The Elements of Performance

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Purpose of this series of articles:
The articles in this series are all related to PERFORMANCE. We will address one or more of the elements of performance and stake out a position in the space of each article.

Topic: Competencies

How are competencies related to performance?
For a company to be successful it must first know, and be committed to, its purpose, then it must have the right collection of organizational competencies. Without the competencies, it's "all show and no go" - just desire without the ability to make it happen. Having a correct, and constantly up-to-date set of organizational competencies is what it takes to thrive in today's competitive marketplace.
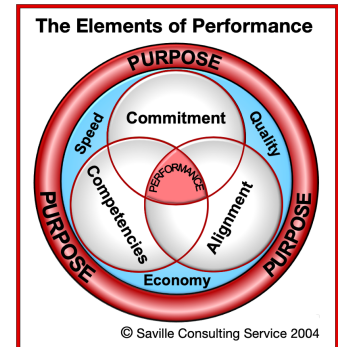
Having the set of organizational competencies required to produce the products and/or services to serve our customers is the price of admission. Taking the next step by maintaining an effective focus on our competencies and knowing when and how to apply new competencies within our company is an important key to industry leadership and winning away market share from competitors.

What are competencies?
"Competent" is defined as possessing knowledge, judgment, strength or skill needed to perform an indicated action. Just as individuals are (or are not) competent, companies need to have a certain collection of functional capabilities, resources, methodologies, information, organizational structure and the like to perform well against the competition and accomplish their goals. Also, individuals within the company must have certain knowledge, skills and attributes in order to contribute to the performance of the company. For example: a manufacturer of large engines must have the organizational knowledge and the metal manipulating equipment to build the engine as well as the talented and trained people to run the computer programmed lathes, assemble the engines and sell them to customers.   "Organizational competencies" includes both the required individual talents and organizational capabilities.

Why do we need to be concerned about competencies?
When building a new company from scratch, organizational competencies are an obvious concern. Nothing exists. Every competency must be identified and obtained for that new organization to accomplish its purpose. Established companies often give inadequate attention to the topic. Over time focus shifts toward the day-to-day operations, with the assumption that all needed competencies are in place. Even the most successful companies need to be concerned about competencies – here's why:

- **New goals and objectives:** [This is the easy one.] Too often those charged with accomplishing new goals and objectives assume that all of the organizational competencies needed to accomplish those goals and objectives are already in place. The norm is to make assignments without evaluating the possible need for new and/or different competencies and to expect the company (its people) to get the job done. To rise above the norm, take the "half step" of checking to see if there might be a better way of accomplishing things. Ask yourself:
  - Are there tasks involved that we have not done before?
  - Are there technologies and/or methodologies to improve our effectiveness and/or efficiency?
  - Is this something that we have not done, but our competitors have?
  - Are there companies outside of our industry that have experience in this?

  Then ask yourself the "buy or build" questions:
  - Do we go outside of our organization to obtain this new competency (buy it)?
  - Do we build the capability internally? Does anyone need support to acquire new knowledge and/or cultivate new skills?
  - Either way, will we have to cultivate new attitudes within the company to ensure that this new competency is implemented properly and remains effective within the company?

- **New technology:** Even when a company is continuing to do the same thing, it should always be concerned about quality, cost control and profitability. With the ever-increasing pace of change no company should assume that it continues to know all there is to know about the best practices. There may be new technologies and/or new methodologies, or processes for accomplishing what the company has done for years. The application of these new tools may improve the quality of products, reduce costs, or both. Maintaining a constant vigil can contribute to the effectiveness and efficiency of the business and keep it competitive. Obtaining and applying the new technologies, etc. will require addressing the same questions contained in the previous section.

- **Growth and renewal:** Every so often a major advancement or revolution occurs within an industry. The companies that are responsible for these quantum leaps are those who are paying attention to the identification and application of new competencies in their business. Companies with growth objectives (significant or otherwise) need to identify and implement new competencies that will create new markets and/or increase market share to outperform competitors. Companies that want to lead their industry (by making quantum leaps), or at least don't want to be left behind, must cultivate the search for, and application of, new competencies as an organizational competency area. In other words, a company must be able to identify and build new competencies so well that it is constantly renewing itself, and, in the process, maintaining a position of leadership in its competitive marketplace.

Competency Groups:

There seem to be just over a dozen groups of competencies that most companies must maintain. Talent and resources will have to be applied to "institutionalize" each of these groups of organizational competencies. A set of competency groupings is suggested below: [Note: in the interest of brevity the competency groups are merely listed.]

- Direction and Strategy:
- Customer Satisfaction:
- Growth and Renewal:
- Planning and Implementation:
- Product Development:
- Marketing:
- Production:
- Sales:
- Decision Support Systems:
- Communication:
- Resource Management:
- Fiscal Management:
- Administration and Production Support:
- Performance Improvement and Quality:

The Dimensions of "Organizational Competencies:"

There are several dimensions, or aspects, to all organizational competencies. To tailor any given competency for the company's success, each of the aspects listed below needs to be addressed for each competency:

- **Functions:** On a very grand scale manufacturing is a function, so is building maintenance, and maintaining a general accounts ledger. A company must have all of the functions that it needs to accomplish its goals. An example of a single function related to the goal of company growth might be identifying acquisition candidates.   The trick is to ensure that the company provides for all functions necessary to the accomplishment of company goals.
- **Competencies:** For a function to work well there must be some level of performance quality. While individual talent is a related factor; organizational competence is the concern here. A company must posses a certain organizational knowledge and/or have in place processes or systems that can produce the desired results. It is more than having manufacturing know-how or a consulting process; it is a company's ability to uniformly and consistently use those things to produce good results for the company and its customers and

clients. This is far more than merely bringing in a person, or team, with the right knowledge and skills. A company must determine what level of qualitative performance (competency) is needed for each specific function to perform well enough to accomplish its goals.

- **Capacities:** Just having a function within a company, even one that (through competence) works well, is not enough. The organization must have the right amount of that function. Stated differently: the organization must have the appropriate functional capacity in all areas to accomplish its mission. It is not enough for a small team in headquarters to be up and running and performing well if that same function is needed in all company locations around the globe. It is an issue of quantity. To ensure that an organization can accomplish its goals it must have the correct quantity of all functions in place (organizational capacity). [Also, these capacities need to be in the right places (geographical locations).]

- **Cultural attributes:** In addition to functions, competencies and capacity, an organization must have the right work environment to foster commitment among the work force to perform their functions with the right attitude. It is not enough to merely have a process in place that should lead to the development of new products. For a company to be a leader in introducing disruptive technologies it must foster a work environment in which creativity and innovation are truly encouraged. People must feel like creativity is valued. Since real creativity usually means that for every good idea there are many more that aren't so good, there must be some tolerance (maybe even encouragement) for ideas that never make it to production. These are examples of work environment characteristics (cultural attributes) that are required to support each competency.

- **Individual talent:** In addition to the organizational side of having the right functions, competencies, capacities, and culture in place, it is also necessary to have talented individuals in the right positions to perform these functions well. Individual talent is usually evaluated in three dimensions:
  - Knowledge: Do individuals in the company bring with them the right collection of things stored in their head? This knowledge can come from education and/or experience. Examples include knowledge of the industry, and knowledge of a discipline (engineering, management, or financial accounting), etc.
  - Skills: Do these individuals have the right blend of intelligence, common sense, professional acumen, and other learned behaviors to apply their personal knowledge and use the organizational competencies to accomplish their tasks? Are they skilled in their work? Can they get the job done?
  - Attributes: Once in a while there is an individual who seems to have all of the correct knowledge and skills but whose performance is blocked by some personal attribute. Lack of physical stamina or mental resilience, and failure to deal well with uncertainty are some examples. Stamina, resilience and confidence are just as essential as knowledge and skills to individual performance and the accomplishment of company goals.

Conclusion:

Dealing with competencies is on the functional side of organizational performance. The essence is specifying just exactly what it is that needs to be done in order to accomplish the company's purpose. Then, the company must ensure that it has the know-how, support and talent in place to perform every single task that in some way contributes to the accomplishment of company goals.