as from experience and knowledge of each international project partner, their in-depth individual contacts with businesses and scientists, and finally, after a thorough review of the scientific literature and from the analysis of available applied in business management practice. On that basis the set of most needed competencies in the labor market and the most frequent contexts were chosen. Each competency is defined and described according to rules of CAWC.



It is possible to run a business without undertaking a previous Strategic planning process, which is the tool that helps to define the direction to take in order to reach the objectives that are expected by the company different stakeholders.

Strategic planning is a process states the mission, vision and values of the company and is driven from the top down. It must take into account the internal and external environment parameters that can be identified and which surround the business.

Once the strategic planning process is completed by the managers, the outcome needs to be shared and communicated to all stakeholders. This is a very crucial step as all people related to the business must understand the “strategic direction” that the business will take during the period of time for which the plan has been set.

As companies face constant changes, this makes the strategic plan absolutely necessary and experience show that those who do have a strategic plan in place, are better equipped to evolve in an unpredicted environment and survive to the continuous changes.

The process of strategic planning, leads to a better communication, it facilitates effective decision-making, helps to a more optimum definition of objectives.

Although the process of strategic planning can be undertaken in different ways, the following steps can be used as a structured approach to reach the objective of establishing a successful and complete strategic planning:

- ✿ Current Situation Analysis
- ✿ Segmentation Analysis
- ✿ Strength, Weakness, Opportunities, and Threat Analysis (SWOT)
- ✿ Core Competencies Analysis
- ✿ Key Success Factors
- ✿ Business Unit Strategy / Business Plan
- ✿ Balanced Score Card
- ✿ Evaluation



**Chart 1: Strategic planning process**

### **Current Situation Analysis**

It is the first step of the Process and it is like building the foundations of valuable strategic plan that will be completed in the next steps. The current situation analysis will have to clearly set up the business's Mission and Vision statements. These must reflect what the stakeholders have in mind for their company. They will have to answer philosophical questions such as: What do what our company to be? What will be for? How do we want it to be in future (short and long)? The answers have to be consistent and clearly written so they can be understood by the managers first and then all employees.

#### The Mission statement:

It states who the company is and what it does. It is important that it differentiates the company from its competitors so it can be recognised as unique in the value it brings to customers. It needs to address topics such as: products, markets, corporate culture and financial goals.

 The Vision statement:

It shows the stakeholders view of where the company should be in the future and is stated in general terms. The Vision includes the following topics: sales volume, market share, market penetration, earnings, customer satisfaction, research and development investment and relationships with strategic partners.

Analysing the current situation also requires collecting data at internal and external levels. The external data includes market, economic and competitive intelligence, customer and supplier information, and benchmark data from both inside and outside of the directly competitive industry.

The final exercise in the current situation analysis is about making sure that every employee has a consistent mind set relative to the Mission, Vision, and Strategy of the company.

### **Segmentation Analysis**

The purpose of the segmentation analysis is to relate the company's current or prospective products and services with the market's potential. This is a fundamental step if the company wants to focus its strategic planning activities in those areas where the business will find both the highest volume potential and financial return.

Before any taking into account the company's products and services, it is first important to identify the market segments from the customers' needs point of view.

Market segments can be defined as groups of customers who show similar processes when making purchasing decision. As an example, we can mention the segmentation based on prices (customers only buy on the basis of price levels).

The objective of this process is to find out customers who have a similar Behaviour and to analyse how this behaviour is different from other market segments.

There aren't one only way to segment markets. This can be based on demographics and consumer buying behaviour patterns such as psychographic segmentation variables and lifestyle variables. However, the most important is to understand the buying behaviour of the current and potential customers.

Secondly, the segmentation process requires assessing and assigning the market potential for each segment and determining if this potential is growing, levelling off, or declining. This allows the company to evaluate and select those segments of highest potential for volume and profit contribution.

Thirdly, it is time to fit the products and services of the company to the different market segments.



### **Strength, Weakness, Opportunities, and Threat Analysis (SWOT)**

The SWOT analysis is a very popular and valuable tool that has shown its effectiveness during the evaluation step of strategic planning. It allows producing an audit of the business taking into account both the internal and external environments of the business.

This audit is developed around four variables: Strengths & Weaknesses (for the internal environment); Opportunities / Threats (for the external environment)

The final outcome is allows to identify the relative position of the company within the market, in general (customer and competition). The following is a definition and some examples of each of these variables:

#### **Strengths:**

These are those activities that the company perform at a high level (better than competitors or better than anyone of them) such as: Supply Chain, Marketing, Operations, Technology and Product Development.

#### **Weaknesses:**

These are those activities where the company needs to improve its performance. They can be identified through the feedback of key functional managers within the company or/and by including customers and suppliers to the process, since very often weaknesses are seen differently when being out of the company.

#### **Opportunities:**

These are a result of new trends or developments occurring outside the company. Like for example diversification, economic or legal conditions, lifestyles and technologies...

In order to identifying them, key managers and business leaders must read industry publications and also making benchmarks inside and outside the company/industry.

#### **Threats:**

These are basically obstacles that the business faces when performing its activity. They include new technologies/products developed by a competitor or changes in government regulations. Recognition of real or perceived threats is important in the development of a strategic plan and critical to avoiding surprises.

## Core Competencies Analysis



Assessing the company's core competencies is a fundamental task within the strategic planning process.

All companies have Core competencies. They are the set of internal skills, processes or systems that make the company unique and provide it a competitive advantage in the market.

If we want to identify them, we can for example produce a list of those values of both product and services from the manufacturer or distribution to consumption point of view. To fulfil this specific task, we may respond to the following questions: In what activities the company add value better than competitors (Research, Distribution, Marketing...)? Where exactly our company does add value to the customer?

Once this analysis is completed, the company will be in a position to clearly identify the strategic areas/functions/tasks in which it is a "high performer" and therefore will carry them out inside the company. For the other ones, the company may/should outsource them.

Core competencies are changing and vary from an industry to another and from a company to another. However, the following can be considered as examples of core competences:

- ✿ Product innovation
- ✿ Marketing
- ✿ Supply chain
- ✿ Sales force
- ✿ customer service
- ✿ Strategic alliances
- ✿ Manufacturing practices
- ✿ ...

## Key Success Factors

Because the importance they have for the customer, these are the functions and activities that are critical for a good customer relationship. These are not defined by the company but by the market and customers. Key Success Factors are about skills, processes and systems within the company.

Key Success Factors is a tool that allows considering the business from the market and the customer point of view. It helps identifying the functions and activities that are appreciated and demanded by the market, to make sure what the company needs do in order to be seen as adding value and to know the customer's decision process is like so he/she generates an order.

The following can be considered as good examples of Key Success Factors:

- ✿ Strategic market segmentation
- ✿ Understand competitors
- ✿ Deliver quality service
- ✿ Deliver what the customer is demanding
- ✿ Low costs
- ✿ Efficient sales force
- ✿ Support staff
- ✿ ...

### **Business Unit Strategy / Business Plan**

This step is about shaping detailed strategic statements for the different operating divisions and functions of the business, at different levels.

On one hand, the functions are usually:

- ✿ Manufacturing,
- ✿ Finances,
- ✿ Sales and Marketing,
- ✿ Supply Chain,
- ✿ Human Resources,

On the other hand, the corresponding levels of Strategic Statements are:

- ✿ Corporate
- ✿ Division
- ✿ Functional (Operations, Human Resources, Marketing, IT Systems, innovation, ...)



**Chart 2: Logical sequence for defining the strategic statements at different levels**

These Strategic Statements need to be linked, cohesive between each other and all aligned with the overall corporate strategic statement. The Business Unit strategic statement should focus on creativity, show the differentiating elements of the business and take into account the Mission and Vision Statements.

### **Balanced Score Card**

This is a one of the most popular management tool used to measure the business performance.

The Balanced Scorecard is a framework takes into account not just the financial metrics with strategic measures to produce a more comprehensive view of how the business is performing. It assumes that there is a cause-and-effect link between learning, internal efficiencies, business processes, customers, and financial results.

From the Balance scorecard approach, business performance is measured through 4 different perspectives and the final outcome shows a global picture of the business. These perspectives are:

- 🌸 **Learning and Growth:** The information provided from this perspective is about how the company is developing its intangible assets. This includes employee engagement and development, product innovation and the growth of the company's knowledge base.
- 🌸 **Internal Business Process:** The information provided from this perspective is about how the company is managing processes to realise economies of scale or how it achieves value chain integration.
- 🌸 **Customer:** The information provided from this perspective is about the value provided to the customer. This is measured through customer satisfaction, customer defects and market share.
- 🌸 **Financial:** The information provided from this perspective is about the financial performance.

### **Evaluation**

Finally, the evaluation process is meant to be like a check-up on how the business is progressing towards its objectives at short and long term. It is performed on an on-going and continuous basis. The evaluation process shows if the elements set up through the scorecard are being met and provides a time to confirm whether results are still meaningful for both the company and the customer.

When undertaking the evaluation process, we must continuously observe the circumstances occurring inside and outside the company. If significant changes in conditions or in performance are observed, then adaptations will need to be made to the near term Business Plan in order to

reorient the business following the Strategic Plan and the Scorecard. However, these re-orientations in the short term business plan must be in line with the long term Strategic Plan.

If this is not possible, then the strategic planning process should be revised. It is important to remind that changes in the Strategic Plan are usually only dictated by significant changes in the external or internal conditions identified in the Strategic Planning Process. Minor ones can normally be addressed by changes in the Business Plan.



HR is one of the strategic functions of any company. Therefore, the strategic planning of Human Resources is a crucial component of strategic HR management as it establishes a direct relation with the strategic plan of the company. All organisations complete financial plans to ensure they meet their goals but not all of them dedicate the same effort to HR plans. The truth is that these are just as important as the first ones, even in Small and Medium Enterprises. By doing so, the management team can make HR management decisions that supports the company's goals. Strategic HR planning is also necessary when it comes to budget the costs of recruitment and training.

### Purpose of strategic HR planning

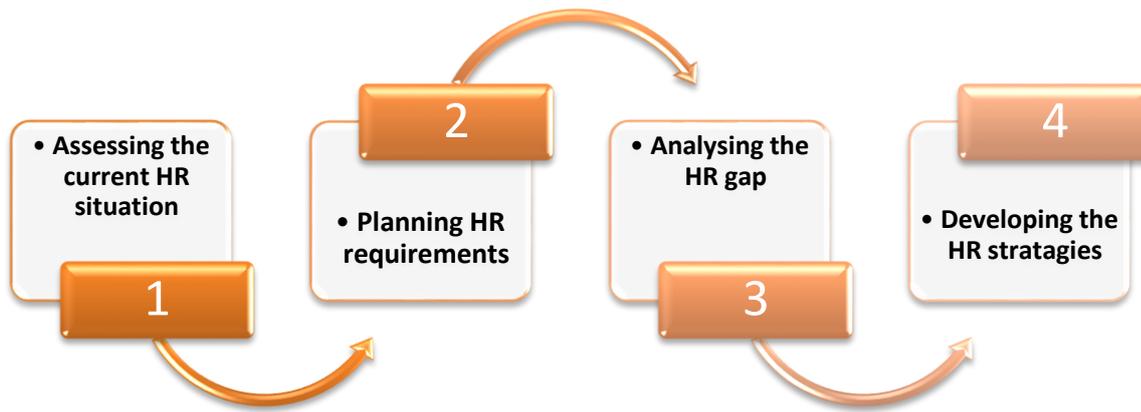
Herman Schwind, Hari Das and Terry Wagar define in "Human Resource Management: A Strategic Approach" strategic HR management as the effort tending to "integrating human resource management strategies and systems to achieve the overall mission, strategies, and success of the firm while meeting the needs of employees and other stakeholders". This definition shows the direct linkage between Human Resources and the "business strategy". We can therefore say that purpose of strategic HR planning is:

- ✿ To ensure adequate human resources to meet the strategic goals of the company. This means having available the right people with the needed skills at each required time.
- ✿ To be in line with the social, economic and technological trends that can have a direct impact on people within the company's field in general and the division's/department's.
- ✿ Remain flexible so that the company can manage change.

### The strategic HR planning process

The strategic HR planning process is normally undertaken in a structured way and follows the following four steps:

- ✿ Assessing the current HR situation.
- ✿ Planning the HR requirements.
- ✿ Analysing the gap.
- ✿ Developing HR strategies.



**Chart 3: The strategic HR planning process**

### Assessing the current HR situation

Taking as starting point the company's strategic plan, the first step of the strategic HR planning process consists of assessing the current HR situation. It is crucial to clearly identify the current company's employees' characteristics in terms of knowledge, skills and abilities (competencies). This is undertaken by developing a skills inventory for each employee.

It is not just about the skills that are needed for a particular position but about all those skills that each employee has shown. The inventory will include any recreational or/and volunteering activities, as these can be relevant to the organisation. Information about the education levels and certificates or any other training needs to be mentioned.

### Planning HR requirements

Moving forward, the next step is to plan HR requirements for the future, taking into account the strategic choices of the company. In order to be as accurate as possible, planning HR needs includes both the demand and supply. The main areas to consider are:

- ✿ The staff required to achieve the strategic goals of the company.
- ✿ The positions that the company will need to cover.
- ✿ The skill that employees will need to have for this purpose.

Planning HR demands, the company will have to consider the external factors. These can be some of them:

- ✿ The impact of the current economic situation on the company's ability to hire the needed employees.
- ✿ The impact of the current technological/cultural changes on the skilled work that the company requires.

- ❁ The changes that are occurring in the labour market.

### **Analysing the HR gap**

Analysing the HR gap is the next step. It is about the gap between the position that the company intends to reach in future and its current position. Through this analysis, it will identify the number of employees and the skills/abilities that will be required from them in the, in comparison to present. This analysis includes:

- ❁ The kind of new jobs that will be needed.
- ❁ The current skills and those that the employees will be required to have in future.
- ❁ The suitability of the current managers/supervisors, in terms of numbers.
- ❁ The suitability of current HR management practices for the future.

### **Developing HR strategies**

In order to meet the organisation's future HR needs, the following strategies can be implemented:

- ❁ Restructuring strategies
- ❁ Training and development strategies
- ❁ Recruitment strategies
- ❁ Outsourcing strategies
- ❁ Collaboration strategies



**Chart 4: developing HR strategies**

### **Restructuring strategies**

This strategy is based on three actions: reducing staff either by termination or attrition, regrouping tasks to create well designed jobs and reorganizing work units to be more efficient.

If it is identified that there is an oversupply of skills, an adjustment will be required and this could be achieved through different actions:

- Termination of contract: Costs may be generated to the company depending on the contracts' terms and the obligation to give a notice must be respected in order to be compliant with the local/regional/national legislation.
- Attrition (Employees not replaced when they leave): It depends on the company's needs and on how urgent staff needs to be reduced. In this case, the work flow in the company will have to be reorganised with the available staff.

### **Training and development strategies**

This strategy is based on training staff to take on new roles and providing development opportunities to prepare them for future positions within the company.

One way to identify training and development needs is that the company sends the employee to courses or to organise on-the-job training.

### **Recruitment strategies**

This strategy involves to anticipating the skills and abilities that will be needed in future by the company and recruiting the suitable staff members. In a strategic HR planning approach, any recruitment should be looked at from a strategic perspective.

### **Outsourcing strategies**

This strategy is about using external individuals or specialised companies to undertake specific tasks that are not considered strategic by the company and also if they don't require on-going full-time dedication (Recruitment, training, Accountancy, payroll...).

### **Collaboration strategies**

The strategic HR planning process may involve strategies that go beyond the company. In this case, collaborating with other businesses could guarantee a higher return, if there is a shortage of certain skills in the company. Examples of this could be working with another company share the costs of training for groups of employees or organise employees' visits between organisations to gain skills and a broader vision.

## The business's core competencies

Assessing core competencies is an important step in the strategic planning process of the company. Core competencies are those internal processes related to knowledge, skills and abilities that make each business unique and different from any other one.

In order to complete a successful core competency analysis, it is important to know the values of all products and services offered by the company and identify those activities or skills in which the company adds value better. Where the company is better equipped: Research, Retail, Marketing, Selling or production.

Core Competency Analysis provides an opportunity to insightfully look at the skills, processes and systems of the company. This analysis allows to implementing a standardised approach to identifying the business areas needed for successfully competing in the market, on one hand and to evaluating the know-how of the business.

Once finished, the core competency analysis identifies the strategic functions that must be performed within the company and the ones that may be outsourced.

The strategic activities are those that the company does very well, add value to the business and put the business in a competitive edge.

The others do not add or add only little value to the business and therefore must be outsourced after a careful selection of a strategic partner

Each company and industry has its own specific core competencies that determine their success. However, the list of core competencies is quite short.

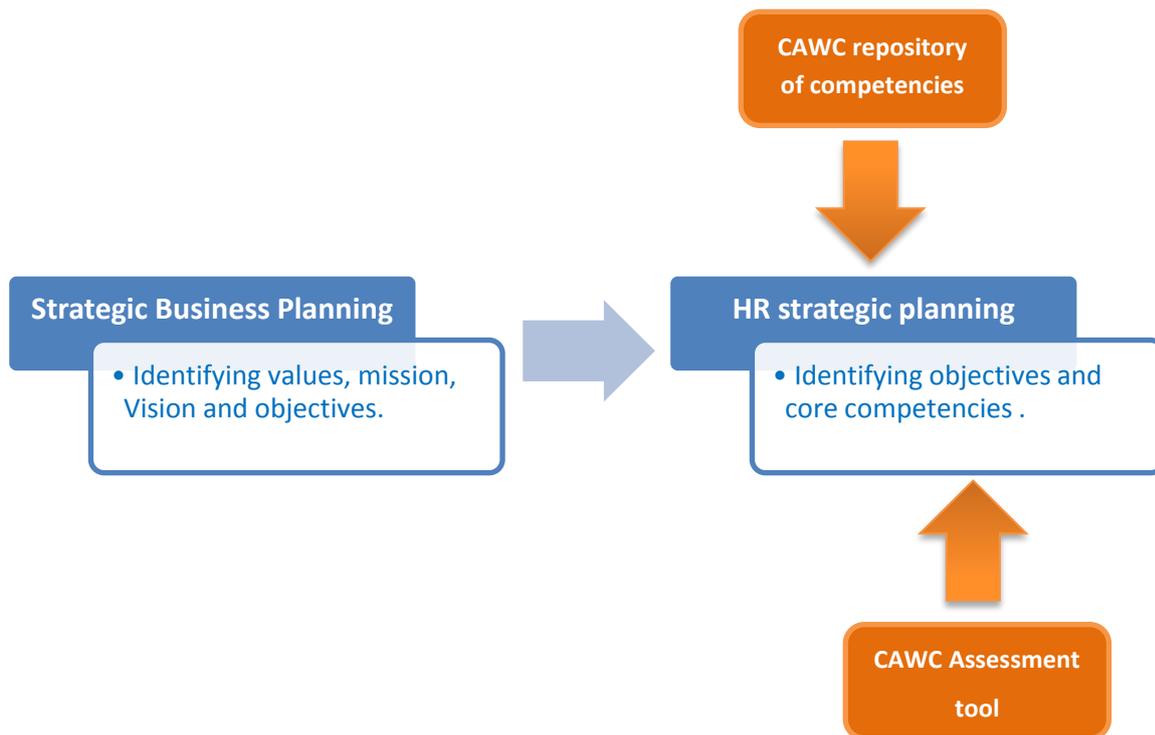
There is a strong relationship between company management, Human Resources management and competency management. This is important to know as it allows explaining the uses of competency in the various sub-functions of HRM, all oriented to efficiently and effectively realising the organisation's objectives, which is the bottom line of all the business activities.

Competency-based HRM enables the company to fulfill its business needs. This should be valuable for those companies whose goals are to [Dubois, Rothwell, 2004:53-45]:

- ✿ Increase competitive advantage,
- ✿ Improve the quality of products and/or services,
- ✿ Improve production efficiency and productivity,
- ✿ Prepare the organisation to further growth and development,
- ✿ Facilitate change implementation in organizational culture,
- ✿ Reach better results in relationships with customers,
- ✿ Improve financial results,
- ✿ Integrate particular HRM procedures,
- ✿ Adjust HRM procedures to company mission, vision, values, strategies and business objectives.

On the basis of all the above developments, it looks obvious that from a strategic perspective, all topics related to the “(core) competencies area” (identification and selection) is not just a HR related topic but is really linked to the whole company and serves its business strategy.

The following is the process that we suggest in order to make a full use of the CAWC method:



**Chart 5: CAWC and the strategic business planning**

### The CAWC repository of Competencies

We see the CAWC repository of competencies as a very valuable tool for company to be used during the HR strategic planning process. It includes 20 competencies but new ones could also be added if the company requires it in future.

If job positions are defined on the basis of competencies (knowledge, skills and attitudes/abilities), then all the HR sub-processes need to be connected with the specific competences related to the job positions (current and future) required within the company.

The 20 competencies identified by The Agile Based Competencies Management (ABCM) and to which the Method of Competence Assessment based on Work Context (CAWC) refers to are:

- 🌸 Resource management
- 🌸 Customer orientation
- 🌸 Change management

- ✿ Networking
- ✿ Negotiation
- ✿ Communication
- ✿ Motivation
- ✿ Teambuilding
- ✿ Conflict management
- ✿ Delegation
- ✿ Decision making
- ✿ Teamwork
- ✿ Initiative
- ✿ Self-management
- ✿ Responsibility
- ✿ Result orientation
- ✿ Creativity
- ✿ Learning to learn
- ✿ Self-development
- ✿ Cross cultural awareness

### **The CAWC assessment tool**

Following the above scheme, the second pillar that can support the Business strategic planning through the HR function is the CAWC assessment tool. This can be used by the management in order to:

- ✿ Assess current employees' competencies in order to identify whether they match with the strategic direction that are being set to the business for the future.
- ✿ Take actions if this exercise leads to discovering competency gaps that may be learning contents that are already developed within the tool.
- ✿ Assess possible candidates for certain positions that may be provided in the near future.