

Limits and possibilities for  
competence development in firms

– Results of an Empirical Study –

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## **1. Introduction**

The scientific debate within the research on competency development and in particular empirical teach-learn research is currently undergoing a phase of change in view of the challenge posed by lifelong learning. Paradigms dealing with the competence-based view play a special role in this process (cf. Kappelhoff 2004, Zollo/Winter 2002). This paper investigates the various prerequisites in relation to the self-determined development of competencies based on the results of a survey of companies in North Rhine-Westphalia. It will be shown that the distinction between various organization regimes of HR management enables far-reaching insights into the organization of HR management. We can thereby draw conclusions regarding the development of competencies of the individual agents and of the company itself.

The starting point of the empirical study was the thesis that there were extensive differences in the deployment of certain instruments of personnel development, as well as the goals thereby pursued. In this context it is of interest whether indications as to best practice in HR management may be gained from companies deemed to be leaders in innovation, especially in the field of personnel development. It was assumed that the personnel work of innovative companies differed significantly from the personal work of the less innovative companies. The results would then serve as guidance for options to promote competency development. The professed objective of this study was the formulation of a rationale for this.

Further questions pursued include: are there HR-related core areas to which companies, relative to their innovative ability, attribute a prominent position? What consequences does this have for the personnel development of competencies of the individual agents? What roles do self-organization and other-organization play in these processes of development?

From these questions the following fundamental assumptions emerged: companies differentiate themselves with regard to the pattern of their routines (organization regime) in relation to 'interaction with personnel'. Subject to their respective organization regime, they are based on specific everyday theories that guide action ('theory-in-use'). Companies differ strikingly from one another in the significance that they assign to personnel development with regard to its innovative ability. Whilst from the perspective of the personnel director or those in company management responsible for HR, the responsibility for development of individual competencies lies with the members of staff (self-organization), the utility of the competency development will ultimately be judged by supervisors (other-organization).

The source for further scientific debate is differentiation between the competencies of individuals and the capabilities both within companies and possessed by them (organizations as secondary agents *sui generis*), as well as those both within (company) networks and possessed by them. Firm capabilities are not to be regarded as the sum of the competencies of the staff members. As distinct from competencies of individual persons, they have a unique quality. They are to be interpreted for example in terms of integrative routines of task fulfillment (cf. Doz 1996). Such routines of interaction cannot however function without individuals and their competencies. Routines are the building blocks of capabilities (cf. Dosi et al. 2002, p. 4). The focal points of this paper are 'interaction with personnel' as a firm capability and the development of the competency of the individual agents.

## **2. Methodological Steps**

In the course of the empirical study around 240 heads of HR departments or those in company management responsible for matters of HR throughout the industrial region of North Rhine-Westphalia were approached. Eighty three questionnaires were be evaluated. The rate of return was approximately 30%. In terms of company size, results were received from participants of the study as follows: 35% from small companies (20 to 500 employees), 25% from medium-sized companies (500 – 1000 employees), and 40% from large companies (1000 employees and more).

During the course of the empirical investigations it was asked which tasks the respondent groups considered as particularly important to facilitate the innovative ability of their company. Interviewees could choose between the following areas: personnel advertising, recruitment, planning, selection, deployment, appraisal, remuneration, development and redundancy. Significant results were obtained from the performance of statistical tests such as cluster analysis, ANOVA and chi-square. The answers were categorized into three organization regimes – the ‘appraiser’ (appraisal), the ‘planner’ (planning strategy), and the ‘selector’ (selection) – which differed in priorities, objectives and behavioral styles in interaction with staff members.

### **3. Results of the Survey**

#### *3.1 Organization regime of HR management*

It became clear in analysis of the study that problems, measures and effects of the activities of HR management could not be separated from the dynamics of the organization as a social structure. Hierarchically interconnected and interdependent routines that emerge over a period of years pivotally and overtly determine the basic perception of a company’s HR management duties. Such a bundle of routines that characterizes itself by way of a defined pattern is hereafter designated as an ‘organization regime’.

The personnel work of the companies in which the organization regime of the ‘appraiser’ is dominant is characterized by a particular emphasis on the appraisal and development of their staff members. Then there are those companies for which the optimum utilization of their human resources is the priority (the ‘planner’). The third regime defines the companies whose main HR concern is recruitment of the most ideally suited candidates (the ‘selector’). In all three organization regimes the task of personnel development is of central significance: 94% of the appraisers, 60% of the planners, 73% of the selectors considered it among the three most important activities from the perspective of innovation management.

The next step ascertained whether the appraisal, planning strategy and selection organizations deployed specific instruments of personnel work. The investigation led to the following results:

The prime task of HR management in the appraiser regime is to set up

the criteria and forge the appropriate structures which enable continual monitoring of the staff. In essence, their motto could be described as 'champion and challenge'. In contrast to other organization regimes, the appraisers drew particularly on structured performance reviews (84.2%) and evaluation sheets (78.9%). They rated ad-hoc performance reviews and 360° appraisals as less relevant. One of the conspicuous features of this regime is that an induction period for new staff was implemented in almost all companies. New staff members receive comprehensive support at the outset.

The right staff at the right time in the right place within the company – this is the maxim of the planning strategy regime. The entire field of HR management is orientated towards collecting information to avoid excess or under-capacities. According to 65% of respondents, the prime instrument for assembling firm capabilities was the staffing policy. Next in line were job descriptions and the 360° appraisal (both put forward by 50% of respondents). Personnel managers sought to gather as much information as possible about staff members in order to improve the planning process. By this means they wished to avoid unnecessary costs arising through seasonal fluctuations or new technical developments. However, no statistical correlation manifested itself between industrial sector (such as seasonality for heating installation companies) or company size and organization regime in support of this motivation.

The dominant principle underlying the selector regime is that personnel problems never even arise once the right staff members are found. Activities are thus primarily directed towards the external job market. Performance assessment of staff members is generally situational, ad hoc and informal. It is moreover noteworthy that senior management has considerable discretionary authority and leeway in this context. From the viewpoint of staff members, this form of performance evaluation is regarded as relatively opaque. Core instruments of this regime are job interviews (94.4%), analysis of application documentation as well as non-prestructured assessment interviews (63.2%). For 31.6% of respondents, probationary periods are furthermore a decisive means of testing whether candidates suit the company.

Companies deploy instruments in various forms and with varying intentions according to the organization regime of their personnel work. The following insights into organization learning are obtained: new instruments are transformed and 'absorbed' by the particular organization regime. Companies tend to follow the 'more of the same' principle in the processes of adaptation. As a result, organizational learning occurs by way of single-loop learning, rather than high-order learning processes, such as double-loop learning (cf. Winter 2003).

### *3.2 The role of personnel development in relation to the organization regime*

A direct positive relationship between personnel development and the innovative ability of the company, whereby the most innovative companies accord special significance to personnel development, could not be established. The question thus arises as to whether a different role is assigned to personnel development by the respective organization regime. It shall in the following be elucidated why the planning strategy regimes attempt to offset undesirable effects arising from the orientation of their HR work on their 'theories in use' by means of relatively pronounced instruments of personnel development.

The frequency with which various instruments of personnel development were deployed was considered, including familiarization of new staff, external continuing education, on-the-job training, quality circle, horizontal and vertical job enrichment, and job rotation. It transpired that 85% of planners adopted vertical job enrichment as an instrument when required. This was the highest result compared with the other organization regimes (50% for selectors) and instruments of personnel development considered. Furthermore all planner companies utilized horizontal and vertical job enrichment. Among the appraisers the rate of usage was 20%.

Horizontal job enrichment was deployed relatively frequently by the planners compared with its deployment by the other organization regimes (approx. 60%). It is nevertheless surprising that, in the opinion of planners, horizontal job enrichment played no part in building competencies. Thus the use of these instruments has another function for these firms. Vertical and horizontal job enrichment serves to capture and, if necessary, compensate for undesirable effects which arise in the implementation of personnel planning.

The most important goals for companies in their pursuit of personnel development activities were also considered within the empirical framework (cf. Table 1). The prime objective for planners was the advancement of organizational and methodical competencies, with 70% of responses. This view was shared by 40% of appraisers and 20% of selectors. In second place for planners was the promotion of social competencies (approx. 60% of citations). Among the appraisers and selectors, 30% and 25% respectively rated the objective as significant.

It appears that the planners seek to improve the social competencies of their staff through personnel development. One explanation for this could be the wish to equip staff with capabilities and skills in order to offset the undesirable consequences of the stringent focus of HR management.

	Motivation of staff	Updating specialist knowledge	Advancement of organizational / methodological competencies	Advancement of social competencies	Investment in new recruits
Appraisers	57.1 %	50.0 %	42.9 %	28.6 %	21.4 %
Planners	28.8 %	28,6 %	71.4%	57.1 %	14.3 %
Selectors	73.3 %	40.0 %	20.0 %	26.7 %	40.0 %

Table 1: Goals pursued in the deployment of instruments of personnel development

It is apparent that personnel development is assigned yet another function within the firm, in addition to those explored by, for instance, Bellmann/Bücher (2001) and Zwick (2003): personnel development offers the company the opportunity of increasing its productivity and thus its competitiveness. A further example: whilst almost all appraiser businesses envisaged the familiarization phase as a personnel development activity, only 50% of selector companies regularly used the instrument. New staff members of an appraiser organization always receive extensive support and guidance on induction. This practice can be regarded within the organization as justification of the dominance of personnel assessment. Personnel development therefore functions to create the preconditions for the acceptance of and justification for the dominant focus of HR management in connection with several of its duties.

### *3.3 Limits and opportunities of self-determined competency development*

With respect to the principle of 'life-long learning' (Bullinger, 2006), one object of the empirical study was to bring to light the conditions for self-determined competency development as well as to ascertain whether the prerequisites for self-organization of competency development were present. The extent to which operational development of staff members' competencies took place in their free time was examined. Further focal points included whether staff members were largely autonomous in deciding on their

competency development and the deployment of their newly acquired competencies, whether they were personally responsible for the deployment of their competencies, and to what extent they themselves bore the risks. Also considered was the degree to which the utility of competency development was monitored by the staff members themselves or by senior management.

In answering these questions, the following stages of individual competency development were differentiated: 1. Assessment of competency potentials and competency development requirements; 2. Selection of suitable activities for competency development; 3. Implementation of measures aimed at acquiring competencies; 4. Use of newly acquired competencies in work situations; 5. Monitoring the effectiveness and efficiency of the competency development. Clearly the relationship between self-organization and other-organization differs in the various stages.

85% of planners admitted that the proportion of operational competency development which the staff members undertook in their free time was 10% or less. This was the case for 80% of selectors and 65% of appraisers. The hypothesis that a removal of the boundaries of competency development in the realm of free time is taking place could not be confirmed by the study. Rather the results indicated that at operational level any relevant competency development is closely linked to work and takes place during working hours. This insight has far-reaching implications for the opportunities and constraints of self-organization and other-organization of competency development.

A large proportion of the firms do not give their staff members the opportunity to choose for themselves the activities for developing competencies. The rate of refusals lies between 40% (appraisers) and 60% (planners). Although staff members are able to make their wishes known in the initial selection of competency development measures, their influence on the decision as to the activity ultimately offered is very limited.

Regardless of their firm's organization regime, staff members are to a considerable extent responsible for their own competency development, and bear the risks (for instance, the loss of free time or the non-achievement of career goals) if their competency development does not lead to the desired result. This was the case for approximately 60% of appraisers and 65% of selectors and planners. Moreover approximately 55% of appraisers, 60% of planners and 72% of selectors shared the view that staff members were personally responsible for the application of their newly acquired competencies.

Examination of the utility of competency development is, for most firms, the job of senior management (see Table 2), regardless of organization regime. This was the case for approx. 85% of appraisers, 80% of planners and 70% of selectors. As the utility of competency development for the vast majority of firms appears not to be determined by the staff members in question, the dominance of external control is palpable. Most distinct in the case of the selectors, in comparison to the other organization regimes, was that the utility of the competency development may not be monitored at all (approx. 25%). In these cases neither self-organization nor other-organization takes place.

Instances when competency development did not lead to the desired result were regarded as a greater problem by the appraiser than by the selectors (approx. 60% and 30% respectively of results). Together with the weighting of the problem, the frequency with which it arose was surveyed. In all organization regimes approx. 50% of cases led to this problem. From the perspective of those developing their competencies, this result is sobering.

	Appraiser	Planner	Selector
To date no one	7.1 %	12.5 %	23.5 %
Duty of colleagues	7.1 %	6.3 %	5.9 %
Duty of senior management	85.7 %	81.3 %	70.6 %

Table 2: Monitoring the utility of competency development

In summary: the problems and risks connected with competency development are deflected onto staff members. Self-organization is thus advocated. This assertion takes on a particular emphasis since, in the view of many firms, the greatest problem surrounding activities for competency development is that they do not lead to the desired result. Assessment of the utility of efforts to develop competencies is referred to senior management. It is deemed to be a function of other-organization.

#### 4. Conclusion

Although all firms accredit personnel development with great

significance, there are vast differences in both the deployment of instruments of personnel development and the goals thereby pursued. Based on the variation between the three illustrated organization regimes, there are far-reaching consequences for individual competency development of staff members and the design of a corresponding culture of learning. Further research endeavors are thus required. One possible focus of analysis is the reciprocal interaction between self-regulation and regulation by others in the development of competencies.

The interplay between self-organization and other-organization constitutes a fundamental challenge of competency development in working life. Self-determined competency development requires relevant forms of other-organization which 'match'. The empirical study revealed however that, for many participant firms, other-organization of individual competency development does not exist, and forms of other-organization which 'match' self-organization are even less common.

If potential for interchange between the development of the individual's competencies and firm capabilities is to be extended, then the next stage would be to ascertain appropriate forms of other-organization, which, for instance, is focused on a dialogue of cooperation. It could be clarified in a further step how the perception of roles among staff, senior management and members of HR departments may be substantiated in terms of the relationship between self-organization and other-organization and also the individual stages of competency development. It may be useful to address the potential for conflict that may arise when the various agents realize their tasks in accordance with their roles.

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