Why competence management is crucial in modern organizations

Solutions and good practices to support strategic objectives, processes and tasks
Overview

- Fraunhofer-Gesellschaft and the Fraunhofer IAO institute
- Global trends as hints for smart organizations to navigate in turbulent markets
- Why is competence management so crucial for organizations?
- Solution and good practices
Overview

1) Fraunhofer-Gesellschaft and the Fraunhofer IAO institute

2) Global trends as hints for smart organizations to navigate in turbulent markets

3) Why is competence management so crucial for organizations?

4) Solutions and good practices
Profile of Fraunhofer-Gesellschaft

- **Founded:** 1949
- **20,000 employees**
- More than **80 research institutes**, of which 60 operate as independent profit centres
- **Europe:** Brussels (Belgium), Moscow (Russia), Budapest (Hungary), Jönköping (Sweden), Bolzano (Italy), et al.
- **USA:** Boston (Massachusetts), Pittsburgh (Pennsylvania), Plymouth (Michigan), Providence (Rhode Island), College Park (Maryland), Peoria (Illinois)
- **Asia:** Ampang (Malaysia), Beijing (China), Jakarta (Indonesia), Koramangala Bangalore (Indien), Seoul (Korea), Singapore, Tokio (Japan)
- **Middle East:** Dubai (United Arab Emirates), Cairo (Egypt)

**Head of Fraunhofer-Gesellschaft:** Prof. Dr.-Ing. habil. Prof. E.h. Dr.-Ing. E.h. mult. Dr. h.c. Reimund Neugebauer
Profile of Fraunhofer-Gesellschaft

- **Research & Development**
  - Applied research to the direct benefit of private and public enterprises and of interest to the society
  - Applied research
  - Research on behalf of the German Federal Ministry of Defence

- **Entrepreneurial mindset**
  - Institutes operate as profit centres
  - Spin-offs by Fraunhofer researchers are actively supported

- **Contract partners / Customers**
  - Industrial and service companies
  - Public sector
Fraunhofer 4-step approach to bridge the »Valley of Death« between research and industry

<table>
<thead>
<tr>
<th>Main activity</th>
<th>Foundational research, inventions</th>
<th>Market analysis, prototypes, demonstration</th>
<th>Early commercialisation</th>
<th>Market entry and growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typical lead investors</td>
<td>Public sector</td>
<td>Corporate research; ‘Fools, Family and Friends’</td>
<td>Venture capitalists</td>
<td>Loans, market capital</td>
</tr>
</tbody>
</table>
Profile of Fraunhofer IAO and IAT

- **Founded:**
  - IAO – 1981
  - IAT – 1991

- **Head of Institute:**
  - Prof. Dr.-Ing. Dr.-Ing. E.h. Dieter Spath

- **Budget:**
  - 31.7 million Euro, of which 36.2% are generated from industrial contracts

- **Staff:**
  - 490 employees

**Main topics**
- Corporate Development and Work Design
- Service and Human Resources Management
- Engineering Systems
- Information and Communication Technology
- Technology and Innovation Management
Overview

1) Fraunhofer-Gesellschaft and the Fraunhofer IAO institute

2) Global trends as hints for smart organizations to navigate in turbulent markets

3) Why is competence management so crucial for organizations?

4) Solutions and good practices
Business and work is changing – some global trends

**Technological innovations**
- New products
- New production methods
- Rapid time-to-market and declining product life-cycles

**Demographic change**
- Job design acknowledging an ageing workforce
- Changed age patterns in companies
- Skill-shortage

**New work systems, changed labour organisation**
- Organisation along business processes
- IT as enabler for distributed work
- Demand for process-oriented and competence-based learning solutions

**Information and knowledge as crucial resources**
- Learning co-operations
- Increase of knowledge-intensive service activities
- Decrease of “physical“ work

Rapid time-to-market and declining product life-cycles
Global trend - globalisation

Characteristics
- Transformation from local to global value chains
- Increase of outsourcing and offshoring activities
- Increase of cross-border cash flow

Consequences
- De-regulation of market barriers for sectors that used to be secured
- Competition with higher density
- Importance to analyze competitors and markets increase
- Global allocation of work, human capital and real capital
Critical factors for success e.g. in the banking sector

- Employees of an institute: 97%
- Understanding customers' needs: 95%
- Clear market position: 86%
- How to communicate to customer: 77%
- Brand strength: 76%
- Business description: 67%
- Management of the sales department: 55%
- Regional coverage with branches: 58%
- Pricing: 35%
- Distribution channels used by the sales department: 31%

Quelle: Spath, Praeg, Vocke, Engstler (Hrsg.): Trendstudie »Bank & Zukunft 2010«
Concerning global trends ….

Dr. Pierrin Vincenz CEO Raiffeissengruppe Suisse

- Intensified competition, changing customer behaviour (e.g. decrease of customer loyalty) and new market regulations as an reaction of financial crisis situations need a re-adjustment of bank business models and a clear market position.

- Distinguishing feature of our institute is competence and trust.

Conclusions

- Global trends are the basis and the framework for future activities of organizations
- Global trends influence organizations and their employees
- Organizations are hardly able to implement new strategies, processes and work tasks, if employees are neither qualified nor able to bring strategies and new processes into action
- Well educated and competent employees are the most important resources of companies
- Competence management is the key enabler to bring strategy into action
Overview

1) Fraunhofer-Gesellschaft and the Fraunhofer IAO institute

2) Global trends as hints for smart organizations to navigate in turbulent markets

3) Why is competence management so crucial for organizations?

4) Solutions and good practices
Challenge: Performance gap as a result of a non-integration of learning and business needs

- The supply in training and learning does not fit actual business needs / come too late
- The management is not fully aware of competences required in order to run the business processes
- Organizational changes are being decided without knowing the competence gaps and without defining appropriate learning offers

**Learning and business process management are still “separate worlds“
.... and competence management can bring these worlds together!**
What is competence management?

Concerning competence management

- There is yet no generally agreed definition of competence management

Work definition

- Competence management can be seen a systematic approach to enable organizations and their employees to initialize, implement and carry out strategies, processes and work tasks by means of adequate competences
- Competence = ability of organizations and employees to cope with business needs

Scale and scope

- Non-sector specific
- Not restricted to any company size
What are the benefits of strategy-oriented competence management? (1/2)

Smarter Resource Planning

- Whether an organization is up-sizing, downsizing, or reorganizing, it is important to know where the organization’s critical skills, competences, and certifications lie.

Optimized Tracking of Employee Knowledge and Job Skills

- An organization will realize significant cost savings and higher productivity by identifying and tracking employee’s core competences, skills and knowledge; assesses any skills and knowledge gaps - and then deliver a learning action plan to close those gaps.

Improved Standardization and Employee Mobility

- Organizations dispersed across continents and cultures have to develop and maintain standards for enterprise-wide functions. Competence management standardizes roles, tasks, and competences over the entire organization, ensuring that any employee have the same training, skills, and certifications.
What are the benefits of strategy-oriented competence management? (2/2)

Greater Efficiencies

- By implementing competence management, certifications and re-certifications can be implemented and managed in a transparent way. Furthermore training sequences allow the development of vertical and horizontal career paths.

Talent identification and Development

- Effective leadership pools can be developed by identifying specific roles with associated competences for leadership at any level. The result is a basis for further Talent Management activities.
Overview

1) Fraunhofer-Gesellschaft and the Fraunhofer IAO institute
2) Global trends as hints for smart organizations to navigate in turbulent markets
3) Why is competence management so crucial for organizations?
4) Solutions and good practices
»Fraunhofer Kompetenz-Kompass«
According to DIN PAS 1093

<table>
<thead>
<tr>
<th>Step</th>
<th>Competence Area</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Strategic alignment</td>
<td>Identification of strategic aims as a starting point to align competence needs to strategies and organizational processes</td>
</tr>
<tr>
<td>2</td>
<td>Competence roadmap</td>
<td>Specification how competence management can support implementation of strategies and/or processes</td>
</tr>
<tr>
<td>3</td>
<td>Competence model</td>
<td>Customisation of the competence management approach in a standardised way</td>
</tr>
<tr>
<td>4</td>
<td>Identify competence gaps</td>
<td>Measurement and evaluation of existing competences to reveal gaps</td>
</tr>
<tr>
<td>5</td>
<td>Competence development</td>
<td>Training and learning activities aligned to competence gaps</td>
</tr>
<tr>
<td>6</td>
<td>Competence evaluation</td>
<td>Evaluation of the impact to organizational needs</td>
</tr>
</tbody>
</table>
1 Strategic alignment

Strategic alignment is crucial
- Preconditions for employees when new strategies and processes are implemented are often unclear
- Organizational change is often implemented without knowing which learning needs are necessary for the organization
- The skills and competences needed to master new processes and work tasks are in many cases not available

Strategic alignment by an opportunity map
- Description of customer needs today and tomorrow, the market, competitors and technological developments
- To analyze and to identify critical issues where competence management can support such processes and strategies
- To decide which processes should be supported by competence management
»Fraunhofer Kompetenz-Kompass«
According to DIN PAS 1093

Objective:
Increase the effects and efficiency of training
Benefits by using the Fraunhofer competence compass

On the strategic level

▪ to enhance the relationship between high performing employees and the organization they are working in (avoid shortage of skilled staff)
▪ to fasten implementation processes for new or modified strategies

On the process level

▪ to increase productivity by strengthening employees ability to do the right things in a defined period of time
▪ to reduce training cost by focusing in effective measures
▪ to enhance the satisfaction rate of employees by supporting them to do their work in an effective way
Energy provider example: scope of activities strategic competence management

- Megatrends
  - Globalisation,
  - Market,
  - Competition,
  - Technology,
  - Political system,
  - Society,
  - Demography, ...

- Competence needs derived from the strategy of the organisation

  - "As is" vs.
  - "target performance"

- Strategic HR-development

- Existing competences of the organisation and of the employees
  - Energy production
  - Commerce & procurement
  - Transportation & distribution
  - Sales department
Energy provider example 2 – approach and results

- Interlink strategic objectives to organizational core competences
- Align generic competences to department contexts
- Check of training activities done
- Align learning activities to competence needs
- Adaption of competence management activities
- Target value workshops
- Competence diagnostic in employee appraisals
- Competence development plan
- Evaluation of results
- Stakeholder involvement
- 27 generic competences
- Competence gap analysis
- Identifying companies core competences
- Aligning generic competences to department contexts
- Strategic objectives
- Competence model and competence catalogue
- Roles and target values
Fraunhofer IAO offers to enhance companies’ performance by competence management

**Studies**
- trends, activities, diffusion, software
- target Groups: HR-manager, middle-management, CEOs

**Seminars and courses**
- Enabling organizations to understand and use competence management

**Consulting**
- Support organizations in competence management activities, roll-out, specific issues and topics….

**Network**
- Learning from “good practices“, joint R&D of leading edge solutions and facilitating exchange between companies

**International Network Competence Management**
- To identify the latest trends in Europe and to exchange experience with national and international experts, networking between companies and research, establishing international projects
Insanity: doing the same thing over and over again and expecting different results

Albert Einstein
Contact

Alexander Karapidis
Fraunhofer IAO
CT Kompetenzmanagement
Nobelstraße 12
D-70569 Stuttgart

Phone: +49 (0711) 970-2019
Fax: +49 (0711) 970-2299
Alexander.Karapidis@iao.fraunhofer.de

Easy and friendly questions are very welcome...

http://www.pm.iao.fraunhofer.de