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COMPETENCE IDENTIFICATION, ASSESSMENT AND DEVELOPMENT

Case Study: Merivaara Oy

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ABSTRACT

The purpose of this thesis is to study individual skills and competences and their relation to organizational performance. The thesis examines different ways of identifying, developing and assessing competences in organizational level, and introduces the concept of competence-based management. The thesis addresses the importance of intellectual capital, and finds ways to motivate and commit employees to the organization by using competences. It aims at answering the following research questions: *How can an organization identify, assess and use competences in order to improve strategic goals? How can an organization develop competences? How can an organization use competences in order to motivate employees?* The thesis was carried out in cooperation with the case company Merivaara Oy.

In the theoretical part of the thesis the following areas are covered; main reasons for basing management on individual competences, employee motivation and commitment, and theories on identifying, developing and assessing competences on strategic level. The focus is on benefits obtained for both organization and the employee.

In the empirical part of the thesis the competence identification, Competence Map and Competence Matrix for International Sales Department of Merivaara Oy are made in order to define the current competence level and possible uncertain areas. Suggestions for competence development are presented. The research methods are both quantitative and qualitative, as the data collection is partly made through a questionnaire, and partly through action-research method and clustering technique.

The results show a feasible method for identifying individual competences. The employee competences are mapped and uncertainties and development points discovered, on both individual and group level. Further discussion is required in order to create a development and implementation plan. Through development discussions the motive factors and employee goals are to be discovered in order to create a thorough understanding of their competences.

Key words: competence, competency, core competence, competence-based management, motivation, organizational performance

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TIIVISTELMÄ

Tämä opinnäytetyö tutkii yksilön osaamista sekä osaamisen suhdetta organisaation suorituskykyyn. Työ esittelee osaamisen johtamista; erilaisia tapoja tunnistaa, kehittää ja hyödyntää yksilön osaamista organisaatiotasolla. Opinnäytetyö painottaa osaamispääoman merkitystä organisaatiossa, sekä esittelee tapoja motivoida ja sitouttaa yksilö organisaatioon tämän henkilökohtaista osaamista käyttäen. Tutkimuskysymykset ovat: *Miten tunnistaa, hyödyntää ja käyttää osaamista siten, että organisaation strategiset tavoitteet voidaan saavuttaa? Miten kehittää osaamista? Miten käyttää osaamista yksilön motivoimiseksi?* Opinnäytetyö on tehty yhteistyössä lahtelaisen yrityksen Merivaara Oy:n kanssa.

Opinnäytetyön kirjallisuusosiossa käsitellään seuraavia aiheita; osaamisen johtamisen tärkeimmät edut, yksilön motivaatio ja sitoutuminen, osaamisen tunnistaminen ja kehittäminen, sekä osaamisen hyödyntäminen organisaation strategisella tasolla. Painotus on sekä organisaatiolle että yksilölle aiheutuneissa hyödyissä.

Opinnäytetyön empiirisessä osiossa kartoitetaan Merivaara Oy:n vientiosaston työntekijöiden tämänhetkinen osaamistaso sekä mahdolliset epävarmuusalueet. Tämä tehdään osaamisen tunnistamisen, osaamiskartan sekä osaamismatriisin avulla. Ehdotuksia osaamisen kehittämiseksi esitetään. Tutkimusmetodit ovat sekä kvalitatiivisia että kvantitatiivisia, sillä tiedonkeruu on suoritettu osittain kyselylomakkeen avulla, ja osittain toimintatutkimuksen metodein, ryhmittelyä apuna käyttäen.

Tutkimuksen tulokset esittävät toimivan mallin organisaation osaamisen tunnistamiseksi. Osaamisalueet kartoitetaan sekä yksilö- että osastotasolla, ja epävarmuusalueet ja kehityskohteet tunnistetaan. Kehittämis- ja käyttöönottosuunnitelma vaatii kuitenkin tietoperustan syventämistä keskustelemalla. Kehityskeskustelujen kautta yksilön tavoitteet ja motivaattorit voidaan tunnistaa, ja niiden pohjalta voidaan luoda syvempi ymmärrys yksilön osaamisesta.

Asiasanat: osaaminen, kompetenssi, ydinosaaminen, osaamisen johtaminen, motivaatio, organisaation suorituskyky

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KEY CONCEPTS:

Competence: the specified skills and knowledge necessary to fulfill a task

Competency: the specified skills, knowledge, attitudes and behavior necessary to fulfill a task

Core competences: distinguishing organizational capabilities that give competitive advantage to an organization

Competence-based management: all the activities in the organization that combine and contribute both learning processes and knowledge and competence mastering aligned with strategic goals

Motivation: the individual's driving force for reaching his goals

Organizational performance: measurement showing the competitive positioning of the organization among others; can be measured in financial or non-financial level. Competence of individuals is one dimension of non-financial level of organizational performance.

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1 INTRODUCTION

In the introduction part the background and basis for the thesis are presented. The structure of the thesis is briefly introduced.

1.1 Background

During recent years organisations have become more and more aware of the value of their intellectual capital; the employees within the organisation. However, many organizations are still not very well aware of how and why to use the potential within employees. Often organizations find it complicated to identify the potential and skillset of their employees, and even more to determine how this potential could be used in order to benefit of it as much as possible. Many organizations are not convinced that employee motivation and commitment could have a relation with both individual and organizational performance, and often organizations prefer numeric measurements, such as records and results, over the so called softer values.

The aim of this thesis is to help organizations to see clearly what the benefits are if and when a competence-based management strategy is applied. The value of employee as individual has been emphasized, and the focus is on employee well-being, motivation and personal development. The thesis aims at providing the organization with tools for identifying, assessing and developing individual competences; for both committing and motivating employees, and improving organizational performance.

The author's interest to the topic has risen from the current employment situation in several companies. There are many employees that have been employed for several years in the same organization in the same position, and these employees often find need to prove the organization that they are capable for doing more than what they are currently doing. And even more, the development need may not be only within the same department but they may have competences to work also in some other departments and positions – equally well or even better. There are two problems risen within. How do the organizations identify the individuals capable and willing to do more that they are doing? How can the organization reposition

these individuals in the most efficient way, so that both individual and the organization benefit for that? The curiosity for finding a solution for this problem has been the initial starting point of the thesis.

1.2 Structure

The thesis is divided into five main chapters; introduction, literature review, research context and methods, findings and results, and conclusions and implementations.

The second main chapter, literature review, is divided into three parts. The first part identifies the main reasons why organisations should pay attention to their intellectual capital; their employees, and how can they improve organizational performance through focusing on employee wellbeing. The first part also describes different ways of motivating employees, their motive factors and how motivation and commitment of employees benefit the organization. The aim of the first part is to make the reader to understand the importance and usefulness of the topic.

The second part of the literature review introduces more deeply the most important key concepts of the thesis; competence, competency, competence-based management and core competences. The topic of competence-based management is examined, and the benefits for both the organization and the employee are addressed.

The third part of literature review furnishes the reader with concrete and practical tools for implementing competence-based management strategy. This chapter clarifies how to identify and map individual competences within organization, as well as how to develop them.

The third main chapter describes the research context and methods used, including research objectives, strategy, and collection and analysis of data.

The fourth main chapter presents and summarizes the findings and results of the research.

The chapter five introduces conclusions based on literature review. This chapter gives space for implementation of theory explained in the literature review. The aim is to give concrete solutions and suggestions in order to better develop competences and management strategy in the case organization. The chapter also examines the validity and reliability of the research.

2 LITERATURE REVIEW

In this chapter the concepts of competences and competence-based management are introduced to the reader; first by addressing the importance of competences. Then the thesis clarifies the reasons that may lead the organization to use, develop and assess individual and organizational competences. The topic also examines the main sources of individual motivation and how and why to use competences for motivating employees, including benefits for both the organization and the employees within. Then the topic defines from the literature the main key concepts ‘competency’, ‘competence’ and ‘competence-based management’. After the concepts are clarified, the thesis defines how to use competences in the organizational level, as well as means for developing individual competences. This includes competence identification and development, as well as implementation of competence-based management strategy.

2.1 Main reasons for basing management strategy on competences

The importance of strategy has been increasing in recent decades, as the external environment of organizations is rapidly changing, and becoming fiercer. Organizations are no longer able to differentiate themselves only by a good product or good price, but they need to find other methods as well. Here is where the importance of good strategy comes up. However, as the environment changes, the strategy needs to change as well. One good strategy unfortunately won’t last very long. Thus, the strategy should be adjusted, or even remarkably changed, several times during the organization’s life cycle. The organizations need to be alert of their environment in order to be able to follow, or even better, foresee the changes and adjust the strategy accordingly. The organizations that are not able to adjust their strategies are likely to disappear within the time. (Huotari 2009, 47; Lengnick-Hall, Beck, & Lengnick-Hall 2011, 243; Barirani, Agard & Beaudry 2013, 374).

2.1.1 Organizational strategy

What is strategy then? The literature provides us with several definitions. For instance, according to Huotari (2009, 49) strategy is the way that the organization

reacts to changes in external environment and faces the challenges by foreseeing them and adjusting the strategy. Ellis (2001, 428) has defined the following characteristics of a strategy; goal, scope of business activities and competitive distinctions, activities, and management systems and processes. Goal of the organization means that the organization knows where it is heading at, whereas scope of business activities is how and to what the business is focusing on. One of the aims of a strategy is to differentiate from main competitors which Ellis (2001, 428) simply calls competitive distinction. On the other hand, strategy is always divided into several well-defined activities that aim at reaching the goals proceeding little by little. Referring to management systems and processes means that the management leads the strategy by their own example and their activities; everything in the organization should head to the same direction. Processes are the paths to be followed in order to reach the goals. (Ellis 2001, 428).

Niven (2002, 90) says that strategy furnishes the employees and customers with the direction of organizational activities, and it always contains something crucial for future of the organization. This direction consists of choices of what to do and how to do it in order to differentiate from the competitors. It is equally important to choose what to do and what not to do. Also Purcell (2001, 66) mentions the foreseeing together with strategy, as the strategy consists of identifying and leading the changes in the environment. The change from the past into the recent situation is the result of strategic decisions, and the change should be managed by doing series of activities in order to guarantee organizational effectiveness and satisfactory organizational performance.

Building up an organizational strategy can roughly be divided in two phases; creating and implementing the strategy. Strategic management consists of creating vision, mission and organizational goals, and ways of obtaining them. Ways of obtaining organizational goals also include the strategic management of employees, and the level of management of competences. (Huotari 2009, 20).

The first step of building up a new strategy is always to set up goals for the future, and define company's vision and mission. The most important thing is to know where to go, and only then the path can be found. The future goal is compared to the current situation, and the new strategy is based on how the organization can

move from current state to the future goal. Sounds simple? Obviously it is not. In today's rapidly changing environment the change of strategy should not be some once-in-a-lifetime occasion for the organization, but more likely something constant, more like a habit. The strategy needs to be adjusted to the external environment, and when the change is something constant, it is also likely to meet less resistance. (Ellis 2001, 436).

2.1.2 Increasing importance of intellectual capital

Since the early 1990s, such concepts as knowledge or intellectual capital - which can be defined as the commitment and competence of employees (Ulrich 1998, 15) - have been increasingly present in literature, and organizational strategies have been started to be built around them. However, it has proven complicated to demonstrate a clear and unbreakable relationship between the organizational performance and either knowledge or intellectual capital. Many researchers have built models and studied how intellectual capital and its competences can be converted into meaningful resources. (Harlow 2008, 148). Despite of these studies and even their proven evidences the knowledge- or competence-based management theories are so far used in only few companies. One reason for this is that their implementation may not always be easy, and requires the full commitment of management. It also might be difficult to measure or quantify the improvements as we are speaking about something as abstract as skills, abilities and knowledge, and there is no way of measuring them in a numeric way. However, many benefits and evidences for better performance are presented throughout the literature.

Several studies (for instance Lawler & Boudreau 2012, 57; Cross 2010, 9) suggest that organisations need the individuals in order to create competitive advantage, and that the organization's effectiveness actually depends on its ability to address intellectual capital and human resource issues, such as competence management. The intellectual capital should always be aligned with organization's strategy. Cross (2010, 1) says that the last decade of the 20th century has been designated as 'the Age of Competence', as organizations are meeting the increasing demands of hypercompetitive markets by using competence models in order to expand and

focus their capabilities. Similarly, Barirani, Agard & Beaudry (2013, 374) mention that we are currently living in knowledge economy, and the organization's stock of knowledge – or its intellectual capital – is often viewed as a strategic resource that builds the organization's most valuable asset. According to Buckingham & Coffman (2005, 15) the majority of company's value is between the ears of its employees – if the employees leave the company, the value does not stay.

> *An effective strategic management model should not only consider inside-out and outside-in factors but, more importantly, it should build on the base of organization's core competences. (Chen 2005;365)*

The agility and adaptability of the organization are more and more important. Van Assen (2000, 143) introduces the concept of agile manufacturing. Agile manufacturing provides mechanisms to react quickly to changing markets, to produce high quality products, to reduce lead times and to provide excellent customer service. Van Assen states that the agility is largely dependent on the competence of individuals within the organization. If the competences are managed in appropriate way, the agility and adaptability of the organization increase. Thus the competitiveness increases as well. Competence-based organization structure with an agile infrastructure offers the organization more stability. (van Assen 2000, 154).

According to Ulrich (1998, 15), there are four reasons why the intellectual or intangible capital is so critically important for the organization, and needs to be developed. These reasons are intellectual capital being the only appreciable asset of the company, increase of knowledge work, intrinsic motivation of intellectual capital, and ignorement of management.

First of all, *intellectual capital* is the only appreciable asset of the company as everything else (such as machinery, equipment and so on) can be bought, but intellectual capital is something that needs to grow in order to the company to success. Second reason is that the differentiation only by product is becoming difficult, and *knowledge work* related to services is increasing. Thirdly, the employees with the most intellectual capital can often choose where they work, as they most likely have opportunities to be employed in several companies at the

time. If they wish to work for a certain company, they also have *intrinsic motivation* that drives them for better results. The fourth reason that Ulrich (1998, 16) mentions is that *intellectual capital is often ignored by the management.* The companies are result-driven and traditionally most of the results are expected from production, i.e. better product, bigger manufacturing lots, cheaper supply costs etc. and it is not understood that the result can come from the intellectual capital and the appropriate use of their skills and capabilities. In many of the companies, the employees with most intellectual capital may even be the ones less appreciated. Often the concept of intellectual capital is not understood correctly, and it is related with the social life after work. Actually intellectual capital should be the most important business issue.

Intangible assets are often difficult to measure and perhaps this is why they are not often considered important enough. Another reason for ignoring intangible assets can be so called myopia of learning. This occurs when organization for a longer period of time focuses only on certain aspects and looses the big picture. Thus, it is very important to examine the personality of the individuals within the organization, as well as their competences on professional level and their competence in dealing with the organization's culture and environment. It is equally important to align the goals of individuals, team and organization itself. (Yeo 2003, 203).

2.1.3 Organizational performance and individual competences

Organizational performance shows how the organization currently works and what should be improved. This way, thorough understanding of current performance helps the organization to reach its goals. The business leadership and management development are mainly focused on profitable performance by the organization – and the individuals in it. Competence frameworks structure the competences required for exceptional performance, both on organizational and individual level. (Cross 2010, 4).

Knowledge and competences of individuals within an organization are examples of intangible assets increasing organizational performance. Intangible assets can

be divided into three types: employee competence, internal structure and external structure. (Yeo 2003, 201).

Employee competence means the individual's ability and capacity to create both tangible and intangible assets, whereas *internal structure* includes patents, concepts and models, as well as administrative systems of the organization. On the other hand, *external structure* consists of relationships with stakeholders and customers, and organization's reputation or image. (Yeo 2003, 201).

Organizations are continuously working with several stakeholders in the business environment, such as competitors, shareholders, customers and suppliers. Organizational performance is the result of organizational competence level, or otherwise put, the relative position of the company in the competence group. Strategic management decisions thus should be made considering the position and the strategic competences the organization has. (van Assen 2000, 146; Huotari 2009, 47).

Strategically distinctive organizational competences are the competences that, at the end, define the position of the organization among the others. Strategically distinctive organizational competences are not something that the organization simply has or has not; the competences need to be achieved by continuously improving and renewing organizational capabilities, organizational competences, individual capabilities or competences, and functional technological capabilities. (van Assen 2000, 147).

The competence of the employees aligned with the strategy is important or even crucial for the organizational performance. The employees can be considered as intangible capital of the organization creating additional value. The competence-based management and developing competences can be a way to increase productivity and improve performance even if the economical resources are limited. (Huotari 2009, 11.)

Organizational performance can be observed in several levels. The most common and traditional level is the financial performance, measured for instance by ratios, budgets, assets, operations and markets. However, there are other levels of performance, often called as informal or non-financial levels of organizational

performance. Competence of individuals is one dimension of non-financial level of organizational performance. (Yeo 2003, 200-201).

> *Knowing who is good at what appears to be an important contributor to team and organizational performance. (Yeo 2003, 201).*

Generally one of the most well-known methods for measuring organizational performance is the Balanced Scorecard introduced by Robert Kaplan and David Norton in 1992. The Balanced Scorecard is a strategy performance management tool that consists of financial performance measures as well as operational performance measures categorized by three perspectives; customer satisfaction, internal business processes, and innovation and learning. (Hoque 2014, 33). Other authors (for instance Jinsoo & Jongtae 2012; Pandey 2005) however state that there are at least four perspectives; financial perspective, customer perspective, internal business processes perspective, and learning and growth perspective; often also called innovation perspective. According to Jinsoo & Jongtae (2012, 2468) Balanced Scorecard is a measurement or management system with intention to help organisations to develop corporate visions and strategy, and putting them to action. Balanced Scorecard itself is not a strategy; it is a management tool that focuses on both financial and non-financial goals of an organization, and it is useful for communicating strategic objectives at all levels of the organization. The continuous review process provides feedback for improving the internal processes. (Pandey 2005, 55).

There are several advantages for a company using the Balanced Scorecard actively. Balanced Scorecard is a tool to understand the target customers, their requirements and the performance gaps. It also provides logic for focusing on creating intangible and intellectual capital. Balanced Scorecard is able to articulate the strategy of growth with business excellence, which requires greater focus on non-financial initiatives. Balanced Scorecard enables employees to understand strategy and link strategic objectives to their day-to-day operations. Having a clear meaning and direction on the daily work creates more satisfied and goal-oriented atmosphere, and employees find themselves meaningful. Balanced Scorecard also facilitates performance review and feedback on a continuous basis. (Pandey 2005, 51).

Balanced Scorecard method helps the organization to understand where they strategically used to be in the past, where they are at the moment, and to which direction they should lead the strategy. There are four steps required to design a Balanced Scorecard; translating the vision into operating goals, communicating the vision and linking it to individual performance, business planning and index setting, feedback and learning, and adjusting the strategy accordingly. The Balanced Scorecard can be a good method and starting point for the management to examine whether the organization should focus its activities more on internal business processes as well as innovation and learning, which are both closely related to competences and individuals working within the organization. On the other hand, the competences of the individuals should always be aligned with the strategy. Before aligning the competences the organization need to define the strategy, vision, mission and business goals. (Hoque 2014, 33).

The critical success factors are the factors creating competitive distinctive advantages. The organization should be aware of its critical success factors in order to improve the performance by means of Balanced Scorecard. (Jinsoo & Jongtae 2012, 2468). One of the organization's critical success factors lies in competence; in both individual employee level as well as in organizational level, as the intellectual capital is one of the few factors creating differentiation and thus competitive advantage. In order to successfully implement the Balanced Scorecard there are requisites such as top management commitment and full support, determining of critical success factors and translating them into measurable objectives, linking performance measures to rewards, creating and linking the balanced scorecards at all levels of the organization, and linking strategic planning, balanced scorecard and budgeting process for better allocation of resources. (Pandey 2005, 51).

According to the study by Lepak, Takeuchi & Snell (2003) *knowledge-based employment* is closely related to better organizational performance. They have studied different employment methods such as job-based, contract-based, alliances and knowledge-based employment methods.

In *job-based employment method,* employees are contracted for certain tasks and jobs and their only purpose is to do their job well, whereas in *contract-based*

employment method the employees are contracted for a certain period of time for processing certain job, i.e. projects. *Alliances* are long-term relationships between an autonomous freelancer employee and the company. (Lepak, Takeuchi & Snell 2003, 682-683). With *knowledge-based employment* the authors refer to an internal employment arrangement in which the organization focuses on developing and cultivating the knowledge, skills and abilities of employees over time. The skillset of an employee is seen as a critical resource for the company, and the company aims at developing these skills and competences, and committing the employees to the company.

All the employment methods studied by Lepak, Takeuchi & Snell can be used in a company even at the same time, and often a combination of them benefits the organization most. However, according to the study the knowledge-based method is the one method most likely leading to better organizational performance, though often combined with other methods. As the employees within the company develop and learn, so does the organization. Thus the organization has more ability to adjust to the external environment and develop strategically according to the environment. The variety of tasks an employee can perform also increases and gives more flexibility for the organization, especially in dynamic environments. (Lepak, Takeuchi & Snell 2003, 685).

2.1.4 Employee motivation and commitment

Even the most skillful employees are not performing their job well if they are not motivated. A motivated employee is willing and eager to perform well and most likely achieves better results in his job. On the other hand, motivated employees are less likely to leave the company. This way organization saves in costs of hiring and training new employees and the experience and know-how remains in the company. The more motivated an employee is, the higher is his job satisfaction. (Sanghi 2007, 17; Groysberg & Slind 2012, 81; Stringer, Didham & Theivananthampillai 2011, 165).

The employees that are developing within the organization are more likely to be satisfied with their work and less likely to leave the company. As the employees are the basis of the knowledge and competences, the organization benefits of

having strongly committed employees. Training new employees is both slow and expensive, and all the skills and knowledge can never be forwarded on. (Lepak, Takeuchi & Snell 2003, 685).

Job involvement can be defined, for instance, as "the extent to which individuals identify psychologically with work or the importance of work to the total self-image". (Cheng & Ho 2001, 21). Employees committed and involved to their job are more motivated to perform well and to learn more, and thus also more likely to show better results in learning. These better results in turn increase the employee's feeling of self-fulfillment and satisfaction, as well as motivate for further results.

In Figure 1 we can see that the more motivated the employees are, the better results they perform, and more satisfied they are with their results, the more committed they are to their work. This is called Motivational Circle. (Cheng & Ho 2001, 21; Ankli & Palliam 2012, 9; Groysberg & Slind 2012, 80-81).

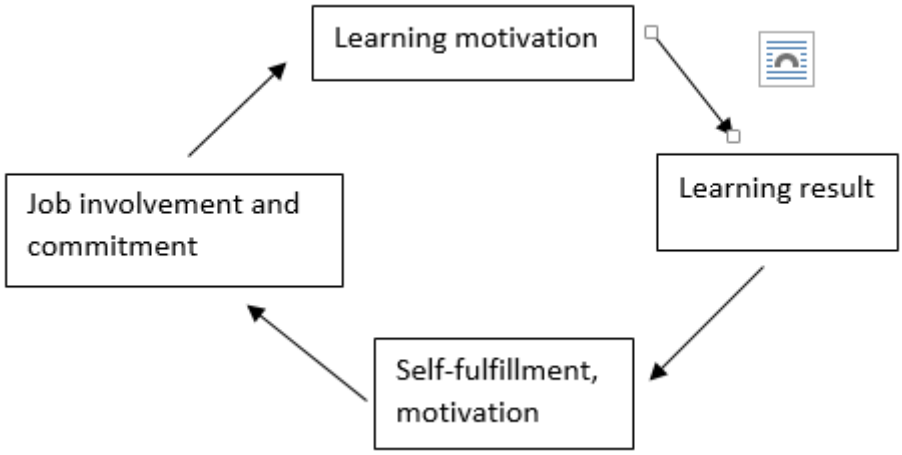

Figure 1: Motivational circle (Cheng & Ho 2001, 21)

Ulrich (1998, 16) presents a simple model for quantifying the results of improving intellectual capital: intellectual capital = competence x commitment. According to this equation, the increasing competence should increase the intellectual capital, but competence alone does not guarantee intellectual capital. Companies with high individual competence but low commitment have talented employees but they can't get things done. If the commitment is high but competence is low, the

things are done quickly but with less talent. Neither of these situations is good. Thus, intellectual capital requires both commitment and competence.

The findings of Sanghi (2007) are very similar to Ulrich (1998). As the reader can see in Table 1, the employees can be divided in four groups according to their skills and their motivation.

Table 1: Can Do/Will Do evaluation chart (Sanghi 2007, 17)

Cannot Do	Can Do	
Train	Motivate	Will Do
Job in Jeopardy	Counsel	Won't Do

Ideally employees both want and can do. However, often employees either won't or can't do. If the employee is willing to do, but does not have the means and required skillset, the problem can be solved by training. In case the employee is not motivated to do, though having all the needed skills, he needs further motivation and counselling for performing the job in a satisfactory level. The employee that cannot do, meaning that he does not have the needed skills, and won't do, meaning that he does not have the motivation either, is the most complicated. The employee can be trained and counselled, but ultimately his job may be threatened if the problem is not solved. (Sanghi 2007, 17).

In some cases, if the employee is not motivated and committed enough, and the company does not find solution for motivating the employee, it may not make sense to keep the employee. Employees with low level of motivation often also affect to the general environment and the colleagues. Will Do/Won't do dimension is based on individual's attitudes and motivation, and thus is not competence-based, as Can Do/Cannot Do dimension is. (Sanghi 2007, 17).

Nowadays the competition is getting fiercer, and employees need to perform well in order to maintain their job and proceed on their career. This situation benefits both the employee and the organization, as the employees are striving for better results. (Cheng & Ho 2001, 20). However, how and where can the employee find the motivation for better results?

The sources of motivation can be either extrinsic or intrinsic. If the source of motivation is *extrinsic*, for instance getting paid, it is quite unlikely that the employee would perform the same task equally well without extrinsic reward. Thus the sources of motivation need to be *intrinsic*, as intrinsically motivated workforce manifests stronger feeling of competence and performs better because they simply want to. Intrinsically motivated employees do work for its own sake and have increased level of responsibility, self-actualisation and accomplishment. Intrinsic motivation is self-sustaining. (Stringer, Didham & Theivananthampillai 2011, 164). Factors increasing intrinsic motivation can be for instance freedom at work, praise from the supervisor, friendship, job security and chances to learn and gain new skills and abilities. These same factors are also related to job satisfaction. (Stringer, Didham & Theivananthampillai 2011, 168).

In Figure 2 the different factors influencing intrinsic motivation are shown. The motivation is sum of many factors and if any of them is missing, the motivation is not fully achieved. These motivation factors can be for instance autonomy, inherent satisfaction, interest, enjoyment and competence.

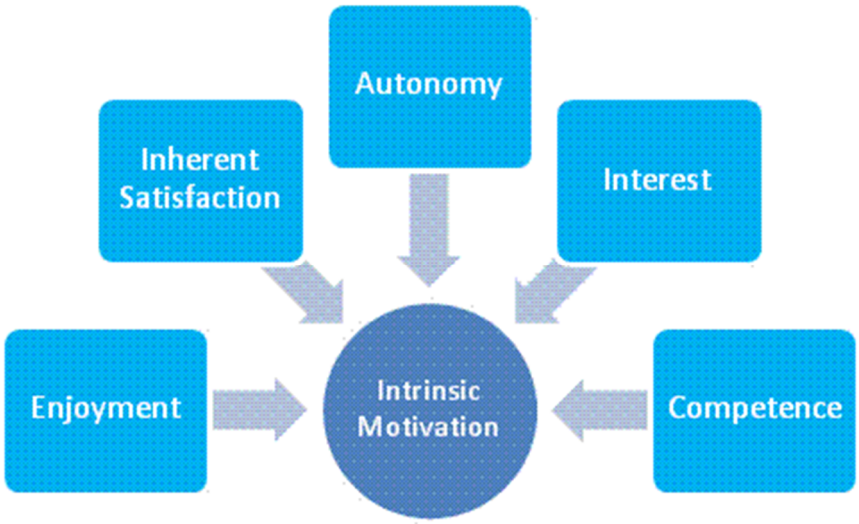

Figure 2: Intrinsic Motivation (Motivation-Project, reviewed 6.8.2014)

The employees do not seek for happiness and ease of life only, but also to have a meaning in their work. (Ankli & Palliam 2012, 9; Stringer, Didham & Theivananthampillai 2011, 162). Learning motivation is often related to program completion, training performance and task performance. The higher is the level of

motivation to learn, the better is the performance in learning. (Cheng & Ho 2001, 21).

It is very important that the management understands the underlying motive factors of the employees. Not all the employees are motivated by the same factors, and thus their motivation is increased in different ways. The manager who understands this, is able to increase the right motivation factors, and satisfy and involve the employees better. However, if the motive factors are only extrinsic, such as higher salary, the manager cannot continuously increase them, especially if the employee is not otherwise strongly committed to the company. (Tan 2000, 338, 343; Cheng & Ho 2001, 21).

If the motive factors are only extrinsic, it is very likely that the intrinsic motive factors will decrease, as the employee is seeking motivation only through extrinsic factors and not from the task itself. However, if the extrinsic needs of the employee are not met, it is very difficult to find intrinsic motivation. (Stringer, Didham & Theivananthampillai 2011, 162).

The manager needs to understand that all the employees have expectations towards their job, both intrinsic and extrinsic. If these expectations are not met, the level of motivation is likely to decrease. In order to better understand the employee needs, expectations and motive factors the manager needs to have a close contact with the employees, and continuous follow-up, for instance by development discussions. (Tan 2000, 343). Not all the motivation techniques work for a long time, as the employee needs and tasks may vary, but the motivation needs to be kept up in all the circumstances. This creates a true management challenge. (Crumpton 2013, 144; Cross 2010, 55).

The employees can be motivated for instance by positive feedback, public recognition, providing incentives (both monetary and non-monetary), listening and responding appropriately, showing interest by asking questions, showing empathy, and leading by example. (Crumpton 2013, 145). The more motivated the employees are, more likely they are to commit themselves to the organization.

Organizational commitment is characterized by the following factors: belief and acceptance of organization's goals and values, desire to belong to the organization

and adaptation of the behavior in the organization. Both job satisfaction and organizational commitment have been often reviewed in literature, and they are strongly connected to organizational performance. (Pool & Pool 2007, 354).

Organizational commitment enables employees to collaborate and work in teams solving problems, as teamwork requires commitment. Organizational commitment can be increased by employing people with concept of value already matching with the organisation's values, by creating a satisfying work environment that encourages the employees to stay, and by building trust and supporting employees. (Pool & Pool 2007, 365-366).

According to Buckingham & Coffman (2005, 4), the satisfaction and motivation of an employee is always depending on the superior. If the employees are well led and their superior knows how to motivate them, how to make them perform better, and how to commit them to the company, the employees will stay and grow within the company. Buckingham & Coffman also state that all the employees are talented, but they all are unique and they have different talents; recurring patterns of thought, feeling or behavior. These talents are not only their knowledge and skillset, but also their experience and personality; what they are good at by nature. It is extremely important that the manager understands these talents, or strengths, of an employee and focuses on developing them. More important than fixing weaknesses of an employee is to cultivate his strengths and release his potential.

It is very difficult, or sometimes even impossible, to teach an employee to do something that he feels uncomfortable doing, and thus not all the employees suit to any job. It is very difficult to completely change a person, even though new skills can be taught. However, the personality cannot be changed. Thus, it is of utmost importance to find the perfect match between the talent of an employee, and a job. When the employee feels satisfied with what he is doing and gets a chance to do what he does best, he can really develop and grow within the job. (Buckingham & Coffman 2005, 7).

Then how can a manager get to know his team and understand what motivates them and which are their talents? The most important thing is that the manager

need to spend time with the employees, discuss with them and above all listen to them. By discussing, asking questions and listening the manager can understand the needs and the goals of an employee. The most important goal of a manager is to look inward. (Buckingham & Coffman 2005, 7; 59).

The goal of the discussions between employee and superior is not only to go through the current performance, but also to set goals for the future – together and based on the employee's talents and skillset. More than to decide on actions, the manager should listen and help the employee himself to find proposal on development. The manager can set the outcomes and goals, but the employee should be let to find the way to reach them. The easiest way to set the outcomes is by thinking what is good for the customers, what is good for the organization, and what is good for the employee himself. (Buckingham & Coffman 2005; 112, 140, 219).

Buckingham & Coffman (2005, 21) also present a series of questions that are related to employee motivation, commitment and performance, and should be continuously considered by individual employees. These questions are presented in Table 2.

Table 2: 12 questions related to employee satisfaction (Buckingham & Coffman 2005, 21)

1	Do I know what is expected of me at work?
2	Do I have the materials and equipment I need to do my work right?
3	Do I have the opportunity at work to do what I do best every day?
4	In the last seven days, have I received recognition or praise for my good work?
5	Does my superior, or someone at work, seem to care about me as a person?
6	Is there someone at work who encourages my development?
7	At work, do my opinions seem to count?
8	Are my colleagues committed to doing quality work?
9	Does the mission or purpose of my company make me feel like my work is important?
10	Do I have a best friend at work?
11	In the last six months, have I talked with someone about my progress?
12	At work, have I had opportunities to learn and grow?

The first three questions are the base of all the work; the employees as a starting point need to know the purpose of their work, have sufficient tools, and enjoy what they are doing. If these questions are answered positively, then can the rest of them be answered. If any employee would answer strongly positively in all of these questions, they would not be likely to leave the company by any extrinsic motive factor, but moreover to perform doing what they are best at and enjoy their work. Answers to these questions can also help the manager to see where the possible problems of employee's poor performance may lie. Often, the problem is not the lack of skills or knowledge, but simply a failed fit between the employee's natural talents and the job itself. The manager that excels in selecting a person, setting expectations, motivating the person, and developing the person can warrant the positive answers to these 12 questions. (Buckingham & Coffman 2005, 20-22, 55).

It is very important that both manager and employee understand that each and every talent is unique and important. It is better to have an excellent assistant than an average manager. As all the employees do not necessarily fit in each role, it is important to find the right fit, and appreciate it. Not all the employees need to become managers, but they can also grow within their own job and become experts on it. (Buckingham & Coffman 2005, 195).

> *Great talents need great managers if they are to be turned into performance. (Buckingham & Coffman 2005, 108).*

One common reason for lack of commitment and motivation is that the demands and resources are not in balance. If the employees are expected remarkable efforts and results but they are not provided with appropriate amount of resources to fulfill the needs, they are likely to feel depressed and with lack of commitment. If the demand slightly exceeds resources, the employees are likely to feel motivated and strive for better results. Thus, companies can foster commitment in three ways: reducing demands, increasing resources and turning demands into resources. (Ulrich 1998, 19).

Reducing demands can be done, for instance, by prioritizing and reengineering work tasks and focusing only on certain areas. The second way of fostering commitment is through *increasing resources*. Increasing resources can be done by

increasing independence and lowering control over employees, offering employees challenges at work, and offering employees a vision to focus their work to. The other ways of increasing resources are by means of collaboration and teamwork, work culture, shared gains, well-established and clear communication, concern for people, better technology, equipment and physical working tools, and finally by training and development. The third way of fostering commitment is by *turning demands into resources* by for instance holding exit interviews, involving employees in important decisions, better considering family demands and assimilating new managers. (Ulrich 1998, 19).

Organisational commitment is important in two ways; committed employees are less likely to leave the company and thus do not create extra costs caused by hiring new employees. On the other hand, the longer an employee stays within the company, more he develops his unique skillset and better he is able to perform. The individual development always takes time; thus the commitment and keeping employees should be very important goal in the organization. (Buckingham & Coffman 2005, 201).

The commitment of employees often leads to organizational resilience. The resilience of the organization according to Lengnick-Hall, Beck & Lengnick-Hall (2011, 244) is defined as company's ability to "effectively absorb, develop situation-specific responses to, and ultimately engage in transformative activities to capitalize on disruptive surprises that potentially threaten the organization's survival". Lengnick-Hall, Beck, & Lengnick-Hall (2011, 245) say that organizational resilience is not something that simply exists, but it can be developed and improved. Organizational resilience is a result of individual abilities and competences that can be developed and directed to a certain direction and aligned with organizational strategy, in order to benefit the organization and individual as well.

In a resilient organization, each individual and member of organization is important, as they have individual responsibility to reach the organizational goals in their own fields. If not all the employees are committed to the organization and its goals, the ultimate resilience cannot be reached. (Lengnick-Hall, Beck & Lengnick-Hall 2011, 247). Rowing boat is a good example. If all the rowers are

not working, or they are rowing in the opposite direction than the majority, the boat does not move on, or moves very slowly and without an apparent direction. The individuals within the organization are the rowers and the organization is the boat that needs the effort and commitment of all its members in order to reach its goals and move to certain direction.

Also Lengnick-Hall, Beck & Lengnick-Hall (2011, 244) say that the resilience of the organization is a combination of individual level of knowledge, skills, abilities and organizational routines and processes systematically developed and integrated that direct the organization, and drive it forward.

Perceived competence mobilization is the degree to which employees perceive that they have adequate opportunities to utilize their competences in their current jobs. (Lai 2011, 140). In order to be intrinsically motivated to perform well, the employees need to feel competent, but they also need adequate opportunities to use and mobilize their competences. Employee competences are their potential to perform well, and this potential can be taken into use through relevant opportunities, tasks and challenges at work. High level of perceived competence mobilization is related to several positive outcomes, such as higher job satisfaction, commitment and involvement, and job well-being. If the employees feel that their skillset and competences are worthy to the organization, their level of perceived competence is likely to rise. The opposite of perceived competence mobilization would be perceived underemployment which may lead to lower level of commitment, frustration at work and higher turnover intention; the employee's intention to leave the organization. (Lai 2011, 140.)

Self-efficacy at work is defined as "one's belief in one's own ability and competence to perform successfully and effectively in situations and across different tasks in a job". (Lai 2011, 141). Employees with high self-efficacy are very likely to also have a high level of perceived competence mobilization. In order to feel competent employees need to be satisfied with themselves and their skillset, as well as possibility to use this skillset. Perceived competence mobilization is positively related to intrinsic motivation as well. If the employee feels that he is able to use his competences and skillset in the most efficient way and that he is worthy to the organization, his feelings of self-efficacy and intrinsic

motivation will increase. This in turn will lead to higher level of performance. (Lai 2011, 143).

High self-efficacy is positively related to organizational affective commitment, reflecting to employee's involvement, loyalty and emotional attachment to the organization. *Continuance commitment* according to Lai (2011, 143) is defined as the degree to which an employee feels pressure to remain within the organization, either due to perceived lack of alternative job opportunities or due to expected costs of leaving. Moreover, the relation between continuance commitment and high self-efficacy is negative; if the employee does not feel himself able to use his competences in a most efficient way, he is more likely to leave the organization than an employee with high self-efficacy. *Normative commitment*, on the other hand, reflects to the level of moral commitment to remain with the organization. (Lai 2011, 143-144).

2.1.5 Benefits of assessing competence-based management strategy

According to Sanghi (2007, 47), building up a competence-based management process has several benefits both on organizational and on individual level. The value addition for the organization lies in enhancing competitive position, having right people in right jobs, easing the job recruitment process, and continuously developing employees according to their needs. These, in turn, lead to better employee performance, better employee commitment and thus better organizational performance.

Shellabear (2002, 16) says that the necessity of competence-management process lies in ensuring that the business outcomes are achieved. This can happen only by defining the standards and means for reaching the outcomes. According to Buckingham & Coffman (2005, 14) the only way to generate enduring profit is to begin by building the kind of work environment that attracts, focuses, and keeps talented employees.

Harlow (2008, 155) says that the company's overall economic, strategic and innovation performance is dependent on the degree to which the company can use

all of the knowledge and competences created by the company and individuals in it, and turn these competences into value-creating activities.

On the other hand, not only the organization benefits from building up a competence-based management process. The value addition for employee lies in clarity of processes, skills and knowledge needed, increase in competence and better performance, continuous learning and development, increased motivation and better future opportunities. The employees have a clearer perspective on their daily tasks, they can feel appreciated, and they learn and develop themselves and are more competent meanwhile having better future opportunities. The increased motivation, on the other hand, increases job satisfaction and commitment to the organization. (Sanghi 2007, 47).

> *Employee happiness is achieved when one uses core personality and motivation to fulfill a meaningful mission. (Ankli & Palliam 2012, 9).*

If the employees know which skills, knowledge, attitude and behavior the management is expecting from them, it enables the employees to assesss their ability to provide them. This, in turn, gives the employees an opportunity to appreciate their own strengths as well as recognize development areas. If the employees are aware where the gaps lie in, they are able to improve the general performance in order to fill in the gaps. (Shellabear 2002, 16).

When the employee gains confidence through his skills and through understanding the context and meaning of his work, he has more work contributions, more work enjoyment, and thus also more career choice. (Cross 2010, 68; Buckingham & Coffman 2005, 266). Motivated employees passionate to their job will also boost their good experiences on. If the people in the first line towards customers are passionate and proud about the company they are working for, the customers and other stakeholders can also see it. This way employees – even without knowing it – do one part of organization's marketing activities. (Groysberg & Slind 2012, 80-81).

2.2 Competences and competence-based management strategy of the organization

Now that we know the underlying reasons and motives why the organizations should focus on their intellectual capital and its skillset and competences, it is important to understand the deeper meaning of the main concepts. Competences in literature are defined in several ways. The competences can exist in different levels in the organization; there are both individual and organizational competences. However, the thesis is focused on individual level of competences though in many cases we can see that the if the employees of an organization are competent and have a broad skillset, this often also leads to high level of organizational competence.

2.2.1 Concepts of competence, competency and core competence

Competence is a daily practice in consistent integration of who a person is, what and who he knows, and what he does; including knowledge, communication, technical skills, critical thinking, emotion, values, reflection and judgment, and causing an effective and superior performance outcome. (Cross 2010, 19). According to Kotonen *et al.* (2012, 22) and Baker *et al.* (1997, 266) competences describe the characteristics of an employee required to perform her tasks well.

Competences can be divided into individual and collective competences. Individual level of competences consists of knowledge, skills, attitudes and behavior, whereas collective level consists of collective team, process and organizational capabilities. Baker *et al.* (1997, 269) defines the individual competence as a match between the priorities of a task and the skills and knowledge of an individual performing that task. Sydänmaalakka (2003, 142) says that competence of an individual consists of knowledge, skillset, attitude, experiences and contacts that able the individual to perform well under certain circumstances. The competence, thus, is the ability to act and apply the knowledge and skillset into action.

On the other hand, the literature also debates whether a competent individual is an individual just satisfactorily able to perform the needed tasks, or an individual

with a broad set of skills and knowledge that can be applied in various situations. Generally, competence or being competent is however understood in the capability sense; individual competences are something that the individual is good at. The competences in the sufficiency sense can best be described with the word "congruence". (Baker *et al.* 1997, 267).

Quite often, 'competence' and 'competency' are seen as synonyms, however this is not always the case. According to Cross (2010, 28-29) 'competence' is the ability for performance within a role with the usage of 'competencies' as defined knowledge, skills, and abilities. 'Competence' is something that can be learned and teached, and is often measurable; it is the individual's capability of doing something. However, 'competency' is behavior-based and describes the individual's characteristics and personality; his ability of developing the competences. Competencies can also be learned, but due to their behavior-based nature it is not possible simply to teach or measure them. We can see this in the Table 3.

Table 3: Differences of concepts "competence" and "competency" (Sanghi 2007, 10)

Competence		**Competency**
Skill-based	----------→	Behavior-based
Standard attained		Manner of behavior
What is measured	←----------	How the standard is achieved

Langdon & Whiteside (2004, 12) say that *competencies* include all the same characteristics as competences; skills, knowledge and attributes, but in addition to them also the ability of performing job tasks. The definition of Shellabear (2002, 16) is very similar, stating that competencies are the specified skills, attitudes, behavior and knowledge necessary to fulfill a task. Often the ultimate purpose on competencies is to provide extra value for external customers.

According to Sanghi (2007, 10) there are five different competency characteristics: motives, traits, self-concept, knowledge and skill. Motives are the things directing the person towards certain goals, whereas traits are the physical

characteristics of the person. Self-concept includes the attitudes, values and self-image of the person. Knowledge characteristic is the information the person has and the skill is his/her ability to perform.

Cross (2010, 20) defines competency as a measurable, individual capability that distinguishes superior, effective accomplishment of a designated function according to a performance definition by an organization for its people; an interactive and complex combination of integrated attitudes, skills, knowledge and ability; behaviors and strategies; traits, motives, thought patterns, self-concepts, values and social roles.

The skill and knowledge are surface competencies that are easily visible to other people, whereas motives, traits and self-concept are central competencies. Surface competencies are most easily developed, for instance by training. In the Figure 3 we can see these competency characteristics described as an iceberg.

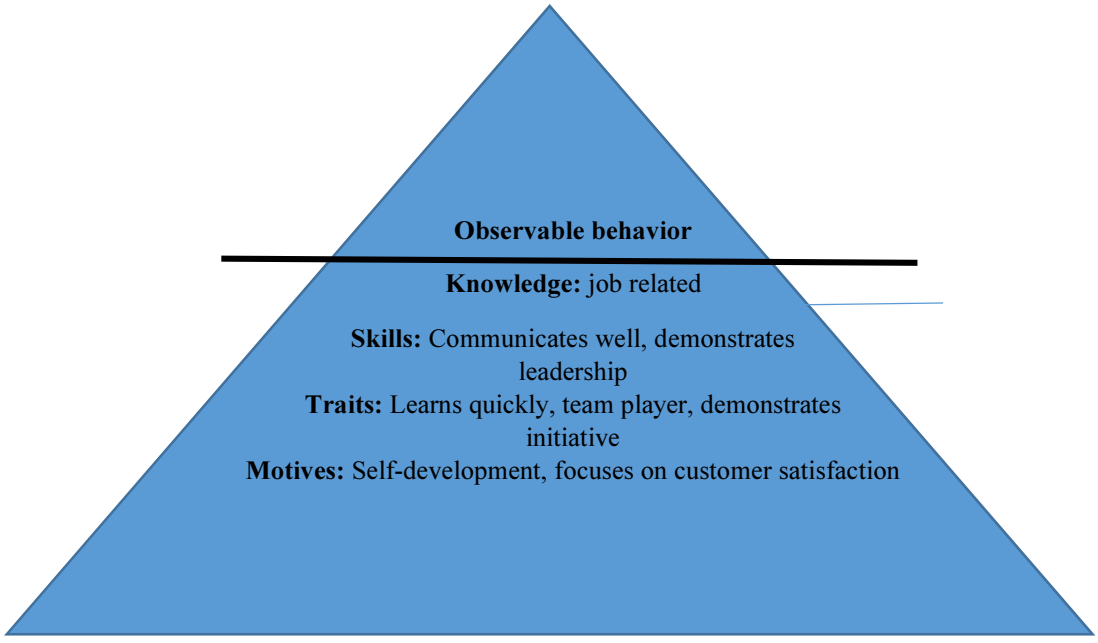

Figure 3: Iceberg model of competencies (Sanghi 2007, 12)

Put in a simple way, ‘competence’ is what you can do, and ‘competency’ is how you do it (Sanghi 2007, 8). This difference is not always clear. However, for the

clarity of the issue and the terminology this thesis is from now on only focused on the concept of 'competence'. The measurable nature of competences makes them easier to study and to see development on.

Core competences are the competences that are most critical in order to improve organizational performance, create competitive advantage and obtain organizational goals. They are also specific to the organization and often difficult to imitate. (Baker *et al.* 1997, 266). Personal core competences are the capabilities and strengths of the employee based on his personality, values and developed abilities. On the other hand, organizational core competences are distinguishing organizational capabilities that give competitive advantage to an organization. (Cross 2010, 21).

Core competences are not only individual competences, but also the collective competences within the organization that help the organization to reach its goals. (Huotari 2009, 30). Van Assen (2000, 145) says that the organizational competences are based on individual competences, and vice versa. The organizational competences form the basis for core competences.

McDermott (2003, 6) says that a company competence is a combination of resources, skills, aptitudes or technologies that enable the company to achieve a desired benefit. As the external environment is rapidly changing, the core competences can be defined as all the competences supporting organizational learning and thus its ability to change within the environment. (Huotari 2009, 30). On the other hand, McDermott (2003, 3) says that a big part of the explanation of the organizational success is in the concept of core competence, or strategic competence; companies that build their strategy on specific competences may develop unique and inimitable skillsets that at the end lead to competitive advantage. According to the definition of Bergenhenegouwen, ten Horn & Mooijman (1997, 57), there are not many core competences within the organization, but a unique combination of business specialism and human resources that together build the core competence.

> *Core competences are the company's characteristic areas of expertise and consist of the synergy of resources, such as motivation, employee effort, technological and professional*

> *expertise, and ideas about collaboration and management. (Bergenhenegouwen, ten Horn & Mooijman 1997, 57).*

According to Lengnick-Hall, Beck & Lengnick-Hall (2011, 249) there are six specific competences or capabilities that can be defined as core competences: expertise, opportunism, creativity, decisiveness despite uncertainty, questioning fundamental assumptions, and conceptualizing solutions that are novel and appropriate. As all the competences, these can be developed by a systematic and well-planned human resource management and competence-based management strategy. Some of these core competences, such as decisiveness despite uncertainty, can be developed best by experience. The majority of them can be trained by different methods. One way to train the employees is by affecting their job design, i.e. keeping the job variety as high as possible and having enough changes and novelties so that the interest and commitment of the employee does not get too low.

There are certain social skills that as competences can be identified as important or even necessary for creating innovation and thus developing the organization, such as ability to perform teamwork, capacity to solve workplace conflicts and communication skills. (Makó *et al.* 2013, 117; Lengnick-Hall, Beck & Lengnick-Hall 2011, 246). Though being necessary and important, this skillset is also very basic for all kinds of organisations, as there is always need for communication, collaboration and teamwork. Because of the general nature of these skills, they can be defined important but at the same time basic skillset for all kinds of organisations. Even though the skills of communication and teamwork are often not listed in the job descriptions, they still are expected as basic skillset of the employee, thus being general working life skills. General working life skills can be developed as any skillset. (Makó *et al.* 2013, 117; Savonen, 2014; Lengnick-Hall, Beck & Lengnick-Hall 2011, 246).

General working life skills together with project management skills are not necessary only for innovation, but also for business cooperation in general level. The business environment and different stakeholders, such as customers, competitors, suppliers etc., are on daily basis in a close contact with any organization nowadays, and being able to communicate and collaborate with them in appropriate way is increasingly important for maintaining the competitive

advantage. Identifying and developing the competences of general working life skills and knowledge embedded in the organizational culture and operating routines is thus important for creating competitive advantage. (Makó *et al*. 2013, 119).

2.2.2 Competence-based management

Now that we know what a competence is, we need to define what is *competence management*, often also called competence-based management. Literature provides us with several definitions. Schmidt & Kunzmann (2006, 1) say that competence management represents the organizational perspective and denotes a management approach providing processes and a methodological framework for developing the competences of an organization by aligning human resource development activities, in a broad sense, with business goals. According to van Assen (2000, 142) competence management comprises the integral management of strategic, organizational and individual competences. A central theme within competence management is the ability to learn, unlearn and relearn, on all levels within an organization. Also Draganidis & Mentzas (2006, 51) refer to learning and knowledge in their definition, saying that competence management can have an important contribution at an organizational and personal level, as it identifies the key knowledge that an employee or an organization should possess in order to achieve the targets.

Huotari (2009, 20) says that managing competences is all the activities in the organization that combine and contribute both learning processes and knowledge and competence mastering aligned with strategic goals. Competence management is the way of management that supports organizational learning, as the management together with the employees sets the direction for learning, and supports learning and learning processes in all the levels of the organization. Competence-based management is, thus, a management strategy supporting learning and development of employees. However, the organization needs to define what kind of knowledge and competence is especially important for them and can create the required competitive advantage. (Huotari 2009, 20-21).

Simply put, organizations support learning that is crucial in order to improve organizational performance and obtain strategic goals. Vision and mission are the guidelines that help the organization to define which kind of learning and which competences are important, so called core competences. The organizational learning is always directed to the future and should have clear and measurable goals. (Huotari 2009, 34).

2.3 Identifying, developing and assessing competences on strategic level

Now we know what competences are and what competence-based management is. We have also learned how competences can benefit both organization and the individuals within it. Now we need to come up with understanding of how to identify, develop, use and assess the competences on strategic level, in order to improve organizational performance and competitiveness.

2.3.1 Competence identification

Competence management involves several processes that can be categorized in four classes which are: competence identification, competence assessment, competence acquisition and competence usage. First of all, the organization needs to find out which competences it possesses already, on both individual and organizational level, and even more importantly, which competences it needs in order to improve the organizational performance. The already existing competences must be understood valuable as well, as they work as basis for developing the future competences (Huotari 2009, 44; Corallo, Lazoi & Margherita 2010, 300; Kotonen, Savonen *et al.* 2012).

The strategy of the organization helps the management to understand which competences are needed; they know where they are heading, so they need to find out how they will get there, and which tools they should use. Some competences are general and needed in all the organizations, such as good communication skills and ability for teamwork, but the other required competences are company-specific, and create competitive advantage. They are the ones that are strategically important. When the organization knows what they need, they must find out how to acquire the required competences, and finally how to use them in order to

improve the strategic goals. Competence management can take advantage of knowledge management theories as well, as managing knowledge is at the end about competence. (Corallo, Lazoi & Margherita 2010, 300).

The literature provides several suggestions for identifying and mapping competences. Langdon & Whiteside (2004, 13) say that the method for identifying competences should always be accurate, measurable and so clear that everyone in the organization can understand it. As the goal for mapping competences is to improve organizational performance, and as the work improvement can be measured and observed, it follows that the execution of the work should be included in the definition, measurement and achievement of competences. It is important for the organization to have clear values and goals they are aiming at achieving. Based on these values and goals the organization is able to list the required competences, but it still does not tell the management how to develop these competences and improve performance.

Among others, Sanghi (2007, 89) and Shellabear (2002, 16) present the most common techniques of job analysis such as interviews and questionnaires. Yeo (2002, 203) says that interviewing employees is often seen as a very important way of identifying and mapping competences. In-depth interviewing can be done by using several indices and metrics involving measurements on leadership, motivation, empowerment, employee satisfaction and customer satisfaction.

According to Sanghi (2007, 89) and Shellabear (2002, 16), other well-known techniques for identifying competences are by assessment centres, by studying the existing documentation such as performance plans and job descriptions, but also, for instance, by diaries kept by the employees. Diaries are more suitable for complex jobs where the job description is not always clear and there is a lot of variation and only few routines. Sanghi (2007, 89) mentions observation of the employees as one method for identifying competences. However, observation technique is often considered both costly and time consuming.

Among often used techniques are Critical Incident Techniques where observers make notes of incidents where an employee performs well or performs very

poorly. This technique is effective as it gives an idea about the person-oriented characteristics such as competences needed to perform a job well.

Repertory Grid Techniques and Customer Contact Maps are also useful. Repertory Grid Technique is an interview technique highlighting behaviors associated with effective performance, and Customer Contact Maps are a process of identifying the customer touch-points with the company and identifying competences needed in each point to effectively satisfy the customer needs. (Sanghi 2007, 89). Sometimes also psychometric testing is used. (Shellabear 2002, 16).

Barirani, Agard & Beaudry (2013), on the other hand, present a different approach to competence mapping. They draw competence maps using a method called agglomerative hierarchical clustering. According to this method, the relevant data is gathered by *cluster analysis*; it is a data mining technique that consists in grouping a set of observations in such way that similar elements are grouped together to a cluster. Clustering techniques can also be called unsupervised learning techniques, and they serve as problem-solving tools in many different situations. Hierarchical clustering, on the other hand, classifies observations under a tree structure, and it can be done by agglomeration, which is a bottom-up method, or by division, which is a top-down method. Agglomeration begins from smaller parts and separate observations that are united together to form bigger groups, clusters. (Barirani, Agard & Beaudry 2013, 375-376).

Kotonen, Savonen *et al.* (2012) begin the competence management process by defining all the competences required for satisfactory job performance for instance by interviews, text mining or goal oriented modelling. This is also an example of cluster analysis.

In Figure 4 the mapping process for competence identification is introduced. First of all, the professionals are gathered together as a group in order to recognize, list and group their work tasks, for instance by using techniques of *affinity diagram*. Then the competences required for performing the listed job tasks are recognized. These competences, competence areas and current job tasks are compared to current job descriptions, strategical goals of the organization and the results are

evaluated. Competences and competence areas are listed into a *Competence Map* that shows clearly the competence areas. Competence Map works as a basis for further evaluation and development plan. Once the level of competences in each task for all the employees is known, a personal development plan for filling in the gaps should be made.

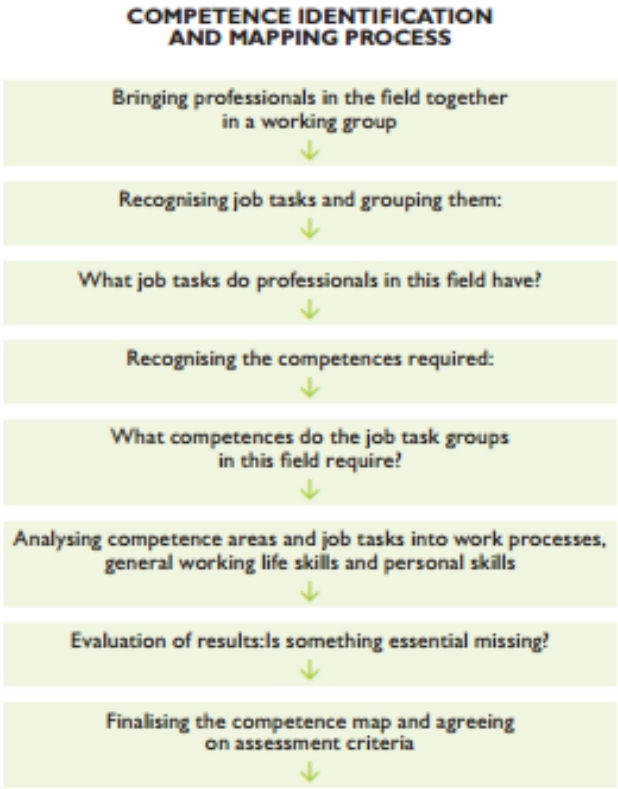

Figure 4: Competence identification and mapping process (Kotonen, Sivén *et al.* 2012; 34)

Competence assessment means that the required competences are compared to the current situation; which competences need further development and how much. *Competence acquisition* consists of a plan on how to acquire the required competence level in a measurable way. *Competence knowledge usage* describes how to use and benefit the competences on organizational level. Figure 5 shows the complete competence management process.

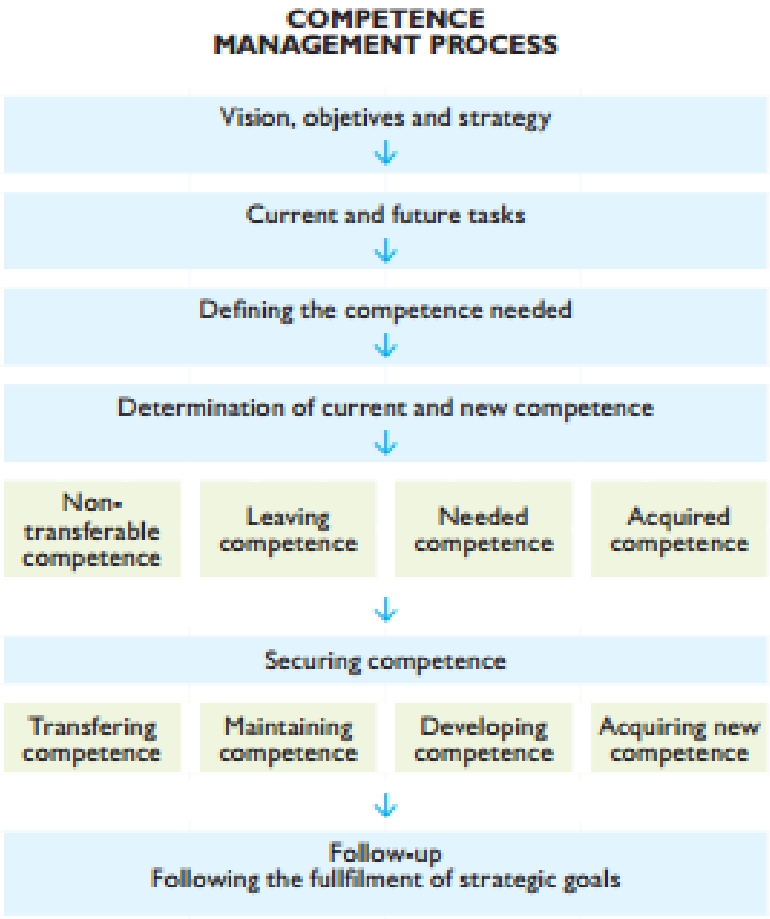

Figure 5: Competence management process (Kotonen, Savonen *et al.* 2012; 24)

Also Shellabear (2002, 16) refers to first defining the required competences in order to perform the job well. Competences should be defined in each level of skills, knowledge, attitudes and behavior. The level of competence can be divided in four levels; *practical competence* is the demonstrated ability to perform a set of tasks, *foundational competence* is the demonstrated understanding of why to carry out the tasks, *reflexive competence* is the ability to integrate actions with an understanding of action so that learning takes place and changes are made when necessary, and *applied competence* which is the demonstrated ability to perform a set of tasks with understanding and reflexivity. However, the concepts of practical, foundational, reflexive and applied competence may sound complicated and are not often in use, but replaced for instance by terms of novice, apprentice, competent and expert, these terms being easier to understand commonly. It is also

important to weigh the importance of the task to the organization, as not all tasks require expert level of performance in order to perform them satisfactorily.

2.3.2 Competence development and assessment

Experience in task is one of the most important development factors. Having experience and learning by doing are valuable methods that cannot be taught to an individual. Team experience, on the other hand, is developed by a team. Team experience consists not only on skills and knowledge required for task performance, but also on general working life skills. Methods of coaching, such as supporting innovation and giving flexibility also develop the employee, and especially help him to develop his current tasks and ways of doing them. Thus, even that the traditional training in form of different kinds of courses is often needed, the innovational methods of coaching, mentoring and facilitating are becoming more and more important. The employees' conditions at work should be improved in a way that the employee feels comfortable at work, has all the required tools, motivating atmosphere and realistic goals in order to perform well. The employee should be facilitated to understand by himself why and how to improve the performance, and make him want to improve. (Cross 2010, 65)

There are tools for increasing and developing competence within an organization. The main challenges, however, are that the competences must be aligned with the strategy, and that the competences need to be generated through more than one mechanism.

Ulrich (1998, 17) presents five different tools for increasing competence: buy, build, borrow, bounce and bind. *Buying competence* means recruiting and hiring new employees with high talent. This is expensive and also risky, as it may not be easy to find employees with the skillset and competences matching with the organizational strategy. Organization that *builds competence* is heavily focusing on current employees to make them stronger and better, and investing on their learning, innovation and adaptation. This can be done for instance by trainings or on-the-job experiences such as job rotation. *Borrowing competence* means that the external resources such as outsourcing or consultants are used in order to increase the organization's competitive advantage. This is also expensive and risky, and

very often the competence leaves the organization together with borrowed resources. Some individuals within the organization simply do not match with the organizational strategy, are not committed enough, nor able to learn and adapt. In this case, *bouncing* these individuals is the best solution even it might be difficult from the managerial point of view. However, the management should be coherent and strict so that the employees understand clearly what is expected of them and why some people are put aside. *Binding* means retaining and committing the existing employees and maintaining their knowledge in the organization.

However, there is a *paradox of competence* introduced by Cross (2010). The paradox of competence is a process for bringing together the learning, doing, and relating with others needed to recognize and refine competences. This paradox is easily explained for instance by an example of a recently graduated person looking for the first job. Most of the employers value knowledge and professional experience, but without being first employed it is impossible to obtain experience. It is often difficult for the person looking for the job to demonstrate that he has the needed skillset and abilities, if there is no way to prove it. However, the competences cannot be developed if there is no starting point. This is what Cross (2010, 5) calls paradox of competence.

Cross (2010, 41) explains paradox of competence by using a simple example of a phone call. When a person is answering the phone, a telephone ringing can be observed. The person hears the phone ringing and understands that ring means that someone is calling. The person sees the phone that is ringing and uses his ability to go to the phone. The person picks up the phone, listens to what the caller has to say and is able to give a reply. In this way, the competence of answering the phone is displayed by performance and described in series of tasks. However, if the person does not feel like talking to anyone, or is too engaged to other tasks, he may not answer the phone even being completely able and competent to do so. The competence is not enough, but also motivation is required in order to perform the task well.

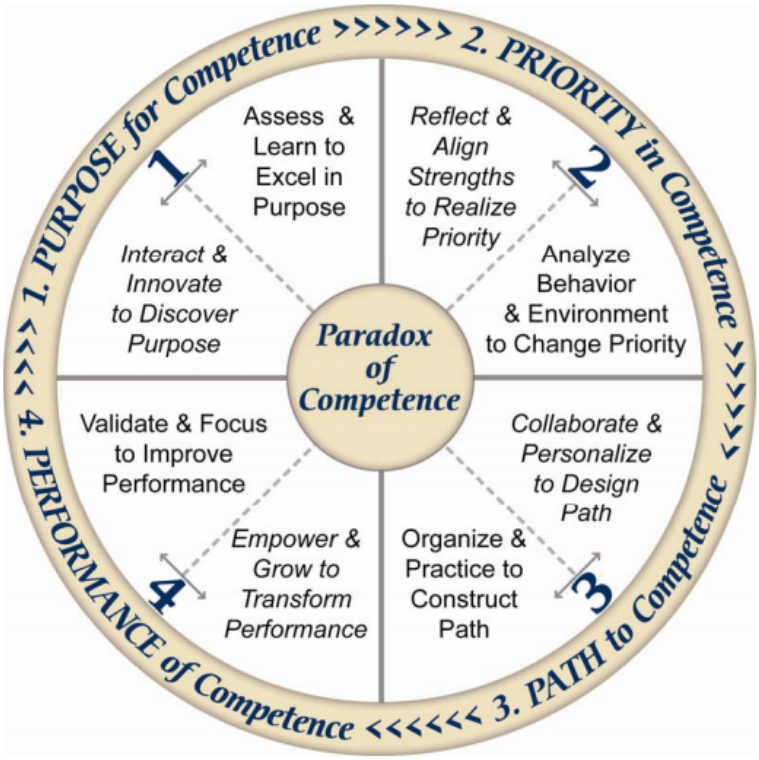

Figure 6: Wheel of Paradox of Competence (Cross 2010, 60)

In Figure 6 we can see the paradox of competence illustrated. The process of recognizing and refining competence is a four phase process, as the wheel is divided in four sections; purpose for competence, priority in competence, path to competence, and performance of competence. (Cross 2010, 60).

The section of purpose includes personal and relational competence; discovering through interaction and innovation the inspiration for performance. This section also includes task and functional competence; assessing current performance for excellence. The section of priority includes personal and relational competence; reflecting on and aligning personal strengths and relational perceptions. Priority section includes task and functional competence; assessing behavior and environment needs to facilitate change. The section of path includes personal and relational competence; designing a personal path by collaborating with others. This third section also includes task and functional competence; organizing and practicing interventions for improvement. The fourth section is performance, and it includes personal and relational competence; empowering and growing transformed performance, as well as task and functional competence; validation to focus improved performance. (Cross 2010, 60).

In all the sections; all the steps towards a competence and better performance, there is a paradox. Obtaining and developing competences further is always complicated and requires compromises in different levels, and effort in finding a balance. The process of developing competences is also always a learning process on both individual and organizational level. (Cross 2010, 60).

2.3.3 Job rotation

By identifying and mapping competences of the employees organization can see what they actually can do, what needs to be improved, but also what else could the employees do. Sometimes organizational roles are stuck deep and it may cause time and effort to understand – in both individual and organizational level – that people could work well, or even more efficiently, in some other position or department. One way to see how employees perform in different positions is job rotation. Job rotation presents employees with new challenges and nurtures their problem-solving skills as they are not performing only routine tasks, and these are keys to motivation. (Dupuy 1990; 32).

Job rotation refers to a planned movement of people between jobs over a certain period of time and for different purposes. (Bennett 2003, 7). This rotation can be either *cross-functional* (between jobs in different departments and areas) or *within-function* (between jobs of similar levels of responsibility and same functional area). Cross-functional job rotation is often used for introducing a new employee to the organization and its different functions, or alternatively for a top-talent employee being prepared for managerial tasks. One of the main focuses of job rotation is on learning aspect; the employees can see different perspectives of the organization and learn the internal relations between departments and functions. This learning aspect develops different skills of employees, makes them more open-minded and does not allow them to get too routinized with their daily tasks. The new challenges and continuous learning enrich working life and are one source of motivation. (Bennett 2003, 8; Brunold & Durst 2012, 182).

Besides of motivation and employee learning, also employer learning is one of the benefits of job rotation. Mainly employer learns about the employees and their

competences, and this helps decision-making and promotions. (Brunold & Durst 2012, 182). In Figure 7 the different objectives of job rotation are presented.

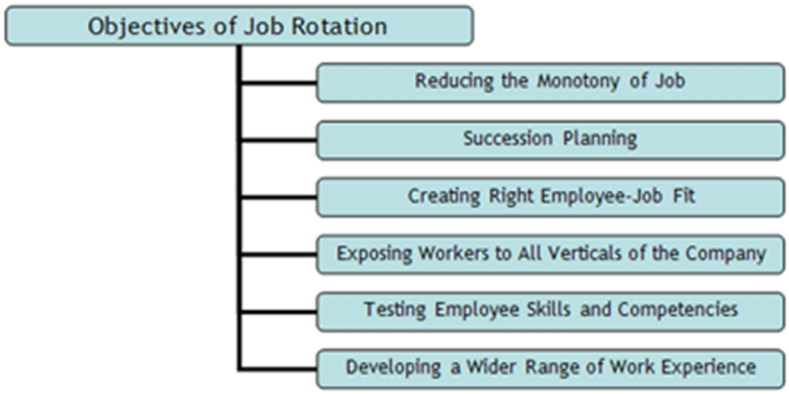

Figure 7: Objectives of Job Rotation (Management Study Guide, reviewed 6.8.2014)

Job rotation is especially useful in small and medium-sized companies, as the employees are able to substitute each other if needed, and not to mention the social aspect of creating new relationships and internal networking. These new relationships ease the spread of knowledge inside of the company. Job rotation also increases the satisfaction and commitment to the job. (Brunold & Durst 2012, 183). On the other hand, job rotation (especially cross-functional) may be time and resource consuming, and all the employees may not feel comfortable with changes and new tasks. (Bennett 2003, 8-9).

Job rotation should always be well planned and the goals should be clear. The management must see the need for job rotation and plan it in a way that best fulfills this need. Employees should continuously be encouraged for job rotation, and their development and learning should be managed and supported. Especially employees should be encouraged to be motivated by the benefits for themselves; such as career development, continuous learning and new relationships. (Bennett 2003, 9).

2.3.4 Implementation of competence-based management strategy

Competence-management process is organization-wide and its implementation should be managed and taken through as any project. As managing any kind of

change, the implementation of competence model needs to be well planned and scheduled, and these plans and schedules need to be clearly informed to the whole organization, so that everyone understands what is happening, why and when. If the implementation is taken through too quickly or slowly, the results are not likely to last. Careful planning and scheduling is the best way to avoid this. Before implementing the model, all these risky situations need to be considered and suitable methods found to avoid or solve them. (Sanghi 2007, 147-149).

When the change process is going on in the organization, the communication must be top-down, and the employees need to understand clearly that the process will be taken through, that it is beneficial for all the parties and that the management fully supports it. The benefits for both organization and employees must be addressed clearly, as well as the timeframe and each step taken. The communication alongwith the process should be continuous, and clearly indicate what each step requires from the employees. They need to feel being part of the change, and their opinions and development suggestions should be taken into account and highly valued. The employees should also know the status of the process and to be able by themselves measure their own development. (Sanghi 2007, 54; Shellabear 2002, 16).

When there are changes in the organization, there is always resistance as well. All the members of the organization are not willing to change, mainly due to fear of something new and unknown, or simply because the employees feel confident with the existing routines and they do not want anything that may make them to change the routines and do special efforts. The situations that may cause resistance on the individual level in implementing competence-based management strategy in the organization can be for instance: the lack of clarity in the purpose of the model, the individuals are not committed in implementing the model, or the need of organizational change simply is not seen. From the management point of view, the cost may be too high and benefit seen too little and there may be doubts over organizational resources to finish the implementation. Generally, if there is history of poorly managed organizational changes in the company the expectations are low already and people may assume that this change won't be well managed either. Often the resistance and defensive behavior of employees is the result of acknowledging their development needs. However, in many cases the

gaps between current and future competences are not indicating poor performance but caused by organizational factors, such as changes in infrastructure, new job roles and responsibilities, or a new focus for the business. (Shellabear 2002, 16; Sanghi 2007, 147-149).

One of the most important things in successful change management is the involvement of top management. They need to have a clear vision on the future, be enthusiasted about it, and focus all the organizational activities towards the change. This example in turn encourages and leads the employees. Changes always take time, and the management needs to be prepared for this by careful planning and scheduling. Anyhow, the management need to accept changes and variations on the way as well – the environment keeps on changing and not all the plans can be taken until the end as planned in the first place. When there is resistance, the top management should by their own example support the employees, and try to help them to see the positive sides and opportunities that the changes bring. The only successful and long-lasting way to do change management is by getting all the organization to head towards the same goals. (Takala 2007, 5).

2.4 Literature review – summary

In the rapidly changing business world, the need for differentiation is continuously increasing, and several organizations are focusing on their intangible assets, the intellectual capital formed by the employees. The competences, characteristics of an employee to perform his tasks well, build the competitive advantage of a company, and thus the competences need to be systematically identified, assessed and developed in order to align them with organization's strategic goals. This process is called competence-based management.

The competence-based management benefits both organization and the employee. The competitive advantage and organizational performance increase, meanwhile the employee has a possibility to develop himself and find challenges and meaning in his daily work. This way of motivating employees also increases organizational commitment and improves individual performance.

Competence-based management starts from top management with defining organizational goals that the company aims at reaching. Then, the individual competences within the organization are defined and desired level of competence established. Then a development plan is made, in individual, department and organizational level, to improve and develop the competences, so that the organizational goals can be reached. All the individuals should be positioned in the organization in such way that they can do what they are best at, develop and learn within the organization, and fulfill the organizational goals. Continuous follow-up, especially in the form of discussion and listening, is required.

3 RESEARCH CONTEXT AND METHODS

In this chapter, the case company Merivaara Oy is first introduced. After that, the objectives and research questions under this case study are defined. Then the research strategy and methods for the case are presented, following the collection and analysis of data.

3.1 Merivaara Oy

Merivaara is a Finnish privately owned company manufacturing hospital furniture such as beds and stretchers, medical lamps and operating tables. Merivaara also provides operating rooms with specialized software solutions. Merivaara was established already in 1901 under the name "Helsingin Uusi Rautasänkytehdas, Polsa & Sjöstedt". Later on the name was changed to Merivaara. Merivaara's annual turnover is around €30 million, and it exports to more than 120 countries. Currently Merivaara has subsidiaries in Sweden, Norway and Denmark, and a sales office in Russia. Altogether Merivaara employs 120 people.

The aim of the case study is to identify the most important skills and competences of Merivaara employees, and provide the company with suggestions on how to develop and assess these competences in order to improve organizational performance.

Mission of Merivaara. By understanding clinical work, Merivaara is a forerunner in easy to use, durable, and patient-friendly solutions helping healthcare providers to increase their efficiency.

Vision of Merivaara. Merivaara is a preferred provider of equipment and integration systems for operating rooms internationally, and a strong local provider of patient treatment room solutions for Russia, the Nordic countries, CIS, and other selected countries.

Central values of Merivaara are flexibility, innovativeness, quality, and understanding end-user and patient needs.

In Finland, Merivaara employs 110 people; roughly half of them in the manufacturing unit and other half in the administration. The skillset of manufacturing workers has been mapped and stored in a database that is used for job rotation purposes. However, the administration does not have any kind of database for their skills and competences, and the need for a database was the starting point for the case study.

Skills database is made for all the employees and is the first part of the research. Another part of the research is a competence identification and mapping made for a sample group. This group is formed by the international sales department of Merivaara. The international sales department consists of five area sales responsibles, of which one also works as a head of sales, and of two sales assistants. Altogether there are seven persons participating in the case.

Area sales responsibles work both in the office and in the field and travel visiting customers, whereas sales assistants remain in the office giving back-office support in the meanwhile. The sales contact with the end customer rarely occurs, but Merivaara works with distributors (both exclusive and non-exclusive) in most of the countries. The distributors sell directly to hospitals and clinics in both public and private sector depending on the country.

The main customer contact at Merivaara is the area sales responsible, who does pricing, defines terms and conditions of sales (based on general terms and conditions of the whole department), helps distributors in making quotations when needed, and has the ultimate customer responsibility. On the other hand, sales assistants assist in quotation and specification process when needed, receive orders from the distributors and handle the order-delivery process, including shipment arrangements and all the required shipping documents.

The employees of the international sales department have been working with Merivaara for quite a long time; one of them for 13 years already. The most recent employee entry to the department took place 9 months before the research was done, but all the other employees have at least 3 years working experience with Merivaara. Also the person that last has taken his post, has a vast experience on international sales within other companies. The expectation before the research

was that the level of mastering job tasks and competence areas will be very high due to long experience and being familiarized with company and its products. Any employee performing only at the beginner level on a task belonging to his daily duties would be a surprising result.

3.2 Thesis objectives and research questions, scope

The objectives of this thesis are to find benefits of competence-based management strategy for both employees that already work in the company by motivating them and using their talent and skillset more efficiently, as well as for the organization by enabling them to use their intellectual capital in most efficient way.

The study aims at creating a common tool for the organization to be used for identifying and mapping competences, and creating individual and department level development plans. This tool can provide the company with job descriptions, as in some departments they do not clearly exist. The resources of the case company are limited, and due to this it is not possible to fill in the competence gaps by hiring new people. The goal is to use the existing employees by developing their skillset, switching their positions, revising their job descriptions, and motivating them.

There are three research questions that this case study aims at answering, and they are as follows:

How can an organization identify, assess and use competences in order to improve strategic goals? How can an organization develop competences? How can an organization use competences in order to motivate employees?

Due to limitations of time and resources, another part of this case study, identifying and mapping competences, is focused only on the international sales department of Merivaara Oy. However, the aim is to build a company-wide model for Merivaara using one department as a sample. The model will later on be applied to the other departments for a constant use.

3.3 Research strategy and methods

The strategy and methods of the case study are according to principles and practice of action research, often called as practice-based research, methods. Action research focuses on current situation, examines the practice of doing certain tasks or routines and involves the learning aspect of how to improve the current practice in order to align it with organisation's strategy and reaching future goals. Action research is not only about observing facts and reporting on findings, but it also includes the learning and action perspective of corrective activities and suggestions for future improvement. The action research can be repeated afterwards in order to see the improvement and learning process, and to see how the practice has changed. In many occasions action research is self-reflective, meaning that the researcher also belongs to the group he is doing the research on. (McNiff 2013, 23-24.)

Identifying and mapping of competences is divided into two parts; mapping of skills and knowledge, and mapping of competences. In this case skills and knowledge consist of background and education, such as language skills, educational level, courses and working experience. The first part of the mapping; skills and knowledge, were surveyed by quantitative methods; a questionnaire given to the employees. This questionnaire is available in Appendix 1.

The competences of employees of the International Sales Department were surveyed by both quantitative and qualitative methods. Identifying and mapping competences has been made according to principles introduced by Kotonen, Sivén *et al.* (2012; 34). The job tasks forming competence areas were identified by using an affinity diagram. Affinity diagram is made by writing down tasks and clustering them into groups. In the Figure 8 the affinity diagram is presented for easier understanding.

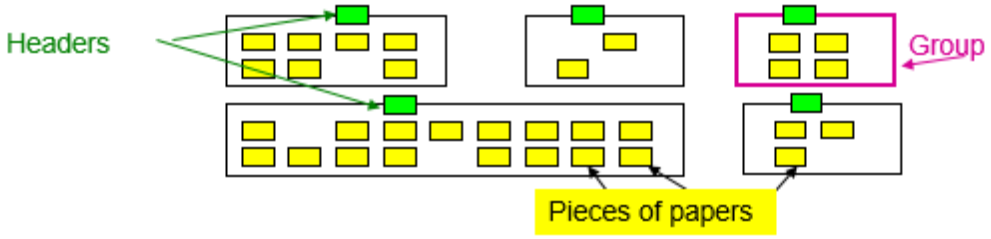

Figure 8: Affinity Diagram (Savonen, 2014)

As clustering technique is chosen for identifying and mapping the competences, there is a need for a certain group of people that share the same or at least similar tasks; otherwise grouping is not a reliable method. Even if more people were chosen for the case study, they would need separate processes for identifying and mapping competences and task areas, as their tasks significantly vary. Even if the comparison was made between similar departments of other companies they would have had at least partly different tasks. Thus they are not comparable and cannot be grouped together with international sales department of Merivaara.

Based on the affinity diagram, a Competence Map was made. In the Figure 9 is an example of Competence Map. In the column on the right side, are listed the general areas of competence, and in the rows the tasks that are related to these competences. The rows F and G (general working life skills and personal skills) are general and universal and apply to all the employees undepending on their tasks or position in the company – these competence areas are automatically evaluated for all the employees.

General areas of competence		1	2	3	4	5	6
A	Command of some work process	Does some work task that can be assessed by rate scaling					
B	Command of some work process		Does some work task that can be assessed by rate scaling				
C	Command of some work process			Does some work task that can be assessed by rate scaling			
D	Command of some work process				Does some work task that can be assessed by rate scaling		
E	Command of some work process					Does some work task that can be assessed by rate scaling	
F	Demonstrates general working life skills	Interaction skills	Communication skills	Co-operation skills	Problem solving skills	Learning skills	Ethical and aesthetic skills
G	Demonstrates personal skills	High quality and customer focused activity	Internationality	Occupational health and safety	Following the orders of quality and environmental assurance system	Entrepreneurship	Utilisation of technology and information technology

Figure 9: Competence Map

Based on the competence areas and job tasks a Personal Competence Assessment Form was made. In the Figure 10 is shown the example of Personal Competence Assessment Form.

DEPARTMENT/SUPERVISER:
PERSON:
CHECKING DATE:

ASSESSMENT CRITERIA

Novice, Initiated to the job	1
Advanced beginner	2
Competent employee	3
Skillful employee	4
Expert	5

Competence areas/work tasks	Own assessment about competence (1-5)	Supervisor's assessment of competence (1-5)	Joint assessment of competence (1-5)	Competence requirement for job task (=work tasks) (3-5)
Competence area				
Does some work task that can be assessed by rate scaling				
Does some work task that can be assessed by rate scaling **etc**				

Figure 10: Competence Assessment Form

The competences of Personal Competence Assessment Forms were collected to another database, Competence Matrix, where it is easy to find out (either on team level or on individual level) the competences that need further development. This makes a good basis to create individual career and development paths. When recruiting new team members the Competence Matrix shows the gaps that need to be filled in the team. In the Figure 11 we can see the example of Competence Matrix.

ASSESSMENT CRITERIA

Novice, Initiated to the job	1
Advanced beginner	2
Competent employee	3
Skillful employee	4
Expert	5

Competency areas/work tasks	Person A	Person B	Person C	Person D
Competence area				
Does something that can be assessed by rating scale	3	1	5	2
Does something that can be assessed by rating scale	5	0	4	3

Figure 11: Competence Matrix

3.4 Collection and analysis of research data

The questionnaire for mapping skills and knowledge was sent by email to all the employees. They were asked to fill it in independently and return to HR department. After the employees had filled in the questionnaire, the data was collected to a database where it is easily found depending on needs (for instance, when looking for a person with ability to speak certain language). This database is primarily used by HR department and superiors.

The employees of the international sales department had a meeting in order to make an affinity diagram. Afterwards a Competence Map of tasks and competences areas of international sales department was made based on the affinity diagram. Before the meeting the employees were asked to get prepared by listing by themselves their current work tasks.

In the group, each employee individually and without speaking to each other wrote down in small pieces of paper all the tasks they are currently performing, only one task for each paper. After the employees had written down the tasks, the pieces of paper were put on the table, and the employees were asked, collectively and without speaking, to group all of their tasks together. This was done by piling up and moving the pieces of paper, until all the employees were satisfied with the result. After the grouping of tasks was done, the group collectively created headers for each task group. These headers are the task groups, or competence areas, that the employees of international sales department are on daily basis performing, and each group and area consists of several tasks.

The competences were written out into a Competence Map, where all the tasks of the international sales department were defined, as well as the task groups, or competence areas, they belong to.

After the Competence Map was made, the employees received a Personal Competence Assessment Form, which they were asked to fill in independently, evaluating their own level of mastering each task and competence with the scale from 1 to 5 (1 being novice level and 5 being expert), and also identifying whether the tasks belong to their daily work or not. In the meanwhile, their supervisor filled in his own evaluation on the employees, as well as required level of competence in each task with the scale from 3 to 5 (3 being competent employee and 5 being expert). The most demanding tasks require an expert whereas some basic tasks only need basic competence. However, all the tasks require at least minimum level of 3 in order to perform them satisfactorily.

After both parties had filled in the form independently, employees had one-on-one meetings with their superior in order to complete the Personal Competence Assessment Form. In the Personal Competence Assessment Form all the tasks were evaluated by both the employee and the superior. The employees also marked which tasks do they currently perform and which not. Together, as a result of discussion, they made a joint assessment of each competence. In the Appendix 3 we can see the Personal Competence Assessment Form for Merivaara's international sales department.

In the discussion between the employee and the superior, they filled in the Personal Assessment Form, and created a personal development plan of each employee. The discussion was thorough, and during it, the motive factors of the employees were identified. Because of privacy issues the personal development plans and individual motive and attitude factors are not presented in the research.

Both database of skills and Competence Matrix are updated on yearly basis. In the development discussions the Personal Competence Assessment Form is revised, and if the employees have any new skills, they are added to the databases. Yearly development plans for both individuals and teams are made by the superior.

4 FINDINGS AND RESULTS

This part of the thesis presents and summarizes the research findings and results.

4.1 Research findings and results

The competence identification process was quite time-consuming, and at least in the first place, quite demanding to do, for both author and the group. Grouping the tasks was the most complicated part for the international sales department, as in the first place they ended up with more than 20 different task groups, and reducing the amount of groups to the final number of 12 groups was complicated for them. One reason for this may be that the tasks inside of the department vary, and not all the persons perform all the tasks, and they may not understand the connection between different tasks.

In Appendix 2 we can see the competence map as it came out in the first place after the employees had created the affinity diagram. However, the Competence Map required adjustment by the author. First of all, 12 task groups needed to be further reduced for clarity issues. The final Competence Map has only 6 task groups, of which 2 are general working life skills common to any position.

The most important reason for the adjustments was that several tasks were mentioned many times, with only slightly varying terms. The group had mainly used only one word to describe each task, and no verbs (does, measures, performs…) were mentioned. This indicates that the task would have required further clarification by the author. The verbs were included by the author, and the tasks were combined to fewer task groups including further explanation on the task itself. The final Competence Map revised by the author is seen in Table 4.

Table 4: Final Competence Map

International sales department - competence map

Competence areas		Job duties/tasks related to each competence area						
		1	2	3	4	5	6	7
A	**Capable of developing sales processes and boosting sales**	Motivates and listens other team members. Boosts teamwork.	Develops sales tools together with other team members and revises the clarity of existing tools.	Is innovative and listens to customer innovations. Brings the ideas to R&D.	Follows up sales, quotations and tenders. Uses the information for increasing sales and forecasting future sales.	Is able to do pricing on products. Develops and revises price lists.	Participates in product registering and quality control processes.	Participates in different kinds of internal meetings and does reporting.
B	**Capable of giving good customer service and developing customer relationships**	Identifies the customer needs and is able to offer a product or solution based on them. Uses Avapta as a tool for making quotations.	Answers to customer's technical and product inquiries by email or telephone.	Participates in customer service throughout the company by use of phone operator, company general email and opening door for visitors.	Handles order-delivery process by placing orders, organising shipments, invoicing and creating needed documentation.	Helps in handling customer claims and strives for customer satisfaction. Collaborates with quality control department in order to fulfill the customer requirements.	Carries the ultimate customer responsibility and works in collaboration with other departments in order to fulfill the responsibility.	
C	**Capable of planning, assessing and developing training programs and contents in co-operation with colleagues**	Organises trainings in co-operation with other members of the company.	Plans training programs and contents and writes training materials.	Creates product and company presentations and is able to present them in front of public.	Plans and orders promotional material such as brochures and business gifts.	Creates and revises brochures and other marketing-related material. Revises translations.		
D	**Capable of maintaining and developing distributor network**	Negociates and makes agreements with distributors. Has cross-cultural knowledge and skills.	Identifies good distributors. Searches actively for new distributors and is able to dismiss in-active distributors.	Supports, motivates and listens to the distributors. Actively contacts with distributors and communicates with them.	Creates authorisations, invitations and other needed documentation in order to support distributors.	Analyses existing distributors and makes action plans in collaboration with them.	Organises and participates in trade fairs representing the company and its products. Visits distributors and end customers.	
E	**Demonstrates general working life skills (intra/interpersonal skills)**	Interaction skills	Communication skills	Cooperation skills	Problem solving skills	Learning skills	Ethical skills	Aesthetic skills
F	**Demonstrates personal skills**	Demonstrates quality and customer-oriented approach.	Maintains and developes knowledge of operational environment.	Takes care of own well-being and well-being of the working society. Is able to work under pressure.	Works in compliance with laws, regulations, polices, procedures.	Follows the orders of quality and environmental assurance systems.	Follows the principles of entrepreneurship. Possesses team work and project management skills.	Possesses international skills. Uses technology and ITC. Takes care of data and information security.

As we can see in the Competence Map, the main Competence Areas of the International Sales Department are ‘Capable of developing sales processes’, ‘Capable of giving good customer service and developing customer relationships’, ‘Capable of planning, assessing and developing training programs and contents in collaboration with colleagues’, and ‘Capable of maintaining and developing distributor network’. Besides of these discovered competence areas, also the general competence areas of ‘Demonstrates general working life skills’ and ‘Demonstrates personal skills’ are included in the Competence Map.

The competence area of ‘Capable of developing sales processses’ was the one that included the largest number of the tasks. Tasks in this area are of more general nature, and often more related to competences than actual tasks, such as motivating and being innovative. Other tasks related to this area are listening to other team members and customers, boosting teamwork, developing sales tools, doing follow-ups and forecasts, pricing, participating in meetings and making reports, and participating product registering and quality control processes. Tasks in this competence area are often related to close collaboration with both internal and external stakeholders, as well as different departments inside of the organization. Though the sales process itself is owned by the sales director, it is not feasible without the efforts and collaboration of other departments such as quality control and R&D procurement. We can see in this competence area that sales process is not simple selling and going after customers, but also teamwork and listening to the customers. On the other hand, sales process also consists of series of duties, as represented by participating in meetings and doing reporting.

The second competence area of ‘Capable of giving good customer service and developing customer relationships’ is mainly concentrated on customer needs and fulfilling them in the best possible way. On the other hand, this may involve a series of duties, such as answering phone or placing orders, but also the more sophisticated skills, such as identifying customer needs and finding solution for them. Also in this competence area, we can see the importance of collaboration with other departments, as the customer satisfaction is not guaranteed only by sales. For instance, claims and quality issues are handled in collaboration with Quality Control Department and After Sales Service, and technical issues are solved in collaboration with Product Management. Basic, good customer service

is giving a customer what he asks for, but the next level is to understand the customer, find solutions for him and fulfill even the needs that the customer may not have been able to identify.

The next competence area is being ‘Capable of planning, assessing and developing training programs and contents in collaboration with colleagues’. This area includes tasks and competences related to training, business fairs and marketing support. The tasks include preparing training material, giving trainings and presentations, participating in business fairs and revising and creating marketing material. Also the daily tasks of ordering brochures and business gifts and maintaining their stock are included. Being able to train customers and distributors also requires high level of familiarizing with products and their intended use.

The competence area of ‘Capable of maintaining and developing distributor network’ is mostly focused on the work with local distributors by means of selecting, evaluating, supporting, visiting and negociating with distributors, and visiting end customers. As Merivaara mainly works internationally through a distribution network, this competence area is very important, as mastering it well helps the company to focus all the resources on the most important areas and distributors. Cross-cultural knowledge and skills are included in this area.

The competence areas of demonstrating general working life skills and personal skills are general competence areas required in all organizations and all positions, and they include basic competences such as communication, collaboration, learning skills, quality, well-being approach and ethical competences. These competence areas are partly related to employee’s personality characteristics which are not mapped in this research.

Filling in the Personal Competence Assessment Form resulted being complicated for most of the team members. Some of the job tasks were not clearly understood by all of them, and some tasks could have different perspectives depending on the position of the employee. Some of the employees also found it difficult to understand which fields they should fill in and which not. Some employees had evaluated also the tasks they currently are not performing, and some of them did

not. Anyhow, the data was available quite clearly even if there were differences in the way of filling in the form. For future use, however, clearer instructions are needed in order to the employees feel more confident on their answers. However, there are benefits if the employees evaluate tasks they are not currently performing; the superior becomes aware of the skillset previously unknown to him.

In Table 5 we can see the Competence Matrix of International Sales Department of Merivaara. Matrix includes the assessment of each employee, being the mutual assessment of both employee and his/her supervisor, department average mastering level of each task, and the competence requirement of each task, defined by the head of sales.

Table 5: Competence Matrix of International Sales Department

COMPETENCE MATRIX									
		Date:	30.9.2014						
Department: International Sales									
Criteria/ Guide lines	1	2	3	4	5				
	Novice (new at w ork)	Advanced beginner	Competent Employee	Skillful Employee	Expert				
COMPETENCE AREAS and work tasks	**EMPLOYEE 1**	**EMPLOYEE 2**	**EMPLOYEE 3**	**EMPLOYEE 4**	**EMPLOYEE 5**	**EMPLOYEE 6**	**EMPLOYEE 7**	**DEPARTMENT AVERAGE**	**COMPETENCE REQUIREMENT**
Capable of developing sales processes and boosting sales									
Motivates and listens other team members. Boosts teamw ork.	5	3	4	3	5	4	5	4,14	3
Develops sales tools together w ith other team members and revises the clarity of existing tools.	5	4	4	5	4	5		4,50	4
Is innovative and listens to customer innovations. Brings the ideas to R&D.	5	3	3	4	4	3	5	3,86	3
Follow s up sales, quotations and tenders. Uses the information for increasing sales and forecasting future sales.	5	2		5	4	3	5	4,00	3
Is able to do pricing on products. Develops and revises price lists.	4	4	4	5		5	1	3,83	4
Participates in product registering and quality control processes.	3	3		4		3	1	2,80	3
Participates in different kinds of internal meetings and does reporting.	4	4	5	5	5	3	5	4,43	3

Capable of giving good customer service and developing customer relationships										
Identifies the customer needs and is able to offer a product or solution based on them. Uses Axapta as a tool for making quotations.	3	4	4	3	3	5	5		3,86	3
Answers to customer's technical and product inquiries by email or telephone.	4	4	5	5	3	5	5		4,43	3
Participates in customer service throughout the company by use of phone operator, company general email and opening door for visitors.	2	5	5				1		3,25	3
Handles order-delivery process by placing orders, organising shipments, invoicing and creating needed documentation.		5	5				5		5,00	3
Helps in handling customer claims and strives for customer satisfaction. Collaborates with quality control department in order to fulfill the customer requirements.	4	3	2	4	4	3	4		3,43	3
Carries the ultimate customer responsibility and works in collaboration with other departments in order to fulfill the responsibility.	5			5	5	3	4		4,40	3
Capable of planning, assessing and developing training programs and contents in co-operation with colleagues										
Organises trainings in co-operation with other members of the company.	4			4	5	3	5		4,20	3
Plans training programs and contents and writes training materials.	4			4		2	3		3,25	4
Creates product and company presentations and is able to present them in front of public.	5			3	3	3	5		3,80	4
Plans and orders promotional material such as brochures and business gifts.			4				4		4,00	3
Creates and revises brochures and other marketing-related material. Revises translations.	4		3	4			4		3,75	3
Capable of maintaining and developing distributor network										
Negociates and makes agreements with distributors. Has cross-cultural knowledge and skills.	5			5	5	5	5		5,00	4
Identifies good distributors. Searches actively for new distributors and is able to dismiss in-active distributors.	5			5	4	4	3		4,20	5
Supports, motivates and listens to the distributors. Actively contacts with distributors and communicates with them.	5	3		5	5	4	5		4,50	4
Creates authorisations, invitations and other needed documentation in order to support distributors.	5	5	4	5		3	5		4,50	3
Analyses existing distributors and makes action plans in collaboration with them.	5			5	5	3	5		4,60	5
Organises and participates in trade fairs representing the company and its products. Visits distributors and end customers.	4			5	5	4	5		4,60	3
Demonstrates general working life skills										
Interaction skills	5	5	5	4	5	4	4		4,57	3
Communication skills	5	5	4	3	5	4	4		4,29	3
Cooperation skills	5	4	4	4	5	5	4		4,43	4
Problem solving skills	5	3	4	5	4	3	4		4,00	4
Learning skills	5	4	2	5	3	4	5		4,00	3
Ethical skills	5	5	4	4	5	4	4		4,43	3
Aesthetic skills	4	5	5	2	5	4	4		4,14	3
Demonstrates personal skills										
Demonstrates quality and customer-oriented approach.	5	5	5	5	5	5	5		5,00	3
Maintains and developes knowledge of operational environment.	5	3	4	4		4	1		3,50	4
Takes care of own well-being and well-being of the working society. Is able to work under pressure.	5	5	5	4	4	3	3		4,14	4
Works in compliance with laws, regulations, polices, procedures.	5	5	5	5	5	4	5		4,86	3
Follows the orders of quality and environmental assurance systems.	5	5	5	5		3	5		4,67	3
Follows the principles of entrepreneurship. Possesses teamwork and project management skills.	5	4	3	4	4	4	5		4,14	4
Possesses international skills. Uses technology and ITC. Takes care of data and information security.	5	5	4	5	4	4	4		4,43	4

As expected, the mastering level of competence areas and job tasks in the international sales department was very good. In most of the tasks, the mastering level was higher or equal than the required competence level. The results show that the employees have been working with the same tasks for longer period of time and that they generally master their tasks very well. The highest grades were an average of 5 in “Handles order-delivery process by placing orders, organizing shipments, invoicing and creating needed documentation”, “Negotiates and makes agreements with distributors. Has cross-cultural knowledge and skills”, and “Demonstrates quality and customer-oriented approach”. Handling order-delivery process, however, was a task of only three persons, but it seems that they excel at doing this – even though according to the department supervisor this task requires only competence level 3. Negotiating and making agreements, and especially having cross-cultural skills can be said to be one of the most important features of an area sales manager, and it was required to be at least of level 4. Demonstrating quality and customer-oriented approach is also vital, and even aligned with the general mission and strategy of the organization.

The lowest average scores were 2,80 in “Participates in product registering and quality control processes” and 3,25 in both “Participates in customer service throughout the company by use of phone operator, company general email and opening door for visitors” and “Plans training programs and contents and writes training materials”. Neither of these tasks pertained to all the department members. It seems that participating in product registering and quality control processes nor participating in customer service throughout the company were not very clear concepts to all the members, and this may be one reason for the variation in answering. However, it seems that the persons mainly performing these tasks have a high level of mastering them, even if the average was low.

Planning training programs and contents, and writing training materials was evaluated by the superior to the competence requirement level of 4. Training of distributors, and in some cases end customers as well, should be one of the most important tasks of area sales managers. However, nobody was evaluated 5 on this task, and it seems that most of the managers felt insecure on their skillset and abilities to give appropriate training and prepare the training material. This field would require both training on products and solutions offered by Merivaara, as

coaching for the employees. Giving presentations in front of the public scored an average of 3,85, thus the problem most likely is not the social or presentation skills of employees, but clearly need of further product training.

Some employees were found below the preset competence requirement on some of the tasks, even having long experience in performing the task. The most important mission of the superior is to understand why it is so. Is it due to difficult questions that the employee did not understand? Or is it due to insecurity and perhaps feeling uncomfortable with certain tasks? Is there lack of knowledge or tools? Before the gaps can be closed and required competence level reached and exceeded, the management need to know what the underlying reasons are for lower scoring. The development plans need to be individual, based on the needs, motive factors and individual characteristics of each employee. The more precisely the superior can find out where the problem lies, more possibilities he has to close the gaps.

There was not any competence area where only one employee would have mastered it perfectly while others having remarkably lower scoring. This is a good thing and means that in most of the cases the employees can substitute each other in case of illness for instance. However, the task of planning and ordering promotional material was handled by two employees only, so if one of them is absent, there are not many who could substitute. Luckily, this task is not essential for the whole department, and could quite easily be taught to others as well.

The following job tasks were below the preset competence requirements: “Is able to do pricing on products. Develops and revises price lists”, “Participates in product registering and quality control processes”, “Plans training programs and contents and writes training materials”, “Creates product and company presentations and is able to present them in front of public”, “Identifies good distributors. Searches actively for new distributors and is able to dismiss in-active distributors”, “Analyses existing distributors and makes action plans in collaboration with them”, and “Maintains and developes knowledge of operational environment”. In most of the cases, low evaluation of one employee dropped the average below the required competence level. However, the management should pay special attention to these tasks in order to understand why the required

competence level is not met, and what kind of support do the employees need in order to reach it. In some cases it is a question of training, but the employees may also need coaching and active support from their superior. Do all the employees clearly understand their goals, or are the goals aligned with organisation's vision and mission? Identifying and analyzing distributors and making action plans for and with them requires clear vision and measurable goals, otherwise it is impossible to define which distributor is good and which not. The goals of the action plans should be aligned with the organization's general strategic goals.

Ways of answering to the questions also showed some personal characteristics of the employees. Some of them were very confident in themselves and evaluated themselves very highly, whereas others were more careful and maybe even too pessimistic in evaluating their skills. Generally the employees' evaluation made quite a good match with the evaluation of their superior, though in some cases there were discussions and the employee and his superior did not share the same perspective. In some areas, the superior found it complicated to evaluate the employees, as the employees that have spent a long time in the company are quite independent and do not have difficulties to work without constant presence and support of their superior. Thus, the superior was not used to see everything that the employees were doing on a daily basis.

By using the Personal Competence Assessment Form and Competence Matrix on a yearly basis as the cornerstones for development discussions, both employee and superior will get more used to this way of working and will understand the concepts better after clarifying them together so that both have the same meaning for all the tasks. Then both employee and superior will also be able to pay more attention to certain tasks and ways of working, so that they can better evaluate them. The personal development plans made during development discussions will help the employees to focus their daily efforts and have clear and measurable goals.

At first, the idea was to create new job descriptions based on Personal Competence Assessment Forms and compare them to the existing job descriptions, so that they can be revised and updated. However, it came up that only one person currently working at the International Sales Department has a

written job description. Thus, the comparison is not possible to do, but new job descriptions are written for each employee based on which tasks they personally have informed doing. Job descriptions between the employees slightly vary, as they are not performing the same tasks. However, below in Table 6, we can see examples of job descriptions of a sales assistant and of a sales manager, based on the tasks they themselves stated.

Table 6: Job descriptions

Sales Assistant	Sales Manager
Capable of developing sales processes and boosting sales	
Motivates and listens other team members. Boosts teamwork.	Motivates and listens other team members. Boosts teamwork.
Develops sales tools together with other team members and revises the clarity of existing tools.	Develops sales tools together with other team members and revises the clarity of existing tools.
Is innovative and listens to customer innovations.	Is innovative and listens to customer innovations.
Is able to do pricing on products. Develops and revises price lists.	Is able to do pricing on products. Develops and revises price lists.
Participates in different kinds of internal meetings and does reporting.	Participates in different kinds of internal meetings and does reporting.
	Follows up sales, quotations and tenders. Uses the information for increasing sales and forecasting future sales.
	Participates in product registering and quality control processes.
Capable of giving good customer service and developing customer relationships	
Identifies the customer needs and is able to offer a product or a solution based on them. Uses Axapta as a tool for making quotations.	Identifies the customer needs and is able to offer a product or a solution based on them. Uses Axapta as a tool for making quotations.
Answers to customer's technical and product inquiries by email or telephone.	Answers to customer's technical and product inquiries by email or telephone.
Helps in handling customer claims and strives for customer satisfaction. Collaborates with quality control department in order to fulfill the customer requirements.	Helps in handling customer claims and strives for customer satisfaction. Collaborates with quality control department in order to fulfill the customer requirements.
Handles order-delivery process by placing orders, organising shipments, invoicing and creating needed documentation.	Carries the ultimate customer responsibility and works in collaboration with other departments in order to fulfill the responsibility.
Participates in customer service throughout the company by use of phone operator, company general email and opening door for visitors.	
Capable of planning, assessing and developing training programs and contents in co-operation with colleagues	

Creates and revises brochures and other marketing-related material. Revises translations.	Creates and revises brochures and other marketing-related material. Revises translations.
Plans and orders promotional material such as brochures and business gifts.	Plans training programs and contents and writes training materials.
	Creates product and company presentations and is able to present them in front of public.
	Organises trainings in co-operation with other members of the company
Capable of maintaining and developing distributor network	
Creates authorisations, invitations and other needed documentation in order to support distributors.	Creates authorisations, invitations and other needed documentation in order to support distributors.
	Negociates and makes agreements with distributors. Has cross-cultural knowledge and skills.
	Identifies good distributors. Searches actively for new distributors and is able to dismiss in-active distributors
	Supports, motivates and listens to the distributors. Actively contacts with distributors and communicates with them.
	Analyses existing distributors and makes action plans in collaboration with them.
	Organises and participates in trade fairs representing the company and its products. Visits distributors and end customers.
Demonstrates general working life skills	
Interaction skills	Interaction skills
Communication skills	Communication skills
Cooperation skills	Cooperation skills
Problem solving skills	Problem solving skills
Learning skills	Learning skills
Ethical skills	Ethical skills
Aesthetic skills	Aesthetic skills
Demonstrates personal skills	
Demonstrates quality and customer-oriented approach	Demonstrates quality and customer-oriented approach.
Maintains and developes knowledge of operational environment.	Maintains and developes knowledge of operational environment.
Takes care of own well-being and well-being of the working society. Is able to work under pressure.	Takes care of own well-being and well-being of the working society. Is able to work under pressure.
Works in compliance with laws, regulations, polices, procedures.	Works in compliance with laws, regulations, polices, procedures.
Follows the orders of quality and environmental assurance systems.	Follows the orders of quality and environmental assurance systems.
Follows the principles of entrepreneurship. Possesses team work and project management skills.	Follows the principles of entrepreneurship. Possesses team work and project management skills.
Possesses international skills. Uses technology and ITC. Takes care of data and information security.	Possesses international skills. Uses technology and ITC. Takes care of data and information security.

4.2 Findings and results – summary

Generally, on the department level, the international sales team has a very high level of scoring on their daily work. Besides of the need for further product training and clarifying goals there are no remarkable gaps issued that would need corrective actions. The most important thing is to create individual development plans on the areas that the employees have shown to be uncertain. On the department level the yearly development plan should be made in collaboration with all the team members. Besides of product training, what else is needed? Do the employees spend enough time together outside of work? Do they work well as a team? Do they have mutual trust and respect? These questions are not replied by Competence Matrix, but after all they do have effect on the motivation and well-being of employees, and thus their performance and commitment to the organization. The employees should have common meetings, both work and freetime based, and the superior should have their opinion and vision on how to make the team work and everyone feel appreciated as they are, forming an important part of the team. In Table 7, we can see the summary of most important findings.

Table 7: Summary of findings

Further clarification on identification process tasks and more personal guidance needed
Generally high level of mastering tasks
Uncertainty on knowledge of products and presentations – further training needed
Further discussions with every employee required in order to understand why there are gaps and how they should be filled in
Tasks average rated below the required competence level should be examined by the management in order to improve the performance of the department
Clarifying of organizational goals required
Job descriptions should be made for every employee
Continuous follow-up is very important
The superior needs to know the employees and understand their motive factors, and this can happen only by listening and spending time with them

5 CONCLUSIONS AND IMPLEMENTATIONS

In this chapter, conclusions are made based on the most important findings and results of the case study. The validity and reliability of the study is presented. Further implementation of the data is suggested.

5.1 Conclusions

This chapter reflects the literature review against the data obtained in the case study. The aim is at applying the theory in practice in order to give concrete advices for the case company. Now that we know the skillset and background of the employees of international sales team, as well as their daily job tasks and the level of mastering them, we still lack some important information in order to manage these employees well. So far we do not know what kind of persons they are; what motivates them and what drives them on. Unfortunately within this research this level has not been reached due to privacy issues, but it leaves space to managerial implication.

5.1.1 Adaptations in organizational strategy

Currently Merivaara Oy does not have competence-oriented focus in their strategy. However, the current economic situation is tight and the competition is very fierce, so the organizational strategy requires continuous adjustment and follow-up. The organizational strategy needs to be clearly defined and based on mission and vision of the company. As good customer service and focus on customer needs is one of the basic values and corner stones at Merivaara, the strategy must be focused on customers. By offering only competitive price or good quality Merivaara is not likely to differentiate enough from the main competitors. The key lies within the employees. The intellectual capital of Merivaara Oy is the inimitable asset that the company should use in order to differentiate from the competitors.

There are four steps in implementing competence-based management strategy; competence identification, competence assessment, competence acquisition, and competence usage. The competences of the international sales department are

identified; now it is important to find out whether these competences are really aligned with company strategy, and how can they be assessed. The focus on customers and assessment of competences must be carefully planned. The strategy needs to be planned step by step by the management and communicated clearly throughout the organization. The most important of all, the future goal needs to be clear.

The Mission of Merivaara is to be, by understanding clinical work, a forerunner in easy to use, durable, and patient-friendly solutions helping healthcare providers to increase their efficiency. How can the employees strive for fulfilling this mission? What should be their concrete actions and tasks?

The Vision of Merivaara is to be a preferred provider of equipment and integration systems for operating rooms internationally, and a strong local provider of patient treatment room solutions for Russia, the Nordic countries, CIS, and other selected countries. Which kind of competences should the employees have, and how should they work on daily basis so that this vision can become true?

Central values of Merivaara are flexilibity, innovativeness, quality, understanding end-user and patient needs. Do the competences of the international sales department match with these central values? It seems that in most cases they do, as the department employees are able to provide high-quality work with a strong customer-focused approach, and aim at understanding the customer.

In order for the employees to have clear and measurable goals, the vision and mission of company need to be transformed into smaller and more concrete tasks that the employees are able to do. This way they can see the meaning and goal in their work, and feel like part of the organization – doing essential work for improving organizational performance. If the vision and mission are transformed into concrete tasks, the management can also see which competences are needed and where they are needed. This way the employees with certain skillsets and competences can be transferred to different tasks when needed.

5.1.2 Benefits of competence-based management strategy

By implementing a competence-based management strategy with a focus on customer satisfaction, the agility and adaptability of the organization will increase. This, in turn, increases competitiveness. Competence-based management strategy increases the intrinsic motivation of employees, and makes them more committed to the company. Intrinsically motivated employees are less likely to leave the company, work harder to improve their performance, and are more satisfied with their work. Employees can be intrinsically motivated by positive feedback, listening to them, showing interest and respecting them. Other way of fostering commitment is by balancing current demands and resources. However, motive factors are individual.

The organizational performance can be measured in different levels. The majority of companies measure the financial aspect on continuous basis, but only few also measure employee competence aspect. This aspect facilitates the company to understand also the financial aspect and possible difficulties on it. Balanced Scorecard is a useful tool in order for the organization to recognize its current stage, and to see to which direction they should focus their activities. Using Balanced Scorecard requires defining critical success factors of the company – one without doubt being the intellectual capital. Balanced Scorecard can be a helpful tool for Merivaara to align the strategy with the organizational goals.

The employees will adapt themselves to the new strategy best if they understand the benefits for themselves. The employees will benefit by having a meaning for their work, and more possibilities to grow and develop themselves within the company. Their job satisfaction will increase.

5.1.3 Understanding employee skillset

The employees are individually talented and their skillset and competences are different. All the employees may not suit for all the roles. The better the management knows the employees, better they can help them to develop within their competences. This way the employees can be correctly positioned within the organization. The right places of the employees can be found by listening to them

and understanding their way of working, and their motive factors. Competence identification for instance by clustering technique is needed. Job rotation can also be very helpful in order to reposition the employees well. It gives space for trial period in order to see if the employees fit to their new roles, and possibility to switch back in case they do not. When transferring employees between different tasks, the management should be open-minded and innovative – sometimes one employee can work better in a task completely different to his current one. Personal Assessment Form may help to reposition the employees, as there the employees state their level of mastering tasks that they are not currently performing; this may orientate their positioning in the company. If the employees can do what they are good at, their effort will increase the organizational performance. The best and most efficient way of managing people requires knowing them well.

5.1.4 Company-wide development model

The research made for the international sales department of Merivaara Oy has furnished us with the knowledge of the competence areas the department employees currently have and the job tasks within, as well as the level of mastering each task – in both individual and department level. The competences have been identified, and for developing them a suggestion of continuous follow-up within development discussions has been made. The both individual and department level development plan should be made in order to improve the performance in the areas where needed.

The international sales department is just the starting point for implementing competence-based management strategy throughout the company. The same process should now be taken through department by department. In order for the company to apply a competence-based management strategy, they should first of all identify the current competences of the employees in all the departments by making competence maps, filling in personal competence assessment forms, and creating competence matrixes. The superiors in each department should define the motive factors of their employees, and create personal and department-level development plans in collaboration with the employees themselves, as well as

with the superiors of other departments. Finally, the board of directors should put together these department level development plans in order to create a company-wide development plan. The goal of the company-wide development plan is to align the competences with strategic goals, so that everything in the organization is focused on the same goal – fulfilling the vision and mission by assessing individual competences.

5.1.5 Research questions – summary

How can an organization identify, assess and use competences in order to improve strategic goals? This thesis provides the case company with concrete methods of identifying competences, and clustering technique has been tested for one department. The competences, or skills and knowledge, of employees were identified. Aligning and developing these competences with the organization's strategic goals help the organization to improve its performance. However, the behavior, personal characteristics, and attitudes of employees are not identified so far, and they are shown to have a remarkable effect on employee motivation and thus commitment and performance. In order to improve the organizational performance and reach strategic goals the motive factors of employees must be understood. Motivation creates commitment, which is required for the improving of performance. The only way to learn individual's motive factors is by listening and discussion.

How can an organization develop competences? It is not enough that the organization knows the current level of competences, but the competences need to be developed in order to improve both personal and organizational performance. The key is to find ways how to individually, and as a group formed by organizational departments, the competences can be developed and thus performance improved. Based on Personal Assessment Form the job descriptions should be written, and a development plan made. These development plans are individual and should include clear goals and steps for each year, i.e. certain trainings, coaching and skills to be learnt. Both employee and superior should clearly know what the employee goals are for the becoming year, and how can the

superior support them. Development plans are made in close collaboration between employee and his superior and should be created with mutual agreement.

Together with the individual development plans a department-level development plan should also be made. For cost-saving effect not all the employees should take different courses at the different times, but the individual plans should be collected and transformed into a department-level plan, at least what comes to trainings and common meetings and get-togethers. The department-level plan needs to focus also on team-level needs. One of team-level needs might be time spent together outside of the organization in order to boost team spirit and create mutual trust. Sometimes employees are not socializing outside of work environment spontaneously. This is the reason that time spent together could be addressed in the plan.

How can an organization use competences in order to motivate employees?
Motivated employees most likely are the ones to perform best, especially if their skillset is developed further on. Now that we know what the organization's goals are, and which the individual competences within are, we need to use these competences not only for reaching strategic goals of the organization, but also for the employee's best. If the employees are motivated and satisfied, they are less likely to leave the company and will do their utmost to perform well. The aim is to find methods for using employees' own competences in such way that the employee satisfaction and motivation is improved. Employees need to feel that they are developing themselves, and that the organization values their skillset and performance. If the employees find that they are able to do what they are best are at doing, they will feel satisfied and motivated for their task. A reasonable amount of challenge is required, so that the employees can feel that there is something to be reached; a clear and accessible goal. Positive feedback is of utmost importance in motivating the employees by using their competences.

The employees need to know that they and their skillset are valuable and that they are able to work on what they are good at, and what they really like to do. They need to feel unique and best, each within their own skillset and talents. If the employees are motivated and feedback given accordingly, they will long to develop further on and be even better.

5.2 Implementations

This subchapter provides the reader with some further implementations, suggestions and interesting points that are worth considering in the case company.

5.2.1 Managing top performers

Even if it is important to improve the performance of the team members that currently may not be performing in all the job tasks as well as they could, it is even more important to pay attention to the top performers of the team. Many of the team members were evaluated with 5, being excellent, in several or even most of the tasks, and, all the employees were evaluated with 5 at least in some of the tasks. Still, there is space for improving. The top performers need to be coached in such way that they are able to keep up with their level without getting bored or starting to look for new opportunities, and even improving their level. They need to be challenged and given new opportunities in their daily tasks. This does not necessarily mean that they should be given more work or new work areas. They should be led to find more ways to do their current tasks even more efficiently and to reach even more goals.

As in all the tasks there are top performers evaluated with 5, it would be interesting to know why they are good with that certain task. In most of the cases they have a long experience in performing the task, but experience alone does not create top performance. The best way to understand what makes the employees good at something, is to find out from them. The superior should spend time with them; talking, asking and observing in order to understand why they perform well. The employees themselves may not always be able to define what is so special with their own performance. Thus the superior should constantly spend time with them in order to understand their way of working, and also supporting and encouraging them. Some employees may need training for certain skills, but equally important is coaching and mentoring employees when needed. If the superior only spends time with employees that currently do not perform well, the top performers will feel that their work is not important and that the manager is not interested in them. However, many of them would need the presence of the superior listening to them, supporting them and helping them to find ways to

perform even better. Some employees most likely are very proud of their work, and want to hear that they really are performing well, even if the numbers would already show that.

5.2.2 Focus on the most important

It may be worth considering whether all the tasks that the international sales department currently is performing are really necessary and if they do really belong to the sales department. Now we are aware which are the tasks performed and the level of performing them, but this research does not have comparison on results or organizational performance. However, the management should consider if the department tasks can be focused on certain areas, and if this way the performance can be improved. Even if the employees should be motivated by challenge and certain requirement level of tasks, they should, however, stay focused on what is most important and direct their potential to the essential.

If the employees are to focus on doing better and better every day, with measurable goals as challenges, should they then do less things? The employees should be heard in this sense, so that the management can understand how the current work load of the employees is. Are they able to concentrate on the most important tasks they have, or do daily small tasks, such as constant flow of emails or meetings, keep them away of doing these essential tasks? If this is the case, the most important task of the supervisor is to release the employees' potential out for doing what they are employed for. This means providing the employees with such tools that enable them to work more efficiently, and to lead them towards the focus on the most important tasks. The employees need to understand what they are paid for, and concentrate on that, and that only. The manager needs to clear the road so that the employees can focus on their essential tasks freely.

5.2.3 Encouraging employee talent

One anonymous manager was interviewed for the research. He used to ask his employees to define their dream role in the company with two different dimensions: internal – external, and manager – expert. These dimensions actually tell a lot about the employees. A person who wants to be, for instance, internal

expert, may never feel confident in front of customers, no matter how much training he has, nor how much he desires to perform well. In this case changing the role inside of the organization may make this person to flourish. All employees naturally have certain talents, and the most of their performance, their excellence, can be revealed only if they do what they are best at.

It is not possible to fully change a person. If an employee is not reaching the excellent level of performance despite training, coaching and motivating, he may not have enough talent to perform the task. Not all the employees are suitable for all the tasks, no matter how they are treated and prepared. It is a part of the superior's responsibility to understand that this may occur, be able to dismiss a person if needed, or simply change the person to another role. Job rotation can be a good way to find out which tasks would suit best the employees. However, even more important is to listen to the employees and understand their goals and needs. If the employees can do what they are best at, they are likely to perform very well and serve the organization best.

Employees are likely to have hidden talents or competences that their superior is not even aware of. One way of finding these competences is by the Personal Competence Assessment form. As the employees can evaluate their level of mastering the tasks they are not currently performing, they will show their hidden talents and skills this way. Most often people are capable of doing more than what is known, and the superior needs to look for signs of the hidden competences. These multi-talent employees are important within the organization, as their skillset can be used in several tasks and departments.

5.3 Validity of the research

The validity of the research defines whether the research methods and context have been appropriate in order to answer the research questions, whereas the reliability of the research refers to the accuracy of the results, and ability to repeat the research ending up to the same results.

The research questions were:

How can an organization identify, assess and use competences in order to improve strategic goals? How can an organization develop competences? How can an organization use competences in order to motivate employees?

The literature review furnishes the reader with several ways of answering these questions. One must bear in mind that all organizations are different, and the same methods cannot be used for all of them. However, the research context and methods is concentrated on only one company and one department within. It would be interesting to use the same department and apply different methods in order to see if the results would be the same. Equally it would be interesting and a point for further research to do follow-up on the department in order to see the development within a year, or 5 years. This way one could best see the difference. Anyhow, for another company and other employees, the results would be different.

The validity of the research is good, as for this particular company the results are applicable and provide the management with a foundation to develop further individual competences. However, further research on employee motive factors and personalities is required in order to create development plans and to implement a competence-based management strategy.

The reliability of the research is difficult to measure, as the results may vary depending on individuals within the company, the company itself, and also the time and the situation the research takes place. Thus, the research can easily be repeated, but most likely the results will not be exactly the same.

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APPENDICES

Appendix 1: Competence Mapping Questionnaire

Appendix 2: Competence map – first version

Appendix 3: Personal Competence Assessment Form

COMPETENCE MAPPING QUESTIONNAIRE - MERIVAARA CORP.

The purpose of this questionnaire is to identify and map the skills, background and knowledge of Merivaara employees. The questionnaire is confidential, and the answers are available for Human Resource Department and superiors only.

Background:

Name: _____

Sex: __Male __Female Date of birth (ddmmyyyy):_____

When did you start working at Merivaara (ddmmyyyy): _____

Your current position at Merivaara: _____

Date of filling in the questionnaire (ddmmyyyy): _____

,

Previous working experience (list only the ones you find most important, also including previous positions at Merivaara):

Employer	From – to (mm/yyyy)	Position	Brief job description

Other: _____

Educational background:

Highest degree (pick only one option):

__ Lower secondary education
__ Upper secondary education
__ Professional studies
__ Associate or equivalent
__ Bachelor or equivalent
__ Master or equivalent
__ Doctoral or equivalent
__ Other
__ I have no degree

Professional degrees:

Name of degree	Main subject	School / faculty	Year of graduation

Other degree: _____

Which courses have you submitted during the past 5 years through Merivaara?

Name and description	Place of submitting	Duration	Year of submitting

Other submitted professional-related courses:

Name and description	Place of submitting	Duration	Year of submitting

Other valid qualifications (i.e. work protection, fire work, safety organization, first aid):

_____

_____

Language skills:

	Native	Excellent	Very good	Good	Basic
Finnish					
English					
Swedish					
Russian					
German					
French					
Spanish					
Other:					
Other:					

Command of computering:

	Excellent	Very good	Good	Basic	No command
Microsoft Word					
Microsoft Access					
Microsoft Excel					
Microsoft Powerpoint					
Axapta					
InDesign					
SolidWorks					
AutoCAD					
Other:					
Other:					

THANK YOU FOR YOUR REPLY.

APPENDIX 2

Competence Map made by International Sales Department

Motivating	Making Quotations	Marketing	R & D	Training	Lobby Services	Customer Meetings	Reporting	Sales Development	Quality	Pricing	Export order process
To extinguish fire	Technical support and customer service	Business fairs	Feedback for R&D	Training X 2	Opening door and welcoming visitors	Customer visits (distributors, end customers)	Filling in Finnvera report	Supply chain development	Revision for demo equipment	Clarifying the price lists	Sending documentary credit documents to the bank
Boosting internal teamwork & motivating	Mapping customer needs	Organising trade fairs	Customer and market feedback to R&D	Making training materials	Reading the general emails of the company and addressing the emails for the correct persons	Visits to end customers	Reporting to Financial Department	Customer management	Handling spare parts orders and claims	Updating the price lists	Creating export documentation
Escort officer	Hunt for new product ideas	Making marketing material	Identifying, specifying product innovations, documenting them	Company and product presentations	Phone operator - picking up the phone calls and connecting them	Travelling		Dismissing inactive distributors	Registering and applying certificates for products	Pricing	Creating package labels
Smoothing cultural differences	Finding solutions for technical and business problems / questions	Fixing and revising marketing material		Customer visits in the company (presentations)	Phone operator	Contact with customers and visit		Analysing capabilities of distributors	Obtaining customer satisfaction		Authorisations
Listener	Receiving and clarifying the technical specs	Translations		Organising trainings		Travel reports		Finding new customers			Applying for certificate of origin from the Chamber of commerce
Communication with customers	Making quotations X5	Ordering business gifts		Product trainings		Meetings with customers X2		Search for new distributors and markets			Transport arrangements
Messenger	Reading and filling the technical specs	Maintaining and updating business gift storage				Customer visits		Search and analysing of new distributors			Shipment planification air / ocean
Supporting and motivating distributors and discussing with them	Replying to customers' questions by phone or email	Maintaining brochure database in the system						Managing the distributor net			Placing orders into system
Participating in different kinds of meetings	Answering to customer inquiries	Product marketing						Recruiting new distributors			Receiving orders and placing them into system
	Interpreting specs and finding solutions	Updating company website						Continuous analysing of existing distributors			Sending order confirmation to the customer

	Follow-up on quotation database							Action plan making with distributors X2			Handling orders and deliveries
	Follow-up, analysing and reporting on quotation database							Distributor agreements			Inquiries on availability
	Tender follow-up (extranet)							Negotiations with distributors, i.e. conditions of contracts			Invoicing X3
								Negotiations for signing a distributor agreement			Creating documents for authorities (customs, ministry of foreign affairs, chamber of commerce, embassy)
								Making Non-exclusive distributor agreements (NDA)			
								Budget responsibility			
								Follow-up on sales			
								Sales forecasts			
								Lobbying (internal and external)			
								Developing Sales tools			
								Business development			
								Terms and conditions of sales			
								Refining sales contracts			
								Negotiations with distributors and end customers			

PERSONAL COMPETENCE ASSESSMENT FORM

Job title:			**Date:**		
Department/Superior:			**Employee:**		
Criteria/ Guide lines	1	2	3	4	5
	Novice (new at work)	Advanced beginner	Competent Employee	Skillful Employee	Expert

COMPETENCE AREAS and work tasks	**Task belongs to the job X**	**Own competence assessment (1-5)**	**Supervisor´s competence assessment (1-5)**	**Mutual understanding (1-5)**	**Competence requirement of the task (3-5)**
Capable of developing sales processes and boosting sales					
Motivates and listens other team members. Boosts teamwork.					3
Develops sales tools together with other team members and revises the clarity of existing tools.					4
Is innovative and listens to customer innovations. Brings the ideas to R&D.					3
Follows up sales, quotations and tenders. Uses the information for increasing sales and forecasting future sales.					3
Is able to do pricing on products. Develops and revises price lists.					4
Participates in product registering and quality control processes.					3
Participates in different kinds of internal meetings and does reporting.					3
Capable of giving good customer service and developing customer relationships					
Identifies the customer needs and is able to offer a product or solution based on them. Uses Axapta as a tool for making quotations.					3
Answers to customer's technical and product inquiries by email or telephone.					3
Participates in customer service throughout the company by use of phone operator, company general email and opening door for visitors.					3
Handles order-delivery process by placing orders, organising shipments, invoicing and creating needed documentation.					3
Helps in handling customer claims and strives for customer satisfaction. Collaborates with quality control department in order to fulfill the customer requirements.					3
Carries the ultimate customer responsibility and works in collaboration with other departments in order to fulfill the responsibility.					3

Capable of planning, assessing and developing training programs and contents in co-operation with colleagues					
Organises trainings in co-operation with other members of the company.					3
Plans training programs and contents and writes training materials.					4
Creates product and company presentations and is able to present them in front of public.					4
Plans and orders promotional material such as brochures and business gifts.					3
Creates and revises brochures and other marketing-related material. Revises translations.					3

Capable of maintaining and developing distributor network					
Negociates and makes agreements with distributors. Has cross-cultural knowledge and skills.					4
Identifies good distributors. Searches actively for new distributors and is able to dismiss in-active distributors.					5
Supports, motivates and listens to the distributors. Actively contacts with distributors and communicates with them.					4
Creates authorisations, invitations and other needed documentation in order to support distributors.					3
Analyses existing distributors and makes action plans in collaboration with them.					5
Organises and participates in trade fairs representing the company and its products. Visits distributors and end customers.					3

Demonstrates general working life skills					
Interaction skills					3
Communication skills					3
Cooperation skills					4
Problem solving skills					4
Learning skills					3
Ethical skills					3
Aesthetic skills					3

Demonstrates personal skills					
Demonstrates quality and customer-oriented approach.					3
Maintains and developes knowledge of operational environment.					4
Takes care of own well-being and well-being of the working society. Is able to work under pressure.					4
Works in compliance with laws, regulations, polices, procedures.					3
Follows the orders of quality and environmental assurance systems.					3
Follows the principles of entrepreneurship. Possesses team work and project management skills.					4
Possesses international skills. Uses technology and ITC. Takes care of data and information security.					4

Employee´s own opinion: competences and their development needs

Supervisor's opinion: competences and their development needs

Mutually agreed development needs and development plan