

COMPETENCY MANAGEMENT

KEY STRATEGIES FOR HUMAN CAPITAL MANAGEMENT IN THE CHANGING WORKPLACE

TROUBLE ON THE HORIZON

In today's economy, companies are facing increased competition for not only their products and services but also for the backbone of their organizations—their workforce. Competition for talent is now reaching across regions, national boundaries and industries.

In the coming years, this problem will only worsen as the baby boomer generation reaches retirement age and leaves the workplace. Many companies will find between 35 and 60 percent of their executives, middle managers and key experienced employees retiring, leaving a vacuum of experience in their wake.

This is one of the biggest staffing challenges companies have faced in decades—how to fill the void left by the baby boomers in a marketplace where talent is hard to find and even harder to keep.

NEW APPROACH

In this hyper-competitive environment, the most successful companies are beginning to realize that a talented workforce is a key competitive advantage, one they should develop and zealously protect. They realize they will need to abandon the traditional “hire and fire” approach to human capital management—buying what they need when they need it and getting rid of obsolescence—in favor of developing talent.

At the board level, companies are coming to understand that attracting, developing and maintaining a competent and stable workforce is now of major strategic importance. In a recent Aberdeen Group report, for example, 85 percent of Best-in-Class companies cited human capital management as either a “high” or “top-two” priority, while 78 percent of Best-in-Class companies reported that they had a human capital management initiative as part of their overall strategy.

Competency management programs are a part of that initiative. As companies implement them, they are discovering that properly developed programs help them to more effectively—

- Define qualifications and performance standards for positions
- Assess candidate qualifications
- Select qualified candidates
- Manage and assess performance, including behavior and attitude
- Establish competency-based pay
- Identify areas for personal development

With this value proposition and the challenges that lie ahead, the question is *how and when* to implement a competency management strategy—not *if*.

GETTING STARTED

To maintain a competent, stable staff, companies need to manage the competencies of broad sectors of their workforce, not just certain high-potential employees or the top one or two layers of leadership. Companies must create a competency management program that covers management plus most professional, skilled craft and technical positions. They also need to integrate their program into other HR efforts, including –

- Recruitment and staffing
- Performance management
- Compensation
- Training and development

Once companies establish the breadth and depth of the program, they can then adopt specific competency models for each position.

WHAT ARE COMPETENCIES?

In essence, competencies are the attributes that enable someone to do their job, including knowledge, abilities, skills and other characteristics, or KASOC, as many experts like to say. A generally accepted definition holds that:

A competency is a specific, identifiable, definable and measurable knowledge, ability, skill or other characteristic (KASOC) which a person displays, or which is necessary for, or material to, the desired level of performance of a function within a specific organizational context. Competencies, once defined, provide a key part of a broader framework for measuring individuals and their qualifications, performance and capabilities. Analysis of the competencies of individuals (and the “gaps” in their actual and required competencies) is essential to establishing personal development and training plans.

In some cases, competencies—such as the ability to complete a task within a certain timeframe—are easy to measure. Others—often those more important for success—are more subtle, such as attitude, leadership, character and communication. Companies can measure both types in their employees.

DEVELOPING A COMPETENCY MODEL

Competency models have been around for a long time in HR and also in our daily lives. Whether in a business meeting or around the water cooler for “Monday-morning-quarterback” sessions, people regularly discuss what it takes to succeed in various situations.

In business, the scope is broad and varied, including—

- Industry knowledge
- Technology knowledge and proficiency
- Product and service experience and capabilities
- Organizational skills
- Client understanding
- Leadership skills
- Communications skills
- Innovation and creativity

Research shows that certain competencies are common across all industries, such as leadership, interpersonal communication, organization, analytical ability, motivation, ethics and integrity. However, every company and industry has its own set—knowledge, skills, experience and other characteristics—that foster success at that company or within that industry. These can be specific to products, services, technology, client relations or other aspects of that business.

An effective competency model incorporates the particular combination of knowledge, skills, experience and other characteristics that is needed to succeed at a company and in a particular position.

In recognition of this, SPECTRUM includes a rich library of common competencies in its iVantage® integrated HR software from which clients can pick and choose the ones that are most appropriate for their organization.

COMPETENCY MEASURES

Most authorities recognize that competencies generally fall into two categories—*hard measures* and *soft measures*.

HARD MEASURES

Hard measures are more clearly definable and straight-forward—they are the make-or-break requirements for being able to do a job. They are usually listed in job descriptions as requirements or desired qualifications—academic achievement, professional certifications and licenses, years of experience, technical knowledge, et cetera. Speaking a language, typing 50 words per minute and holding a master’s degree are examples.

SOFT MEASURES

Soft measures are the more subtle behaviors revealed in certain circumstances that often make the difference between success and failure—attitude, leadership, communication, cultural fit, interpersonal effectiveness, et cetera. They are the reason why someone with the right academic qualifications might not succeed in a position.

They are often deeply ingrained in a company’s culture and provide a way of measuring what happens when individuals operate in the real world, where “the rubber meets the road.” Properly established soft measures provide the foundation for a company’s performance management program.

ESTABLISHING HARD AND SOFT MEASURES

As a starting point, many integrated HR systems like iVantage provide users with a broad baseline. iVantage includes hard competencies in areas common to most companies—HR, accounting and finance, and some widely used administrative functions. iVantage also includes over 200 soft competencies developed from well-established approaches. They are relatively generic and adaptable to many industries and organizations.

Most companies, however, go beyond the baseline to identify competencies unique to their products, services, technology, operations and cultural environment. Companies unable to use the baseline need to identify their own competencies. As all companies create and refine their list, they should also look to create categories within it.

A word of caution: companies can easily get lost trying to “over-perfect” the process, ending up with a library so extensive that the program is difficult to use. It is better to keep it simple—in most cases, the key elements for success can fit on a relatively short list.

As an excellent example of industry-specific measures, the Joint Commission on Accreditation of Healthcare Organizations (www.jointcommission.org) has established a structure that all healthcare providers can use for their competency modeling.

PROFICIENCIES

Organizations need to be able to measure effectiveness to have a successful program. Competencies are not black and white—we all have them to one degree or another. Proficiencies provide a way to measure them, similar to grades in school. They measure how well someone has mastered something or how well their behavior reflects a level of effectiveness.

Broadly speaking, a proficiency level is a rating or point on a scale indicating a level either measured or desired. Some are simply pass/fail or yes/no in nature. Most are measured on a numeric scale such as 0 to 5.

A well-developed integrated HR system will typically use a numeric range but will offer others, as well, because different proficiency measures are appropriate for different competencies. For example, a proficiency in a craft might range from apprentice to master craftsperson, while one in communication might range from never to always.

COMPETENCY EVIDENCE

Despite efforts to create objectivity when assessing competencies, it remains a subjective process. Whether someone has a master's degree is easy to measure yes or no, but how well someone can lead other workers requires subjective evaluation.

The challenge in establishing and evaluating proficiencies is to realize that different evaluators will yield different results. One manager will evaluate workers differently from another or from the employees themselves. A worker may perform better on a proficiency in an individual effort than in a group effort. Given these variations, companies need to recognize and record sources of evaluations—the competency evidence—so that they can interpret them properly.

IS A COMPETENCY INITIATIVE WORTH DOING?

Given the challenges that organizations face in the increasingly competitive employment and staffing market, *not implementing* effective competency management is a high-risk proposition. Organizations that are serious about attracting and retaining the right people will discover direct and indirect benefits of a properly designed, effective program—

- Recruitment, Talent Acquisition and Candidate Selection
 - Improves job and position requirements definition
 - Improves candidate selection criteria
 - Improves likelihood of identifying candidate success factors
 - Improves candidate interview processes – more systematic through structured interviewing against documented standards
 - Improves candidate self-screening
- Individual Career Planning and Development
 - Enables individuals to identify, understand and focus on developing the required and desired competencies and qualifications for targeted positions or roles
 - Provides a framework for coaching and mentoring initiatives
- Corporate Training and Development
 - Enables allocation of resources to the most important areas
 - Helps align training and development initiatives with valid organizational goals and objectives
- Performance Assessment and Appraisal
 - Provides a framework for defining and assessing the most crucial performance standards
 - Facilitates employee understanding of what is measured and assessed
 - Provides a focus for the performance discussion
- Replacement and Succession Planning
 - Identifies the primary requirements and qualifications for positions
 - Facilitates the mutual assessment of candidate readiness for specific positions and roles
 - Provides the needed framework for more effective gap analysis
 - Provides a goal-based foundation for development, training and work assignments

YOUR ORGANIZATION'S NEXT STEP

SPECTRUM Human Resource Systems Corporation developed this white paper to serve as a high-level overview of competency management. The contents of this document are based on SPECTRUM's own creative efforts as well as research from a number of existing published sources. It is intended as an overview of the topic and is not designed as a step-by-step instruction booklet.

Many sources offer more detailed assistance in establishing a well-functioning competency management program. Individuals interested in pursuing this topic are encouraged to take advantage of information available from the Internet and other sources, including the following organizations:

- Aberdeen Group (www.aberdeen.com)
- HR-XML Consortium (www.hrxml.org)
- Society for Human Resource Management (SHRM) (www.shrm.org)
- Federal Energy Regulatory Commission (www.ferc.gov)
- New York State Department of Civil Service (www.cs.state.ny.us/successionplanning/competencies)
- University of Melbourne (Australia) (www.hr.unimelb.edu.au/competencydefinitions05)
- Guernsey Training Agency (UK) (www.guernseytrainingagency.com)
- WPS Resources Corporation (www.wpsr.com/career/competency.asp)
- National Institutes of Health (www.learningsource.od.nih.gov/competencies)
- District of Columbia Office of Personnel (www.dcop.dc.gov)
- Ohio University (www.ohiou.edu/comp/)

FOR FURTHER INFORMATION OR TO DISCUSS YOUR **COMPETENCY MANAGEMENT OR SUCCESSION PLANNING** NEEDS, PLEASE CONTACT:

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