

# **A Competency-Based Management Approach to Employee Training & Development: A Strategic Business Unit Case for Mergers and Acquisition**

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## **Abstract**

One of the challenges in the industry today in any organization is how to retain competent employees and how to equip them with the right training programs for career development. Competency based management (CBM) approach focuses on how to enhance and increase the potential of an employee to have a competitive edge, that's aligned with the company's objectives and strategy, and contribute on the company's success. Studies have shown that companies that adapt to CBM as part of their strategy is more successful and have highly competent employees. This study will cover the concept of competency-based management and what are the driving forces behind the use of competency based management and its benefits in the organization. The continuous growth of an organization does not only depend how the organization makes the most of the skills and competencies of the employees, but most importantly, how it stimulates commitment in the organization.

**Keywords:** Competency-based Management (CBM), competitive edge, strategy, skills and competencies

## **1. Introduction**

It has long been acknowledged that human resource is the most important asset in any organization. It is more so in today's ever-changing business environments and increasing challenges to stay competitive and survive. The ability to retain its employees and increase employee commitment is a strong determinant to a company's success. An effective human resource management is therefore crucial in ensuring that the companies' activities are carried out by a highly competent and engaged workforce in order to achieve the business goals and objectives. Competency is a combination of tacit and explicit knowledge, behavior and skills that gives someone the potential for effectiveness in task performance (Draganidis and Mentzas, 2006). Use of competency models in HRM integrate HR activities. By linking human resource processes to desired competencies, organizations can shape the capabilities of its workforce and achieve better results (Donzelli et al., 2006). Organizations are using competency-based management as a tool for the success of the organization. In the study of Dr. Jay Liebowitz, 2004, the Competency-Based Management (CBM) is the application of a set of competencies to the management of Human Resources to achieve both excellence in performance and results that are relevant to the organization's business strategies.

An interesting case in point would be DTP Worldwide (not its real name) a current leader in hard drive manufacturing for desktop and laptop drives that acquired the a hard drive manufacturer CHDD Philippines (not its real name) in 2012 and operated as DTP Philippines Co. but as separate business entities until October of 2015 and still underwent numerous business transformation since DTP Worldwide was not realizing the benefits of acquisition strategy. The manufacturing operations and process development for new products were strongly supported by engineering, quality and data analytics experts from sites in US, Japan and China. These supports severely diminished, after site closures and head count reduction activities in those countries as a result of the acquisition which led to charging DTP (Phils.) Co. with the task of engineering, design, manufacturing and technology development for the entire global organization. This created a herculean challenge for DTP (Phils.) Co. to shift from a mere manufacturing facility to become a center of engineering and quality excellence.

Summary insights from its HRD survey to measure staff engagement level and organization-employee alignment yielded the following: (a) Opportunities were welcome for career advancements but will require capability building and skills improvement; (b) Lack of Training & Development in areas where needed and appropriate; (c) Goal performance measurement was deemed unfair vis-à-vis regional benchmark due to non-comparable knowledge and skills base; (d) High employee turnover due to perceived unfairness of career advancements; and (e) Employee posting and departmental transfers without skills matching and competencies. These caused the need of re-calibrating the strategy of DTP Philippines Company to focus on competence building to capacitate each employee with the necessary skills and knowledge aligned within its strategic and operational goals and objectives. It was in this light that a Competency-Based Management approach was explored in this study to provide an answer to the question: “What competency-based training and development platform can be adopted as a strategic management initiative by a M&A company?”

## **2. Review of Related Literature**

Boada et al (2014) emphasized the role of training in aligning employee efforts to organization goals, which is vital for competitiveness and survival of an organization. Effects of employee training are emphasized by the studies of Zahra et al. (2014), Sanchez et al. (2003), Owens (2006), and Ghafor et al. (2011). Employee training is vital in motivating employees and in developing employee commitment. Continuous improvement of skills increases motivation and commitment which generate successful outcomes of organizational effectiveness and performance. Continuous improvement is promoted by Sanchez et al. (2003), emphasizing more benefits to the organization. These benefits include reduction of change resistance, promotion of organizational learning and employee job satisfaction.

The impact of training on employee performance is discussed in the study of Barzegar & Fajad (2011), recognizing the varied training courses and methods to improve performance of employees. With new skills and knowledge, change in organizational culture can be achieved, and the adoption of new technology is made possible. This finding is confirmed by the study of Nassazi (2013), supporting the benefits of training on maximizing job performance. Tahir et al. (2014), supports the previous studies, extending the impact of training to employee performance and productivity. Competencies acquired from training enhanced both employee outcomes for performance and productivity. Similar findings were revealed by the study of Sharif (2002), confirming the impact of training to the overall organizational growth, as employee learning is translated into organizational resource. Nda & Fard (2013), considers updating of employee knowledge and skills through effective training systems in the achievement of firms' objectives. Rama & Nagurvali (2012), provides evidence on the use of training to achieve outcomes on employees. Al-Mzary et al. (2015), Nu'man (2006), Bin Atan et al. (2015), and Falola et al. (2014), measured the relationship of training to employee performance. These studies provide evidences of the significant relationship of training on improvement of employee skills resulting in effective job performance. The studies are essential in the identification of both independent and dependent variables of the present study. Discussions on employee performance provide deep understanding on the use of the variable of employee performance as dependent variable of the present study.

Efficiency in job performance is discussed by the studies of Wei & Taormina (2011) and Taormina and Gao (2009), focusing on elimination of waste, reduction of cost, utilization of minimum resources, and elimination of delays. Employee knowledge and skills are essential, which can be achieved through training, in the use of effective methods to achieve efficiency in job performance. This finding is confirmed by Liu et al. (2009), and Srivastava (2009) that view training as providing the capability for enhancement of job performance and achievement of satisfaction, as well as efficiency in job performance. These findings contributed to providing sufficient and deep understanding of the use of efficiency in job performance, as dependent variable of the present study.

## **3. Methodology**

### **3.1 Conceptual Framework**

The conduct of the study was guided by conceptual framework (Figure 1) using the competency-based management (CBM) model. The CBM model was used in this study primarily because of the issues and concerns brought up in the HR survey that pointed to competencies gap at the time that company under study failed to provide the strategic outcomes expected of an acquisition strategy. Hence, the main goal of the study is determine the CBM platform elements that must be applied in training and development that would enhance the relationship between strategic

management initiatives and overall organizational performance. The study's unit of analysis is the training and development programs of DTP Philippines Company in finding out how CBM-based strategy in employee capability building can bridge the gap in organizational alignment and performance.

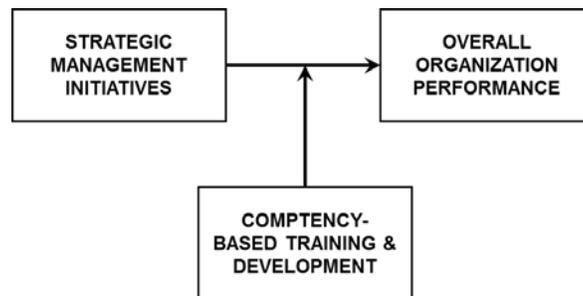


Figure 1: Conceptual Framework

### 3.2 Hypotheses

The study posited the following hypotheses based on the above framework:

- H1<sub>0</sub>:** The strategic management initiatives do not drive or have no significant effect on the overall organizational performance.
- H1<sub>a</sub>:** The strategic management initiatives does drive or have significant effect on the overall organizational performance.
- H2<sub>0</sub>:** Competency-Based Management approach to training and development does not mediate the relationship between strategic management initiatives and overall organizational performance.
- H2<sub>a</sub>:** Competency-Based Management approach to training and development does mediate the relationship between strategic management initiatives and overall organizational performance.

### 3.3 Data Gathering and Analysis

In order to test the above hypotheses, the operational framework (Figure 2) was developed with the use of a CBM approach and a set of Strategic Management Initiatives and Key Performance Indicators (KPIs) as set by DTP Company.

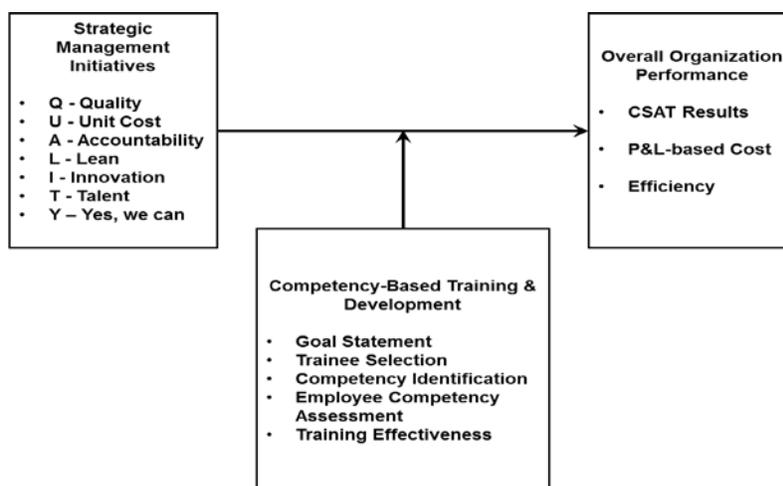


Figure 2: Operational Framework

These KPIs were the elements and driving factors that influence effectiveness of the strategy in achieving overall organizational performance. In the DTP subsidiary in the Philippines, the strategic initiatives and objectives were grouped in areas that were represented by the acronym Q-U-A-L-I-T-Y. Q stands for Quality, U stands for Unit Cost, A stands for Accountability, L stands for Lean, I stands for Innovation, T stands for Talent and Y stands for Yes, We Can!. Along with these, the organization deemed that the desired employee performance were aligned and supported the achievement of the overall objectives. The three organizational performance indicators were Customer Satisfaction, Total Cost in Profit & Loss Statement and Overall Efficiency. Quality is reflected by the feedback from the customer satisfaction (CSAT) survey results and overall efficiency from quality assessment reports for the reduction of defects. Cost was based on the actual data obtained from published internal and external reports from a 3-year period.

The data gathering process was done on a per objective basis as outlined below:

**Objective 1:** To be able to assess the current strategic management initiative programs and policies. Information on the strategic management initiatives, total number of employee trainings per department for the 3-year period, and the current policies of DTP (Phils.) Co. An analysis these led to identification of areas of improvement in training and development where CBM elements and practices were appropriately needed.

**Objective 2:** To identify the relationship and significance of the strategic management initiatives to the overall organization performance.

The primary instrument used is survey and interview. A total of 177 engineers and managers are chosen as sample size for a population of 460 employees from 3 major departments. The study has chosen confidence level of 95%, allowing margin of error of 5% in applying a statistical analysis using ANOVA and p-value.

**Objective 3:** To design and propose a competency-based management training and development strategy and model platform.

The results from the assessment made in objective 1 and the significant element drawn from the objective 2 will be used to formulate strategic recommendation based on the areas of improvement in training & development and the driving factors influencing overall performance using the CBM approach grounded on DTP (Phils.) Company.

This CBM-based framework would capture the gap between current skills set of the workforce versus the required skills set which consequently would help develop specific training programs by mapping them to competency gaps pointing to where the company should spend more training resources to achieve the greatest impact.

## **5.0 Results and Discussions**

In order to assess the strategic management initiative programs and its relationship to the overall organizational performance practices of the acquired company, the following were conducted: a walkthrough of general flow of the strategic planning process; generation of a detailed list of strategy-related activities through interviews; and referencing of relevant bulletin pronouncements, documented procedures and posters related to development and deployment of strategic initiatives and objectives and training and development practices.

Figure 3 below showing the total number of trainings from the 3-year period reflected the decreasing number of needs-based training. The data suggested that by the last year of the 3-year period, the company didn't offer any needs-based training to the employees. This finding revealed that the strategic initiatives for training and development had only little application of CBM concept in areas reviewed. In the last year under study, needs-based training saw a decrease in ratio vs compulsory, and by 2018, there was no CBM related training offered to employees, which was generally understood to be closer to addressing competency development in employees. Nonetheless, an evidence of CBM concept started to emerge.

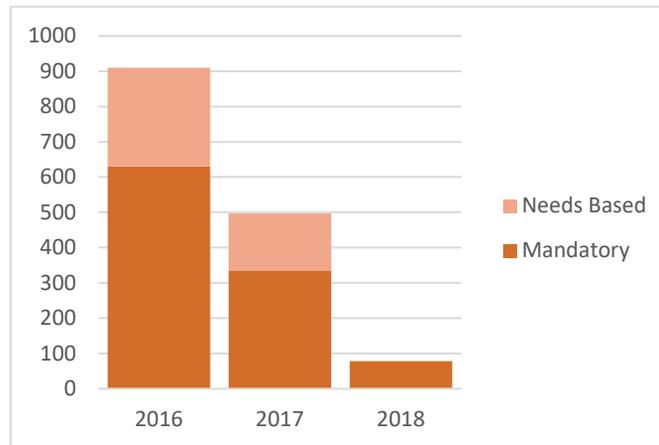


Figure 3: Needs Based Training vs. Mandatory Training

In addition, the survey results, summarized in Figure 4 below, yielded average ratings in the tune of 2.5 to 3 from a Likert scale of 1 to 5, with 5 being the highest.

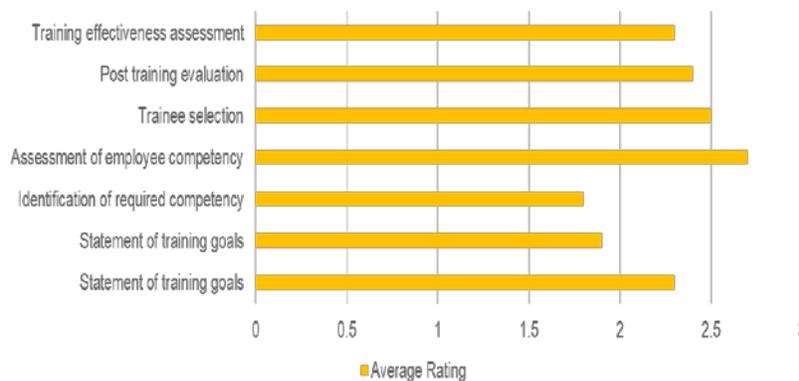


Figure 4: Feedback on Training and Development Survey Results

### 5.1 Hypothesis Testing

Based on Figure 4 above, the lowest scores were given to Identification of Required Competency and Statement of Training Goals. The ANOVA results on the survey responses and these were used to gain insights from the feedback of respondents on the CBM approach feature. Results showed that there was a significant relationship between strategic management initiatives and overall organization performance as Table 1 yielded a higher than 0.05 p-value.

Table 1: One-way ANOVA

Source of Variation	SS	df	MS	F	P-value	F-crit
	0.26331		0.26331	0.87333	0.36845	4.74722

Between Groups	4	1	4	4	9	5
	3.61805		0.30150			
Within Groups	7	12	5			
	3.88137					
<b>Total</b>	1	13				

The strength of this statistical analysis was also anchored on the varying degrees of employee perception on the strategic management initiatives as to how the KPIs drive their individual performance in terms of employee satisfaction with management consistency and visible support. This led to supporting statement that strategic management initiatives do drive overall organizational performance by considering the actual feedback from employees who viewed departmental KPIs and performance as the basis for saying that the strategic initiatives drive their individual performance in contributing to the company performance.

As regards the second hypothesis, results using ANOVA one-way and pairwise testing were shown in the following Table 2 below that pointed out that the CBM approach to training and development has a mediating relationship on the relationship between strategic management initiatives and overall organization performance.

Table 2: ANOVA One Way – Pairwise Testing for CBM

Source of Variation	SS	df	MS	F	$\rho$
Treatment (Between Groups)	1.1964	2	0.5982	3.79	0.052992
Error	1.892	12	0.1577		
SS/BI	2.6746	6			
<b>Total</b>	5.763	20			

The test proved that CBM mediates the relationship between strategic management initiatives and overall organization performance. With reference to the data used in the earlier assessment, it was seen that the KPI targets were met when CBM trainings were conducted in DTP Company. Gauging from the data in 2018 with no CBM Training in the Needs Based Analysis, the data on the effect variable of overall organization performance decreased for the 3 components; Quality, Cost, and Efficiency. The data for the CBM approach came from the results of the survey conducted of the training effectiveness.

## **5.2 Relationship of HRM and Corporate Mission, Vision, and Values**

Given the results in the preceding discussion, it is proposed that a holistic CBM approach to training and development be a major point of strategy execution from setting the strategic initiatives and KPIs to measuring the organizational performance. The first step in improving the strategy management to produce the desired results is the linkage of HR policies and strategies with corporate vision, mission, and values, as illustrated in the Following figure 5 below.

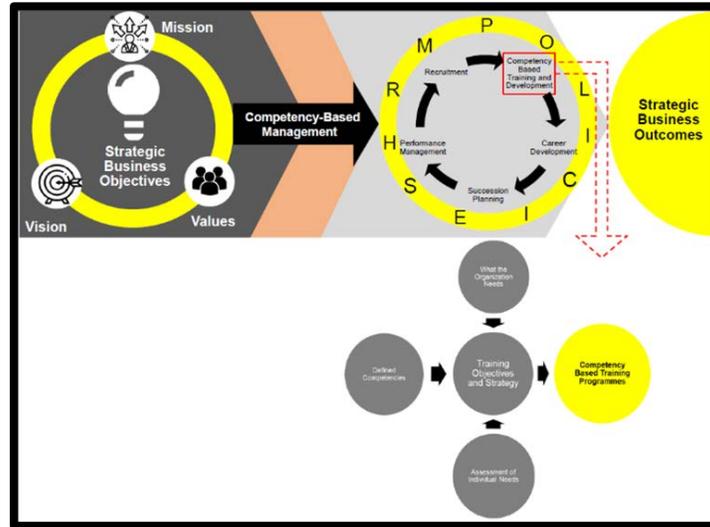


Figure 5: Competency-Based Management Model as Platform Development of Competency-Based Training and Development Programs

### 5.3 Competency-Based Management Platform Approach

Figure 6 below explains the important elements and the relationships that need to be in place when adopting a CBM approach in employee competency building in view of aligning the strategy needs with the capacity and capabilities of the employees toward the achievement of the organizational goals. It summarizes the competency needs gap analysis to determine training and development plans and programs that are implemented and evaluated to ensure relevancy and timeliness.

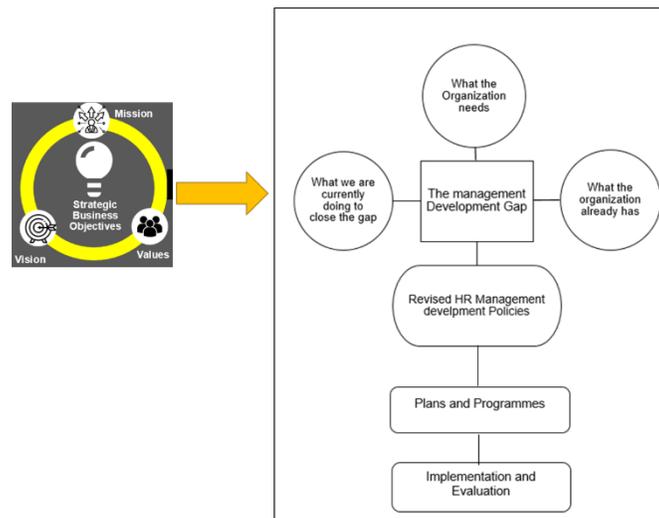


Figure 6: CBM Platform for Competency-Based Training and Development Programs

### 5.3.1 CBM Recruitment

CBM applied in Recruitment involves hiring internal and external candidates who are not only the most qualified for the job being filled up, but those who have a proven track record of achieving optimal and outstanding results in their tasks. Competency-based recruitment begins when the management identifies the key work roles, positions, or other work designations in need of recruitment efforts. This involves identifying and setting priorities in the context of planning and executing the company strategy that governs the recruitment process using a CBM approach, as shown below:

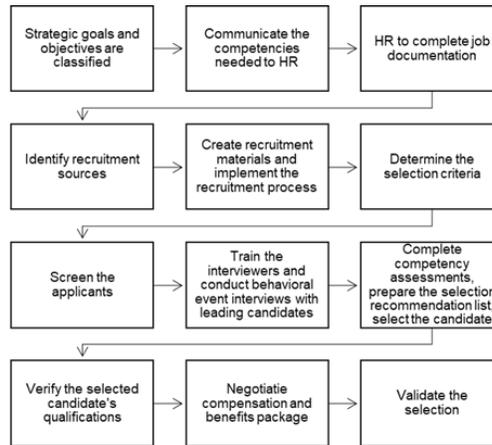


Figure 7: CBM Recruitment Process

### 5.3.2 Competency Based Training and Development Platform

The competencies being an enabling tool help an organization maintain or even change the culture. This highly involves the management in cascading the strategies to the whole organization. This relationship with competency-based training programs, as a HR component is reflected in the following diagram (Figure 8) below:

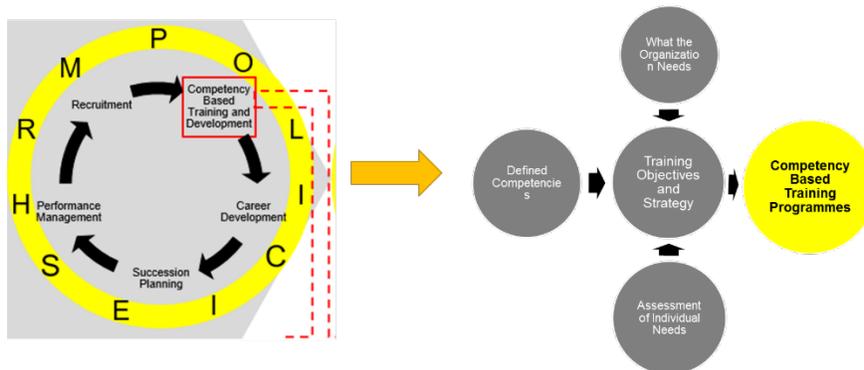


Figure 8: Competency-Based Training & Development Model

An Outcomes-Based Training Needs Assessment is the important first step in developing the Competency-Based Training & Development Platform that includes Organization Analysis, Task Analysis and Self-Assessment, as shown in Figure 9 below.

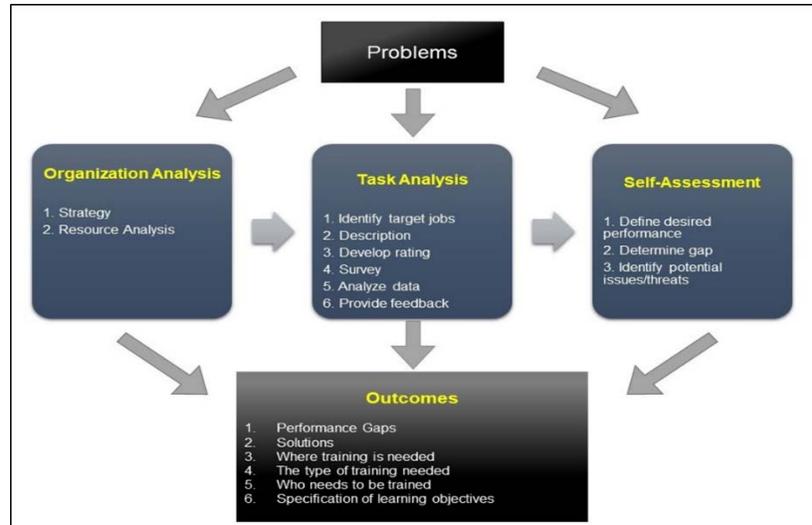


Figure 9: Outcome-Based Training Needs Assessment

### 5.3.3 CBM-Defined Competencies

This is the desired element of the platform that must be clearly cascaded, established, and nurtured throughout the organization consistent with the strategic needs and timelines. It must be a dynamic practice to adapt to future strategic and environmental changes, hence a periodic review must be in place to ensure relevance and effectiveness. An example of documentation is shown below in Figure 10 subscribing to the virtuous cycle of improvement.

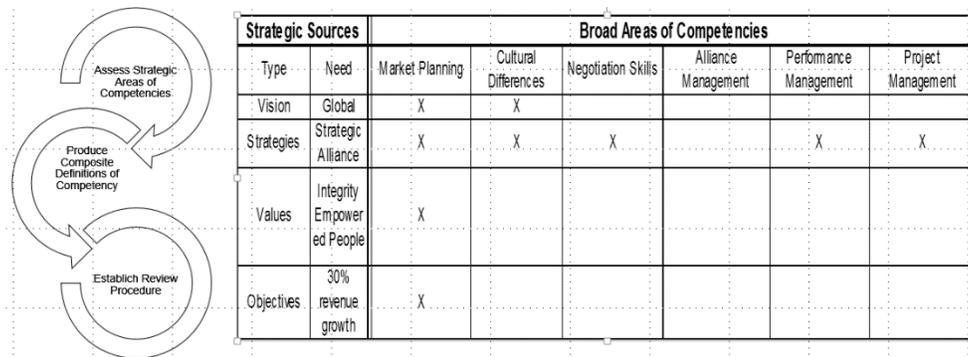


Figure 10: Competency Assessment, Definition and Review Cycle

The above way of defining strategic areas of competencies is essential in aligning the Vision, Strategies, Values, and Objectives of DTP and the strategic needs of the company. This is the matching of the strategy elements to the need for new and strengthened competencies on per department and per individual bases. The approach is not mere job analysis approach that is task-based but a mapping approach in which a competency is defined a success factor to strategy execution and achievement of long-term goals and KRA-related objectives.

### 5.4 CBM Policy Deployment

With Competency-Based Management, integration of human resources planning with business planning is of utmost importance to assess the current human resources and capabilities against the competencies needed to achieve the vision, mission and business goals of the organization. Moreover the strategy management and CBM implementation approach must be capped with an employee performance management and reward system leveraged on competencies, as shown in Figure 11.

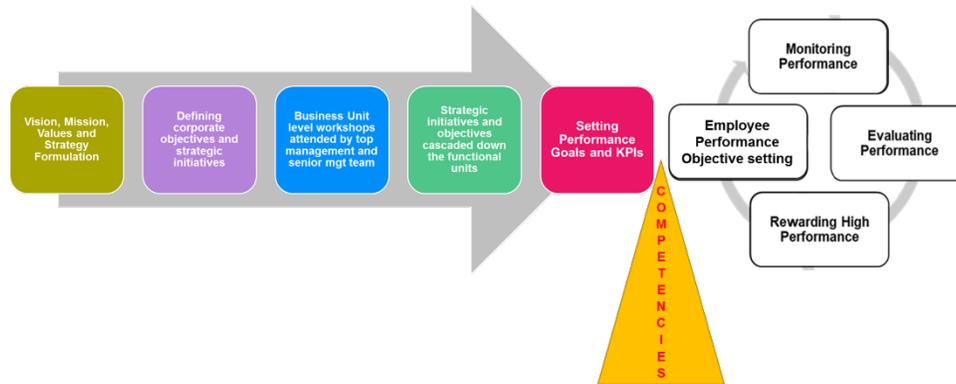


Figure 11: Strategy Management and CBM Implementation Platform

## 6.0 Conclusion

CBM supports integrating of HR planning with business planning. Having strategic initiatives is first and foremost for companies with the strategic intent and growth mindset. Equally important is explaining the importance of these from the perspective of the employees. This is the first component of the Competency-Based Training & Development Platform, with the following elements: (1) Collaborative involvement of HR in the overall strategy management process; (2) Alignment of HR strategy (with KPIs) by adopting CBM which supports integrating of HR planning with business planning; and (3) Enhancement of HR policy and HRIS to subscribe to CBM requirements and for functional performance measurement (vs. KPIs) and progress monitoring of T&D programs.

The second component of the Competency-Based Training & Development Platform involves the linking of HR Policy-driven Competency-based Training & Development Programs with the desired business outcomes. This is accomplished by answering the question of where to use business driven training initiatives, as follows: (1) implementing a strategic shift; (2) effecting an organizational change; (3) adopting a new technology; (4) changing the organizational culture; (5) meeting a major environmental change; and (6) solving strategic issues on soft skills.

Insights from the foregoing conclusion lead to the theme of a holistic competency- human resource management with an expanded the coverage to include recruitment, career growth and development, succession management planning, and 360-degree performance management and reward system that ties up individual competencies and achievements with functional performance and organizational strategic performance.

With a holistic Competency-Based HR Management approach mandated in firms coming off from mergers & acquisitions or a strategic inflection point, it must be anchored on the 3Rs of the training and development cycle of Recruit-Retain-Reward toward the achievement and sustainability of long-term business results.

Once this has been implemented, CBM approach to training and development will drive the strategic initiatives to influence the employee individual performance leading to overall performance. Developing the skills and behavior of workforce to align with current and future growth objectives will lead to sustainable and long term company performance.

In closing, the Competency-Based Training & Development Platform drawn in this study gives rise to the need to further study the consideration of the aspects of 'People Management' and the 'Learning and Growth Perspective of the Balanced Scorecard (BSC) and Strategy Map', and the significant factors in effectively managing how employees work, behave, engage and grow in the organization.

The need for competency management requires the practice of identifying the key skills necessary for an employee to reach target performance in their specific role, and then developing and optimizing those skills to best align with the organization's overall strategy, be it a Merger & Acquisition strategy or any business strategy requiring new learning and structural changes.

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