HR DEVELOPMENT STRATEGY THROUGH COMPETENCY PROFILE ANALYSIS IN WIJAYA KARYA (LIMITED)

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Summary: *Success in business requires a company to ensure that its people possess and demonstrate a set of competencies relevant to the organization's strategic objectives and values. Implementing competence based human resource management allows an organization and its employees to work together to develop and realize it. AHP is applied in a multi-business company in Indonesia, Wijaya Karya (Limited), to identify competency requirements and their relative priority. The resulting measurement instrument is then used to assess the current profile of every individual employee. Human resources development is proposed based on analysis of the results of assessment and benchmarking.*

1.   Introduction

Wijaya Karya (Limited), usually called by its abbreviation WIKA, was established in 1960 as a state owned enterprise. Starting with business in electrical installation, WIKA grew into a strong corporation with four business pillars i.e., construction, manufacturing, trade, and realty. Entering the 21st century, WIKA has been striving for advancing its performance in all areas by increasing organization flexibility to enable it satisfies their customers better. The company would have to ensure that its people are more innovative, technology literate, and customer oriented. They need not only to possess the required skills and knowledge but also to demonstrate behaviors consistent with company values.   A strategy in human resource is needed to make sure that each of its more than 700 employees contributes to the success of the company.   WIKA management is convinced that the company needs to formulate and implement competence based human resource strategy to focus attention on organization learning and growth.

In WIKA's system, placement to a certain position and promotion to the upper rank are mainly based on year of service and experience, while training and development is based on job requirements. Employees not only need to understand their competency requirements, but also possess the skill to demonstrate them at work everyday as they see fit within the context of their job.   Making this set of competencies explicit would facilitate WIKA management to plan for its HR competence development. Those competencies need to be described in terms of skills, knowledge, and behaviors. The organization then requires a system to reward its employees based on their demonstrated level of their respective overall competency as well as their contribution to the organization.
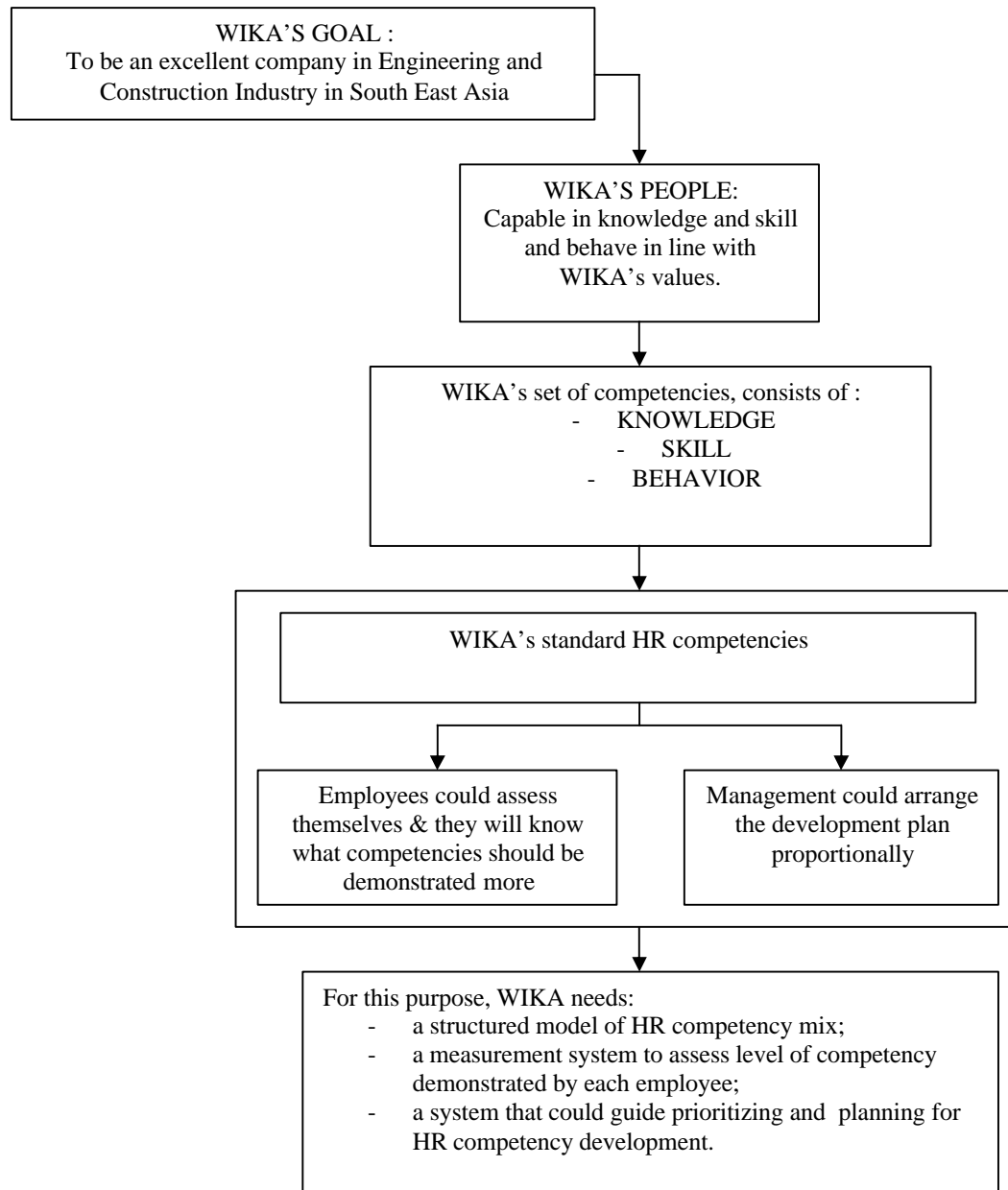
A comprehensive framework is needed, to facilitate the process of employee evaluation and development, which meets the following requirements:

   a.   It specifies and prioritizes competency requirements to perform WIKA businesses;
   b.   It provides a means to assess competence profiles of the employees;
   c.   It provides a reliable scale to rate employees based on their competency level.

The AHP [Saaty, 1990] is the appropriate methodology for developing such a framework. The purpose of this paper is to present an AHP model for WIKA competence based HR management. Competency would need to be divided into levels. Defining those levels of competency is an important process and must be

part of the model, but not included in this paper. The use of the model is illustrated with a hypothetical example to show how it works. With the support of Expert Choice, entering employee competence profiles would generate their ratings.

The model development is outlined as follows:

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┌─────────────────────────────────────────────────┐
│              WIKA'S GOAL :                        │
│  To be an excellent company in Engineering and    │
│   Construction Industry in South East Asia        │
└─────────────────────────────────────────────────┘

                ┌─────────────────────────────────┐
                │        WIKA'S PEOPLE:            │
                │   Capable in knowledge and skill │
                │      and behave in line with     │
                │         WIKA's values.           │
                └─────────────────────────────────┘

            ┌──────────────────────────────────────┐
            │  WIKA's set of competencies, consists of : │
            │            -   KNOWLEDGE              │
            │            -   SKILL                  │
            │            -   BEHAVIOR               │
            └──────────────────────────────────────┘

    ┌──────────────────────────────────────────────────┐
    │  ┌────────────────────────────────────────────┐  │
    │  │        WIKA's standard HR competencies       │  │
    │  └────────────────────────────────────────────┘  │
    │                                                    │
    │  ┌──────────────────────┐  ┌──────────────────┐  │
    │  │ Employees could assess│  │ Management could  │  │
    │  │ themselves & they will│  │ arrange          │  │
    │  │ know what competencies│  │ the development   │  │
    │  │ should be demonstrated│  │ plan              │  │
    │  │ more                  │  │ proportionally    │  │
    │  └──────────────────────┘  └──────────────────┘  │
    └──────────────────────────────────────────────────┘

        ┌──────────────────────────────────────────┐
        │ For this purpose, WIKA needs:             │
        │   -  a structured model of HR competency mix; │
        │   -  a measurement system to assess level of competency │
        │      demonstrated by each employee;       │
        │   -  a system that could guide prioritizing and planning for │
        │      HR competency development.           │
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2. The design of HR development strategy

Striving to be a leader in engineering and construction industry in South East Asia in the year of 2010, WIKA designed its road map to the future using balanced scorecard (BSC). WIKA pursues strategic objectives and evaluates its performance on each of the five BSC perspectives: financial (company's performance related to financial matters), external (company's performance related to market and

customers), internal (company's performance related to internal operations), innovation (company's performance related to innovation and technology), and people (company's performance related to human resources).

The clusters of competencies required for effective initiatives toward company objectives are quality, relationship, individual effectiveness, managerial, and know-how. They need to be prioritized based on the relative importance of service excellence defined by WIKA management. Here, the prioritizing of WIKA's perspectives is simplified by judging their relative importance directly with respect to the goal.

A competent and qualified employee is that who consistently demonstrate personal quality, skills in building relationship, individual effectiveness, managerial skills, and know-how, labeled as competence cluster. Each competence cluster is broken down further into a set of competencies to be developed synergistically by the organization and the employees themselves. Competency is defined as "an *underlying characteristic* of an individual that is *causally related to criterion-referenced effective and/or superior performance* in a job or situation." (Spencer and Spencer, 1993). To plan a comprehensive development for its people, WIKA needs to specify the required competency mix with their relative priority, assess current competency profile of every individual employee, then analyze and design competence development.

Considering the differences in responsibility of WIKA employees, relative priority of the competence mix would differ between employee ranks. To have the figures of this, the employee's rank is banded to seven: JS (Junior Staff) –1 (the lowest); JS – 2; JS – 3; JS – 4; SS (Senior Staff) –1; SS – 2; SS – 3 (the highest), and relative priority is assessed for each banded rank.

Requirement for human resource development is identified based on the gap between expected and real competence of the individuals, as well as the availability of the organization financial and other resources. It is argued that it is important to discuss the plan with each employee, to ensure that employee's interests and potentials to emphasize on certain competencies are being considered. A by product of this communication process is employee rating based on current level of demonstrated competence and the expected change in the rating after development actions being carried out.

3. Steps in formulating strategy for HR development

Steps in formulating the HR development strategy are as follow:

    a. Determine competency mix requirement for an employee to perform his or her job well. It is formulated for each of the five perspectives of company performance. For the purpose of this paper, they are identified and prioritized roughly with respect to the goal, rather than carefully and systematically judged through business units and processes.

    b. Develop Levels of Demonstrated Competence (LDs) as intensity measures for each competency. It is necessary to define each and every LD.

    c. Assess the competency profile for each employee by assigning the intensities which definitions fit the employee the best. Employee rating is obtained by conducting assessment for all employees.

    d. Conduct interview with each employee, and determine competencies to develop by considering his personal interests and potentials, guided by the required competency mix and its relative priority, depending on the rank of the employee.

    e. Evaluate the results for the whole organization, and determine overall plan based on organization's priority and resources available.

4. The required mix of competency factors

Establishing a policy for human resource development for WIKA employees is difficult, since it involves too many subjective judgments. Tradeoffs must be made between the interests of the employee and those

of the organization, or between short and long-term objectives. With budget constraints, WIKA needs to have a way to prioritize HR development activities. Employee understanding and acceptance regarding this priority would affect program effectiveness. The AHP structure follows the model used by IBM Rochester [Eyrich, 1991] that uses absolute measurement.

4.1. Development of the hierarchy

The hierarchy is constructed as follows:

FIGURE 1. AHP Model for WIKA HR Competence Based Management
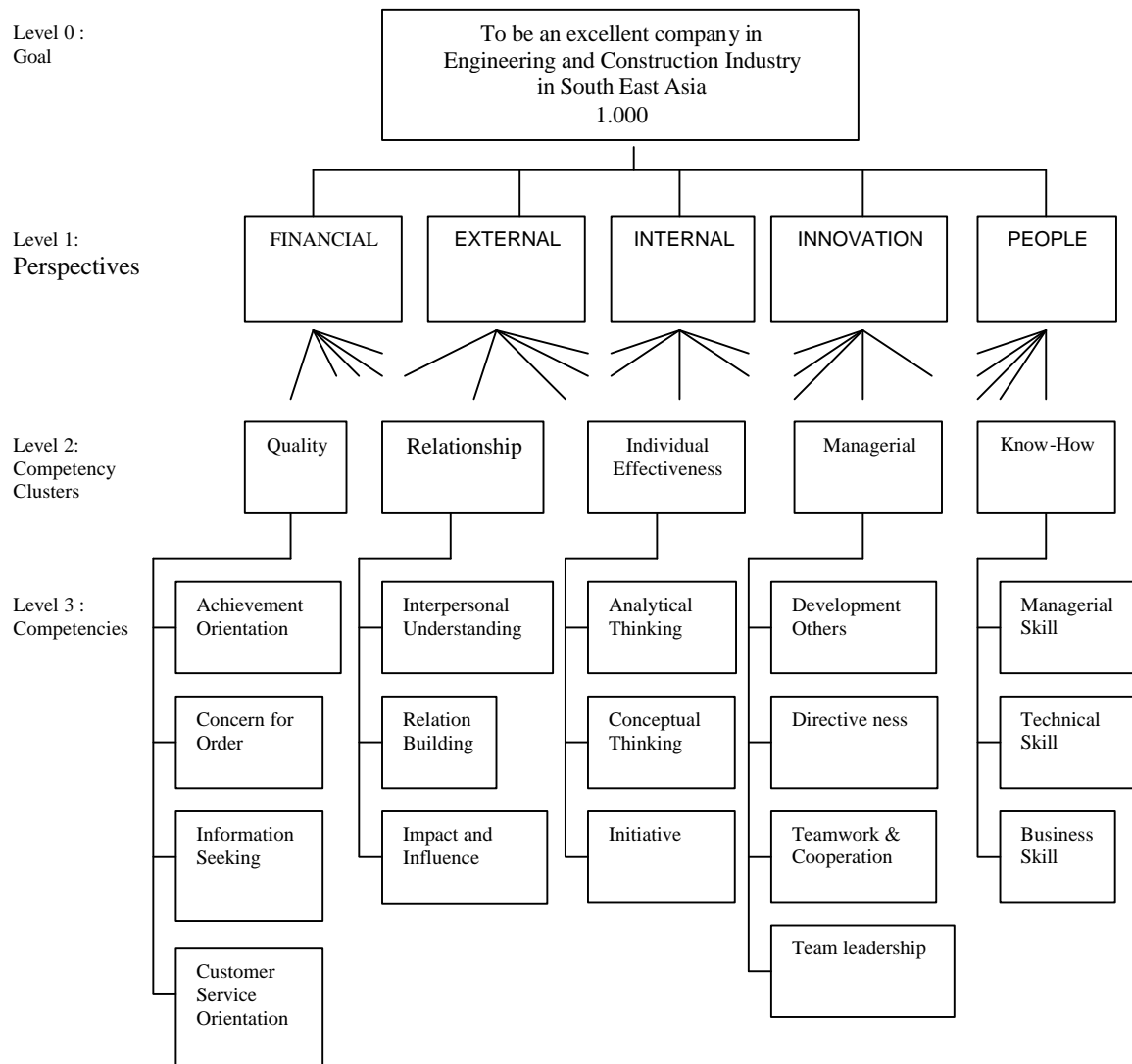
The goal of *To be an excellent company in Engineering and Construction Industry in South East Asia* is located in Level-0.

The five WIKA's perspectives located in Level-1, right below the Goal, are:

a) FINANCIAL (company performance related to financial matters).
b) EXTERNAL (company performance related to market and customers).

c)   INTERNAL (company performance related to internal operation matters).
d)   INNOVATION (company performance related to innovation result and technology matters).
e)   PEOPLE (company performance related to human resources).

The next level (Level-2) consists of the competency clusters for achieving performance (applied to all perspectives), i.e., Quality, Relationship, Individual Effectiveness, Managerial, and Know-How. Each competency cluster is broken down into a set of competencies, and located in Level-3. Overall, WIKA requires 17 types of competency.

4.2.   Paired Comparisons

The next step in the AHP process is to perform paired comparisons, level by level from the top to the bottom. The relative priority of the competency factors, which is the outcome of this process, is shown in the table below. It is not surprising that the result for the two banded ranks are different, because they involve different responsibilities. Individual Understanding (IU) turned out to be the most important competency factor for JS – 2 and Developing Others for SS – 2.

THE SET OF COMPETENCIES FOR			
JS-2		**SS-1**	
COMPETENCY	PRIORITY	COMPETENCY	PRIORITY
Interpersonal Understanding (IU)	0.137	Developing Others (DEV)	0.104
Analytical Thinking (AT)	0.124	Achievement Orientation (ACH)	0.097
Technical Skill (TS)	0.096	Conceptual Thinking (CT)	0.095
Teamwork and Cooperation (TW)	0.095	Managerial Skill (MS)	0.094
Achievement Orientation (ACH)	0.087	Relation Building (RB)	0.084
Business Skill (BS)	0.063	Directive ness (DIR)	0.077
Concern for Order (CO)	0.053	Interpersonal Understanding (IU)	0.075
Initiative (INT)	0.051	Team leadership (TL)	0.075
Team leadership (TL)	0.048	Business Skill (BS)	0.064
Directive ness (DIR)	0.041	Analytical Thinking (AT)	0.045
Impact and Influence (IMP)	0.037	Impact and Influence (IMP)	0.044
Managerial Skill (MS)	0.033	Initiative (INT)	0.034
Developing Others (DEV)	0.032	Technical Skill (TS)	0.030
Relation Building (RB)	0.029	Teamwork and Cooperation (TW)	0.024
Customer Service Orientation (CSO)	0.027	Customer Service Orientation (CSO)	0.021
Conceptual Thinking (CT)	0.025	Concern for Order (CO)	0.020
Information Seeking (INF)	0.022	Information Seeking (INF)	0.017

4.3.   Level of Demonstrated Competence (LD)

Given the required set of competencies, WIKA needs to have data on the actual competency profile of each employee. To facilitate the assessment process, a six-point demonstrated level was developed for each, ranges from *no opportunity* to *always*. Each of the six levels, for each and every competency, must be defined clearly such that it can be used to guide the process of mapping the competency level of every individual on the scale. If there is an indicator that can be used to measure a certain competency, then the definition should include the value range, which is considered appropriate for each LD.

5. Individual Assessment

An evaluation system is needed to assess the present competency profile of each employee. Evaluation needs to be done by three parties; those are the employee himself/herself, his/her direct supervisor, and the supervisor one level above his/her direct supervisor. Since competency is also defined as *a consistently demonstrated ability to perform...*(Dubois, 1998), WIKA needs to conduct employee evaluation regularly. It is quite a challenge to develop measuring tools and techniques that are easy to implement but indicate competency well. Figure 2 and 3 show an example of the assessment of four employees, two in the WIKA JS – 2 category and two in SS – 2.

6. Identifying the Needs for Development

Assessment is conducted to obtain employee competency profiles, assuming to represent overall competency as shown in Figure 4 and 5.

FIGURE: 2
INDIVIDUAL COMPEENCY PROFILE ASSESSMENT
FOR JS – 2 EMPLOYEES

COMPETENCY	Priority	No Opportunity	Never	Seldom	Occasionally	Usually	Always
		080	036	069	132	252	431
Achievement Orientation (ACH)	087						
Concern for Order (CO)	053						
Information Seeking (INF)	022						
Customer Service Orientation (CSO)	027						
Interpersonal Understanding (IU)	137						
Relation Building (RB)	029						
Impact and Influence (IMP)	037						
Analytical Thinking (AT)	124						
Conceptual Thinking (CT)	025						
Initiative (INT)	051						
Developing Others (DEV)	032						
Directive ness (DIR)	041						
Teamwork and Cooperation (TW)	095						
Team leadership (TL)	048						
Managerial Skill (MS)	033						
Technical Skill (TS)	096						
Business Skill (BS)	063						

FIGURE: 3
INDIVIDUAL COMPEENCY PROFILE ASSESSMENT
FOR SS – 2 EMPLOYEES

COMPETENCY	Priority	No Opportunity	Never	Seldom	Occasionally	Usually	Always
		080	036	069	132	252	431
Achievement Orientation (ACH)	097				©		§
Concern for Order (CO)	020						§
Information Seeking (INF)	017			©	a		§
Customer Service Orientation (CSO)	021			©		a	§
Interpersonal Understanding (IU)	075				©	a	§
Relation Building (RB)	084					©	§
Impact and Influence (IMP)	044				©		§
Analytical Thinking (AT)	045						§
Conceptual Thinking (CT)	095					©	§
Initiative (INT)	034				a		§
Developing Others (DEV)	104				©	a	§
Directive ness (DIR)	077				©	a	§
Teamwork and Coordination (TW)	024				©		§
Team leadership (TL)	075				©	a	§
Managerial Skill (MS)	094			©		a	§
Technical Skill (TS)	030					a	§
Business Skill (BS)	064				©		§

The next process would be to determine what competence to develop and up to what level. Each employee is asked to express his or her preference, guided by the relative priority of the competencies. How to identify development effort needed to improve certain competencies? One way is using benchmark employees. An employee who is judged as showing superior performance and always demonstrated a particular competency may be selected as a benchmark for that competency. One may argue that it will not be productive and meaningful to use an employee who is rated **always** for a given competency, as a benchmark for a **no opportunity** rated employee. In this case, one may choose an individual who is rated only one or two level higher for that competency. Different competencies may need different benchmark employees. Figure 4 and 5, in the column under the level of **always** demonstrates the benchmark line. WIKA needs to prioritize development activities, given limited resources.

7. Conclusions

Identifying competencies is especially important for company in the 21st century, not only because of the company's competition but also because human resources development is both critical and costly.   The AHP enables a company to identify competencies required and their relative importance, establish level for measuring its demonstrated competence, and obtain a composite score representing the overall competency of an individual employee. The composite scores indicate the rating position of the employee relative to each other.

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