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Competence - A Source of Competitive Advantage?

Paper delivered by William Tate, Prometheus Consulting

'Developing an Integrative Framework for Corporate Competence'

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Introduction

Competence-based approaches for improving performance are held to address the needs both of individuals and of organisations. There is a major problem, however, with many users and advocates of competency confusing the two sets of interests: the personal capability of individuals and the business agendas of their organisations. There is a convenient, widespread, but false, assumption that individual competence, or the sum of individuals' competence equates with or leads to corporate or organisational competence. On its own that is not the case. The competence movement is too frequently conducted in a manner devoid of context; that is, an adequate understanding of, let alone consideration of, the organisation's purpose and dynamics. That shortcoming must be addressed if the methodology is to have real organisational leverage.

There are many who find it convenient to pretend that the route to organisational success lies through individual competence. Their living may depend upon perpetuating that myth, as client organisations typically grant trainers, developers and assessors more ready access to their individual employees than to their organisation's problems and business agenda. But without sufficient organisational context, competence (as a lever for improving organisational competitiveness) lacks a meaningful anchor.

I am approaching the subject of competence here solely from the perspective of the organisation's interest. My position is that of an organisation development (OD) practitioner, not as a trainer or assessor working with individuals. I do recognise, however, that in a competitive labour market, the power and security of employability resides with those individuals who can demonstrate their competence. Assessing individuals' competence to award qualifications, or to establish their worth, or selecting them as being suited to a role is a legitimate focus for competence, but that is not my remit here. From the conference reference to "competitive advantage" I am assuming that we are primarily concerned here with competitive advantage *for business* through improved *organisational* performance.

The abstract for this first session states "Of itself, individual competence cannot be isolated as a source of competitive advantage." As I have intimated, that is not to say that I believe that individual competence does not confer advantages, in the right circumstances, both to individuals and to their organisations. But I do believe that the inherent attraction of competency methodology has led to much confusion between *individual* competence and *organisational* performance, and hence simplistic thinking and mistaken promulgation of competency as a panacea for organisations.

Competence is only one element in the overall performance and competitiveness mix - albeit an important one. There are several missing ingredients which many protagonists ignore. Competence cannot be insulated from their effect. I hope today to shed some light on the other ingredients and show how to make a success of the overall organisational competence recipé.

Content

I am going to discuss a number of organisational variables pertaining to purpose and dynamics that must be considered alongside and in conjunction with individual competence. I shall look at the relevance of the business agenda, followed by an examination of the importance of the concept of life-cycle to see how it impacts on competence. I shall draw distinctions between focusing on means and ends, being concerned with an organisation's interest in results as well as competence. The need for diversity in an organisation - but not in an equal opportunities sense - receives consideration in the context of competence. We shall see how the concept of competence fits with the shadow-side dynamics of organisational reality. Lastly, we shall move beyond valuing organisational factors for providing context, to seeing how they can be used holistically alongside competence to improve performance.

The relevance of the business agenda

As a basis for development action and improved performance, an enterprise should be clear about where it is going, what baggage it needs to discard, and its immediate practical problems. Examples of the business's agenda could include a need to move into new markets, to raise funds, to form a business alliance, to cut costs, to be quicker to market, to find a new distribution channel, to outsource all but its core expertise.

A particular preoccupation of many businesses currently is to become more innovative. This is seen by many as holding the key to unlocking competitiveness. The Government is funding a substantial programme of research, in which I have been involved, and there are innovation white and green papers at both UK and EU level. I will therefore take the example of innovation as a typical business agenda to illustrate its impact on competence.

Innovation is an umbrella term covering a wide spectrum of activity. Breaking it down we may find that an organisation's particular needs are to develop a new range of products, or to bridge the gulf between its creative/ideas people and its innovative/application people. Innovation may target products, marketing, distribution, advertising, promotion, production, employment practices, business partners, structure, work environment, annual reporting, and so on. The innovation agenda may be either outwardly focused on business factors (markets, customers, price, etc.), or inwardly directed at the organisational factors (employees, production, structure, etc.).

The Listening Bank needed to be innovative when it was short of funds. It tried to be first into the market with new products in order to compete with other high-street banks. Now that the bank has massive wealth behind it, it no longer needs to take those expensive risks. The bank has a new strategy for innovation. It can monitor what is going on, hold its resources in reserve, and come second into the market with a quality product and a lot of muscle behind it, swamping those who have been exhausted by the learning process.

Business strategy clearly affects which departments are going to be in the ascendant, and within them who needs to be competent at what and when. In the bank some of those who had the necessary competencies to succeed under previous ownership may not succeed now.

The significance of life-cycle

I recently attended an event where two speakers spoke about their businesses' recent experiences at innovation. One was a start-up operation in optical fibre micro-switches.

Another was a long-established optronics company with a legacy of strongly hierarchical, bureaucratic management; there were nine staff canteens all differentiated by status and each seat had a name badge, so diners sat next to the same people for lunch every day.

Both companies wanted to embrace the latest ideas on how to be innovative and had rich stories to tell. The conference audience lapped up the lessons from these two case studies in the hope of applying them to their own companies. Some members of the audience appeared not to realise that what innovation meant for one was wholly different from the other.

At this time in its growth the first business depended on a high degree of individual inventiveness. It also needed to concentrate on raising finance and to find new markets. The second business was lumbered with a host of legacy issues and needed to manage change. In terms of moving from state A to state B, the first company could concentrate mostly on state B. The second company, with its strongly dysfunctional culture had first to manage unfreezing state A.

The kind of competencies needed, how they are prioritised, how they are applied in practice, and who is spotlighted is different in each of these, and in every other case. For example, if innovation for a given business depends upon breaking out of or crossing the boundaries of domains or functional disciplines (as with the second of the companies cited), then networking competence comes to the fore. Coping with anxiety would be an appropriate competence in both the optronics cases cited, but the nature of the anxiety, feeling of loss and personal threat would be very different in both.

These two optronics companies illustrate the importance of considering life-cycle. The growth and decline of businesses in general broadly mirrors the human life-cycle - growing from infancy, through adolescence to maturity, and thence into decline, unless renewal action is taken to stave off the inevitable decaying forces of entropy[1]. Likewise, certain competencies are associated with these life-cycles. A stuffy monolith may benefit from an emphasis on competencies that favour introducing an element of anarchy; whereas an undisciplined and costly organisation may need a dose of centralised control. Achieving those benefits in turn brings new problems, and the centralisation-decentralisation cycle goes into reverse.

Unless we know what the agenda proposes to target, we cannot judge what individual competencies will assume greater significance in the future. Nor can we assess which competencies are in decline, which change-management competencies will be helpful during the transition process, and which will endure and remain valid as core competencies.

Without understanding whether the organisation is characterised by too much stability or too much turbulence all that competence can achieve is professionalising some model of the status quo. Without a clearly understood context competence has no choice but to assume present organisation and job structure, and a model of desired practice imposed on individuals from outside and derived largely from assumptions and experience drawn from the past and sounding like motherhood.

Depending upon the current state of the organisation, a context-free approach may bring a significant improvement in professionalism. A general and threshold level of competence is useful and necessary. But competence is claimed by many to have leverage beyond that, and this conference is concerned with exploring that power under the banner of 'competitive advantage'. Without a grounding in purpose, the competence movement is only about doing

things right, not doing the right thing. Without context, competence cannot move an organisation from a particular past to a particular future. Without both organisation and personal goals we do not know to what ends we want people to apply their competence, or know how their overall success in terms of achieved results and outcomes will be judged.

Competence as a social construct

It would be very convenient if we were able to isolate individuals' competence, not only from the organisation's agenda, but also from colleagues. But competence is socially constructed. For most people, individuals act out their competence in a social interaction of one form or another, be it with a boss, colleagues, customers, suppliers, etc. Competence has little meaning unless it takes account of the nature and quality of the relationship with those others with whom one is interacting[2].

The effect of the relationship on one's personal competence takes a number of forms. First, the interaction may be significant in terms of assessing competence (e.g. needing to take account of the competence of the other person assessor, and the attitude of the assessor towards the person being assessed). Competence in the eyes of a boss may be very different from competence in the eyes of colleagues, let alone oneself. The relationship may be significant for blending and dovetailing complementary competence (as in a mixed-competence team). Or others' incompetence, requirements or expectations may impose restrictions on the use of one's own competence.

Imagine Kenneth Brannagh trying to put together a successful performance of Hamlet by only being concerned with individual actors' competence. The whole production only works successfully because the director manages the relationship between actors - who needs to do what, when and with whom, and what they think and feel about each other. Crucially, he takes account of the plot. And of course he has a well-functioning stage, resources and props. The analogy between a business company and a theatrical company can be extended to include a smooth-running front-of-house arrangement, concern with paying customers, taking note of feedback (attendance, applause and critics), and so on.

Alignment and competence

I think it was Jack Welch of General Electric who said if his people were not aligned with his purpose he would rather they were incompetent! The combination of non-alignment and competence was, he considered, the most dangerous. Non-alignment and incompetence he could live with. I have worked for managers whom most people would say were competent, certainly highly skilled, but who were thoroughly mischievous and used their competence to subvert their colleagues and the organisation. The joke which runs 'If we must have bureaucrats around here, let's hope they're not competent ones' makes the same point.

Most of us may feel at least a grain of truth in that premise. But the view which calls for competence to be aligned with the ideas of the leader raises as many questions as it answers. If everyone is aligned, how does a leader's wrong-headed strategy get challenged? We saw this problem some years ago with Digital. That company ran a management development programme with the express aim of ensuring that the board strategy was supported. What managers actually needed was a licence to challenge the board. Courage was an important but unrewarded and unsanctioned competency.

The importance of diversity to organisations' long-term health

This hints at the important issue of diversity. Welch's dictum doesn't help us here, but diversity is very important for an organisation's long-term health. How do you get it? For an organism to survive in a complex environment (business, technological, political and social) calls for internal resources to be equally diverse. Without such response capability a body cannot compete and will eventually die. A future-oriented strategy that seeks to address tomorrow's unknown threats therefore calls for diversity - of skills, opinions, values and beliefs.

Competence frameworks provide the basis for compliance, running the risk of prescribing a uniform model of assumed best practice[3]. This may work against the need for diversity and plurality - particularly at senior levels. This need assumes greater importance with the length of the management time horizon, the more unpredictable the future, the pace of change, and the more strategic the role. The development implication is that beyond essential skills, managers need forms of education which liberate their differences, rather than training to follow prescribed norms.

The organisation's shadow side

Corporate competence, as I hope I have shown, is not to be equated with individual can-do competence. We get closer to our corporate goal if we think of competence in terms of choose-to-do (bottom-up) competence and allowed-to-do (top-down) competence[4]. These derivatives of competence reflect what actually happens inside the organisation in terms of forces affecting individuals.

In seeking to convert potential into performance we must take account of what Gerry Egan, my professor in Chicago, calls the shadow-side of organisational life. If we think of the organisation as a living organism with its own cultural personality, then it has a dark side to its nature, as indeed have we all.

In Egan's model[5], organisational life can be thought of as an equation, with all variables falling one side or the other of the rational/non-rational divide. I place competence on the rational side, along with structure, policies, job titles, procedures, strategy, etc. Some of the non-rational elements include the power structure, people's ambitions, the grapevine, rivalry and mistrust. If you only manage competence as a rational element you are missing one of the chief tricks on the table.

Herein lies the clue to one of competence's weaknesses. There is a comforting assumption that if we develop someone's competence, or recruit someone for their competence, it will be used, and will be used for good. In reality people have to want to use their competence. And they have to be allowed (by the organisation) to use it. Thus competence is what we have at our disposal. But, according to the late W. Edwards Deming, most people actually only draw upon around 15% of what they have to offer. The organisation squashes the rest - by protocol, fear, demarcations, etc. Therefore, I would argue, developers have more to gain from developing the organisation variables than the individual ones.

Competence and skills are the modern-day equivalent of the 'hands wanted' signs we used to see outside factory gates. Too often competence is thought of in terms of what lies in people's hands. But taking a more humanistic view of competence, as well as improving upon that 15%, arguably what matters more is what is going on in their own and in others' heads and hearts. The consciousness and volition school[6] has much to teach us about the shadow side.

The power of beliefs

There are many competing initiatives, models and tools vying for business's attention. Competency methodology is one of these. People try to demonstrate potential interventions' worth and match against business need. But they may be missing the point. If you believe that a given approach is what you need, then you will commit all your energy and resources to make it work. And you will be disposed later to look for evidence that it has worked.

Frizzell Insurance (recently subsumed within Liverpool Victoria) is a case in point. The Bournemouth-based company has made a success out of believing that NVQs for its supervisors holds the key to improved organisational performance. It has put all its training effort into that initiative and has done it very well, receiving a good deal of favourable publicity as a consequence. Ergo, the national standards of occupational competence work in the insurance industry. Yes, if you believe they do.

From individual to organisational competence

The above discussion has been concerned with using organisational reality as a grounding for individual competence. This approach still assumes the primacy of individual competence (albeit targeted and synergised) as the means of organisational improvement. But we need to question that primacy; organisational factors have the power to provide us with much more than mere context to drive and give focus to individual competence. In the case of innovation, are individuals' innovating competencies the key contributor to organisational innovation even when we do understand the business's innovation agenda?

At the beginning of this year I was asked by the Institute of Personnel and Development to help research and write a consultative document on the subject of innovation for their membership. My brief contained a number of starting issues which the IPD wanted the document to raise. One was: 'What are some innovating competencies?' It is not difficult to generate an initial list, such as networking, reflection and coping with anxiety. But that risked missing the point. I concluded that the phenomenon of innovation is primarily an *organisational* property or characteristic.

I can illustrate my point with a case study based on the experience of a health sciences company. This company wanted to become more innovative and chose to go down the individual route. It believed that if it developed each manager's innovating expertise the sum would be corporate innovation. It wasn't, of course. What they neglected were the organisation variables. By that I mean such factors as the recognition and reward system, the culture and whether it favours innovation, the budgeting system, who gets promoted, what happens if people take risks, etc. That is what I mean when I say innovation should be managed primarily as an organisational phenomenon. And that principle applies to other company agendas too. If we seek corporate competence, the lever of individual competence must be pulled in conjunction with other relevant levers such as climate and rewards.

Conclusion

That may be a suitably controversial point on which to finish. My thesis is that the sum of individual competence does not naturally deliver corporate competence. If you want the latter, then you need to manage the many organisational dimensions and dynamics that need to be stirred into the mix.

I am challenging unfettered genericism here, the assumption that we can have wide confidence in, or gain a great deal from, spelling out for individuals what is going to work well for them in their work, independent of context and the challenges they face, other than at a fairly basic occupational techniques level. In its place the framework I offer for organisations is one which is contingent upon particular circumstances; i.e. this business, at this time, at this point in its life-cycle, with these problems, with this agenda.

Having been arguing this point for some years, I now sense the tide is turning. There seems to be movement from context-free competencies towards context-awareness. The next step is to embrace a context-rich approach.

References

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6   Peter B. Vaill (1989), *Managing as a Performing Art: New Ideas for a World of Chaotic Change*; San Fransisco, Jossey-Bass, pp 33-48.

William V Tate, 10 September 1997