Forum papers

Excellence through implicit competencies: Human resource management — organisational development — knowledge creation

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ABSTRACT
The indiscriminate application of the Olympian motto ‘faster — higher — stronger’ to companies and public institutions leads to an acceleration trap of organisational change and to an overtaxing of systems and people. Deceleration is necessary. This study assumes that the required deceleration can be attained only through the establishment of implicit competencies in human resource management, organisational development and knowledge management. These competencies help to promote a configurational model of change and further result in the excellence of a company. If implicit competencies are successfully developed into success potentials, and, in addition, into core competencies, then competitive advantages can be attained. Building upon a conceptual model of excellence, this paper provides starting points for implementation from a personnel, institutional and instrumental perspective.

DYNAMIC ENVIRONMENT AS A STARTING POINT
The Olympian motto ‘faster — higher — stronger’ appears to be entirely valid today for companies and public institutions. They must adapt ever more rapidly to the disjunctively changing basic conditions. They are constantly required to optimise their processes, and they are continually searching for innovative solutions that can provide them with a competitive advantage. Since, however, the innovation and change cycles have been considerably
shortened, and since companies are forced to act faster and faster, many companies fall into a so-called ‘acceleration trap’. They conceive change as being an exception and are stressed, since one reorganisation follows on the heels of another. Employees no longer find the time to cope with a new situation before they are confronted with new demands. Consequences of this development are manifested, among other things, in the increase in health problems, absenteeism and early retirements, in the worsening of the work environment and in the increase in failure rates. Owing to these factors, market performance suffers, customer satisfaction diminishes and sales decrease. This results in downward cost pressure, which, once again, makes reorganisation necessary — a vicious cycle that must be broken. A primarily reactive understanding of company development, which optimises the actual condition in the sense of a ‘single-loop-learning’ (Argyris and Schön, 1978: 16 ff.), can no longer withstand the extreme pressure to change.

For this reason, types of company development are needed that proceed from the assumption that change is an ongoing evolutionary process occurring on all levels of the company. Since, however, evolutionary change is frequently completely misunderstood — that everything always changes — one proceeds here from the assumption of a configurational change in which phases of continuity and discontinuity alternate with one another (see Figure 1). Perich (1992: 217) calls this type of change the ‘punctuated equilibrium model’. This understanding differs from the understanding of change as ‘continuous modification’ in that the — entirely desirable — continuous and long-term development of a company comprises a chain of ‘transformational episodes’, which include conscious phases of consolidation (‘islands of tranquillity’).

The model of configurational change requires the capability of structuring changes in a way that is harmonious with long-term company development and that ensures the company’s prosperity. This is possible only when the company can simultaneously enlist, develop and retain personnel potentials that are oriented toward the future. The necessity of so-called implicit competencies can be demonstrated, for example, in two aspects: In order to counteract the shortening of the time span between fundamental transformations (ie reorganisations) and thereby the acceleration, employees at all levels should be capable of recognising at an early stage the need for change in their immediate spheres of activity and of undertaking appropriate measures for improvement. Kaizen, which has already been introduced as a good method of continuous improvement, can serve here as an example (Imai, 1993). If a more profound change is required, employees should be in the position — and willing actively to support such change. This necessitates a high measure of ability and willingness to change.

This paper has a double goal. First, it presents the basic premise of a model that assists companies in establishing the prerequisites for attaining excellence; and, secondly, it shows individual development trends in the areas of human resource management (HRM), organisational design and knowledge creation. The remarks are based on the authors’ conceptual reflections and are supplemented with empirical findings. The definition of central concepts follows these introductory remarks. Then, the question of whether internal skills or capabilities represent core competencies is discussed. This analysis is performed in an exemplary manner using...
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EXCELLENCE — A HOLISTIC VIEW

The concept of excellence is frequently linked to the bestseller by Peters and Waterman (1982), *In Search of Excellence*. These authors define excellence in a very imprecise way, which is, in addition, extremely finance-oriented (Peters and Waterman, 1982: 22). Innovative power was the only supplementary qualitative criterion taken into account. Recently, *business excellence* has been used primarily in connection with the model of the European Foundation for Quality Management (EFQM) (Zink 1998: 89 ff.; Wilmes and Radtke 2000: 15 ff.). This model provides guidelines for the introduction or implementation of Total Quality Management (TQM) and defines excellence as follows:

‘Outstanding practice in managing the organisation and achieving results based on fundamental concepts which will include: results orientation, customer focus, leadership and constancy of purpose, processes and facts, involvement of people, continuous improvement and innovation, mutually beneficial partnerships, public responsibility.’ (EFQM, 2002)

While the Peters and Waterman concept of excellence falls short owing to its basic limitation to financial indicators, the EFQM model is better suited to the

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**Figure 1**

Organisational change and transformation (Source: Zaugg, forthcoming)
discussion of questions dealing with HRM, organisational and knowledge competencies, since it proceeds from a stakeholder perspective and takes all important concerned groups into consideration. Excellent companies can be characterised by the fact that they target results in many areas of company development that are considered to be trend-setting and exemplary. Since each company also exhibits weaknesses, a partial, area- or topic-specific excellence, in the sense of ‘best practice’, probably better corresponds to reality. In contrast to the EFQM, excellence is understood less as a measurable and assessable variable than as an underlying position and process.

It appears to be indisputable that HRM, as well as organisational and knowledge management, represent key functions on the path to excellence. The EFQM speaks of potential factors or enablers. Before the question of whether these functions are implicit competencies of a company can be addressed, the concepts must be defined:

— HRM competency comprises the ability of a company to enlist, develop, retain and utilise future-oriented personnel capacities in such a way that they comply with the long-term goals of the organisation.
— The term organisational competency conceptualises the ability to structure short-term transformations, as well as long-term organisational change, in a way that permits a sustainable company development.
— The knowledge or innovative competency includes the ability of a company to convert the knowledge and ideas of its employees into products and services tailored to meet the needs of the customers, as well as into innovations in the creative production of goods and services.

Since all three competency types mentioned are often qualitative, difficult to measure, and (sometimes) difficult to manage, this paper speaks of implicit competencies.

**ARE IMPLICIT COMPETENCIES CORE COMPETENCIES?**

**Preliminary remarks**

This section examines whether the implicit competencies of a company constitute success potentials and core competencies. This is to be done in exemplary fashion using HRM (see Figure 2). Thom and Wenger have already examined whether organisational management fulfils the requirements of a core competency (Thom and Wenger, 1996).

**Human resource management as a potential for success**

Success potentials are specific resources and capabilities of a company that can permanently influence its success (Haedrich and Jenner, 1996: 16). In order for these potentials to be developed into competitive advantages, they must be scarce, valuable, and permanent; additionally their ability to be imitated, transferred, or substituted must be limited (Wenger, 1999: 53 ff.). In a first step, one must now examine whether HRM satisfies these characteristics:

**Scarcity**

The HRM competency of a company is scarce because it can be provided only to a limited degree by external partners. While the enlistment, training, and continued education of personnel can be more or less entirely outsourced, fundamental decisions on HR policy or culture-enhancing measures must be provided internally. An integrated HRM
is furthermore a scarce commodity because it cannot be quickly established, but must rather be developed over a longer period of time.

**Valuable**

If the HRM contributes to an increase in the qualifications and motivation of a company’s employees, it is valuable financially and non-financially. By using an appropriate incentive system that addresses the needs of the employees, one can positively influence them in their decisions to remain in the company. The costs resulting from a high turnover rate can thereby be saved. A higher level of employee qualification is furthermore reflected in a higher quality of products and services, something that subsequently contributes to the company’s success (Thom, 1999).

**Permanence**

Given the condition that the knowledge base acquired within the framework of HRM is constantly being maintained and expanded, the corresponding competency can also be characterised as permanent. By means of organisational learning, the experience and knowledge of HRM can be preserved, examined, and further developed.

**Limited imitatibility**

The core (strategic) tasks of HRM (eg preparation of a HR strategy or the implementation of culture-altering measures) are so closely linked to the specific context of the respective company that they cannot — or can only to a very limited degree — be transferred to other companies. Many HRM procedures and instruments are admittedly used in different contexts and in different companies; however, they develop their true value only when they are used in a specific situation and company. The value of a procedure therefore increases in proportion to its adaptation to a concrete and individual business situation.

**Difficult transferability to external parties**

This criterion is closely related to the criterion of imitatibility. By adapting to a specific situation or context, the HRM competency is also partially separated
from the decision makers in HRM, who, as individuals, have great mobility and, thereby, transferability. Since they must initially adapt their knowledge to the specific conditions in a new company, the advantage of a lack of transferability continues to be at least partially preserved for the source company. In the case of company mergers, it is, for example, frequently demonstrated that it is easier to establish a new HR policy or corporate culture than it is to combine existing cultures or transfer them without negative consequences.

**Reduced substitutability**

As a function that ensures the establishment, development and preservation of the personnel potentials necessary for the success of the company HRM is not — or is only to a very limited degree — substitutable. By means of rigid cost management or organisational measures, HRM problems (e.g., high personnel expenditures) can be mastered in the short term. Expert knowledge in HRM, however, is absolutely necessary for sustainable solutions. The stipulation that HRM has reduced substitutability should not lead to the interpretation that tasks of this type can be mastered only by HR authorities. The distribution of the HRM competency within the entire company, as is recommended, for example, in the concept of the virtual HRM department (see Thom and Zaugg, 2000: 21 ff.; Scholz, 1996), will increasingly become more prevalent.

**Human resource management as core competency**

Since HRM constitutes a resource that is scarce, valuable (when properly maintained) and permanent, as well as one that has limited possibilities for being imitated, transferred or substituted, it can be deemed a success potential. One must now discuss whether HRM also satisfies the claims of a core competency.

Prahalad and Hamel (1990: 83) and Hamel and Prahalad (1994: 224 ff.) speak of three ‘tests’ that an ability must pass in order to be deemed a core competency: customer value, competitor differentiation and extendibility. Hamel and Prahalad also conceive of core competency in the sense of an ‘integration of skills’ as a ‘bundle of skills and technologies rather than a single discrete skill or technology’. Krüger and Homp (1997: 25 ff.) assume that a core competency has the following three features: cause of competitive advantages, permanence of the achieved advantages and transferability of the competency to diverse products, services, regions and customer groups. In order to be deemed a core competency, HRM must accordingly comply with the following four features:

**Customer value**

This effect can refer either to the benefit directly perceived by the customer or to the end product. It is therefore entirely possible that the benefit targeted by the core competency is only indirectly perceived by the customer.

— The potential contribution of HRM to the success of the company has already been discussed in conjunction with its value. Since the benefit perceived by the customer always emanates directly or indirectly from the company’s employees, it is permissible to ascribe a very large share of the promotion of customer value to HRM (Bruhn, 2002).

**Differentiation**

This criterion summarises the already mentioned criteria of permanence, limited imitatibility and substitutability,
and the marginal transferability to external parties. While the first (and most important) feature focuses on the customer, the second feature (differentiation) is aimed at the competitors.

— By means of its distinctive cultural and strategic anchoring, HRM also permits an effective differentiation with regard to competition. As company takeovers (including mergers) frequently demonstrate, the transferral of HRM competency constitutes a very difficult task. For this reason, quite often, existing HRM concepts are applied in parallel fashion for a certain period of time and are then supplanted by a new concept.

Transferability
The transferability to other products, services and markets that is presented here must be distinguished from the previously described avoidance of transfer to rival companies. Whereas the first criterion is limited to the use of core competency within one’s own company, the second criterion refers to a copying of the core competency by competitors.

— The indisputable advantage of HRM lies in the fact that its ‘output’, namely, the qualification and motivation of employees, can be easily transferred to various products, services and markets. Apart from expert knowledge that is closely tied to a certain product or market, the ‘soft’ skills and motivation of employees can be utilised in various ways.

Integration
Core competencies constitute a combination of resources and skills or capabilities. Since they should be valid for the entire company or for a larger part of a company (Krüger and Homp, 1997: 44), it is understandable that individual procedures and techniques cannot attain the status of a core competency. A core competency has more to do with the bundling of several mutually complementary competencies.

— The various tasks of HRM can be performed only by an integration and bundling of skills and procedures, which simultaneously requests mastery of existing business processes and the development of new processes (Krüger and Homp, 1997: 41 ff.).

HRM can be established and expanded to become a success potential, as well as a core competency. It fulfils all conditions that are required. A narrow interpretation of the connections described leads to an understanding of HRM as the foundation for the development of core competencies. The broader interpretation presented here assumes that the skills and resources bundled together in HRM can themselves be developed into a core competency. Just as certain technical skills lead to product or process innovations and to a company’s success, HRM competency enables the emergence of competitive advantages (Buyens and De Vos, 2001). What has here been clarified in exemplary fashion for HRM can also be transferred to the two other functions or types of competency. The following section is based on all three types of implicit competencies.

MODEL OF EXCELLENCE THROUGH IMPLICIT COMPETENCIES

Overview of the model of excellence
Internal and external underlying conditions influence an organisation’s capability to develop implicit
competencies. Thus, it is quite conceivable that new technologies promote their development or that a recession hinders it. Highly developed companies can recognise in good time the need for change by means of early warning systems, and introduce appropriate anticipatory measures. In this way, they gain some independence. A model of excellence based on implicit competencies must naturally also be in harmony with the corporate culture, the strategy and the employees (see Figure 3). In this context, high priority should be given to the analysis of cultural values and the qualification of the employees. Key function holders must know the development level of their company, as far as a starting scenario is concerned, in order to determine the course that the ‘excellence journey’ will take or which feasible steps must be introduced. These examples make clear that excellence is, in any case, a contextual concept. Activities which promise to be successful in one company must not necessarily also lead to success in another company.

The company’s ability to learn is surely the most important prerequisite for the path to excellence by means of implicit competencies. Only when companies and public administrations are successful in institutionalising organisational learning and supporting it with effective knowledge management will they be in a position to build up competitive advantage. This connection becomes very clear in the term delimitation by Probst and Büchel (1994: 17). They define organisational learning as the ‘process of enhancing and changing the organisational value and knowledge base, the improvement of the problem-solving and realisation-competency, as well as the modification of the common frame of reference of and for members within the organisation …’

The starting points for establishing a learning organisation are found on all levels and in all areas. Classical education/training and continuing education can be oriented toward superordinate goals of knowledge by giving more attention to the transfer of learning. By encouraging teamwork in quality circles and/or projects, the exchange of knowledge is promoted. Conventional and electronic communication platforms facilitate inter-
and intraorganisational know-how transfer. Although there are practically no limits set on the creativity of those employees eager for knowledge and learning, it is important to orient the various measures toward a superordinate policy of knowledge and to embed them in an overall context.

After offering the overview of the model of excellence, this paper now presents the analysis of personnel, institutional and instrumental aspects which are performed by using a competency type (see Figure 4). This presentation should, on the one hand, offer implementation aids for the model of excellence and, on the other hand, indicate in which direction HRM, organisational management and knowledge management (innovation) should develop in order to become true implicit competencies.

**Personnel aspects: Profile of the organisers**

As implicit knowledge is inseparably entwined with the applying subjects, an extensive analysis of the profile of the applicants should be the first step in the development of implicit competencies. Cantin and Thom (1996: 161 ff.) researched data concerning the profiles of organisers and the tasks they fulfil, along with other topics, in a broad empirical survey in over 370 Swiss organisations. The central conclusions of the survey underline the necessity of implicit competencies in the field of organisation.

— There is still a considerable need for organisational generalists who have a broad knowledge of organisational work. It therefore seems reasonable to speak of a need for organisational competency on all levels of a
company, and for all categories of employees.

— Organisational specialists often focus on information technology and project organisation. In this regard, a company must have at its disposal both general skills and specific organisational (expert) knowledge in order to design or set up organisational competency. The close connection between company processes and information technology as an enabler of the same elucidates this connection.

— Although questions having to do with organisational design and process organisation are at the forefront of activities for many organisers, as a matter of their daily routine, they are often confronted with tasks related to the organisation of physical resources (e.g. infrastructure). If one succeeds (at least partially) in replacing these tasks with the use of information technology, then the organisers win time for strategic organisational tasks.

— The great significance organisers already enjoy, as change agents and change catalysts, will continue to increase. They promote and support the entire process of organisational structuring and help those affected to find and implement solutions themselves.

— The daily routine of the organisers is characterised by project work. Communicative competencies and team skills are therefore important requirements for these persons. They must also be able to work together with internal and external partners from the most diverse areas, and they thereby often become network managers.

— In addition to solid expert knowledge, which must be continuously updated and expanded, organisers still need a capacity for analytical and conceptual thinking. When these skills are combined with the previously mentioned social competency, organisers are also in a position to deal with resistance to change and to escape their negative image as someone who supposedly eliminates jobs.

— A survey of experts (Delphi-technique) by Cantin and Thom (1995: 363) furthermore showed that organisers must increasingly develop their skills in change management, organisational sociology and psychology, and organisational methods and technologies, as well as in management and leadership.

If organisers are successful in distancing themselves from those responsible for physical resources and becoming those who promote change, they will contribute markedly to the establishment of organisational competency.

**Institutional aspects: Organising human resource management**

One must discuss cultural, strategic and structural questions within the framework of the institutional perspective of HRM competency. From a strategic point of view, for example, one must examine how corporate strategy and HR strategy are interrelated and to what extent the HRM is anchored in top management (Thom and Zaugg, 2000: 3 ff.). In the area of culture and HRM, one must determine which basic assumptions underpin the HRM and how a culture of learning and innovation can be created. In connection with the organisational structuring of the HRM function, one is concerned with the designation of the tasks to the different HRM function holders, with the identification of HRM core processes,
and, finally, with the determination of tasks that can be outsourced.

In addition to cultural change by means of HRM, here one is talking about cultural change within HRM. In principle, it involves the self-awareness of the HR department. This is, to a decisive extent, dependent upon the tasks that are brought to this function. Against the backdrop of an increased task intensity and a greater task capacity, cultural orientation variables can be recorded using the following six concepts (Zaugg, 2002): Stakeholder orientation, strategy orientation, professionalisation, economic efficiency, participation and flexibility. Of course, these basic values do not replace the principles of business ethics (e.g., equal treatment, fairness, honesty), nor do they affect compliance with legal regulations.

The status of HRM also partially results from its relationship to corporate strategy. Since the viewpoint that HR strategy is a functional strategy derived from corporate strategy does not go far enough, a perspective is proposed here which suggests an iterative development of these two strategies. The HRM then participates in strategy development and can also assume its implementation. Surveys performed at the largest Swiss companies verify that the implementation view clearly increased between 1995 and 1999 (Thom and Zaugg, 2000: 8). These empirical findings may possibly be connected to the fact that, in large companies, reorganisational processes are frequently adopted at the company’s top level and must merely be implemented by the human resource department. The findings concur with the recognition that the majority of top HRM managers are not yet members of the company management. In 1999, the portion of those large Swiss companies that granted the HRM a position in the company’s top management amounted to only 45 per cent. The insufficient integration of the HRM function into the top management body of a company contradicts the increasing significance frequently accorded HR in a knowledgeable and service-oriented organisation.

Human resource management takes place at numerous positions in the company and encompasses the activity of both generalists (e.g., line supervisors) and specialists (e.g., those responsible for HRM or external consultants). The HRM competency of a company is thereby not only limited to the know-how of the human resource department, but is rather distributed over the entire company. This fact, coupled with the complexity of HRM assignments, necessitates new, highly flexible types of structural organisation of the HRM function. Here, one must especially consider project-oriented and network-type organisational forms, as well as improved cooperation between specialists and line management. With the progressing virtualisation of the HRM function and the use of computer-supported HRM systems, the decision makers are increasingly being relieved of administrative tasks; they can devote themselves to strategic tasks and thus contribute considerably to the establishment of HRM competency.

**Instrumental aspects: Instruments for innovation and knowledge creation**

The innovativeness of a company is dependent, on the one hand, upon general management instruments and, on the other hand, upon specific instruments of innovation (Thom, 1980: 500). These instruments must be used in all phases of the innovative process and for all types of innovation. The phase of idea generation is based, for example, on creativity techniques, methods of idea management, and on research and
development. In the phase of idea acceptance, one is concerned primarily with the evaluation of ideas and the creation of marketable products/services. Here, benefit analysis, systematic project and risk management, and product planning are applied as procedures. The phase of idea realisation is based on project management and concentrates on the implementation of new ideas. Central to this portion of the innovation process are primarily the production of market items, their marketing, the training of employees and customers, regular acceptance monitoring and the analysis of financial parameters.

There is a close relationship between a company’s management of innovation and its management of knowledge. The two functions proceed from similar basic values (eg the conversion of implicit into explicit knowledge) and utilise similar instruments (eg experience groups and quality circles). In the authors’ view, one is dealing with the consideration of the same subject area (knowledge in companies) from two different perspectives. Whereas innovation management is more likely to be interpreted instrumentally and concentrates on the realisation of projects for product and process, knowledge management is additionally occupied with fundamental questions of generation and utilisation of knowledge. Given a very broad interpretation of the term innovation, these two concepts could even be considered congruent.

In order for a company to be able to establish a knowledge or innovative competency, it must have at its disposal corresponding communication instruments. At this point, one thinks of meeting opportunities such as employee forums (eg open spaces), workshops and ‘communities of practice’. Furthermore, electronic media, such as knowledge databases and internal newsgroups, are required. The establishment of knowledge-oriented incentive systems and management systems also becomes more important. Thus, on the other hand, knowledge goals can be incorporated into the management process within the framework of a management-by-knowledge-objectives; and, on the other hand, knowledge management offers various opportunities for rewarding above-average achievements with non-material incentives (eg participation in development projects that are very important for the future of the company, enabling of special training, etc.). By presenting the instrumental dimension of the knowledge and innovation competency, the attempt has been made to show how companies can concretely begin establishing these competencies. The path to excellence through implicit competencies always begins with a first step, or rather with the implementation of a first, concrete instrument or principle, which must then be expanded upon.

**CONCLUSIONS**

The striving for excellence is comparable to climbing a mountain. For this, one needs to be in good physical condition; and one needs mental strength, equipment suitable to the task and precise maps. If a company wishes to scale the peak of excellence, appropriate HRM, organisational and knowledge competencies are required. These implicit competencies do not, however, generate themselves; rather, they must be constantly developed and converted into competitive advantages. For company decision makers this means, among other things, high investments in employee qualification, the realisation of a company development that combines dynamic phases with conscious phases of consolidation, as well as the creation of meeting and communication
opportunities for the exchange of knowledge and ideas. In the long run, companies that are interested in sustained development of internal competencies will be much more successful in the competition for ‘faster — higher — stronger’ than those who are oriented toward short-term profits.

REFERENCES


