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**COMPETENCE FORESIGHT: LINKING THE IDENTIFICATION OF HR COMPETENCES
AND COMPETENCE MANAGEMENT ALIGNMENT WITH BUSINESS STRATEGY**

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ABSTRACT

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The objective of this study was to increase understanding of the link between the identification of required HR competences and competence management alignment with business strategy in a Finnish, global company employing over 8,000 people and about 100 HR professionals. This aim was approached by analyzing the data collected in focus group interviews using a grounded theory method and in parallel reviewing the literature of strategic human resource management, competence-based strategic management, strategy and foresight.

The literature on competence management in different contexts dismisses in-depth discussions on the foresight process and individuals are often forgotten in strategic frameworks. However, corporate foresight helps in the detection of emerging opportunities for innovations and in the implementation of strategy. The empirical findings indicate a lack of strategic leadership and an alignment with HR and business. Accordingly, the most important HR competence areas identified were the need for increasing business understanding and enabling change. As a result, the study provided a holistic model for competence foresight, which introduces HR professionals as strategic change agents in the role of organizational futurists at the heart of the company: facilitating competence foresight and competence development on individual as well as organizational levels, resulting in an agile organization with increased business understanding, sensitive sensors and adaptive actions to enable change.

TIIVISTELMÄ

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Tämän tutkimuksen tarkoituksena oli lisätä ymmärrystä HR-osaamisen tunnistamisesta ja yhdistämisestä liiketoimintastrategian mukaiseen osaamisen johtamiseen suomalaisessa, globaalissa yli 8000 henkeä ja noin 100 HR-ammattilaista työllistävässä yrityksessä. Tutkimus toteutettiin analysoiden fokusryhmähaastatteluin kerättyä aineistoa grounded theory -menetelmällä ja samanaikaisesti tehdyllä kirjallisuuskatsauksella, joka käsitteli strategisen osaamisen johtamisen, osaamisperustaisen strategisen johtamisen, strategian ja ennakoinnin kirjallisuutta.

Osaamisen johtamisen tutkimuksesta sen eri konteksteissa puuttuu perusteellinen keskustelu ennakointiprosessista. Lisäksi yksilöt on usein unohdettu strategisista viitekehyksistä. Ennakoinnin avulla voidaan yrityksessä kuitenkin tunnistaa avautuvia mahdollisuuksia sekä edistää innovointia ja strategian jalkauttamista. Tutkimustulokset osoittivat puutteita strategisessa johtamisessa ja HR:n yhdistämisessä liiketoimintastrategiaan. Tärkeimmät tunnistetut, tarvittavat HR-osaamiset olivat liiketoiminnan ymmärtämisen lisääminen ja muutoksen mahdollistaminen. Tutkimus tuotti osaamisen johtamisen kokonaismallin, jossa HR-ammattilaiset toimivat strategisina muutosagentteina yritysennakoijan roolissa yrityksen keskiössä fasilitoiden osaamisen ennakointia ja osaamisen kehittämistä niin yksilö- kuin organisaatiotasolla. Näin he herkistyvät tunnistamaan mahdollisuuksia ja edistävät organisaation ketteryyttä ja muutosta lisääntyvän liiketoimintaymmärryksen avulla.

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qui fait ta rose si importante.”*

- *Le Petit Prince, Antoine de Saint-Exupéry*

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Pia Adibe

1 INTRODUCTION

This study is a part of an industrial research project COMNET at Technology Business Research Center (TBRC) in Lappeenranta University of Technology, School of Business. The project was funded by TEKES (National Technology Agency of Finland). In the project, this study situated below the topic of business competences required in new service development. In more detail, the study focuses on examining the link between the identification of required HR (human resources) competences and competence management alignment with business strategy in a Finnish, global company.

1.1 Background and reasons for the study

The future is uncertain and unpredictable with megatrends like technological development, demographic change and urbanization continuously transforming the world. As a consequence, the business landscape and ways of working are rapidly changing. A transition from traditional industry-driven economy to a knowledge-based economy (von der Gracht et al., 2010) has ruled over the last decade. The exponential increase of the amounts of data and information continues. Big data, the ubiquity of always-connected mobile devices, the power of social networking, and cloud computing are mega-trends shaping industries. (Institute for the Future, 2015.) The automation of work, with robots and Internet of Things, has begun. Professions are disappearing and new ones are born. New competences and skills, concepts and methods for companies to sustain competitive advantage are constantly needed. As it is widely acknowledged (Prahalad & Hamel, 1990; Teece 1998, 62; Sanchez & Heene, 1996), firms are able to capture value by focusing on the deployment and use of knowledge and competence. Teece (1998) argues that an *individual's experience and expertise* form the basis of knowledge assets, which can be shaped into (core) competences. How these competences and knowledge assets are configured and deployed defines competitive outcomes and the commercial success of the company (Teece, 1998, 62). According to Siikaniemi (2012, 46), it is a paradox that competence foresight has not been a central issue of research and practice of talent management and development. Furthermore, the individuals are often forgotten in strategic frameworks (Siikaniemi, 2012, 48).

Professions, including HR, are facing severe challenges in transforming their delivery and there are different opinions on the direction of this transformation. In PricewaterhouseCooper's (2009) survey, 97% of CEOs indicated the most critical factor for their long-term business strategy was having access to talent and key skills. According

to PwC's (2010) report, the HR function will be strong and effective in the future if it keeps up with changing business needs and understands the external markets it operates. In the year 2014, PwC's 17th Annual Global CEO Survey revealed that only 34% of CEOs considered HR to be well prepared for the challenges ahead and 9% said it was not prepared at all. In addition, 63% of CEOs considered availability of skills to be a serious concern: an increase of 5% from 2013. Deloitte's (2015) survey about Global Human Capital Trends 2015 confirms the facts above and shows that the importance of leadership and learning have dramatically increased. HR needs talent, modern people practices, and analytical skills to utilize business possibilities to the next level.

According to Hamel and Prahalad (1994, 197), "*core competencies are the gateways to the future opportunities.*" In order to sense the emerging opportunities for innovations (Siikaniemi et al., 2010, 25; von der Gracht et al., 2010; Hiltunen, 2013) and to understand how HR could add more value for the business and to affect the renewal capacity of the organization, an understanding of the strategy and foresight is required. The key element in achieving a preferred future is action (Bell, 199). To succeed with strategy, the vision has to be clearly stated and continuously communicated in order to build right processes, to select and acquire the needed competences and to proactively produce the desired action. Often strategy implementation has neither clear process(-es), nor clearly communicated vision. Kernbach et al. (2014, 2) argue that "*strategy implementation is the most difficult and the most important step in the strategy process*". As stated by Schaap (2012, 16), a major problem in strategy implementation is often that companies underestimate or ignore the importance of the role of lower-level management and employees. Successful strategy implementation requires logical decisions and actions by all employees in all levels of the organization, not by top management alone (Schaap, 2012, 16; Van Riel, 2008). HR professionals have a great opportunity to influence the individual intent and strategic intent as basis for action, and therefore to enhance the success of the strategy.

Academia has identified corporate foresight and innovation as key success factors for companies to sustain competitive advantage in the transition from a traditional industry-driven economy to a knowledge-based economy (von der Gracht et al., 2010). Corporate foresight is a business-oriented form of futures research that is being increasingly used by corporations (Hines & Gold, 2014). Combined with innovations management, it helps in facing the demands of a knowledge economy (von der Gracht et al., 2010). However, integrating foresight work into corporations as part of the corporate culture and work processes is still rare, as argued by Hines and Gold (2014).

The constant rapid change in the global and complex *business environment of tomorrow* and *individual professional competences* are complicated bundles of different cause and effect relationships. Both systems contain causal ambiguity. Thus, sense making of the systemic nature of holistic business understanding is essential. Both competence-based strategic management and futures research have this viewpoint built in. Hence, this study draws from the literature, theories, and models of competence-based strategic management and foresight in the context of strategic human resource management and competence management. Due to the fact that many related theories are relatively new, there are still many unexplored areas in linking multidimensional and interdisciplinary research. In particular, the literature on competence management in different contexts dismisses in-depth discussions of the foresight process. Compared to the literature on competence-based strategic management forming a link between strategy and competences, or literature on foresight methods connecting strategy with the future, the holistic concept of competence foresight in the business context has gained little attention and remains underdeveloped. Figure 1 illustrates the holistic view of identifying the needed competences for the future used in this study.

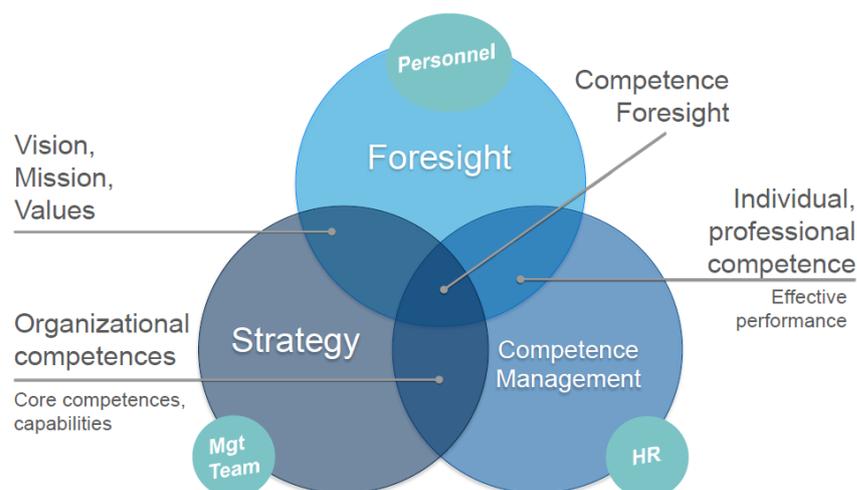


Figure 1. Holistic view of identifying competences required for the future.

Instead of examining personal competencies, this study contributes to identifying required HR competences at an organizational level. However, it should be noted that there is no competence at an organizational level without people and their individual competencies (Laakso-Manninen & Viitala, 2007). Thus, the aspect of individual-level competences is also included. As a result of the study, a holistic model for competence foresight is created. One aim of the study is also to add value to the results of the COMNET project 2. The study is limited to a single case company.

1.2 Objectives, research question and exclusions

The main objective of this study is not to test any earlier theories or scientific hypotheses but to increase understanding of the link between the identification of required HR competences and competence management alignment with business strategy. For that objective, this study draws from the literature, theories, and models of competence management and competence-based strategic management, strategy, and futures research, specifically foresight; see Figure 1. After a careful literature review of human resource management (HRM) and strategic human resource management (SHRM), the general impression of HR professionals' work is formed. The specific area of their work, competence management, is both the matter of the investigation and a target of the investigation. This is a difficult dilemma, which will be opened up through the investigation of the case.

An explorative study that is qualitative by nature is justified, as there is little research in the context of competence foresight. A grounded theory method makes it possible to start the research from examining the individual experiences of the interviewees and finding the research question from the data. In order to answer this research question, a theory will be created. (Metsämuuronen, 25, 2008.)

Therefore, the research question is as follows:

How is the identification of required HR competences linked to competence management alignment with business strategy?

This research question is addressed through an analysis of empirical research data collected with four focus group interviews and a theoretical literature review based on previous research. The analysis is carried out with a grounded theory method.

Concepts of competence, skills and knowledge in this study are explored both from the view point of HR professionals and their professional competences (i.e. individual-level competences), as well as from a competence-based strategic management (CBSM) perspective, which focuses on organizational-level competences. As this study also explores the linkage between HR competence identification, strategy and competence management, there is an emphasis on holistic business understanding.

Exclusions

Competence evaluation is closely related to competence development, which is an important human resource management process of securing the defined, critical *competences, skills and behaviors* needed in order to implement the strategy and developing core competences of the firm. There are several different frameworks and models (e.g. see Ruohotie, 1999 or Hätönen, 1999) for planning, implementing and measuring the competence development actions (Viitala, 2005, 254-287). Learning also forms a critical factor for competences, especially in competence development. However, competence development as well as learning issues are excluded to the extent it is possible when competences and knowledge are discussed. To be more specific, the issues related to pedagogic, educational learning or learning on individual level will not be covered. Yet, in the discussion of core competences, a collective learning of the organization is essential. In this study, collective learning and organizational development in terms of core competences and capabilities are seen as integral parts of routines, practices, and processes; that is, organizing work and sharing knowledge. Therefore, they are seen as main components of the HR work and strategy work that is done together with management teams; see Figure 1.

Despite the fact that different measurement techniques and models like scorecards, intellectual capital statements or strategic performance management are also valuable in mapping knowledge and core competences, they are excluded. This is because the emphasis is on understanding the link between the identification of required future competences, strategy and competence management rather than measuring the outcome of those processes.

1.3 Key concept definitions

The key concepts in this study are *professional competence and skills* on an *individual level* and core competences and capabilities on an *organizational level*. The future aspect and strategic level of competences is studied with a key concept of *foresight and competence foresight*. Figure 2 shows the conceptual levels of the study. The key concepts are then briefly introduced.

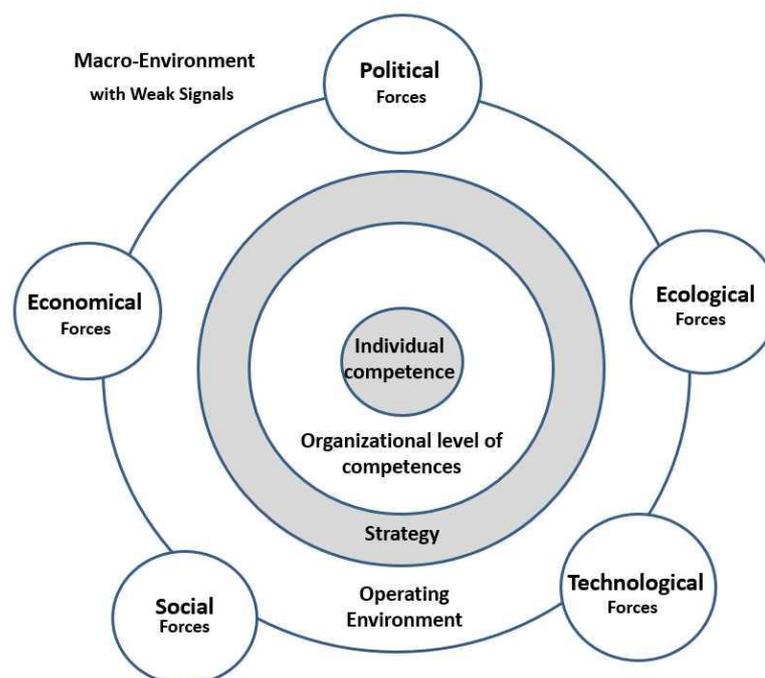


Figure 2. Conceptual levels of the study.

A competency is a *capability or ability*, a set of related but different sets of behavior, which are organized around an underlying construct, called the “intent” (Boyatzis, 2008, 6).

Professional competence is “the possession of the range of attributes necessary for effective performance within a profession, and the **ability** to marshal these consistently to produce the desired overall results” (Cheetham & Chivers, 2005, 77). The plural “**competences**” is used (predominantly in the UK) when referring to occupational standards and the plural “**competencies**” is used when referring to competence in a more general sense (Winterton et al., 2005).

As the definitions **competency and professional competence** are over-lapping and clear taxonomies do not exist, this study uses the term competence in the sense of professional competence, related to effective performance, emphasizing the underlying construct of intent in action. Action in this study can generally be understood as work when mentioned in a job related context.

A skill is the ability to demonstrate behavior that is functionally related to attaining a performance goal. For example, planning ability is a skill that can be applied in various situations or contexts. (Boyatzis, 1982, 33.)

Core competence is “a bundle of skills and technologies that enables a company to provide added value, a particular benefit, to its customers through coordination of work and collective learning in the organization.” Core competences are communication, involvement and deep commitment to work across organizational boundaries. Core competences grow when applied and shared, unlike many tangible resources. (Prahalad & Hamel, 1990, 1994). **Competence** is “the ability to sustain the coordinated deployment of assets in ways that help a firm to achieve its goals”. “It includes the ability to respond to the dynamic nature of an organization’s external environment and of its own internal processes.” (Sanchez 2004, 519.)

Capabilities are repeatable patterns of action and they “arise from the coordinated activities of groups of people who pool their individual skills in using assets” to create, produce and/or offer products to a market. **Skills** are “special forms of capability, usually embedded in individual or team”. (Sanchez, 2004, 521.) **Assets** are either tangible or intangible resources used by a firm in its processes to create, produce and offer its products or services to a market. Capabilities are intangible assets, determining the uses of tangible or other intangible assets. (Sanchez, 2004, 519.)

Strategic management is a systematic approach to general management: “to position and relate the firm to its environment in a way which will assure its continued success and make it secure from surprises” by Ansoff (1984). **Strategy** defines “how a company or organization must act in order to succeed” (Kurkilahti & Äijö, 2011).

Foresight is “the systematic consideration of, and action on, the future” (Kaivo-oja & Stenvall, 2013, 29). “Foresight is a systematic, participatory, future-intelligence gathering and medium-to-long-term vision-building process aimed at present-day decisions and mobilising joint actions” (For-Learn project of the European Union, 2013).

Competence foresight begins with the identification of the focal future factors, and results in the management of changes in organizational and individual competences (Siikaniemi et al., 2010, 23). Siikaniemi (2012, 46) builds her research on competence foresight on the perspective that “the concept of competence and also individual competences are socially constructed”. Siikaniemi (2012, 46-47) sees “competences dynamic, object of change and context dependent in certain cultures, professions, organizations, tasks, roles, and situations.”

1.4 Structure of the study

The structure of the study is illustrated in Figure 3. The study consists of seven chapters. Chapter 1 introduces the theoretical background and the reasons for the study. The objectives are also given and research questions of the thesis are formulated. Additionally, the reasons for the study are presented and the key concepts of the research are defined.

In Chapters 2 and 3 the theoretical part of the study provides insight into individual level and organizational level competences as well as to the literature of strategy and foresight.

Chapter 4 outlines the empirical part of the study by presenting the research methodology and data collection. It also includes the description and analysis of the collected data. Then, chapter 5 presents the case organization, and describes and summarizes the empirical findings. Chapter 6 reflects on the main findings from the empirical study in reference to the reviewed literature. As a result, the synthesis formulates a new theoretical framework in order to answer the research question. After the key findings of the empirical study are integrated with the theoretical framework and reviewed literature, theoretical and managerial contributions are illuminated. Finally, the limitations of the study are reviewed and suggestions for future research are given.

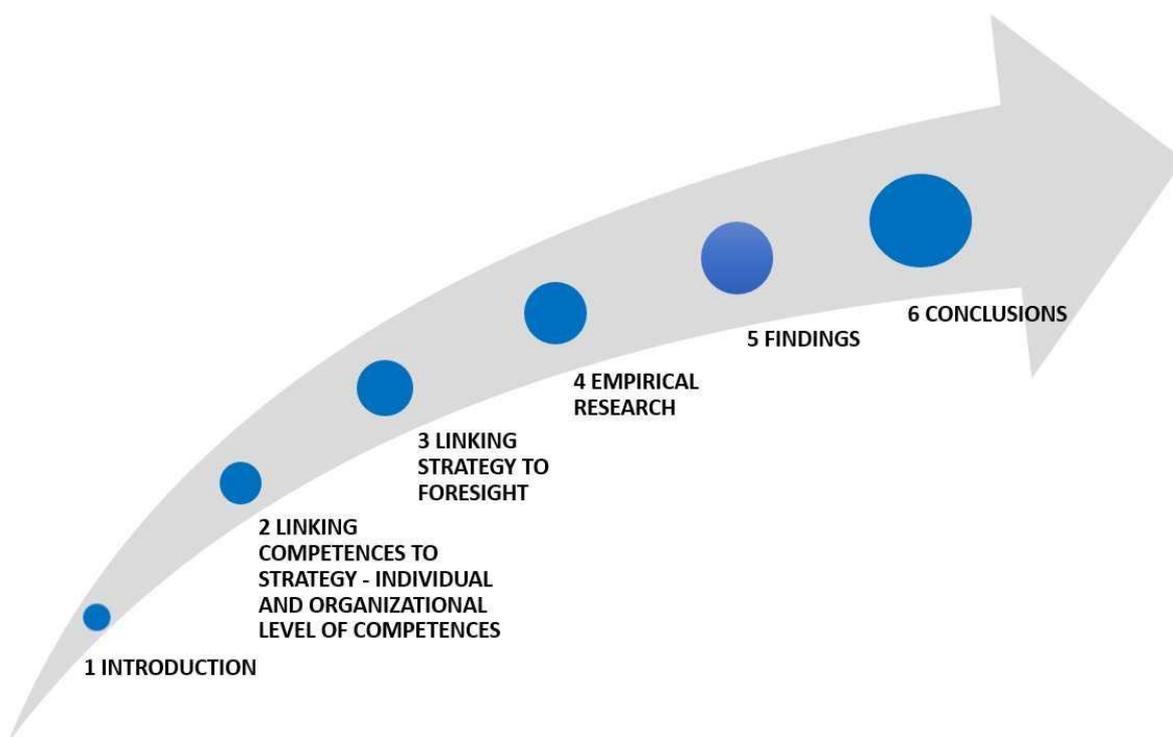


Figure 3. Structure of the study.

2 LINKING COMPETENCES TO STRATEGY

The theoretical part of this study begins by reviewing competences on an individual and organizational level to gain understanding of the required HR competences and skills now and in the future.

This chapter first provides an insight into the nature of individual competences in the human resource management profession and then proceeds to the organizational level of competences by reviewing the theoretical views of competence management. The main theories relevant for this study from an HR point of view, strategic human resource management, competence management and competence-based strategic management are then presented.

2.1 Individual level of competences

Next the concepts of competence, skills, and knowledge are explored from the view point of HR professionals and their professional competences (i.e. individual competences). Finally, the future competence requirements for HR and management are reviewed.

Competence is considered to be a vague concept (Delamare-Le Deist & Winterton, 2005; Mulder et al., 2007; Forsten-Astikainen & Heilmann, 2012). There are thus several definitions for competence depending on the context and the basis of the study.

Individual competence is seen as constituted by knowledge and other central attributes, such as skills, attitudes and personal characteristics related to effective work performance (Boyatzis, 1982; McClelland, 1973; Mulder et al., 2007; Spencer & Spencer, 1993). According to Boyatzis (2008, 6), a competency is a set of behaviors, that manifest intent alternatively in various situations or times. Therefore, competencies require both **action** (i.e. a set of alternate behaviors) and **intent** (ibid). However, Mulder (2011, 13) defines competence as the set of integrated capabilities, consisting of content-related clusters of knowledge, skills and attitudes in a certain context, profession, organization, job, role and situation.

A skill is the ability to demonstrate behavior that is functionally related to attaining a performance goal. For example, planning ability is a skill that can be applied in various situations or contexts. (Boyatzis, 1982, 33.) Boyatzis' (ibid.) definition of skill is very similar to that of the European Union (2008): *“skills mean the ability to apply knowledge and use know-how to complete tasks and solve problems. In the context of the European*

Qualification Framework, skills are described as cognitive (involving the use of logical, intuitive and creative thinking) or practical (involving manual dexterity and the use of methods, materials, tools, and instruments)."

Bergenhengouwen et al. (1996) argue that individual competences (personality characteristics) are more important than knowledge and skills for the successful performance of complex professional or management tasks. Individual competences like underlying motives are inherent in a person's actions, whereas knowledge and skills can be seen from diplomas, certificates, work experience and work results. Superior performance is distinguished from basic performance by the individual effort, enthusiasm, motivation and underlying self-image that distinguish a successful employee (superior performer). (Ibid.)

As a conclusion, Forsten-Astikainen and Heilmann (2012, 7–12) summarizes that competence is considered to be an umbrella, under which terms like skills and knowledge fit. The concepts of skills and competence are seen as alike and synonymous in the understanding of things to do and the specific course of action (ibid).

In this study, the term competence is used in a sense of professional competence, emphasizing behavior and intent as an underlying construct of action that is required for effective performance. Effective performance may range from the basic level of proficiency through to the highest levels of excellence (Cheetham & Chivers, 2005, 54). If a person's capability or talent is consistent with the requirements of the job demands and the organizational environment, **effective performance** should occur (Boyatzis, 1982, 21).

2.1.1 Professional competence

Viitala (2005, 116) demonstrates professional competence with a pyramid comprising five layers starting from personal preparedness for the job at the bottom, towards qualifications of competence in the specific job at the peak of the pyramid. She (ibid.) describes this personal preparedness, i.e. personality, self-development and **meta-competence, as the basis of the professional competence** needed in any profession despite the industry. Cheetham and Chivers (1996, 1998) have a Professional Competence Model, which explains meta-competencies as high level competencies, such as communication, creativity, problem solving, learning, self-development, mental agility, analysis, adoption of changes, forecasting learning and reflection. All these meta-competencies interact with four core components of professional competence: 1) knowledge/cognitive competence, 2) functional competence, 3) personal/behavioral competence, and 4) values/ethical

competence. Reflection or feedback from others or oneself is considered as a “super meta” competence, which is needed for the self-perception of competence. (Cheetham & Chivers, 1996, 269–270). For Burgoyne (1990) meta-competencies in a managerial context are learning, changing, adapting, forecasting, anticipating, creating and change.

It is widely acknowledged that HR practitioners need a good knowledge of business (see Ulrich et al., 2012, for example). According to Viitala (2005, 117), **business competence**, like business understanding is general knowledge required for working in the enterprise. **Organization specific knowledge** is required for understanding the business idea, strategy, history, structure, and systems of the particular company, and it is embedded as tacit knowledge in common practices like routines and people’s thinking (e.g. mental models). (ibid.)

Sandberg and Pinnington (2009, 1161) have examined how current theories of competence distinguish three broad concepts in defining and conceptualizing competence in professional practice as follows: “(1) *competence as a prerequisite, such as the specific education and training requirements necessary for permission to practice within a particular occupation; (2) competence as an outcome, that is, performance to a set standard; and (3) competence as a capability exercised in accomplishing specific work tasks.*” Their definition of professional competence is *meaning in specific ways of being*, which distinguish and integrate central aspects of practice into distinct forms of professional competence. These aspects include self-understanding, understanding of work, other people, and tools like knowledge, computers, etc. This model is tested empirically with the ways in practicing corporate law. (Ibid.) According to self-determination theory (SDT), the understanding of human motivation requires a consideration of innate psychological needs for competence, autonomy, and relatedness (Deci & Ryan, 2000, 227). Deci and Ryan (2000) argue that social contexts and individual differences that support satisfaction of the basic needs facilitate natural growth processes, and vice versa, that there are signs of poorer motivation, performance and well-being, when competence, autonomy, and relatedness are forestalled. Presence is being in connection with the inner source of understanding ourselves, in a certain spiritual and individual way, which connects us with the outer dimensions of society. Understanding this intimate connection provides us with ways to know and change the source of our motivations and actions. (Senge et al., 2005.)

2.1.2 HR competences and activities

The scope of HR activities has been under continuous change after the era of industrialization began (Truss et al., 2012, 65). According to the UK Chartered Institute of Personnel and Development's (CIPD, 2014) HR Profession Map, there are *ten professional areas* in which HR managers should prove their expertise: 1) organization design, 2) organization development, 3) resourcing and talent planning, 4) learning and talent development, 5) performance and reward, 6) employee engagement, 7) employee relations, 8) service delivery and information; 9) insights, strategy and solutions, and 10) leading HR function. *Eight behaviors* are needed for these activities, as an HR manager should be: Curious, a Decisive Thinker, a Skilled Influencer, Personally Credible, Collaborative, Driven to Deliver, have the Courage to Challenge, and be a Role Model (ibid).

Ulrich et al. (2009; 2012) have used the concept "HR from outside in", which also emphasizes the business perspective. HR people should know the business context and have customers (and other stakeholders) first in mind: employer image, training, rewarding, performance management, leadership, communications, and culture should be customer-driven (Ulrich et al., 2012, 8–9). The roles of the Operations Leader and IT are seen to be shifting towards a more holistic, **strategic activist role**. Providing insight and strategic recommendations based on evidence-based analysis is required – even to the extent that **HR professionals are facilitators of the creation and deployment of strategy**. HR should manage talent aspects such as teamwork, individual ability and organizational capability, personal competence and organizational culture. The paradox lies in the implication that HR people and departments are not effective, unless they can deliver multiple outcomes concurrently. (Ulrich et al., 2012, 17–22.)

Armstrong (2006, 90) presented a competency framework for HR professionals, which contains six key competency areas: 1) business and cultural awareness (understanding the business environment, the drivers of high performance, key processes and their impact to business strategies, the culture and how HR policies and practices result in good business performance); 2) strategic capability (aligning HR strategy with business strategy); 3) organizational effectiveness (analysis and diagnosis of people issues, resource and process capability by influencing the design of work systems and knowledge management); 4) internal consultancy (acting as a catalyst, facilitator and expert, coaching, skills transferring); 5) service delivery (anticipating requirements and operating appropriately, providing cost-effective HR services); and 6) continuous professional

development (benchmarking and keeping up with HR research as well as new HR concepts, practices and techniques).

Becker, Huselid and Ulrich (2001) suggest that a competency of HR performance management is a firm's strategy implementation through balanced performance measurement systems. HR performance management is divided into four dimensions as follows: critical causal thinking, understanding principles of good measurement, estimating causal relationships and communicating HR strategic performance results to senior line managers. All this should be integrated with five core HR competencies; knowledge of the business, delivery of human resource practices, management of culture and change, and personal credibility.

Moreover, Swanson and Holton (2001) argued that HR has to demonstrate strategic capability by adding two important dimensions to the organization's business-planning process: 1) providing education and learning in the concepts and methods of strategic planning and systems thinking for setting the strategic direction for the organization, and 2) participating directly and playing an active role in strategic and business planning processes. Suominen (2011) emphasizes that the strategic task of HR is to nurture and emphasize the human capital. The strategy needs to be supported with emotion and the language of the strategy has to be concrete and inspiring. Moreover, organizations' daily work and strategies need design thinking, which adapts and integrates the strategy and daily routines together. (Suominen, 2011, 39.)

Evidently, the strategic capability of HR with business understanding and causal systems thinking was already seen to be necessary over ten years ago. Nowadays, a strategic activist role with insight is increasingly required, as well as talent and performance management.

2.1.3 Future competence requirements

As an unpredictable future necessitates a new focus on competences, the **renewal of management and leadership styles** as well as an organization's **management culture** is also required. Having an important competence of networks and strategy promotes the perception, understanding and management skills for transcending administrative, sectoral and occupational boundaries. Bridge building – creating relationships and partnerships as well as maintaining them – needs interaction skills, which include co-operation and negotiation skills. A coaching and inspiring approach to management and the direction of work are competences which can make meaning and inspiration from work

possible for employees. **Power of presence** (see also Senge et al., 2005) is also demanded for interaction and sociability; for example, having an interest in team members and taking their insights and ideas into consideration, utilizing and sharing the skills and expertise of employees, preventing and resolving conflicts, and giving feedback and praise. (Sivonen & Pouru, 2014, 51–52.)

Paradigm shift emphasizes HR as agents for change

Alasoini (2014, 18) argues that there is a paradigm shift from a rational to normative view in management, which emphasizes HR, communication and marketing personnel as agents of developing communities, cultures, insights, learning, empowerment, decentralization, social relationships, participation, collaboration, and engagement instead of a more engineering like approach to management. Alasoini (2014, 19) suggests four areas for ensuring organizational change and renewal: the creation of inspiring goals and values for the organization, building of shared meanings with dialogue and trust, motivating for innovative co-creation, and benefiting from flexible, individual ways and conditions of working (see also Gratton, 2011). Values and the special meaning of community guide the actions of core management, asserts Alasoini (2014, 21).

Criticism of HR competences and capabilities

Some severe criticism of HR competences and capabilities has recently been given. Charan (2014, 34) sees that HR is focused on internal matters such as engagement, empowerment and managing cultural issues instead of relating to real-world business needs. Charan further claims that HR personnel do not know how the key decisions are made, and that HR has great difficulty in analyzing why a business's performance goals are not met. Thus, Charan (2014) suggests that HR tasks should be divided into administration, managing compensation and benefits, and leadership and organization, focusing on improving the people capabilities of the business reporting to the CEO. However, Ulrich's (2014) response to Charan does not support HR tasks separation, but suggests a holistic approach that includes *"redefining the strategy (outside-in) and outcomes (talent, leadership, and capability) for HR, redesigning the organization (department structure), innovating HR practices (people, performance, information, and work), upgrading the competencies for HR professionals, and focusing HR analytics on decisions more than data."*

Having data on employee competency and skills is considered "critical" to the talent management system in many companies. However, IBM's Smarter Workforce talent and

workforce management division is searching people's social profiles rather than "skills in an ordered list", using HR programs that scour big data of social-media profiles, forums, blogs and comments across the Internet (Meek, 2014). Instead of managing lists of competences and skills that are constantly changing, the emphasis is on finding matching talent with the aid of a person's own up-to-date descriptions of his or her interests and competencies on the Internet. This has also been noted in Finland. Laine (2014) writes how some recruiters no longer read curriculum vitae but evaluate with personality tests and social media visibility.

Connecting strategy to transparent competence management is needed

In the study of HENRY (The Finnish Association for Human Resources Management) into the challenges of the HR profession in the future, Hihnala and Lähdeniemi (2013) found three important development areas: 1) competence, 2) renewal of the personnel, and 3) management in the future. Justice and well-being at work were seen the most important factors. In addition, the 2,579 respondents in the study also saw interaction, communication and changes in the ways of working as important. There was a gap in **connecting strategy to personnel development work and competence management**. Team work also needed attention, as well as well-being and technical skills. Internationalization, multiple skills, transferring tacit knowledge, continuous change of required competences, and a constant need for development were seen as challenges in competence management, especially with young and creative talents. The motivational needs of individuals must also be considered carefully. Dialogue and co-creation with management is required, as well as understanding diversity. HR should be part of strategic management and facilitate change, network more closely with other functions and justify the purpose and added value of HR work in reaching the goals of the organization. (Hihnala & Lähdeniemi, 2013.)

A survey (2014) of SEFE (The Finnish Association of Business School Graduates) revealed that challenges in talent management are a management issue. There is a clear conflict between experts' and managers' views about identifying competence and the ability to develop competence. Out of 1,231 respondents, 68% perceived talent management as unsuccessful in their organizations. Meaningfulness of work and self-development were seen as increasingly important criteria for choosing a job. A broader skill set of requirements needed in the future were also highlighted. Moreover, **open communication and transparent competence management** was needed. Competence

management was considered successful when management was guided by strategy. (Ibid.)

2.2 Organizational level of competences

Next, the theoretical views of knowledge and competence management on organizational level are explored. There are four main theoretical views of knowledge and competence management: Knowledge Management (KM), Intellectual Capital (IC) Management, Learning Organization, and Competence-based (Strategic) Management (Kirjavainen & Laakso-Manninen, 2002, 12; Hyrkäs, 2009); see Table 1.

Knowledge Management is often seen as a synonym for Competence Management as the concept of knowledge is so intertwined with the concept of competence (Kirjavainen & Laakso-Manninen, 2002; Hyrkäs 2009), especially in the Finnish language. Hong and Stähle (2005) argue that there is a lack of conceptual clarification of what the terms knowledge and competence management actually mean and of how they may differ from and relate to each other. Many scholars have acknowledged an inseparable and mutually supporting relation of the disciplines and the significant implications for strategic management. (ibid.) Thus, these main theoretical views will now be briefly introduced.

Knowledge Management operates in a knowledge-based network economy. Concepts and practices for knowledge processes, like storing, distributing, sharing and using knowledge in a competitive way for creating value, new knowledge and innovations, are in focus. As firm's economic assets may be tangible or intangible; the value of intangible assets as source of competitiveness has grown during the last decades of a knowledge-economy. (Blomqvist & Pöyhönen, 2009.) A resource-based view (RBV), (Penrose, 1959; Wernerfelt, 1984; Barney, 1991) conceptualizes the firm as a unique bundle of resources and capabilities, which according to Barney's (1991) VRIN concept should be valuable, rare, imperfectly imitable and non-substitutable, in order to become a source of sustained competitive advantage. However, a knowledge-based view of the firm (KBV) focuses on knowledge as a source of competitive advantage – that is a strategic asset – and focuses on concepts and practices for knowledge processes: storing, distributing, sharing and using knowledge in a competitive way for creating value, new knowledge and innovations. (Davenport & Prusak, 1998; Hyrkäs, 2009, 90.) In Grant's (1996) view, organizational capability is an outcome of knowledge integration in complex, team-based, productive activities, or a firm's ability to strengthen and integrate the knowledge of many individual specialists.

Table 1. Theoretical views of knowledge and competence management. Adapted and modified from Kirjavainen & Laakso-Manninen (2002, 12) and Hyrkäs (2009, 90).

| Theoretical views of knowledge and competence management | Known concept developers | Focus and main points of the theory |
|---|--|--|
| <p><i>Knowledge Management (KM)</i></p> <p><i>Intellectual Capital (IC) Management</i></p> | <p><i>Penrose 1959</i> <i>Wernerfelt 1984</i> <i>Barney 1986</i> <i>Nonaka 1994</i> <i>Nonaka & Takeuchi 1995</i> <i>Grant 1996</i> <i>Teece 1997</i> <i>Davenport & Prusak 1998</i> <i>Alavi & Leidner 2001</i></p> <p>IC <i>Norton & Kaplan 1996</i> <i>Sveiby 1997</i> <i>Edvinsson & Malone 1997</i></p> | <p>Concepts and practices for knowledge processes: storing, distributing, sharing and using knowledge in a competitive way for creating value, new knowledge and innovations.</p> <p>In a Resource-Based View (RBV) and Knowledge-Based View (KBV) knowledge is the most important firm resource. RBV conceptualizes the firm as a unique bundle of resources and capabilities. KBV focuses on knowledge as a source of competitive advantage.</p> <p>Intellectual Capital Management assesses value and measures intangible assets of the firm using different meters & models (e.g. Skandia Navigator Balanced Scorecard).</p> |
| <p>Learning Organization</p> | <p><i>Senge 1990</i> <i>Argyris & Schön 1996</i></p> | <p>Combines leadership of people with traditional management. Communities and interaction skills are valued. Creating positive attitude towards competence development is emphasized.</p> |
| <p><i>Human Resource Management (HRM)</i></p> <p><i>Strategic Human Resource Management (SHRM)</i></p> <p>Competence-Based Strategic Management (CBSM)</p> | <p>HRM & SHRM <i>McClelland 1973</i> <i>Miles 1975</i> <i>Ulrich 1997</i> <i>Becker & Huselid 2006</i></p> <p>CBM & CBSM <i>Boyatzis 1982</i> <i>Prahalad & Hamel 1990</i> <i>Hamel & Heene 1994</i> <i>Lado & Wilson 1994</i> <i>Sanchez & Heene 1996, 1997</i> <i>Wright & Boswell 2002</i> <i>Sanchez 2001, 2004</i></p> <p>Integration of CM & KM <i>Stähle & Hong 2005</i></p> | <p>HRM studies the management of the whole organization. Research on effects of HRM practices on a micro level focuses on an individual and the effects on the whole organization are studied on a macro level. SHRM is focused on the organization performance capability. HRM gives the main practical tools for competence management.</p> <p>Competence-based Strategic Management originates in competition and strategy research. The main concepts of competence development are competence, core competence (=competence of the organization) and capabilities. Strategy, core competence and capabilities are combined in CBSM.</p> |

Intellectual Capital (IC) Management measures the intangible assets of a firm using different measurement models (e.g. the Balanced Scorecard created by Kaplan and Norton and Skandia Navigator by Edvinsson & Malone in the 1990's). These models are important tools for performance management evaluation of the organization. This view, however, is excluded from the focus of this study.

Learning Organization by Senge (1990, 10–12) emphasizes the integration of thinking and acting at all levels of the organization, which needs to be seen as a systemic structure for creating generative learning. The ability to build a shared vision, challenging prevailing mental models by bringing them to surface, and fostering more systemic patterns of thinking are required (ibid).

This study has competence-based strategic management as an interface for linking individual and organizational level of competences with strategy and (competence) foresight. However, due to the context of the study being the work of HR professionals, the theoretical background of human resource management is also introduced.

2.2.1 From HRM to Strategic HRM

As explained in the previous chapter, 2.1.2, about HR competences and activities, HR professionals' work and needed competences have changed along with the business needs. The research of HRM has developed accordingly. Next some theoretical background to the history of HRM and SHRM is briefly presented.

Development of human resource management (HRM)

Hyrkäs (2009, 70) recognizes Raymond Miles as the creator of modern HRM. According to Miles (1975), the Human Resources Model evolved through three models of management theories from the 1920s to the mid-1950s. All of these models have three basic components: 1) a set of assumption about human attitudes and behaviors, 2) managerial policies and actions consistent with these assumptions, and 3) expectations about employee performance, if these policies and actions are implemented. Miles's work has also been the basis for the *Harvard framework* (Hyrkäs, 2009, 70). Truss, Mankin and Kelliher (2012, 85) in turn argue that a concept of "human resource management" originated in the US and has existed since the 1960s, when it was considered as "personnel management". The Harvard framework (Beer et al., 1985) saw HRM as a system with situational factors producing short-term effects as performance and long-term societal outcomes. However, the *Michigan model* (Devanna et al., 1984, 33–51) instead focused on the links between HRM practices and business strategy. In the UK, during the

late 1980s, the approaches towards managing people were discerned between hard and soft HRM. Hard HRM was focused on people as resources, in order to maximize performance, and had a connection to the Michigan model. Soft HRM focused on the human side of HRM – better performance was to be achieved with loyalty and commitment. (Truss et al., 2012, 85–86.)

Wright and Boswell (2002) indicate that the field of HRM has developed in several parallel, independent paths of **micro HRM (individual practices)** and **macro HRM (systemic, organizational context)** research. There seems to be better consensus with the conceptual categorizations of employee skills (practices aimed at attracting and developing the skills of the workforce), motivation (practices that elicit high motivation), and empowerment (practices enabling employee voice and influence) than in the categorization of schemes, which did not reveal consistent patterns of HR practices. Wright and Boswell (2002) argue that HRM systems, rather than individual practices impact employees and organizations. Moreover, **multiple HR practices influence performance**. Integrating micro HRM and macro HRM areas was thus recommended. (Wright & Boswell, 2002, 38.)

Strategic human resource management (SHRM)

SHRM is focused on the **performance capability of the organization** (Wright & Boswell, 2002; Becker & Huselid, 2006, 899; Boxall & Purcell, 2011). Huselid et al. (1997, 172) present that strategic HRM “...*involves designing and implementing a set of internally consistent policies and practices that ensure a firm’s human capital contributes to the achievement of its business objectives.*” Huselid et al. (1997) have evaluated an HR manager’s professional HRM and business-related capabilities, as well as strategic and technical HRM effectiveness. Both professional and business-related capabilities appeared to be important for implementing and contributing to HRM activities. Relationships between HR management effectiveness and productivity, cash flow, and market value in the US were found. (Huselid et al., 1997, 171–186.) Although professional HRM capabilities and business-related capabilities are both required, SHRM emphasizes the importance of understanding how to create firm-specific HRM according to business needs. (Huselid et al., 1997, 172–173.)

Nowadays, Truss et al. (2012, 87) define Strategic Human Resource Management as people management in a broad, strategic sense focusing on the **longer-term strategic needs of the organization in terms of its people**, rather than day-to-day HR policies and practices.

2.2.2 From Competence Management to CBSM

As described above, strategic human resource management (SHRM) focuses on the **performance capability of the organization** and the longer-term strategic needs of the organization in terms of its people. Competence Management (CM) in turn, provides **the main practical tools** (Hyrkäs, 2009, 90) for achieving the goals of SHRM. Next competence management is investigated in terms of HR work as well as in terms of organizational competencies and core competences.

Wright and Snell (1991) define **competence management** as work done in an organization for ensuring the *“individuals in the organization have the skills required to execute a given organizational strategy”* with practices of competence acquisition, utilization, retention, displacement and behavior management like behavior control and coordination. Competence management emphasizes competencies that are unique, firm-specific and add competitive advantage (Delamare-Le Deist & Winterton, 2005). Viitala (2005, 14–17) explains that competence management strengthens and ensures an organization’s performance and competitiveness including activities to nurture, develop, renew and acquire competences. Viitala’s (2005, 15) key elements of competence management framework are shown in Figure 4.

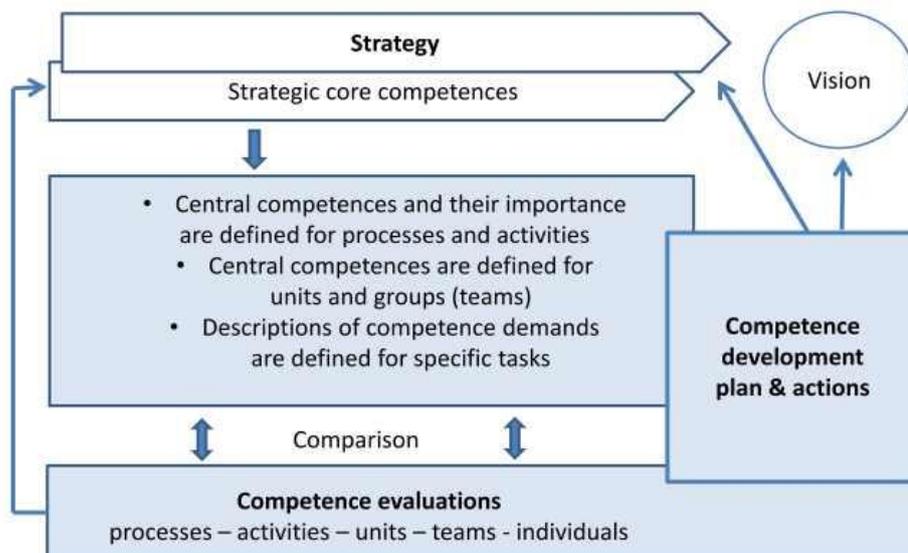


Figure 4. Key elements of competence management framework. Adapted from Viitala (2005, 15).

Development discussions

According to Hätönen (2011, 34) *development discussions* are good management tools for systematic competence evaluation. These discussions are also an organized forum for employees to discuss their own role in the organization once or twice per year. Their purpose is to evaluate competences, plan development actions for an employee or a team, and define the approach to achieve objectives. (ibid.) Hätönen (2011, 16–17) also describes the vision, strategy and objectives of organization as basis for systematic competence development with five phases: 1) creation of competence map, 2) development objectives, 3) *competence evaluations*, 4) development plans, and 5) development actions. In the first phase a competence map with necessary competence areas (for achieving defined strategic objectives) and a criteria for competence evaluation is created. The competence areas may have descriptions of competence levels from 1-5 or 1-3, for example, including criteria for competences needed in a certain level. In the next phase, concrete *competence profiles* are formulated for evaluation purposes, based on defined development objectives. The third phase contains self-evaluations, development discussions, other feedback and preliminary development plans documented. In the fourth phase development plans are defined for the whole organization, teams and units, and for individual employees. The fifth phase has several different actions for development including training and learning at work. (Hätönen 2011, 18–25).

Competence profiles are useful tools in several personnel management areas, including hiring and selection, assessment and reward systems, and training and development (Mulder, 2011, 20). Similar to Viitala and Hätönen's suggestions outlined above, Mulder (2011, 23) also suggests that competence development needs to be linked to intended performance results. Furthermore, the core competence of the organization ought to be used for defining the direction of development and thus focusing on the strengths of people and organizations (ibid).

Precise competence profiles may inhibit flexibility and agile work

Norris (1991) highlights that in a competence management perspective, explicit competence is needed for the measurement of expertise. However, the relation between competences and performance is not linear. In addition, precise competence models are not able to capture all the essential features of expertise. (Norris, 1991.) Siikaniemi (2012, 47) sees no relevance in compact and permanent concepts for competences. Instead,

Siikaniemi calls for the construction of new concepts, models and theories combining foresight and HR literature (ibid).

A risk of rigidity comes with precise definitions of competences as they limit and control the task of the specific role of work on the whole. Precise competence profiles may guide the actions and thinking, even when opposite actions might be needed in changing business situations. According to Laloux (2014, 211), competences should be flexible resources to meet the needs of living strategy for the emerging futures. In complicated systems, it is possible to try to find best solutions to problems, whereas in complex environments workable solutions and fast iterations are needed (ibid).

Core competences and dynamic capabilities

In order to avoid the rigidity of precise competences and to emphasize the value of well-coordinated collective action as basis for performance capability, Prahalad and Hamel's (1990) concept of **core competence** is useful: *"A bundle of skills and technologies that enables a company to provide added value, a particular benefit, to its customers through coordination of work and collective learning in the organization."* Including communication, involvement, and deep commitment to work across organizational boundaries, core competences do not diminish when used, as do tangible assets, but grow while applied and shared (ibid).

According to Lado and Wilson (1994, 702) *"organizational competencies include all firm-specific assets, knowledge, skills and capabilities embedded in the organization's structure, technology, processes, and interpersonal (and intergroup) relationships."* They have contributed to a competency-based view of the observable and transferrable role behavior of employees, arguing that the configuration of the competency-enhancing HR activities, functions, and processes produces positive synergies for the organization (Lado & Wilson, 1994, 719–720).

According to Bergenhenegouwen et al. (1996, 30) the **core competences** are created through different connections between the organization's objectives, strategy, structure and culture, as well as its management concepts, the expertise and skills of its employees and the level of employee appreciation by the management. In order to produce the best results from an organization's core competences, it is important to pay attention to the underlying motives and qualities of the employees (ibid).

Grant's (1996) view of **organizational capability** is an *outcome of knowledge integration* in complex, team-based productive activities; that is, firm's ability to strengthen and integrate the knowledge of many individual specialists. Teece et al. (1997) have introduced the concept of **dynamic capabilities**, which is *"the firm's ability to integrate, build, and reconfigure its internal and external competences and assets to address rapidly changing environments"*. Despite the fact that strategy research has started to emphasize a dynamic capabilities approach (Harreld et al., 2007, 24), some researchers skeptically consider whether dynamic capabilities are necessary or even existing (Winter, 2003). According to Wang and Ahmed (2007), the concept actually includes an overly broad selection of resources, processes and capabilities.

In this study, core competences as defined by Sanchez (2004) in the subsequent section 2.2.4, can simply be understood as *organizational level competences* which together with individual competences and competence management form the basis for performance management and the capability to achieve strategic goals.

2.2.3 Competence-based Strategic Management

In previous chapters, the link between professional competence and the performance capability of the organization in terms of SHRM has been explored. In order to illuminate a strategic approach to competence-based strategic management, an open system view of a firm by Sanchez and Heene (1996, 1997) is introduced. Competence-based strategic management (CBSM) originates in competition and strategy research and combines them with the competence approach. CBSM was established as a theory in the 1990's to integrate many strategic perspectives into a framework for understanding strategic theory and practice in their multidimensional complexity. (Sanchez & Heene, 2004.)

Sanchez's (2004, 521) approach defines competence in dynamic, systemic, cognitive and holistic terms, drawing on the hierarchical ordering of the interrelated concepts of assets, capabilities and skills in the firm as an open system. **Assets** are either tangible or intangible resources used by a firm in its processes to create, produce and offer its products or services to a market. **Capabilities** are intangible assets, determining the uses of tangible or other intangible assets. Capabilities consist of repeatable patterns of action. **Competence** is *"the ability to sustain the coordinated deployment of assets in ways that help a firm to achieve its goals"*. *"It includes the ability to respond to the dynamic nature of an organization's external environment and of its own internal processes."* (Sanchez 2004, 519.) Furthermore, an organization needs **strategic flexibility** to respond to changes and

opportunities. This can be achieved by creating and acquiring new competences that provide strategic options. At the same time, a firm has to coordinate the use of its existing resources in a flexible way. This is achieved with coordination adaptability of flexible resources. (Sanchez, 1997, 72.)

Lado and Wilson (1994, 720) have noted conditions in an organization's external and internal environment that may enable or constrain the development and exploitation of organizational competencies in HR systems. For example, organizational flexibility and proactivity may be inhibited due to a "legalistic" mindset. Fear and avoidance of legal entanglements may lead to increasing bureaucracy, which prevents the interpersonal exchange required for implementing procedures at the expense of decreasing trust. (Ibid.)

Five modes of organizational competence – an open system view of a firm

The open system view of a firm, proposed by Sanchez and Heene (1996, 1997), has different competence modes for each of the five levels of the system; see Figure 5. The competence of an organization is in combining these competence areas and controlling the use of resources to aid the firm in achieving its goals. Each competence mode brings **specific forms of flexibility** to an organization to respond to the challenges and opportunities of the changing business environment. These flexibilities **create strategic options** for value chain optimization.

The dynamic nature of an organization's external as well as internal environment demands the ability of competence to respond in a sustainable way enabling an organization's ability to create value. Continuous **attention and inputs of energy** are required. The systemic nature of organizations demands the coordination of assets. Cognitive processes of managers in an organization direct assets to specific value-creating activities. Moreover, the holistic nature of an organization as an open system requires managers to be able to define organizational goals in such a way that satisfy individual and institutional providers of the essential resources. (Sanchez, 2004, 521.)

The two upper-most levels of Sanchez's model of the firm as an open system are strategic levels for introducing perceived opportunities to create value, and choosing from alternative approaches in order to manage value creation processes. In the middle coordination level, the understanding of the strategic logic for management processes is required for identifying, configuring, and deploying resources.

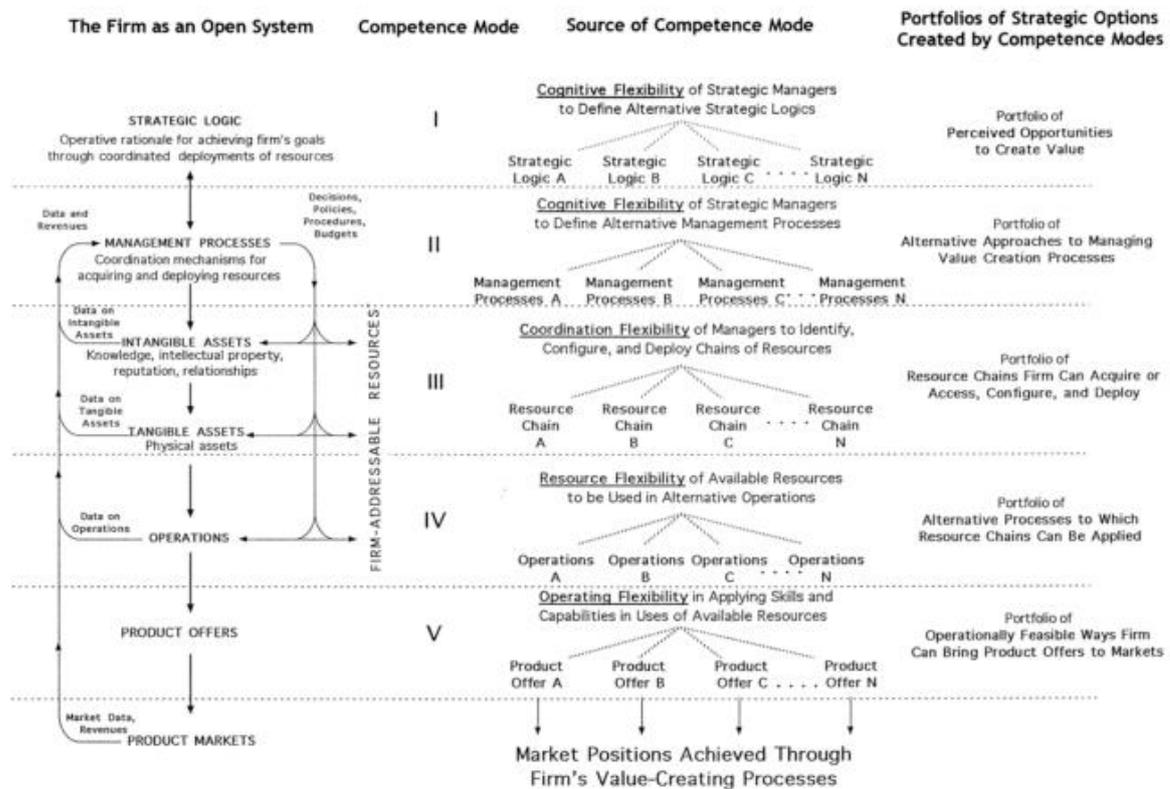


Figure 5. Five modes of competence in competence-based management (Sanchez, 2004, 520).

Resource flexibility on the next level allows the use of resource chains of alternative processes. Finally, on the bottom level operating flexibility is needed for applying skills and capabilities in resource chains for bringing product offers to markets. Repeated patterns of action require individual and team skills in the use of assets, in order to **collectively generate organizational action**. (Sanchez, 2004, 519.)

According to Javidan (1998, 62), a universal understanding among all management levels as to the concepts of core competence, capability and organizational resources should be initially created to successfully identify and exploit a company's competencies. Javidan's (1998) competencies hierarchy has four levels: core competencies, competencies, capabilities, and resources. At the bottom of this hierarchy are resources, which are tangible or intangible, like in Sanchez's view. Resources are building blocks of competencies and the inputs into the organization's value chain. Javidan's (1998) capabilities refer to the corporation's ability to exploit its resources and generate value. Next the competencies result from synergies among capabilities and bring greater value because they expand the boundaries of capabilities. And last, core competencies exploit resources and capabilities at the broadest level, adding the greatest value to the

corporation as a whole. (Ibid.) Javidan's (1998, 62) hierarchy clearly differs from Sanchez's open system model regarding competency at the third level in his hierarchy. This competency is defined as the cross-functional integration and co-ordination of capabilities, which are a set of skills and know-hows and result from interfaces and integration among functional capabilities (ibid). However, this level of hierarchy adds more confusion to the taxonomies of competencies and as such it is not addressed in this study.

Clear taxonomy helps companies develop and exploit their competence and capabilities optimally, but the effective implementation of the process requires an organizational culture that fosters and values collaboration. Such a culture is required for developing and exploiting competencies and capabilities fully, argues Javidan (1998, 70). Culture should facilitate and encourage joint efforts of thinking, learning, and decision-making across intra-organizational boundaries, and "*break the internal barriers among the silos which exist in any firm's structure*" (ibid).

Lehtonen (2002, 89) argues that only a small part of competence is used in the organization at any specific moment. The tasks and organizational structure limit the use of competence to specific roles, without paying attention to the possibilities for the wider use of the competence. Therefore, the organizational structure should be flexible enough to enable the configuration. This higher-level capability could thus be called systemic level insight. (Ibid.) Managers' own cognitive flexibilities are required to imagine new strategic logics. Sanchez (2004, 531) argues that excellence in organizational competence depends on developing an interrelated and balanced set of success factors within five modes of organizational competence, rather than improving the skill profiles of individuals and the capabilities of work groups and teams. To summarize, a competence perspective shifts the focus of strategic analysis to ***the firm's dynamic processes of identifying and developing strategic resources on an ongoing basis.***

As a firm has to make decisions about which resources to develop, assess and deploy, external and internal factors including the desires or actions of customers and other stakeholders need to be considered. Getting this information from the contextual and transactional environment valuable for decision-making is called business intelligence by Wallin (2000, 15.) These business intelligence activities evaluate the requirements of technology, assets, systems, capabilities and competences of the firm. Wallin (2000) categorizes these activities into contextual listening and transactional environmental analysis. This information flow of business intelligence activities and decision making forms the business modeling process, which is influenced by the corporate values and

perceptions of managers, the board, and other stakeholders affecting decision making in the business model. Coordination processes, from the development plan to activities of the firm, lead into value creation (offering) with flow of resources. (Ibid.)

2.3 Conclusions

In this chapter, the development of HR professionals' competences and work has been studied from both individual and organizational perspectives. It has been stated that HR professionals' work and the required competences have changed along with business needs. Today strategic human resource management (SHRM) focuses on the **performance capability** and the longer-term strategic needs of the organization in terms of its people (Truss et al., 2012).

For understanding the link between individual competences, competence management and the overall performance capability of the organization, including the organizational level of competences in the context of competence-based strategic management, has been explored. According to Sanchez (2004), the organizational competence of an open system is dynamic, systemic, cognitive and holistic. Furthermore, the dynamic nature of an organization's external as well as internal environment demands the ability for competence to respond in a sustainable way, thus enabling an organization's ability to create value.

In this study, scanning the environment for appropriate strategy for value creation is seen as essential in order to have the right competences for successful strategy implementation. Connecting strategy to transparent competence management is mentioned in Chapter 2.1.3 as one of the most important challenges of the HR profession in the future. HR is also encouraged to act as an agent for change, facilitating dialogue and co-creation as a part of strategic management and promoting the paradigm shift. (Hihnala & Lähdeniemi, 2013; Alasoini, 2014.)

Aiming to increase understanding of the link between HR competence identification and competence management alignment with business strategy, the relationship between strategy and foresight will now be examined.

3 LINKING STRATEGY TO FORESIGHT

Identifying new opportunities, and organizing effectively and efficiently to take advantage of those emerging possibilities is seen fundamental for wealth creation by Teece et al. (1997). Especially in today's challenging business climate Stavros and Wooten (2011) emphasize a positive strategy approach that acknowledges the necessity of the strategy generated in real time to proactively create and anticipate opportunities. Thus, the main purpose of this chapter is to first introduce strategy work as an interface for foresight and then to examine foresight methods, especially the scenario approach and weak signals detection.

Competitive advantage can be reached when a firm implements a unique strategy (Porter, 1980; Barney, 1986). Traditional research in strategy (competitive forces approach) focuses on competition – choosing strategies that generate the highest returns on investments (Barney, 1986, 791) and an industry-centered more than a firm-centered view (Major et al, 2001, 95). Since the 1960s, the field of strategic management has used a so-called SWOT framework suggesting that *"firms obtain sustained competitive advantages by implementing strategies that exploit their **internal** strengths, through responding to environmental opportunities, while neutralizing **external** threats and avoiding internal weaknesses"* (Barney, 1991, 99). However, SWOT gives a rather stable "as-is" view of the environment in which the firm competes. After completed, a SWOT analysis is not adjustable, and it does not take shareholders' views or other new information into account. Moreover, its purpose is not to challenge existing mental models or to create compelling ideas that would provoke people to take action. As a result, the organizational members can lack meaningful ways to conceptualize strategy or to contribute to it. (Stavros & Wooten, 2011, 827.)

The actions of competitors and a changing business environment form the **external dimension to the management** of a firm's resources. MacMillan (1982, 43) has explored strategic initiative, which he defines as an "ability to capture control of strategic behavior in the industries in which a company competes". Having and keeping this proactive, *"first-mover's" advantage*, the firm forces competitors to play a reactive role. As a result, MacMillan (1982) argues, the company is able to control its own destinies and, he further claims understanding and anticipation of several strategic concepts is required. A common framework for the analysis of external environment factors is called PESTE (Political, Economic, Social, Technological, Environmental), sometimes with an added +C

(cultural/consumer/customer/citizen) dimension. PESTE analysis has uses at a wider societal level as well as the level of external competition and local area development. It is often used to analyze a situation in regards to wider environmental issues, like the economic situation in general or legislation. (Opetushallituksen tietopalvelut, 2010.)

In a resource-based view (RBV), a firm focuses attention to its distinctive core competences as a source for competitive advantage (Penrose, 1959; Wernerfelt, 1984; Prahalad & Hamel, 1990; Barney, 1991). To put it shortly, a “*firm’s resources are the tangible and intangible assets a firm uses to choose and implement its strategies*” (Barney, 2001, 54; Sanchez, 2004, 519). The intangible assets, like human- or knowledge-based assets, and the resource management process of these assets in dynamic, uncertain environments (Sirmon et al., 2007) have increasingly been explained as a source of competitiveness (Blomqvist & Pöyhönen, 2009) in the age of knowledge-economy.

Thus, acquiring, selecting and deploying appropriate resources, and moreover nurturing its assets, are important processes to a firm for meeting the challenges of the future, which could be called the ***internal dimension of management*** (Major et al., 2001, 95; Fink et al., 2005, 366). According to Fink et al. (2005, 366) *strategy scenarios* can be used as a tool to understand the internal development of firms.

3.1 Internal dimension of management

It is essential to question and re-examine managers’ assumptions and mental models regarding the core competences now and in the future on a continuous basis (Lado and Wilson, 1994, 720; Aaltonen & Wilenius, 2002, 182).

According to Rohrbeck and Schwarz (2013, 1595), scenarios can serve as “*shared mental images that build emotional capacity*” that can serve as a powerful force for the implementation of strategy. However, normally people imagine the future relating to their own experiences and understanding of the past, and are not able to consider ideas that do not fit into their world view. Understanding this obstacle, when creating scenarios as images of the future (see chapter 3.4.3), it makes it more comprehensible to realize that foresight process should create a memory of the future. As the human brain is able to store different pictures of the future, the more memories of the future (vision, scenarios, narratives), a person holds, the better they can be attuned to receive future related signals and imagine alternatives futures. (Rohrbeck & Schwarz, 2013, 1597.)

Developing mental models from a positive organizational scholarship (POS) perspective offers a clear purpose for performance with the SOAR framework, which “*focuses on identifying and building strengths, feeding creativity in the form of opportunities, encouraging individual and groups to share aspirations, and determining results.*” Framing strategy through the (POS) lens helps in the analyzing of situation cues and understanding how organizational members focus attention and make sense of the world for directing strategic actions. (Stavros & Wooten, 2011, 825–826.)

Traditional strategy work often lacks the impact of others than senior level managers on the top level of the organization and separates the planners from the implementation as the decisions are passed down in the organization to those who are responsible for the execution. SOAR has a participatory approach to strategic thinking with the co-construction and execution of strategy through collaboration, shared understanding, and a commitment to action. An emergent concept of positive strategy differs from traditional strategy by focusing on positive processes that enable collective resourcefulness, which encourages all organizational members to work together to develop and implement strategy (Stavros & Wooten, 2011, 826).

3.1.1 Collective intelligence in decision making

Sanchez and Heene (2004, 151-152) bring collective intelligence into decision making with a flat, team-based and empowered organization instead of traditional tall management hierarchy, where interpretation and decision making are made by top management, see Figure 6. The problem with tall hierarchies is a “*substantial separation of decision making authority from the expertise and information needed to make good decisions.*” Furthermore, in a traditional, tall organization the limited expertise and information available to strategic managers constrain their ability to fully understand or change the organization at the bottom-level. Figure 6 illustrates a form of flat organization with self-organized teams having decision making authority and broad responsibility for operational decisions in the organization’s value creation processes. In these flat organizations, the focus is on strategic direction and policies for each team’s activities. Thus, management may focus more on extending and improving the data gathering of strategic issues and interpretation of the data. (Ibid.)

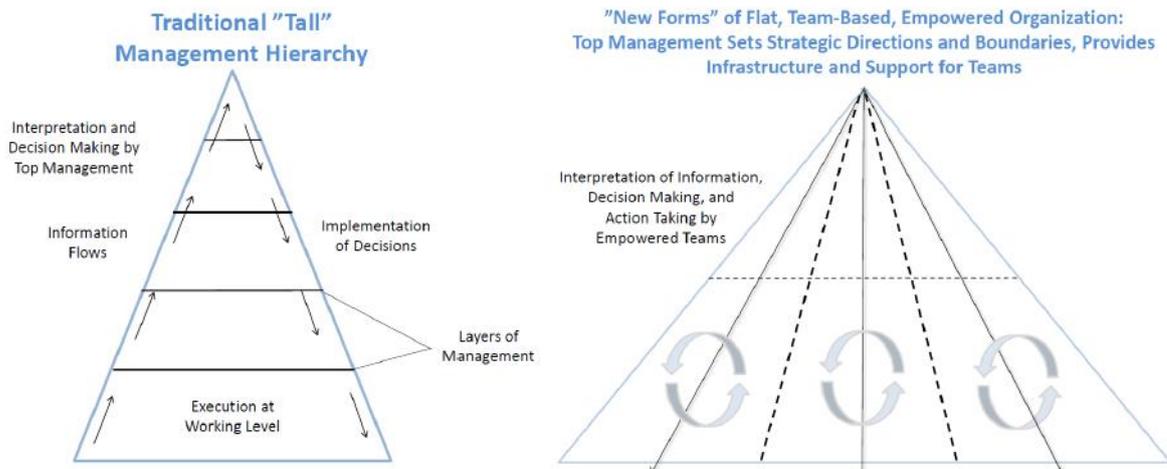


Figure 6. Traditional "Tall" Management Hierarchy versus Flat, Team-Based Empowered Organization. Adapted from Sanchez and Heene (2004, 151-152).

3.1.2 Strategic intent on the organization level

In the continuously transforming, uncertain and unpredictable future of business opportunities and threats, there is an advantage in *identifying the internal strengths and weaknesses* needed for bridging the gap between now and the future (Hamel & Prahalad, 1989, 64–66). Hamel and Prahalad (1989) have defined this "*strategic intent*" as "*focusing the organization's attention*" on the essence of winning and acting accordingly. Strategic intent is stable over time and sets a target that *deserves personal effort and commitment*. Strategic intent is called for in world-class performance, for example, motivating employees by communicating the value of the goal and providing new operational definitions when the situations change, and using intent continuously to guide resource allocations. (Ibid.) Suggested by Stavros and Wooten (2011, 830), the strengths-based approach to SOAR identifies strengths, rather than problems, weaknesses or threats for building strategic capacity.

Mantere and Sillince (2006, 2) argue that "strategic intent can exist as a coherent set of distinct social constructions." Generally, while organizations have to be observing environmental changes and to be able to make use of bottom-up ideas, a generic strategic intent is to unite organizational action into a continuous, connected pattern (Mantere & Sillince, 2006, 3). In proactive strategizing, this strategic intent acts as a symbol of the organization's determination about the future and energizes all organizational levels for a collective purpose (Prahalad & Hamel, 1989).

3.1.3 Intent on an individual level

In previous chapters individual competence has been introduced as an underlying construct, called the “intent” preceding action (i.e. behavior) on the individual level. As Mulder (2011, 20) suggests (see Chapter 2.2.2), the **intentions of persons in the organization need to be aligned in order to realize the achievement of targets and change**. Similarly, strategic intent, has been demonstrated to “focus the attention and action” on the organizational level. Figure 7 illustrates strategic and individual intent as a basis for performance and action in an organization.

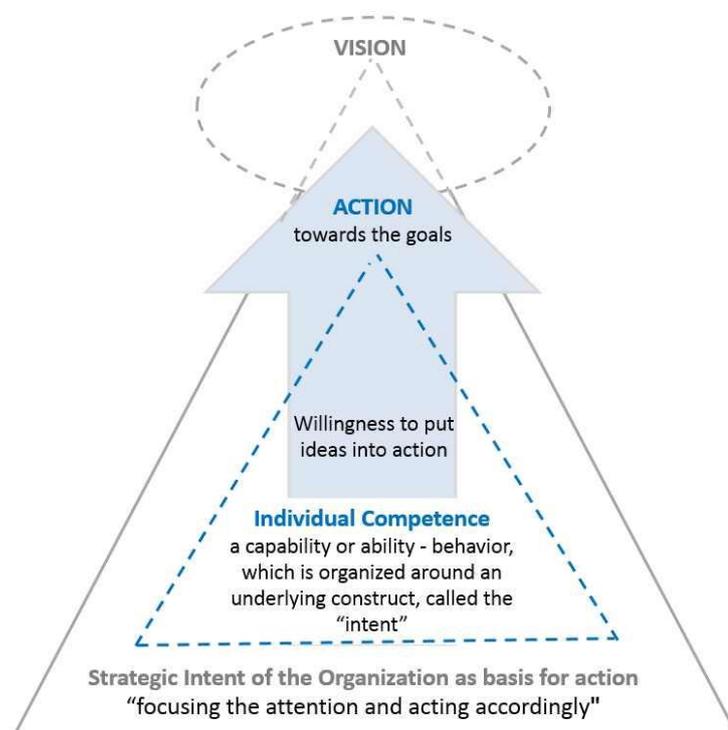


Figure 7. Strategic and individual intent as basis for action towards the goals.

3.2 External dimension of management

Strategic planning differs from strategic thinking (Liedtka, 1998, 121) and foresight (Hiltunen, 2010, 17). According to Mintzberg (1994), strategic planning is an analytical process with pre-identified strategies aiming to create a plan. Strategic planning is strongly analytical, logical, deductive and pragmatic – it has a goal or set of intentions divided into steps for implementation (Voros, 2003, 12), looking back to the present from the future, that is, backcasting.

Strategic thinking is the opposite of strategic planning. It is an inductive synthesizing process on incomplete information about potential futures, going beyond what analytical thinking can produce. (Voros, 2003, 12.) Strategic thinking utilizes intuition and creativity with an outcome of an integrated perspective or vision for the organization (Mintzberg, 1994). Being intuitive, experimental, and disruptive (Liedtka, 1998), it opens up an expanded range of perceptions (Voros, 2003, 12), forecasting alternative futures ahead. Thus, foresight in an organizational context can be seen as an aspect of strategic thinking, exploring the available strategic options (ibid.). Sanchez (1997) uses the concept of *strategic flexibility* that is an organization's set of specific strategic options for taking action in the future. The most effective ways to create the strategic flexibilities needed to manage future uncertainties are competence building and leveraging. For this, the organization must have access to flexible resources and the ability to be flexible in coordinating those resources in various ways, argues Sanchez (1997, 72–73).

Foresight is the core of strategy work (Wilenius, 2008), and at its best it can also be the key to implementing the strategy (Rohrbeck & Schwarz, 2013, 1595). According to Voros (2003, 13) "*one must be clear that the foresight process simply provides input into the consideration of decisions and the implementation of actions, which is the role of traditional strategy work.*" Foresight can also enhance a "living strategy" (Laloux, 2014) if foresight is built into a constant organizational learning process.

3.2.1 Foresight – creating alternative futures

An active attitude toward futures is needed for succeeding in the future – it is created through our actions. Futures research is not predicting one specific future but seeing a group of different futures and mapping alternatives and possibilities, in order to be prepared for certain kinds of events in the future. (Mannermaa, 1999, 17–19; Voros, 2003.)

Siikaniemi, Saikkonen and Härkönen (2010) define foresight as a form of knowledge management in which the organization's existing data pertaining to the future is organized resulting in alternative futures design. Rather than predicting, the objective of foresight is to open our mental models to study different opportunities of futures (Aaltonen & Wilenius, 2002, 66; Hiltunen, 2010, 19).

Horton (1999, 5) defines foresight as "*the process of developing a range of views of possible ways in which the future could develop, and understanding these sufficiently well to be able to decide what decisions can be taken today to create the best possible*

tomorrow.” Voros (2003, 16) uses five classes of alternative futures – potential, possible, plausible, probable, and preferable – in order to help distinguish and clarify what sort of futures is thought about. Figure 8 shows how the futures cone reaches futures. Voros (2003) uses a metaphor of a futures cone as a car headlight, illuminating the view in the dark. This dark, totally unknown area of potential future reminds us of the fact that some futures are out of the reach of our imagination.

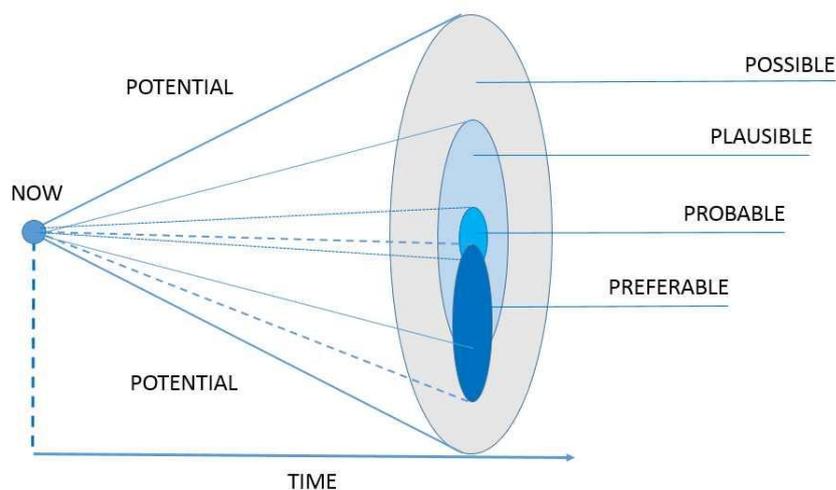


Figure 8. The “futures cone”, classification of future scenarios. Adapted from Voros (2003).

Possible futures include all imaginable futures that might occur. *Plausible futures* are futures rationally justified by knowing how the world operates. *Probable futures* are sometimes called “business-as-usual” as they are considered likely to happen in a somewhat linear way, continuing the present from the past. Trends are often in this class, even though there are also discontinuities - unexpected fade outs or new emergent trends. The idea of *preferable futures* differs from the three above-mentioned futures concerned with informational or cognitive knowledge. Preferable futures can be found with a question “what we want to happen”; they are therefore more emotional and derive from value judgements. (Voros, 2003, 16–17.)

3.2.2 Foresight process

Horton’s (1999, 6) foresight process in organizational environment is about looking at the possible futures that affect the organization; see Figure 9. The process follows three phases, each one more difficult and time consuming, more abstract, and more challenging

to measure than the preceding one. To be successful, the process must result in taking decisions and action.

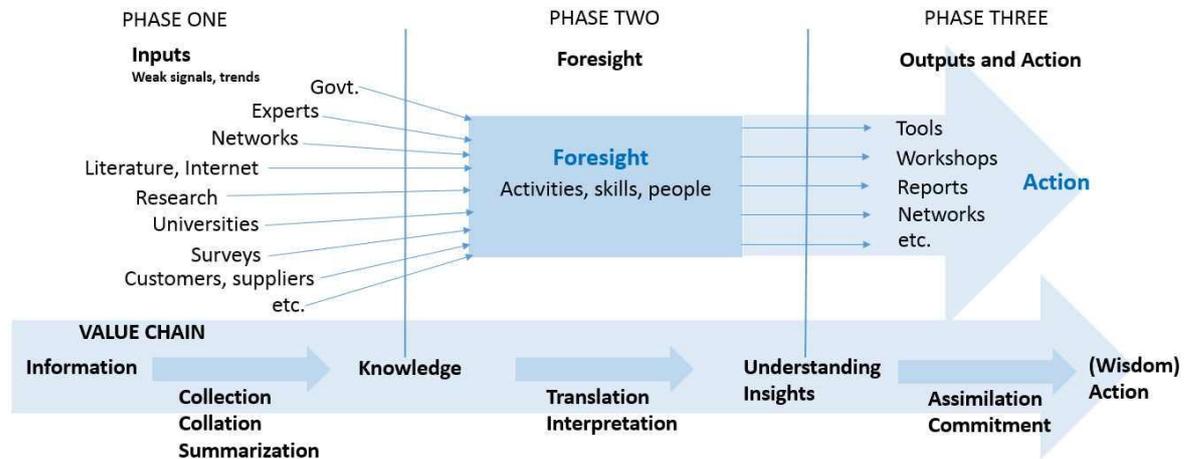


Figure 9. A foresight process. Adapted from Horton (1999, 6).

Phase One, inputs comprises the collection, collation and summarization of available information (e.g. environmental scanning including the collection of weak signals, brainstorming, or talking to people). **Phase Two**, foresight, comprises the translation and interpretation of this knowledge in order to produce an understanding of “its implications for the future from the specific point of view of a particular organization”. **Phase Three**, outputs and action, “comprises the assimilation and evaluation of this understanding to produce a commitment to action in a particular organization.” (Ibid.)

The generic foresight process framework of Voros (2003, 14) is based on Horton’s (1999) foresight process, but has four phases: **1) inputs**, **2) foresight work**, **3) outputs**, and **4) strategy**, see Figure 10. Voros (2003) follows Mintzberg’s (1994) view of separating strategic thinking from strategy development and strategic planning, and divides phase three into two separate elements: the outputs of the foresight process, and the actions taken as a result of it.

1) The input phase follows Horton’s (1999) foresight process, of information gathering and environmental scanning. **2) The phase of foresight work** at the core of the process is explained in more detail as containing three phases: analysis, interpretation, and prospection. **Analysis** sorts the preliminary information gathered with the question: “What seems to be happening?” Trend analysis, cross-impact matrices and other analytical techniques are used and the results are fed into the next step. **Interpretation** seeks to look for deeper structures and insights, asking the question: “What’s really happening?”

Systems thinking, causal layered analysis, and critical futures studies approach are used when looking for an answer. **Prospection** is purposefully looking forward using scenarios, visioning and normative methods or backcasting. The question asked here depends on the type of potential futures that are under consideration – whether they are possible, plausible, probable or preferable. **3) The output phase** has both tangible and intangible outcomes. Tangible outputs may present the range of options generated during foresight work. Intangible outputs may include changes in thinking and may alter the mental models of the minds involved in strategizing. **4) The last phase of strategy** belongs to decision makers in making decisions and directing action for strategy implementation. (Voros, 2003, 15.)

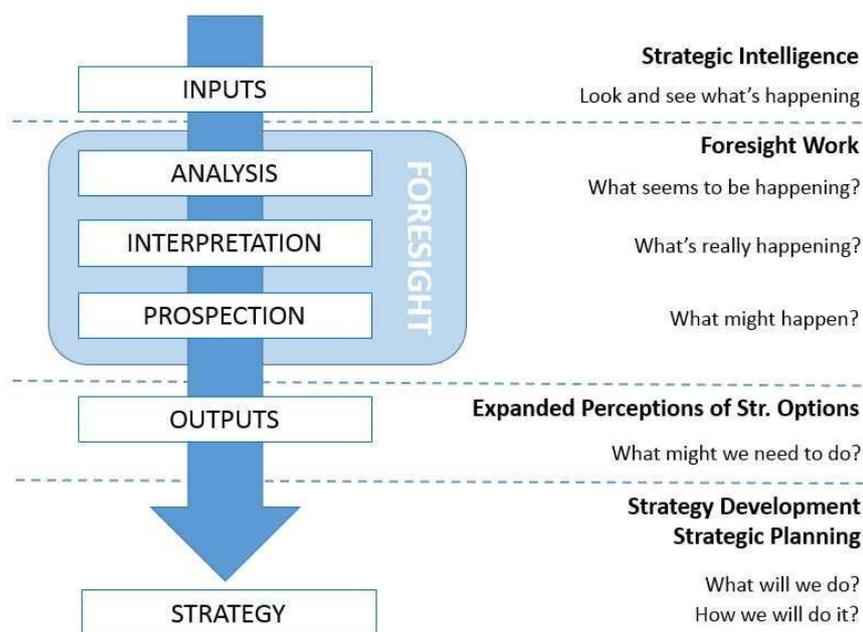


Figure 10. A foresight process. Adapted from Voros (2003, 14).

The framework has proven to be a useful, practical tool for communicating foresight activities for organizational personnel at all levels of the organization. It clarifies the interrelationships and differences of foresight implementation between pre-existing strategy development and strategic planning. (Voros, 2003, 10.)

Strategic foresight, for instance the scenario method, is useful for preparing for possible changes in the environment and planning for responsive actions accordingly (Mannermaa, 1986, 19; Mannermaa, 1999, 17–19; Aaltonen & Wilenius, 2002, 67). This can also be called proactive behavior, which “refers to anticipatory action that employees or managers take to impact themselves and/or their environments” (Grant & Ashford 2008, 4).

Understanding, what the key variables are that affect the future, and what variables can and should be influenced, are important outcomes of the foresight process. Rohrbeck and Schwarz (2013) argue that foresight is the ability to recognize patterns before they emerge and to attune to developments before they become trends.

3.3 Scenario approach and environmental scanning

Scenarios are wide scripts of alternative futures: their value is not related to their probability but the value of insight and meaning attached to them. Scenarios and strategies need to be credible and to have influence, and in order to be scientifically valid. (Mannermaa, 1999, 26-27.)

Godet (1997, 26) defines scenario as an entity formed by a description of the future event and a description of the events, which make it possible to move to the future event from the original event. According to Major et al. (2001, 93) normative scenarios move foresight into the proactive consideration of desired futures. They define scenarios as pictures, like mental representations, of possible future situations. These scenarios are designed to help organizations make decisions in the present (ibid). Mannermaa (1999, 15) sees "linking" between scenarios and decision making problematic, however, as scenarios are made on a long-term basis while decisions take usually place on a short-term basis.

Meristö (2013, 187) sees *strategic management with the scenario method as strategic foresight* – an approach to dialogue and interaction in management, which takes everyone's knowledge and intuition into account together with the top management's vision of the entity. This vision is a guide in action as well as in acquiring the needed knowledge and competence. Meristö's (2013, 183) scenario process has four phases with questions to answer: 1) who and where are we, 2) what are the possible futures, 3) where and how can we go there, and 4) where do we decide to go? The aim of the process is to define the strategic mission and vision and link them to scenarios of possible futures. (Ibid.)

According to Rasmussen (2005, 229–230) *narrative scenarios* are "ideal for involving people in exploring socio-technical system possibilities in complex environments" and scenario building through stories may be an "effective way to integrate imaginations as a systemic part of strategy formation and planning, viewing short-term preoccupations from the perspective of long-term objectives." Rasmussen (ibid.) further argues that "scenarios are flexible means to integrate disparate ideas, thoughts and feelings into holistic images, providing the context and meaning of possible futures".

3.3.1 Weak signals – scanning the external environment

According to Mannermaa (1999, 33) several issues should be paid attention to in foresight projects. Mechanical trend extrapolations are often too simplified and do not take surprises into account. **Instead of old trends, companies should focus on new phenomena, weak signals**, which may offer significant new opportunities. Trends, forecasts and scenarios are imperfect, as we do not yet know future inventions or their influence to the development of society. Scenarios, prognosis and forecasts, plans, decision-making, and human action are continuously interacting. Therefore, **forecasts influence action and action creates the basis for changing the prognosis**. It is important to recognize the values which guide the decisions and evaluations: framing the object, selecting the variables, making alternative defaults and evaluating the desirability of different alternatives. (Ibid.)

Collecting information from the external environment is called “environmental scanning” in Hiltunen’s (2010, 15) dissertation, in which she presents the concept of *organizational futures learning*, which links the identification of weak signals (and emerging issues) to the strategy. Figure 11 shows how strategy and strategic foresight are linked to the scenario approach and, further, to environmental scanning with the identification of weak signals and megatrends. The flow of information about weak signals to the strategy process is illustrated with the arrow. (Ibid.)

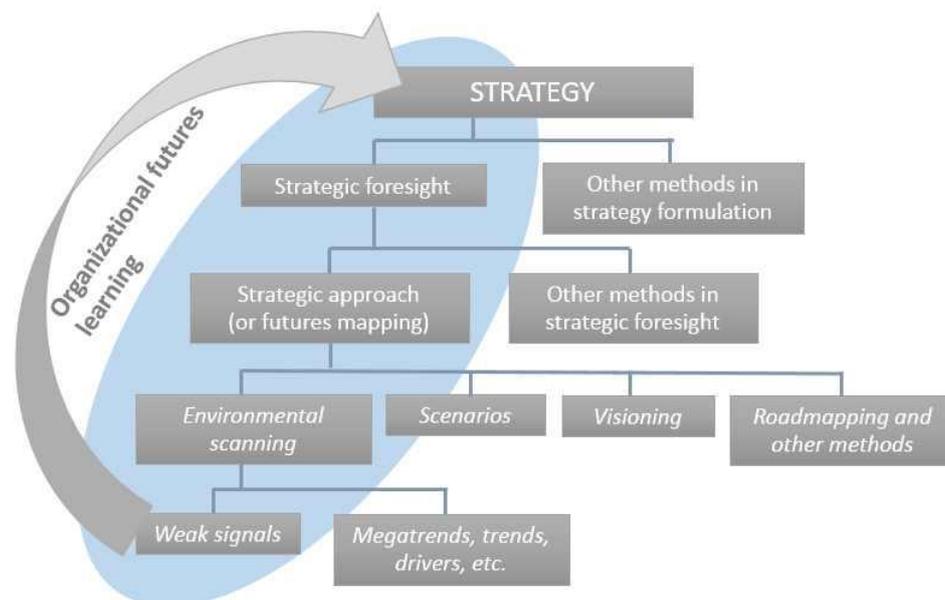


Figure 11. Organizational futures learning. Adapted from Elina Hiltunen (2010, 15).

Cohen and Levinthal (1990) call a firm's capability to "recognize the value of new external information, assimilate it and apply it to commercial ends" as its absorptive capacity, finding it quite similar to the creative capacity of rapid problem solving often referred to as "insight". To be able to evaluate and utilize outside knowledge, the level of prior related knowledge is relevant.

"Future-oriented knowledge concerns expert or/and actor knowledge, beliefs and intuition about the development of the issue and its conjectures" (Bergman, 2005, Ref. Aligica, 2003; Johannessen et al., 1999; Kulkki & Kosonen, 2001; Scharmer, 2001). This self-transcending, future-oriented "not-yet-embodied" knowledge makes it possible to challenge the present organizational level mental models and to better understand the complexities of the emerging internal and external environment (Schoemaker, 1991).

Hiltunen (2010, 104) defines weak signals as *"indicators of possible change"*. Emerging issues instead refer to an event or clusters of events and weak signals are only signals of these events. These clusters of emerging issues are often called **trends**. There are also **strong signals**, which may be evaluated, for example by hits in Google searches (Hiltunen, 2010, 104). She also highlights the importance of the receiver of the signal, or the *"actor, who is a necessity for acting on a change."* They are in the key role of receiving, interpreting and disseminating signals and acting on an emerging issue. Weak signals can be collected with the aid of technology like metadata applications, or encouraging people involved to see things differently, like in Elina Hiltunen's (2010) Futures Window method. Different tools and applications for online communities or a company's internal communities can be useful for tracking lists for personal and organizational use.

3.3.2 Tacit signals – scanning the internal environment

Marko Kesti (2010) has introduced the concept of tacit signals (re: tacit knowledge), which is closely attached to performance management. It can be understood as a complimentary interpretation of weak signals and is therefore mentioned in this thesis. Tacit signals are personal guiding opinions on the development needs, focusing on matters that are important for the success of the organization. The results are presented illustratively by using a visual vector analysis (tacit signal analysis), so that the information can be presented, unambiguously and mathematically, in a valid form. *"The tacit signals are personal feelings and ideas relating to improvement needs arising from emotional and tacit knowledge. They can be related to needs to unlearn harmful defensive mechanisms or needs to reinforce good practices. When the organization is recognizing those beliefs, it*

can improve competences more consistent with the goals of the organization.” (Kesti, 2010, 26; 2012.)

3.3.3 Image of the Future

An image of the future is one of the concepts in creating scenarios used with a futures table (Lauttamäki, 2014). It is a consciously built, still picture of a certain state of possible future. A futures table is built with variables of a subject or a phenomenon that is being examined. In scenarios, the image is created with a defined probable or threatening state at a specific time point in the future. (Rubin, 2004.) According to Bell (1997, 93) and Polak (1973, 13), desirable images of the future are involved in designing social action – they provide the goals and the motivation. Images of the future provide both a vision and the tools for realizing it: a guiding mechanism for **the social action towards the preferred future**. With an image of the future, it is possible to "work back" to specify the actions of development to achieve it (Bell, 1997, 93). This can also be called backcasting.

According to Dator (2007), the images of futures are held by individuals and groups and they are often volatile, changing during life as a result of changing events or perceptions. Bell (1997, 82) refers to the expectations, anticipations, hopes and fears of people when describing the concept of an image of the future. Images of the future are *"among the causes of present behavior, as people either try to adapt to what they see coming or try to act in ways to create the future they want"*. As present behavior affects and shapes the emergent future, *"futurists see images of the future as being among the causes of the future as it becomes the present"*. (Ibid.)

Designing images of the future depends on the awareness of the future and its alternatives. As image of the future allows one to make a conscious, voluntary and responsible choice of alternative futures; therefore, the formation of an image of the future involves an intimate relation with ethics. It should be noted that an image of the future is only partly based on rational or intellectual thinking. The force that drives it is based on the emotional, aesthetic and spiritual side of humans. (Polak, 1973, 13.) As such, it reinforces strategic and individual intent.

However, ideas or images of the future are not alone sufficient to alter the world (Bell, 1997, 93) – or the culture, processes, routines or best practices in a company. *"Their effectiveness depends upon the existence of people both willing to put them into action and capable of doing so"* (Miles, 1978, 82). Senge (1990, 9) also reminds us that *"an*

accurate picture of current reality is just as important as a compelling picture of a desired future.”

Competence foresight in this study is understood as a continuous process of dialogue: interpretation of weak signals and collective sense making that increases understanding of the shared meaning or the purpose of the organization, following the ideas of Horton (1999) and Voros (2003) in foresight processes, as presented earlier. This in turn helps the communication of the desired goal of action, that is, the vision in the preferred, achievable future. Interpreting values and information in the context of an organization’s shared meaning and creating the image of the future affects people’s willingness to put ideas into action. When a willingness to act and competence result in the desired professional behavior, the intent in action can be seen as a form of competent performance. Figure 12 illustrates strategic intent alignment with individual intent in the process of competence foresight.

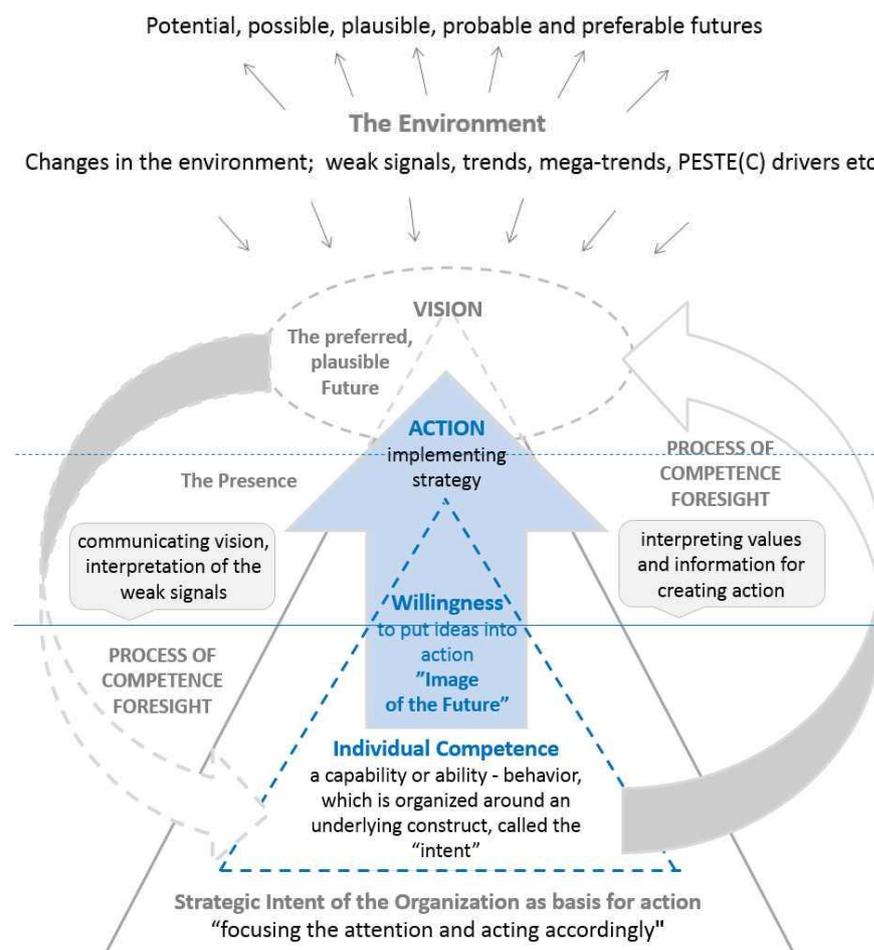


Figure 12. Strategic intent alignment with individual intent in the process of competence foresight.

3.4 Organizational futurist

Bridging the gap between the preferred, desirable future and the present needs active agents of change who are both willing to and capable of taking action. The use of an internal futurist in a company is still rare and has proved to be challenging (Bezold, 2010; Hines & Gold, 2014). Yet, an organizational futurist could act as an internal champion and broker to facilitate the integration process of foresight activities, suggest Hines and Gold (2014). The role would differ from a traditional planning role to be more of a generalist role for raising foresight capacity across the full range of organizational activities (Hines & Gold, 2014).

Bezold (2010) calls mid-level agency personnel in governmental agencies using foresight as “leadership from the middle”. Ideally, foresight is done from the top but other parts of the organization like human resources units of companies also need foresight, argues Bezold (2010). According to Bezold (2010), foresight is done periodically through scenario planning and continuously through environmental scanning like in government activities in the United Kingdom and Singapore. Gold and Hines (2014) consider it problematic that foresight is not done systematically in organizations, even though everyone uses and practices foresight in their daily life. This may be due to the fact that foresight work has been done and written about by professional futurists and the idea of building on-going foresight capability in organizations has gained little attention (ibid; Sarpong & Maclean, 2014, 16). As Sarpong and Maclean (2014, 16–17) admit that strategic foresight as future-oriented action is primarily a managerial function, they argue that foresight as a social practice is situated in and interrelated with organizational members’ “foresightful” everyday actions. Sarpong and Maclean’s (2014) argument is consistent with Fuller and Loogma’s (2009, 78) view that foresight, both as a concept and as a practice is a social construction of knowledge. Knowledge as a creative social process is a powerful explanation for the unpredictability of futures as the future is built on the creation of knowledge, which guides everyday choices. As such, Fuller and Loogma’s (2009) perspective requires that explicit account should be taken of the interaction between knowledge and action, including the values that accompany the interpretation of meaning. Placing emphasis on the everyday practices of organizational members in innovation teams, positioned on the meso-level of organizational hierarchy, Sarpong and Maclean (2014) identified prospective sense making and multi-lateral conversations about future possibilities and the limits in the present in the context of the global software industry. Furthermore, future-related techniques and methodologies were observed in practice as embedded organizing practices giving form to the patterns of foresightful actions. Sarpong and Maclean’s (2014)

concept of strategic foresight is “*a bundle of human actions and practices*” which are to create, evaluate and reconfigure “*sources of potentialities into future resources and productive outcomes*”.

3.4.1 Challenges of foresight

There are several challenges concerning foresight in organizations (Bezold, 2010; Hines & Gold, 2014). According to Hines and Gold (2014), it is difficult to fit foresight findings into existing decision-making processes, which easily causes a gap between foresight and regular organizational processes. This is due to the fact that scenarios are made on a long-term basis while decisions take usually place on a short-term basis (Mannermaa, 1999, 15), as mentioned earlier.

Other challenges include busy schedules, lack of foresight related responsibilities, doubt in efficiency of forecasting for many subjects, lack of support from the finance side of the organization, politically sensitive issues prohibiting the consideration of necessary alternatives, lack of support from leaders and stakeholders, or ideas about the organization having rigid world views and assumptions. A person’s psychological preferences can also shape the attitude toward foresight, for example, a person who prefers to focus on factual details should have scenarios written as specific and concrete images of future states. Creating the first scenario as the most probable future by linking it to today’s facts and current trends might aid such a person to absorb scenarios. (Bezold, 2010, 1515.)

3.4.2 Benefits of foresight

The role of an organizational futurist is compatible with social constructionism; stimulating conversation and creating shared meaning (Hines & Gold, 2014). Foresight allows for clarifying and testing different assumptions, values and ideas; expanding recognition of the organization’s aspirations, visions and uncertainty; as well as stimulating imagination and enhancing organizational learning (Bezold, 2010; Hines & Gold, 2014). As futures are so far away in time, foresight participants can focus on collaboration and understanding different views, as well as developing trust. This may lead to more open innovating and risk taking behavior that allows for the better exploration of possibilities. (Bezold, 2010, 1516–1517.)

3.5 Conclusions

In this study, the HR professional is seen as a potential agent for strategic change in an organization. The role of an organizational futurist, introduced by Hines and Gold (2014), suggests that acting as an internal champion and a broker to facilitate the integration process of foresight activities would assist in bridging the gap between the preferred, desirable future and the present.

By adapting the foresight method of collecting weak signals and other information inputs for foresight (Voros, 2003; Horton, 1999), and attending to strategy conversations, being part of interpreting and analyzing the information of emerging futures with the aid of scenarios, HR professionals would learn to understand the mechanisms, cause and effects behind the business strategy and its objectives. This increased understanding of business needs would help HR professionals to align competence management with business strategy and to identify the required competences to meet the needs of business. Being part of strategy co-creation and communicating it actively to all relevant stakeholders would help in implementing the agreed actions with a clearer understanding of shared mental models and a common vision.

The literature review above has shown how environmental scanning of weak signals is linked to strategy and how strategy is linked to competence management. Moreover, strategy work can be an interface for collective competence foresight in the organization.

4 EMPIRICAL RESEARCH

This chapter explains the research methods applied in the empirical part of the study. First, the research method and the approach selected for this study are presented. Then, the data collection process, description and analysis of the received data are explained. Finally, some views on the reliability and validity of the study are considered.

4.1 Research methodology

The aim of this study is to increase understanding of the link between identifying the required HR competences and competence management alignment with business strategy.

A qualitative research method seeks answers to “why” or “how” questions (Hirsjärvi et al., 2010; Yin, 2014) and an explorative approach aims to describe a phenomenon or to understand certain action (Eskola & Suoranta, 1998). Due to the complex and multi-dimensional, social concept of competence, as well as foresight, a qualitative research method with an exploratory approach is useful for this study. As there is little research in the context of competence management that discusses a foresight process and identification of required competences, an explorative study is justified. One alternative to an exploratory approach is grounded theory, launched by Glaser and Strauss (1967) in their book *“The discovery of grounded theory: Strategies for qualitative research.”* According to Metsämuuronen (2008, 25), a grounded theory method allows the research to start from examining the individual experiences of the interviewees and finding the research question from the data. In order to answer this research question, a theory is to be created. When using a grounded theory method, there is no need to test any earlier theories or scientific hypotheses (Järvinen & Järvinen, 2004, 70; Eskola & Suoranta, 1998, 83).

A grounded theory method means that a theory for the study is designed based on the content of research data, rather than earlier research or earlier theory formulation (Metsämuuronen, 2008, 23). Martikainen and Haverinen (2004, 136–137) have found seven main characteristics for this grounded theory method: 1) Individual experiences and meanings or social process are studied, 2) the objective of the study is to create a theory, 3) the data has been gathered according to the principles of theoretical sampling, 4) the data is analyzed with continuous categorizing, 5) as a result of the study a key category is

defined, 6) after analyzing the data substantive theories are formulated, and 7) a formal theory is developed.

The aim of grounded theory is to analyze the phenomena and make it understandable. In order to ensure the researcher has made correct choices and selected all the relevant issues for the analysis, the researcher's theoretical sensitivity and subjective choices need to be based on professional and personal experience, in addition to the field of literature. (Järvinen & Järvinen, 2004, 70–71.) For example, as a researcher, I have previous experience of examining a community of practice of Executive Assistants and Secretaries, their tasks and competences in versatile job roles in different organizations.

This study started with focus group interviews as part of the COMNET 2 project to examine HR professionals' skills and competences – the gaps between now and in the future. As an Assistant Researcher of the project, participating in the focus group interviews face to face with interviewees and collecting the data for the study was the first contact to the subject of HR professionals' competences and skills, as well as the competence management and development work in evaluating them in the context of a Finnish global company. Therefore, the theory was not first examined in the beginning of the research process but an analysis was made for the COMNET 2 project, which started the examination of the phenomena. After the preliminary analysis of the data, the literature of strategic human resource management and competence management was reviewed for further analysis. During the categorizing of named and coded data, preliminary findings were made regarding the strategy and long-term goals of the company and HR work. As *the link between the goals and competence evaluations in the company seemed not to be clear* to all the participants of the focus group interviews, the idea of linking strategy work and foresight process more closely to HR professionals' work was seen as a relevant approach to increasing the understanding of required competences and their identification. In parallel with analyzing the data further and writing a literature review of the above mentioned key concepts, the theory of competence foresight began to formulate.

4.2 Data collection

In a qualitative approach, methods are chosen that allows the voice and perspectives of examined research participants to be heard. A researcher attempts to reveal unexpected issues, but the researcher does not define what is important. (Hirsjärvi et al., 2010, 165.)

As mentioned earlier, the data for this study was collected through focus group interviews, which differs from normal discussion in a way that it has a clear focus and agenda for which it has been designed. At the core of the focus group interview is the structure for the discussion planned by the researcher. (Koskinen et al., 2005; Stewart et al., 2007.) Typically, a range of opinions about the examined phenomena are collected from people across groups. The data for analysis should be collected from at least three focus groups. This makes focus groups different from other interview methods: at the end of the discussion there is no need to reach a conclusion or consensus of any kind. Neither are recommendations or decisions made or looked after. As a form of a group interview, focus groups presents a more natural set-up than individual interviews – participants are influencing and being influenced by others, like in a real life setting. The researcher's role is versatile: moderator, listener, observer, and analyst with an inductive process in use. (Krueger & Casey, 2000.)

The research design followed the rules of focus group interviews. The focus groups were composed in such a way that participants were similar to each other from the research point of view. This study examines the link between HR competence identification and competence management alignment with business strategy in a case company. Thus, HR professionals from different business areas and different levels of management (HR Partners, HR Managers, HR Vice Presidents, and HR Specialist in Talent Development and People Performance), and with different job roles were purposefully recruited for the focus groups. Homogeneity of the group was targeted by having persons with similar job roles in the same focus group (Krueger & Casey, 2000); see Table 2. This mainly succeeded, but due to the time schedules, some minor adjustments were made. Questions for the focus group interviews were formulated by project researchers for the objectives of the COMNET 2 project. The aim of the case company was to gain more information for the development of competences and skills – the gap between now and in the future. The questions were well evaluated by representatives of the case organization involved in the project and further modified according to their specific needs. For the purposes of the focus group method, open-ended questions were carefully predetermined, phrased and sequenced so that they would be logical for the interviewee and easy to understand (Krueger & Casey, 2000).

One of the main features of qualitative research is that its aim is not to draw statistical generalizations, but instead to understand, interpret and describe the examined phenomena. For this reason, it is important to select persons for interview so that they

would represent the largest possible amount of knowledge and experience regarding the subject of research. The interviewees were carefully selected for this study using so called elite sampling: persons selected for the interview were considered to know the examined phenomena best. (Tuomi & Sarajärvi, 2003.) In this study, all the interviewees work as human resources professionals in the same company, although in different positions and roles, units and countries. Thus, the world of experience of persons having the same employer and the same professional background can be seen as similar. (Eskola & Suoranta, 1998.)

The empirical part of this study for the research project COMNET 2 was made between November 2012 and February 2013. In the year 2012 there were approximately 106 HR professionals in the case organization in four different countries: Finland, Sweden, Estonia and Poland. For the focus group interviews they were divided into four groups based on their job descriptions (see titles describing the job roles in Table 2): 1) HR Partners, 2) Talent Development (TD) and People and Performance (PP) Managers, 3) HR Vice Presidents, and 4) HR Managers. The focus group interviews were organized on November 6, 2012, and all four focus group interviews were held on the same day. Time reserved for each interview was 1.5 hours per group. The first interview started at 10.00, the next at 12.00, the third started at 13.30 and the last at 15.00. A lunch break was provided between 11.30 and 12.00. In the afternoon there was a shortage of time regarding the last question, number 5 (V) "Imagine", and it was decided that interviewees were able to send their thoughts and replies for that question by email. Subsequently, four pages of data were collected by email.

In the beginning of the interview, the participants were introduced to the basics of focus group interviews. Confidentiality was emphasized and anonymity was provided in regards the results of the research. A relaxed atmosphere was achieved with a short introduction discussion, asking participants about their professional backgrounds and the relatedness of their backgrounds to the subject of the study. All participants had been part of the development of competence evaluation process and they openly discussed their roles in the process. The first question was: "*What are the benefits of competence evaluations at the case company?*" The aim was to start with a wide focus and to have participants' thoughts targeted to the subject at hand. Next, more focused questions about competences and skills and their development were asked. A conversational style was emphasized and participants were able to give more information and comment on other participants' answers. Commonly, in this method of interview, the first questions are more

general and in the end of the interview the most useful information is gathered with more focused questions. No consensus is needed, but instead the moderator focuses attention on the feelings, comments, and thought processes of participants as they discuss. The participants are encouraged to reflect on their replies. Asking for examples of their experiences in real life helps to establish a context for more specific questions. “Why” questions are to be avoided as the interviewee might feel confronted or defensive. Participants should be encouraged to speak based on the deeper forces that motivate their behavior, rather than thinking rationally and giving intellectual answers. (Krueger & Casey, 2000.) However, in the focus group interviews of this study, a person was asked to specify his or her answer with a “why” question, after an open-ended question had given freedom for thought and had provided initial information. The last question *“Imagine: What would you do, if you had all the power and resources to forge HR to be the best-performing HR function in the world?”* was specified with two sub-questions: *“What would you do differently in your work?”* and *“What would you do differently at the whole company level?”* The purpose of this question was to gather as many ideas and thoughts of the needed and desired changes as possible. The choice of wording for the questions was made so that participants would give very open and bold suggestions. Presented collectively, the answers built on each other and were tested during the interview, as the situation was made as authentic as possible with real life conversations.

All together 16 persons were interviewed. Eight (8) persons were Finnish, five (5) were Swedish, one (1) was from Estonia, and two (2) persons from Poland. HR professionals represented four (I–IV) different business areas, with one being corporate functions. A summary of the information about the interviews, background information of the interviewed HR professionals and the amount of received data is presented in Table 2 below.

According to Eskola & Suoranta (1998, 62–63), the amount of data depends on the studied subject. There is enough data when new incidents do not give any further information and a saturation point begins to form. A rather compact amount of data is collected for a thorough analysis. The interviewees participating in the research represent a discretionary sample. Even though the purpose of qualitative research is not to make studies that are empirically generalized like in quantitative research, a reasonable and prudent way to collect data can be set as criteria for generalizations. If so, it is reasonable for interviewees to have a relatively similar, or at least prevailing, world of experience. (Eskola & Suoranta, 1998.) All of the interviews were recorded and transliterated. From

the four focus group interviews with 16 persons, the amount of transcribed material equated 69 pages plus four (4) pages received by email, making 73 pages in total. The analysis is based on these recordings and transcripts, as well as on the notes made of special observations during the interview sessions. Observing social interaction gave some further aspects in interpreting the social situation and analyzing the data.

Table 2. Summary of the information about the interviews.

| FOCUS GROUP INTERVIEWEES, November 6, 2012 | | | | | |
|--|----------------------------|-----------------------------|--------------------|-----------------|-----------------------------------|
| INTERVIEWEE | JOB TITLE | BUSINESS AREA (I-IV) | COUNTRY | GROUP | AMOUNT OF TRANSCRIBED DATA |
| 1 | HR Partner | I | Sweden | 1 | |
| 2 | HR Partner | I | Poland | 1 | |
| 3 | HR Partner | II | Finland | 1 | |
| 4 | HR Manager | III | Finland | 1 | 19 |
| 5 | Talent Development Manager | I | Poland | 2 | |
| 6 | Talent Development Manager | III | Sweden | 2 | |
| 7 | People Performance Manager | III | Finland | 2 | |
| 8 | Talent Development Manager | II | Sweden | 2 | |
| 9 | People Performance Manager | I | Finland | 2 | |
| 10 | unknown | IV | Finland | 2 | 16 |
| 11 | Vice President, HR | IV | Finland | 3 | |
| 12 | Vice President, HR | II | Finland | 3 | |
| 13 | Vice President, HR | III | Sweden | 3 | 17 |
| 14 | HR Manager | I | Estonia | 4 | |
| 15 | HR Manager | IV | Finland | 4 | |
| 16 | HR Manager | II | Sweden | 4 | 17 |
| Due to the lack of time in the last interview, some additional material was received by email regarding the last focus group question. | | | | | 4 |
| 16 Persons | 5 Job roles | 4 Business Areas | 4 Countries | 4 Groups | 73 Pages |

4.3 Data analysis

It is possible to conduct the analysis of a qualitative research using either inductive or deductive reasoning. In the process of deduction the direction of the analysis is from generalization to a single unit of data. The process of induction is relevant, when data analysis begins with one unit and moves towards more general arguments. When content analysis is the basis of a study, units of analysis are not predetermined and theory is to be built based on the data. This is characteristic of an inductive approach from detailed single observations toward more general arguments. (Tuomi & Sarajärvi, 2003; Eskola & Suoranta, 1998, 83.)

However, grounded theory based research also has to discuss and be connected with other theories based on earlier research to avoid being separated from the scientific discussion. Content analysis is traditionally used for the qualitative description of a text or related content (Eskola & Suoranta, 1998, 186). It may seem incidental and intuitive, but the researcher is supposed to reflect on the process of the analysis, and estimate the reliability and validity of the study in such a way that the reader is able to understand the choices made during the process.

In the grounded theory approach the four analytical stages are: 1) comparing incidents applicable to each category; 2) integrating categories and their properties; 3) delimiting the theory; and 4) writing the theory (Glaser & Strauss, 1967). Iteration is a feature of the grounded theory approach, and all stages are in operation throughout the analysis and theoretical sampling; that is, the unit of data analysis is selected according to its theoretical relevance for the work of furthering the developing theory (Locke, 2001, 44–57). Analytical operations in the qualitative research process, rather than data gathering, are emphasized.

In the first stage, researchers engage the data. Through the processes of naming, comparing and memoing a set of categories and properties are composed. These categories and properties labeled form the conceptual elements of a researcher's in-process theory. (Locke, 2001, 51.)

In the second stage, categories and their properties are integrated. The researcher's focus shifts to articulating conceptual categories to the point where they can account for both similarity and variation in the exemplifying data incidents. Further, these central incidents are then compared to the drafted conceptual category (i.e. added to a theoretical framework) and arranged in relation to each other. (Locke, 2001, 51.)

The third stage delimits the theory with the aim of settling on the framework's theoretical components and clarifying the story these components have to tell about the studied phenomenon. According to Glaser and Strauss (1967, 110) the comparative process itself delimits theory at the level of framework and the level of theoretical categories: "the theory solidifies in the sense that major modifications become fewer and fewer as the analyst compares the next incidents of a category to its properties". At the same time a conceptual reduction is being made by the analyst as a decision is made to tell a particular kind of story. This decision shapes a set of choices made regarding what to describe in detail and what to ignore. Finally, in the fourth stage, the theory is written based on coded data and written memos, which provide the content and a way to frame the theory. (Locke, 2001, 52–53.)

In this study the iterative process described above was as followed. At first, after careful reading, incidents and categories were identified and coded in each group of questions, for example, "Key competences now?" or "Key competences in the future?" Some similar kinds of incidents were already identified during the interviews. Reading carefully through the data several times, the categories were formed based on the amount of the same type of answers, which were named e.g. "business understanding". These named categories were coded with +++ if mentioned three times or more, and with ++ if there was more than one similar type of answers. For example, "business understanding" and "enabling change" were the most frequently mentioned categories and thus were coded with +++ in the question group of "Key competences in the future?" Then, the set of categories with these same properties were formed; see Table 3.

Table 3. Summary of the coded data in the set of categories related to HR key competences now and in the future.

| KEY COMPETENCES NOW | KEY COMPETENCES IN THE FUTURE |
|--|---|
| <ul style="list-style-type: none"> • business understanding++ • enabling change++ • customer orientation • understanding others • increasing HR understanding (long-run work, competences) • more time with managers | <ul style="list-style-type: none"> • business understanding +++ • enabling change +++ • influencing +++ • build trust ++ • added value, quality (HR is a business partner) • knowing our customer • competence development |

At the second stage of analysis, the set of categories and their properties were integrated and the focus shifted to the articulation of conceptual categories. Central incidents of the set of categories were compared to the drafted conceptual category of the theory and arranged in relation to each other. Table 4 presents collected examples from the text related to the conceptual categories found.

Table 4. Examples from the text related to the conceptual categories found.

| Question | Example from the text | Conceptual categories |
|--|---|---|
| Key HR competences now? | <i>“working with the change (in practice)”</i> | Enabling change; HR as agent |
| Key HR competences now? | <i>“Being able to use information we have in the organization. What is going on? Mandate? Knowledge? HR is doing based on biz needs.”</i> | HR alignment with business, business understanding; enabling change |
| Imagine | <i>“In development projects combine resources from all -- HR including different countries and divisions. Benefits: more resources in peak situations, take into account different needs in different parts of organization, more effecting implementation, increased engagement.”</i> | One HR, no more silos. |
| Key HR competences in the future? | <i>“HR is a partner of business (trust – add value what they do)”</i> | Partners with business; building trust |
| Imagine | <i>“We have the divisions and then we have HR corporate, I don’t think it’s clear who is actually responsible for different processes and who the decision maker is.”</i> | Strategic leadership |
| Imagine | <i>“I would spend far more time with the managers and circulate various MTs more. Same goes for my team, as we now don’t have time to be present in all relevant fora. I would also employ more external project resources to launch certain concepts in an accelerated manner, and improve the major communications channels</i> | Communication, influencing |
| Key HR competences now? | <i>“HR processes are invisible and adolescence, business runs smoothly); To keep basics: HR must work and ensure HR processes are working. This needs skills from HR like knowing processes, tools, etc.”</i> | Process development; developing HR work |
| Main competence development areas in HR? | <i>“Changing is taking too much time, good is enough, HR is sometimes trying to be too perfect and complicated.”</i> | Time frame in projects; focus of development |

Thirdly, the theory was delimited as conceptual reduction was made and the decision of the theoretical framework's components was confirmed. The idea to examine strategy work and foresight process to better link them with HR professionals' work was seen as a relevant approach in order to increase understanding of business, required competences and their identification, as well as enabling change. The theory of competence foresight in the studied context had begun to formulate.

Finally, as the fourth stage of a grounded theory method, the theory is written based on the coded data and findings of the study, when the research questions are answered. Figure 13 illustrates and summarizes these four stages of data analysis and theory construction process applied in this study.

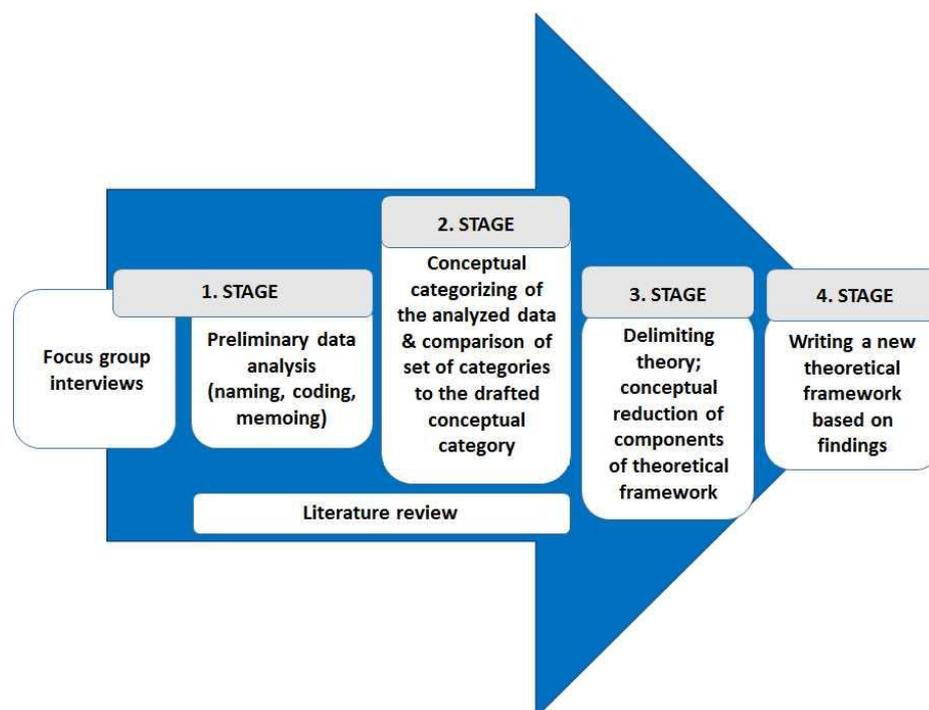


Figure 13. Data analysis and theory construction process applied.

4.4 Reliability and validity of the study

Reliability and validity are essential for research, as otherwise the results of the study are unusable. The research is repeatable and accordingly reliable when the research framework and research questions of the study are disclosed in such a way that analysis is also possible by other researches (Eskola & Suoranta, 1998, 217). In this study, the research method is grounded theory, which has a systematic approach to describing each stage of data analysis and building on each stage logically. These stages were carefully described and illustrated in Chapter 4.3.

Internal validity refers to the harmony between theoretical and conceptual definition. There has to be a logical relation with theoretical starting points, and the attributes of conceptual and methodological solutions. External validity refers to the quality of the relationship between interpretations and conclusions, and the documentation of that relationship. The research is considered valid when its theory, concept, or the model (i.e. observation) is accurately describing the reality. (Eskola & Suoranta, 1998, 214.)

A well-designed theory based on grounded theory has criteria with four essentialities: compatibility, understanding, generality and control. The theory should be credible within the reality of daily life and compatible with the context of the study, if it is carefully grounded in diverse, analyzed data. Thus, the theory should be logical and support professionals' understanding in their field. The theory should also be abstract and include enough variety to be appropriate for contexts of similar phenomena. And yet, the theory should offer a possibility to control the phenomena in question. (Järvinen & Järvinen, 2004, 70.) Locke (2001, 59) concludes that when a researcher is convinced that the analytic framework forms a systematic substantive theory, it is a reasonably accurate statement of the matters studied. When evaluating the composed theory, it should be *pragmatically useful* and to *have credibility* (ibid). Glaser and Strauss (1967) affirm that the value of developed theory lies in practicality – how it guides action and provides control in the situations likely to be encountered. Therefore, a relevant study is not only one of academic interest but evokes the attention of people in everyday situations in the practice setting and allows them to manage their work (Locke, 2001, 59).

In this study, special attention has been focused on practical issues of HR work, understanding strategic issues of business and the future environment of business. As a result, the findings of the study and the studied literature support HR and give plenty of information for developing HR work. The theory designed is credible and compatible with the reality of daily life in the context of HR work with competence evaluations in case organization, due to the direct relationship to the findings of the study but also to HR work in general. There are no barriers to the use of the theoretical framework in any other company as it includes enough variety to be appropriate for contexts of similar phenomena. The theory is also abstract enough due to the multidimensional key concepts in the study. In addition, a careful description of the data analysis, illustrations, and thorough analysis with four stages resulting in the new theoretical framework should give enough possibility to understand and control the competence foresight phenomena examined.

5 FINDINGS

This chapter briefly presents the case organization and the findings of the empiric research following the questions of the focus group interviews. The described findings are analyzed with the methods that were defined in Chapter 4.

5.1 Case organization

The empirical part of the study was carried out with a case organization participating in the COMNET project. The case organization is a Finnish, global company, which operates in more than 10 countries, focused in the Nordic countries, the Baltic countries, Poland, and Russia. The company employed over 8,000 people worldwide in December 31, 2014.

Strategic priorities and key activities for the performance and growth in HR Plan 2012–2014 of the case organization were defined as follows:

- Develop company's leadership and culture
- Boost performance through global processes
- Align competence management with business strategy
- Make case organization the employer of choice

Competence management is to be aligned with business strategy by 1) implementing career development framework: define, develop and secure strategically important competencies, and 2) ensuring strategic resource planning.

Next the findings of the analyzed focus group interviews are presented. Preliminary coded data was arranged in a set of categories that are described following the four main questions of the focus group interviews: 1) Benefits of competence evaluations, 2) Key HR competences now and in the future, 3) Key HR skills now and in the future, and 4) Imagine if you had all the power and resources. Finally, a summary of the eight conceptual categories found are presented. As a result of delimiting the theory, two key conceptual categories are identified.

5.1 What are the benefits of competence evaluations at the case company?

A new tool that was developed for supporting competence evaluations in the case company was thought to be useful. The interviewees estimated that it is not difficult as a system but gives a good structure, frame and content for the discussion of competences and personal development plan discussions (PDP) and also for competence development.

Both superiors and employees thought it was easier to discuss personal development activities of the employee with the aid of the tool and prepare for these development plan discussions in advance. The transcribed interview data and its analysis show that the most important factor of the tool was to make behaviors related to role visible; for example, to reveal behavior that the participants wanted to be developed in the company.

“Normally, in development discussions you don’t so easily talk about behaviors, you easily tend to speak about the skills and tools and systems and knowledge which you need in your work...”

“The tool gives new perspectives into the competences, it’s not what you do but also how you do it.”

An important benefit of the competence evaluations mentioned was that the tool gave an easier way to compare and to see the competence gap. Transparency of the whole career structure, the required competences in different roles and transparency of expected behaviors was thought beneficial for development: both for the individual and the company. However, the competence evaluation discussion itself was considered more important than agreeing on the target level of competence related to the behavior in the system. The participants felt that the use of the evaluation tool helped them focus on the important issues in discussions. This in turn would force discussion about any competence gaps found.

“It’s good to have some kind of scale there...it doesn’t really matter is it three or four...indicating these behaviors so I think, it’s a good starting point to the discussion.”

Both managers and employees were better able to prepare for development plan discussions as the tool provided a common framework for comparing and evaluating competences. The competence evaluation tool was found helpful to highlight and to reveal employees’ expectations, as well as to address to the expectations in a sensitive way.

“We also can see where are the kind of weak spots, where we need to kind of develop a bit more. So that kind of gives a wholeness. And I think also, thoroughly I think this is easier for sensitive issues.”

The system was also said to help employees evaluate their competences and skills against the outside world, not only within the company. Having a good overview of the whole division was seen as a benefit. Clearly defined competences were considered

important for recruitment purposes and for supporting internal mobility. Moreover, strengths and weaknesses were easier to explore after being provided with the whole picture of competences. Thus, identification of future potential and new prospects was also possible. Some thought that the clarity of the system was even a bigger benefit than precise definitions of the competences. It was considered tangible with the possibility to set individual targets.

The interviewees also discussed that competence evaluations made competence-based development more efficient when utilized in a practical way. Development targets were seen as easy to drive, as it was possible to see the results in the system. The link to performance development and coaching would ensure that everybody knows and has capabilities to achieve the objectives set for them. Competence framework was said to provide focus on what was important. Nonetheless, some hesitations about the visibility of the bigger aim behind the process were expressed.

“Be then the competitive player in the market place in years as well and that’s kind of a bigger aim behind the whole process but it’s not very visible actually.”

Some challenges were also mentioned. Selected and defined development activities were not necessary seen as resulting in concrete development compared to the business needs. Clear steps for getting the required competences to the next level were missing. It was also seen as questionable, whether utilizing the tool would bring all the benefits to life, or if the identification of the gaps should result in concrete development compared to business needs. The timespan for the results was long; they were expected to be seen in 2–3 years’ time. Also, the question of a changing business environment causing changes in requirements for competences was pondered.

“...sometimes I feel that, or actually the competences are reflecting what is happening in our business environment and the competence framework is also like a living document, so I believe that if we are comparing after 5 years the competences what are needed and the document what we have today, it has been also changed.”

Furthermore, the language was seen difficult. Terms and explanations, including the competence level descriptions and examples of behaviors were in English. The terminology of competences and skills was felt complicated by HR professionals, so it was considered very challenging language for employees in certain job roles without advanced English skills.

To conclude, benefits of competence evaluations were clearly agreed with interviewees. Challenges of competence evaluations were seen, especially with a realization of results. The time span was many years, and the bigger aim behind the whole competence development process was not seen as very visible. The tables below summarize the benefits (Table 5) and challenges (Table 6) of competence evaluations.

Table 5. Summary of the benefits of competence evaluations.

| BENEFITS OF COMPETENCE EVALUATIONS |
|---|
| <ul style="list-style-type: none"> • reveals behavior that is wanted to be developed in the company and fosters development with profound competencies (what and how do you do); behaviors related to role+++ • easier to compare and to see competence gap++ • gives good structure for the discussions++ • highlighting and revealing expectations of employees ++ • good overview of the whole division, strengths and weaknesses, whole picture ++ |
| <ul style="list-style-type: none"> • identification of future potential; new prospects • helps manager and employee to bring out new prospects |
| <ul style="list-style-type: none"> • utilized in a practical way (more tangible, set target by themselves) • having defined criteria to performance measurement, how to behave, competences are in the role they have, links to coaching and career development, reach the objects • competence-based development; leadership competence; competence framework – focus – what is important • easy to drive the development targets, results can be seen in the system; end product is development plan |
| <ul style="list-style-type: none"> • corporate: competence gaps, offer help, lacking some competence? |
| <ul style="list-style-type: none"> • manager: quality of PDP; evaluations made before PDP; enables to prepare yourself for the PDP |
| <ul style="list-style-type: none"> • individual: skills more concrete and beneficial for individual; what and how; highlighting expectations, employee understanding; behaviors related to role; competences needed |

Table 6. Summary of the main challenges of competence evaluations.

| MAIN CHALLENGES OF COMPETENCE EVALUATIONS |
|---|
| <ul style="list-style-type: none"> • utilizing the tool – are the benefits coming alive? Results are not yet seen but in 2-3 years? ++ (competences are reflecting what is happening now in recruitment, benchmarking, development discussions, linking to compensation, increasing transparency – linked to everything in HR) • difficult language ++ • shall gaps result concrete development compared to business needs? ++ • targets, where are we aiming at? • danger: “thick-in-box” tool (for managers) |

5.2 Key HR competences

Two viewpoints to HR were found; firstly, HR was seen as a supporting function, and secondly as a business partner, proactive developer and partner of the management team. Basic HR work was emphasized especially with the efficient and effective HR processes, which interviewees described as invisible and undetectable, for a business to run smoothly. To be able to act on enabling change, for example, was seen as dependent on the role of HR: what is the role description and the attitude of HR? It was seen problematic that HR was missing mandate from the business, which was pushing HR into a role of reactive process and tool experts. It was wondered whether HR’s mission was not clearly communicated to business. Also, courage to deal with people issues in business was seen as important.

“That is the problem, we can create whatever issues but if the business doesn’t start working and taking us as a partner and really understand what is the usage of these issues, it doesn’t bring any added value.”

Enabling change and business understanding were the most important and often mentioned competences, certainly now but even more so in the future. For increasing business understanding, more time spent with managers and working in the management teams was seen as necessary. Dialogue with business about near and future challenges for business was required for being prepared to support business and to work in the environment of changes.

“Yes we have to understand the business, but really what does it mean to understand the business? To me, it means that we too understand the business logic, what are really the things outside the company, where does company struggle and on what?”

Enabling change was seen as a necessity, with HR being in a main role in supporting change. It was discussed that it needs both leaders and change agents to bring strategy alive, to meet the business targets and to have the alignment with business. Working close to the management and being able to make decisions, as well as advising managers on “the way to do things” was seen as a change competence. Being in the management team and having the same information was seen necessary for HR acting as business partners together with managers.

“To work with enabling the change, you need to feel that you can have, you are allowed to and you can see, to see the patterns of thinking... then you need to have a helicopter view on new things and you need to go to down and say ok this is how I see it is important and I think very rarely our HR partners see themselves like that in their management teams.

Influencing and building trust were also raised among the most important future competences expressed by interviewees. In order to have the mandate from business, to add value to their work and to work together with them as partners, **building trust** was seen as necessary. This was seen at the top of the technical skills needed in HR work. Networking and the ability to view the big picture and give pragmatic advice were also seen as important aspects. **Influencing** was seen an important competence to build culture to accept changes and also to explain investments in HR processes to managers – why all tools were needed for change and behaviors.

“...proactively also analyze the organization and, and suggest changes. However, being that kind of a change agent or business partner, it requires also that there is this trust.”

As a conclusion, the analyzed data introduced above shows four key HR competences for the future: 1) business understanding, 2) enabling change (these two competences were seen as most important competences now), 3) influencing, and 4) building trust. There was a clear vision of moving from supportive role into partnership role with business for understanding it better and enabling change. The need to see the whole, bigger picture, or

a “helicopter view”, was also expressed several times. **Table 7** below summarizes these with other valued competences.

Table 7. Summary of the key HR competences now and in the future.

| KEY HR COMPETENCES NOW | KEY HR COMPETENCES IN THE FUTURE |
|--|---|
| <ul style="list-style-type: none"> • business understanding++ • enabling change++ • customer orientation • understanding others • increasing HR understanding (long-run work, competences) • more time with managers | <ul style="list-style-type: none"> • business understanding +++ • enabling change +++ • influencing +++ • build trust ++ • added value, quality (HR is a business partner) • knowing our customer • competence development |

5.2.1 Main competence development areas

While talking about change and the needed role for HR, what the added value of HR work is for managers was also questioned. The need to communicate HR’s mission clearly was seen as essential for increasing cooperation and collaboration with business. HR was making simple message too intricate. Instead, the main message should be translated to leaders’ language. Also, being too theoretical sometimes was seen as a problem. Communicating opportunities, being more proactive and the need to make the change together with business were seen as important competences to develop.

“We could be better in developing our way how to sort of inform about the people processes to be more of storytelling and explaining...”

The analysis revealed a criticism of HR trying to be too perfect and complicated, resulting in change taking too much time. Awareness of added value and quality of HR work was seen as critical – a “good enough” mentality was encouraged. Project leading, management and understanding were terms used. Coming out from the HR silos was also seen as necessary.

Organizational development and lean concept were also mentioned in discussion of a more proactive role. Collaboration in the corporation, as a way of working together, was suggested more than IT tools and ownership of collaborative processes as an HR

scenario. Competence development was also seen as an important way to develop as a community, not only as an individual. Change management was mentioned as one of the competence development areas. The issue of the direction of change was also raised in discussion.

“There need to be discussion about development...how we feel about it and how we believe in it and you know, those kind of issues, the division and learning platform and, where do we need to go now?”

Furthermore, competences like understanding others, understanding differences and also understanding the importance of diversity in a multicultural environment were discussed.

To summarize the main development areas (see also Table 8), the analysis showed requirements for clarifying the role of HR. Developing change management was seen to be important, as enabling change was also critical in the future. Business understanding was naturally mentioned as a development area, and project management was also seen as essential.

5.2.2 Securing HR competences

Basic job was considered as one of the main ways to secure competences. Dialogue about competences was seen as necessary in order to secure them. A common view was missing of the required HR competences that would be based on timely dialogue with business. Job rotation, for example in business position, and movements within different roles were also seen as important: people would learn HR tasks from different angles, increase their understanding, deepen their competence, and way of working. This would also reduce silo thinking – it was considered that HR should not be working in silos but together. The use of the HR Performance Survey was also seen to be important.

The interviewees thought that external consultancy was used a lot and that there was an opportunity to learn from them. Increasing the use of internal knowledge was seen as important, but outsourcing core competences was not considered to be wise. Learning through teaching and developing internal consultancy, like skills-related programs, were mentioned as possible future actions. Practical suggestions were given for sharing knowledge and experience, including using a communication platform, increasing the use of 360 tools, or creating a competence bank and a solutions library with e-learning and quick links to share.

“...supporting 360 function we should think how can we use those competencies that we have already defined for better corporation...”

Understanding the business was seen as necessary in order to have a deeper involvement with business even in the early planning phase. In this way, HR would have time to analyze and support them, coach business and get more information that would be useful for finding the best solution. It was argued that HR was now only involved in a later decision phase. However, understanding business was not seen only as a competence but a required attitude, personality type or culture.

“So it's a little bit about your willingness and the aspiration of doing something different.”

HR was also seen to be a bit homogeneous, as they all have HR backgrounds. Recruitment of people from business was offered as one solution. Table 8 summarizes the findings of the main competence development areas and ways to secure required HR competences.

Table 8. Summary of the main competence development areas and the ways to secure required HR competences.

| MAIN DEVELOPMENT AREAS IN HR COMPETENCES | HOW TO SECURE REQUIRED HR COMPETENCES |
|--|--|
| <ul style="list-style-type: none"> • generalists vs. specialists++ • change management++ • project management++ • biz understanding++ • being proactive++ • process development (explain people processes – advantages) • understanding different cultural backgrounds • organizational development | <ul style="list-style-type: none"> • do basic job around gaps and competences ++ • not working in silos but all together ++ • HR Performance Survey++ • job rotation ++ • benchmark more with other companies / external consultant |

5.3 Key HR skills

First of all, it was mentioned that it is quite difficult to explain the difference between skills and competences. Skills were said to be required depending on what an HR person was doing in her or his role. Competences were thought to provide a long-term direction.

“The skills area is where we need to change fast or change the direction fast...”

The direction of the HR role was considered to be moving toward more consultative behaviour and moving away from a supportive role to a partner role. It was discussed that being a trusted consult is different from providing a service, and it was suggested that HR could have a more coaching approach and attitude. This would require more internal trainers. All current HR skills listed in the system were seen as very important for HR partners in a generalist role. However, it was also said that if the HR community was to develop, then they would also need other skill sets. Also, the skill of being both a generalist and a specialist and having a total view of "HR umbrella" was raised.

Facilitation was considered an important skill by many interviewees. Facilitation could connect the management team more closely with HR, if used actively, advancing the benefits of HR competences becoming visible. IT system knowledge and “taking out reports” were mentioned often, as well as labour legislation related to local needs and rules, which was discussed in several groups. Supporting personal wellbeing and understanding multicultural working and diversity were also mentioned as part of organizational development. Performance management was seen as important both for the company and individual.

For continuous improvement, analyzing and looking at the organization structure to search for early indications of some problems in the organization was also seen necessary, as well as communication skills – how to convey messages both orally and literally. Table 9 summarizes the above-presented findings of key skills.

Table 9. Summary of the key HR skills now and in the future.

| KEY SKILLS NOW AND IN THE FUTURE |
|---|
| <ul style="list-style-type: none"> • facilitation+++ • labor law ++ basics right (local needs and rules) • IT skills ++ use systems and reports • coaching approach and attitude • consulting skills • co-producing, partnering, communication skills • being generalist AND specialist |

5.3.1 Main skills development areas

Developing skills was thought to be more technical and easier to acquire through verification, for example from courses. Competence was seen more as utilizing knowledge and succeeding in work.

Increasing the skill level of HR tools, IT systems and Data Management was seen to be critical. In particular, not only better using tools but also taking a deeper look into the system was encouraged. This was seen as connected to the HR business partner role, in order to be able to utilize the system and to be strategist leaders making important decisions about future. For example, utilizing employee data for competence development. Having an individual scope and challenging leaders to have good goals for the employees resulting from the strategic goals was seen important area to focus on with performance management in the future. Working with the goals was seen as detached from HR work, partly because the goals are not own by HR.

“...challenging managers and ask them if these individual goals really let us achieve the strategy?”

It was also suggested that sharing knowledge across divisions in small workshops could be done more systematically with internal trainers. Having an HR congress or a community site with information about who knows what and whom to call could have advantages. Also, having a mindset of asking a colleague from another division to visit for short project information purposes, or “inviting externals into projects”, was discussed. However, it was realized that even though HR had knowledge, competences, skills and

tools, it would be a totally different mission to use that knowledge rather than transfer the knowledge – to teach and learn from others. This was seen a major development area.

5.3.2 Securing HR skills

It was considered very important to be a part of other HR networks and not work solely in one's own silo; that is, to be a little more open-minded and to look around to see what is happening. Instead of making HR too complicated and big to handle with technical definitions, workshops and numerous presentation slides explaining things.

As a conclusion, a big challenge in developing and securing competences and skills was seen in the changing role of HR, from supporting to partnering business. Due to many operational tasks, timetables and strict rules relating to a specific HR role, it was seen difficult to challenge the way of working. Table 10 below summarizes findings of developing and securing HR skills.

Table 10. Summary of the main development areas and the ways to secure required HR skills.

| MAIN DEVELOPMENT AREAS IN HR SKILLS | HOW TO SECURE REQUIRED HR SKILLS |
|---|---|
| <ul style="list-style-type: none"> • HR Tools, IT Systems and Data Management ++ • Performance Management • working with the goals (individual, strategic) • shared knowledge, community site • HR Congress | <ul style="list-style-type: none"> • HR leadership, management skills • DPD reporting and other knowledge exchange • dialogue with biz and line managers • HR Survey result, tools are working fine • development plan for yourself in HR • competences and skills: how you utilize your knowledge • not working in silos, now in too small boxes • no need for all tools and other complicated workshops |

5.4 IMAGINE

The question “imagine” gave the interviewees the possibility to think about their work and developing HR without limits. It was remarkable that this question revealed issues that were significant to the interviewees on an emotional level, HR professionals pointed out problems and development areas that were not clearly mentioned earlier in the focus group interview. Interviewees were asked to reply to two questions; *what would you do differently 1) in your work and 2) at the whole company level?* As the findings below show, however, the main question “*what would you do, if you had all the power and resources to forge HR to be the best-performing HR function in the world?*” was the most frequently answered of these questions, and the replies between the sub-questions were mixed.

5.4.1 Developing own work

It was emphasized that HR should be developed toward business; for example from an HR Partner role to HR Business Partner whose main focus would be to implement and work with strategic processes and be a close partner with the business *to identify business needs*. Suggestions were also presented *for separating operational and strategic HR*, which have different KPIs and different core competences, and developing HR to be competitive when compared to outsourcing alternatives. Moreover, it was suggested that leading projects should be concentrated with only a few development projects, and more external project resources could be employed to launch certain concepts in an accelerated manner. More guidance and support from the manager was needed for HR to be able concentrate on the prioritization of value-adding tasks.

Also, working more in facilitating management teams and developing teams integrated with divisions was seen to be important. Ensuring that all HR professionals had a training package at each level to increase their skills and mindset was a further proposal. More job rotation between divisions as well as between divisions and corporate was needed. Actively proposing opportunities for job rotation within HR was seen as a way to increase knowledge transfer. It was suggested that developing and implementing a performance appraisal system would force the managers to give better feedback. In addition to job rotation, co-development of HR competences with other companies, including “*traineeships*” and swaps, was also recommended.

“Copy-pasting from different companies will not work, as HR must evolve in sync with the organization.”

More specific operational developments were also highlighted: having recruitment insourced (Staffing Partners), having experts working with rehabilitation and misconduct (ER-Partners), More specific operational developments were also brought out: having recruitment insourced (Staffing Partners), having experts working with rehabilitation and misconduct (ER-Partners), and developing more detailed processes (Labor Law). On the other hand, a common HRIT system was suggested for every single country and employee. There was also a wish to harmonize the IT platform and to develop the manager's self-service to become more user friendly.

5.4.2 Developing HR at company level

Several interviewees mentioned that a strong vision for the company as well as for HR was missing. An annual HR conference was said to be good, but other communication was needed, in the form of a blog, for example. Communication of the vision and situation of the company and HR was required. The difficulty for HR to see the next step was causing more work for employee branding.

"... when I look at my objectives ... I do not feel like I'm really contributing to the overall company level vision."

"...on the other hand I do not know very well how we're doing, what is he [director / manager] doing, what is the old role of discussions and so on. I would like to see something that: hey come on now, let's do it together, like being one community..."

A siloed way of working was confirmed as a weakness. It was considered that HR should be a community, one HR, to avoid overlapping work. Merging the People and Performance with Talent Development areas was again recommended.

"We have the divisions and then we have HR corporate, I don't think it's clear who is actually responsible for different processes and who is the decision maker. Sometimes I feel it's us, in the divisions and so on."

Driving the HR community to be connected with business and changing the mindset to be more proactive with a coaching approach was repeatedly introduced as a development area.

"I would be the HR Director and make sure I was aligned with the business and preach our target and mission repeatedly."

It was also said that unifying processes, to standardize every country, took too much time and the original aim of the process was forgotten along the way. It was suggested that a general framework for global processes would give a target to aim right from the beginning and save time. Later on, a unified and detailed policy could be given for every country. Also, the level of perfection in processes that had once been important was considered quite high and a “stop-doing list” was suggested as a solution. Selecting the most important development areas and only working with them, one at the time, and having a clear time schedule for the others was another solution given. An HR Centre model was also suggested: after having streamlined the processes it could be considered which parts of the processes could be centralized in one place to work more cost efficiently.

Combining resources from all HR, including different countries and divisions for development projects, was said to benefit more resources in peak situations, taking into account different needs in different parts of the organization, more effective implementation, and increased engagement. As a conclusion, Table 11 sums up the key findings for the question “Imagine”.

Table 11. Summary of the findings for the question “IMAGINE”.

| IMAGINE: what would you do, if you had all the power and resources |
|--|
| <ul style="list-style-type: none"> • strong vision (company, HR) – contributing to all company levels, to see the next step ++ • working very siloed (HR's and company's weakness), avoid overlapping work, applying same knowledge – we must be a community! One company, one HR. ++ • carefully merge the PP and TD area ++ • Who is the decision-maker? Could be done more clear way / who is actually responsible for different processes (divisions, HR corporate) ++ • select the most important few development areas / more prioritization needed, concentrating in value-adding tasks ++ |

5.5 Summary of findings

This chapter summarizes the findings for the discussion, which follows in the next chapter.

The set of categories described above were arranged in conceptual categories; see Table 12. As a result of the conceptual reduction of the components of the theory, those conceptual categories were delimited into two key categories including four other important conceptual categories.

Table 12. Conceptual categories with two key categories.

| CONCEPTUAL CATEGORIES | KEY CATEGORIES |
|--|---|
| Strategic leadership; clear vision and mission | Business understanding; HR alignment with business |
| Partners with business; building trust | |
| One HR, no more silos; HR community | Enabling change; HR as a change agent |
| Communication, influencing | |
| Process development; developing HR work | |
| Time frame in projects; focus of development | |

Thus, two main components of theoretical framework were confirmed:

- 1) *Business understanding and HR alignment with business*
- 2) *Enabling change: HR as a change agent.*

These two key findings of the study further directed the literature review and construction of the new theoretical framework. In the next chapter, the answer to the research question is given and these key findings are further discussed.

6 CONCLUSIONS

In this final chapter, the research question is answered with a ready built new theoretical framework. As a result, the holistic model for competence foresight is suggested. After the key findings of the empirical study are integrated with the theoretical framework and reviewed literature, theoretical and managerial contributions are illuminated. Finally, the limitations of the study are reviewed and suggestions for future research are given.

6.1 The holistic model for competence foresight

The aim of the study was to increase understanding of the link between identifying the required HR competences and competence management alignment with business strategy. Having this aim in mind, the literature of competence management and competence-based strategic management in the context of HR professionals' work, and competences both on individual and organizational level, was first reviewed. In order to increase the understanding of strategy and identification of the external future needs for HR work, earlier research of foresight and building scenarios for alternative futures was reviewed. Interfaces of competence management with strategy and strategy with foresight were built. Grounded theory method was applied in this study and the research question was formulated based on the preliminary findings of data analysis.

The research question of this study was: ***How is the identification of required HR competences linked to competence management alignment with business strategy?***

The research question is answered by suggesting a ***holistic model for competence foresight*** that synthesizes the results of the data analysis with the insights of the literature review. Then, this new theoretical framework is integrated with the key findings and reviewed literature in order to complement the answer to the research question.

The holistic model for competence foresight is formulated in order to introduce HR professionals as strategic agents in the role of organizational futurist at the heart of the company: facilitating competence foresight and competence management on individual as well as on organizational level, resulting in an agile organization with sensitive sensors and adaptive actions for enabling change. This new theoretical framework is presented next.

The key elements of the competence management framework (see Figure 4) by Viitala (2005, 15) are used as a basis to visualize a proactive approach to competence foresight. The competence foresight process: *continuous scanning of weak signals and interpreting them for identifying required competences and creating scenarios with strategy conversations*, is added to Viitala's framework, following the ideas presented in foresight processes of Horton (1999) and Voros (2003) earlier. "Key business processes" have also been explicitly presented as organized ways of action in continuous dialogue with competence management and foresight in the firm. The strategic intent alignment with individual intent in the process of competence foresight (see Figure 12) forms the basis for the actions in the holistic model for competence foresight. As a result, Figure 14 illustrates a *holistic model for competence foresight*, which introduces HR as an agent for competence foresight with proactive approach and as such, a strategic agent for change. The competence foresight process is an integrative element for linking the anticipation of the future business environment and identification of required competences with competence evaluations.

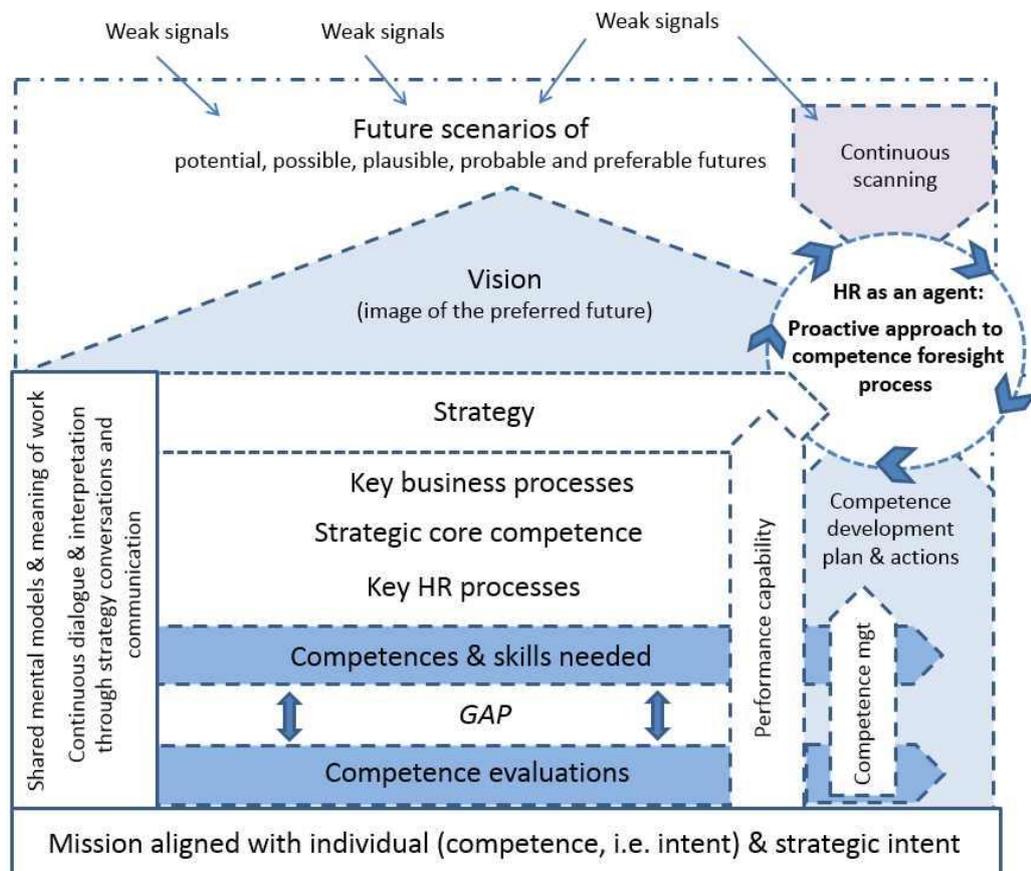


Figure 14. The holistic model for competence foresight. Modified and extended from Viitala's (2005, 15) key elements of competence management framework.

6.2 Integration of the key findings

Next, the new theoretical framework is integrated with the key findings and the reviewed literature in order to complement the answer to the research question.

Two major competences were considered to be the most needed now, and even more in the future, by the interviewed HR professionals: 1) business understanding and 2) enabling change. These are the key findings of the study summarized in Chapter 5.5.

As mentioned in the HR strategy of the case organization, competence management alignment with business was a strategic goal. To reach this goal, more business understanding was required, which was confirmed with the findings of the interviews. As part of the problem, the findings showed that the vision, the long-term goals and the big picture of the company, as well as the mission of HR work, were largely missing. The HR mission was not clearly communicated and it was also unclear who was a HR decision-maker. A connection with competence evaluation efforts and the overall vision of the company was not seen. Instead, interviewees wondered how the competence evaluations would contribute to all company levels. These results are in line with the results of the HENRY survey that indicated a gap in connecting strategy to personnel development work and competence management (Hihnala & Lähdeniemi, 2013).

To summarize, these dominating findings can be considered as signs of a missing strategic leadership relating to the lack of clear vision and mission. According to the reviewed literature, professional competence is related to effective performance, and the strategic human resource management (SHRM) focuses on the performance capability of the organization (Wright & Boswell, 2002; Becker & Huselid, 2006, 899; Boxall & Purcell, 2011), as well as the longer-term strategic needs of the organization in terms of its people (Truss et al., 2012, 87). Thereby, the most important HR competences, like strategic capability (CPID, 2014; Ulrich, 2012; Becker, Huselid & Ulrich, 2001; Swanson & Holton, 2001) with business understanding (Ulrich et al., 2012; Viitala, 2005) confirmed by other researchers and by the interviewees in this study, are critical for HR professionals and the performance capability of the organization. As competence management provides the main practical tools (Hyrkäs, 2009) for achieving the goals of SHRM, the development of transparent competence management process towards business understanding and connection with strategy is very relevant for the case organization.

Transparency and trust (SEFE, 2014; Institute for the Future, 2015) were emphasized requirements for (competence) management in the future. This is consistent with the

findings: being partners with business and building trust with managers instead of being only a supporting function were seen as necessary. Having a dialogue with, and speaking the same language as, business would help business understanding and enable quicker action. Thus, it was also seen to be problematic that HR was missing mandate from the business, and being pushed into a role of reactive process and tool experts. The role of a proactive developer and partner of the management team was seen as important for understanding the challenges of the future in changing environment: “...*what are really the things outside the company, where does the company struggle and on what?*”

The reviewed literature included strategy work that was introduced as an interface for foresight in order to increase the understanding of the future. Detecting weak signals as part of the strategy process was called an organizational futures learning perspective (Hiltunen, 2010), which increases business understanding and sense making of the future. The strategy generated in real time to proactively create and anticipate opportunities was introduced as a positive strategy approach (Stavros & Wooten, 2012).

It can be noticed that there were no findings relating to the term ‘talent management’. This may be due to the terms used in the company. Nevertheless, the views about identifying competence and the ability to develop competence are part of talent management discussion. As highlighted in the literature review, a strategic activist role with insights (like an organizational futurist) is required for HR competence, as well as talent and performance management. In the future, the creation of inspiring goals and values for the organization, building of shared meanings with dialogue and trust, and motivating for innovative co-creation are required (HR as a change agent).

Enabling change was another major competence needed both now and in the future. HR was seen to have a main role in supporting change, as a change agent, even though it was discussed that both leaders and change agents are needed to bring strategy to life. The competences related to enabling change were working close to the management and being able to make decisions, as well as advising managers on “*the way to do things*”. An ability “*to see the patterns of thinking*” was mentioned as necessary when working in management teams. Also, influencing and communication was raised among the important future competences expressed by interviewees. It was considered that HR makes simple message too complicated. In order to have one community and one HR without silos, more communication and clearer messages were needed.

Compared to the meta-competencies, which interact with the four core components of professional competence: 1) knowledge/cognitive competence, 2) functional competence, 3) personal/behavioral competence, and 4) values/ethical competence (Cheetham & Chivers, 1996, 269–270), the results show a clear focus on the first three competences. Values or ethical competences were not discussed in the focus groups interviews. As Alasoini (2014, 18) asserts, values and the social meaning of community are guiding the actions of core management in a paradigm shift from a rational to normative view of management.

Reflection on feedback from others or oneself is considered as a “super meta” competence, and needed for self-perception of competence (Cheetham & Chivers, 1996, 269–270). However, this competence was also not mentioned in the interviews. Instead, Burgoyne’s (1990) meta-competencies in managerial context: learning, changing, adapting, forecasting, anticipating, creating and change were discussed. The discussion relating to being business partners rather than supporting the business and enabling change can be seen reflecting the so-called innate psychological needs for competence, like autonomy and relatedness, according to the self-determination theory (Deci & Ryan, 2000, 227). However, power of presence (Senge et al., 2005) or other intimate connections with self, like meditation or mindfulness skills, were not mentioned. Yet, they were among the future competence requirements enabling coaching, inspiring approach to management and direction of work (Sivonen & Pouru, 2014, 51–52).

For the renewal of competences, the renewal of organization’s management culture is also required (Sivonen & Pouru, 2014, 51–52). However, culture itself was not at the heart of discussions, but instead the siloed way of working and the lack of strategic leadership. As change agents, HR should also evaluate the cultural aspects of the company’s ways of communication and development as part of the organizational learning processes. Instead of a more engineering-like approach to management, organizational change and renewal can be strengthened with the creation of inspiring goals and values for the organization, building of shared meanings with dialogue and trust, motivating for innovative co-creation, and benefiting from flexible, individual ways and conditions of working (Alasoini, 2014, 19).

The increasing possibilities of technical applications and social profiles of people in the Internet also allow new perspectives to having and sharing data on employee competences and skills. However, these issues were not discussed in the focus groups.

It can be seen that the more closely the data is analyzed and described, the more the main findings intertwine. As a result, the main findings of this study can be interpreted as viewpoints of the one single subject of understanding the future of the business and acting accordingly, by developing the appropriate competences. Thus, the major theme in this thesis is competence foresight, which collects all the observations made both in the empirical and theoretical parts of the research.

Competence foresight in this study is understood as a continuous process of dialogue: interpretation of weak signals and collective sense making that increases understanding of the shared meaning or the purpose of the organization; see Figure 12. A role of an internal futurist (Bezold, 2010; Hines & Gold, 2014) as a proactive, strategic agent in competence foresight process was suggested for HR in the new theoretical framework of holistic model for competence foresight; see Figure 14. These active agents of change who are both willing and capable to take action are needed for bridging the gap between now and the preferred future. A generalist role for raising foresight capacity across the full range of organizational activities would raise HR to a more central role in attending to the strategy conversations, being part of interpreting and analyzing the information of emerging futures collected: for example, with detecting weak signals.

With the aid of foresight techniques, being at the heart of the foresight process and communicating the vision created in dialogue with the top management and other organization members, HR professionals would learn to understand the mechanisms, cause and effects behind the business strategy and its objectives. This increased understanding of business needs would help HR professionals to align competence management with business strategy and to identify needed competences to meet the needs of business. The agreed actions would be easier to implement with a clearer understanding of shared mental models and a common vision of the whole organization with the aid of competence foresight. In the foresight process, scenarios can serve as shared mental images that build emotional capacity and ease the strategy implementation (Rohrbeck & Schwarz, 2013, 1595).

In order to succeed in strategy implementation, it is useful to understand how strategic intent and individual intent are aligned in the company. The process of competence foresight at its best could also give more information on these underlying mechanism. These theoretical suggestions and findings of empirical research are consistent with the study of HENRY (The Finnish Association for Human Resources Management) into the challenges of the HR profession in the future. The study of Hihnala and Lähdeniemi

(2013) also revealed a gap in connecting strategy to personnel development work and competence management. More teamwork was needed, motivational needs of individuals were to be considered carefully, dialogue and co-creation with management were required, as well as understanding diversity. HR should be part of strategic management and facilitate change (Hihnala & Lähdeniemi, 2013).

As a conclusion, in the light of the key findings, it is suggested that strategy work and foresight process should be better linked to HR professionals' work in order to increase understanding of business, required competences and their identification, as well as enabling change. The holistic model for competence foresight enhances the identification of the needed HR competences and skills in such a way that the whole organization (as appropriate) is involved in the foresight process. As such, it is crucial that everyone understands the business and the strategic goal, not only concerning his or her part but also concerning the whole, in order to identify significant weak signals. This in turn demands for continuous dialogue and interpreting of values and information for creating desired action (Alasoini, 2014; Meristö, 2013; Gratton, 2011). If the process is successful, HR acts as an agent for strategy implementation, and increases the ability to identify, evaluate and adapt to the future needs of business.

6.3 Theoretical and managerial contribution

The main theoretical contribution of the study is *“the holistic model for competence foresight”* (Figure 14) that introduces HR as an agent for competence foresight with a proactive approach. This organizational futurist role enables change and identifying the required HR competences. *“The strategic intent alignment with individual intent in the process of competence foresight”* (Figure 12) complements and contributes to the new theoretical framework as regards to competence management alignment with business strategy.

Comparing key concepts found within the literature review revealed that there is a lack of research related to competence foresight, especially in the context of HR professionals' work and competences. One other major contribution is empiric evidence about HR professionals' key competences, skills and their main development areas in a global company. This thesis also contributes to the discussion of competence-based strategic management, which is not traditionally combined with foresight.

The main managerial contribution is the future direction given for HR professional in the role of a strategic change agent. By adapting an organizational futurist role, HR would

gain insight into the future needs of business and would be better able to identify the needed competences. Participating in the long-term ideation of strategy and clarifying the goals of the organization would help HR to find and communicate the collective purpose of the organization. In parallel, business understanding would also arise and aligning HR with business would be a natural consequence.

Another managerial contribution of the study is related to increasing the understanding of HR professionals' great potential to influence individual and strategic intent as the basis for action, and therefore to enhance the performance management of the organization. With the aid of engaged, deeply insightful HR professionals, who understand business, processes, and the resources needed in future environments, as well as future actors of the networks, and the dynamics of the organization, it is possible to extend the foresight and strategy processes into competence foresight.

The results can be considered important to the case company's HR function, as it is important to constantly develop HR work towards a more holistic view of business and emerging futures, in order to secure the role of HR as a proactive, strategic actor.

6.4 Limitations of the study

This researcher's confidence in intertwining the empirical results of the study into the theoretical framework suggested does not mean that the proposed analysis is the only possible one that could be based on the data (Glaser & Strauss, 1967, 225). The new theoretical framework proposed is based on the researcher's interpretation of systematic observations of the gathered data. This interpretation was created in parallel with thorough study of the relevant literature. As such, it is a theoretical framework, not merely a representation of the reality. Nevertheless, the precise focus has been on the central role of HR in the process of competence foresight, identifying the right competences for succeeding in the work of aligning HR and competence management with business strategy and, thus, enhancing the competitive advantage of the company in the complex and uncertain future environment. As highlighted by Locke (2001, 59), and referred to in Chapter 4.5, when a researcher is convinced that the analytic framework forms a systematic substantive theory, it is a reasonably accurate statement of the matters studied.

The integration of relevant theory together with the findings of the empirical research has been a long process of exploration as no similar context was found in the literature. However, the main objective of this study was not to test any previous theories or scientific

hypotheses. Instead, a new theoretical framework for understanding the link between the identification of needed HR competences and competence management alignment with business strategy has been built. Thus, the aim of the study was reached and understanding around the research topic was increased.

6.5 Suggestions for future research

Due to the continuous, fast-paced change of business and ways of working, new methods to make sense of the world are needed. Foresight methods give us tools to conceptualize change and integrate acquired knowledge into the existing understanding of the world, business and work. When sense making is made collectively, it provides a framework for mutual understanding of the goals and the methods of reaching them.

Due to the changing role of HR, their own awareness and willingness to choose the direction of the future is essential. Aligning the company culture and ways of working with the business goals is a continuous learning process and HR has all the relevant skills and competences to shape the future of the company with business.

A logical continuation for future research would be to implement competence foresight processes in several organizations and examine how different industries and areas of businesses are able to apply the holistic model for competence foresight and how it should be adjusted.

The arising need for the meaning and purpose of HR work offers potential possibilities for renewal of management. Processes and practices have become more efficient and effective with engineering and computing, agile and lean methods. At the same time, HR is facing challenges with job satisfaction, well-being, and talent acquisition, to name a few. What if the next paradigm in management will be human leadership? And key performance indicators would show progress in creativity, inspiration, collaboration and innovation? Time and future research will tell.

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APPENDICES

Appendix 1. Questions of Focus Group Interviews, Project 2

Based on your own experiences and insights,

1. What are the benefits of competence evaluations at the case company?

HR COMPETENCES

2. What are the key HR competences (now / in the future)? Why?
3. What are the main competence development areas in HR? Why?
4. How to secure that we have the required HR competences?

HR SKILLS

5. What are the key HR skills (now / in the future)? Why?
6. What are the main development areas as regards HR skills? Why?
7. How to secure that we have the required HR competences?

IMAGINE:

8. What would you do, if you had all the power and resources to forge HR to be the best-performing HR function in the world?
 - a) What would you do differently *in your work*?
 - b) What would you do differently *at the whole company level*?