

# Integrating Competency Assessments into Human Capital Management



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September 8, 2006

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## Executive Summary

With the demand for labor increasing and the availability of skilled workers decreasing, employers are facing challenges they have never faced before. The statistics are telling: In this decade to date the labor force has grown at an average rate has of just *.75% annually*. The U.S. Bureau of Labor Statistics projects the labor force growth rate through 2014 will be only 1% annually. This is only one major challenge businesses face. Others include:

- Global competition for clients and talent
- Workforce demographics requiring redeployment of professional and managerial staff
- Technology improvements that lead to worker skill obsolescence and training needs

The need to identify, engage, and retain top talent is crucial to an organization's success. Integrating consistent competency assessments throughout the talent lifecycle (selection, development, and rewarding performance) raises human capital management to a new level of best practice.

Talent selection provides the first opportunity to identify and assess competencies. From an employee perspective, competencies on the job create and sustain engagement and result in good performance. Team members with strong individual competencies effectively foster team-based competencies, often demonstrating increased cooperation and morale.

This paper will examine the “why” and “how to” of integrating competency assessments into human capital management in order to:

- Integrate and leverage competencies throughout the talent lifecycle to meet business objectives
- Use consistent competency assessments for jobs, selection, incumbents, and training
- Increase performance execution through team-based competencies

## ASSESSING COMPETENCIES FOR SELECTION AND DEVELOPMENT

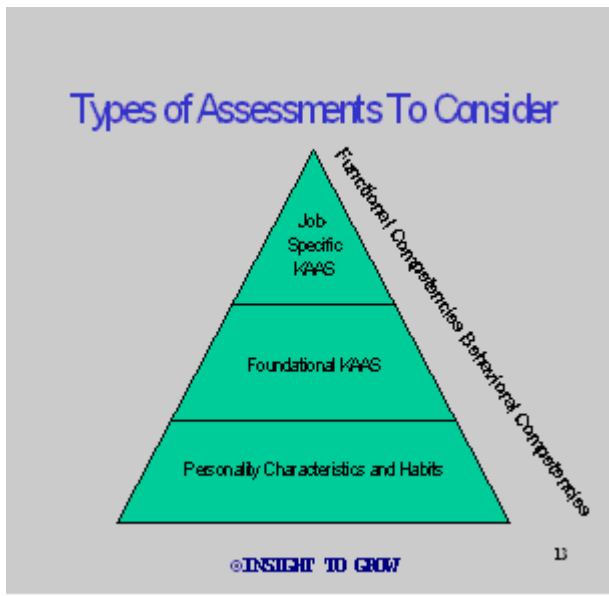
Effective human capital management begins with competency assessment at the beginning of the talent life cycle *before* someone is hired. Human resource professionals and hiring managers begin the process by asking,

- Whom are we going to hire?
- How do we determine whether or not they will fit into our company?
- Do they have a long-term future at our company?

“Best-fit” hires pay off in higher productivity and quality, faster ramp-up time, and lower turnover. Good assessment adds to the quality of decisions made during the selection and on-boarding process. It maximizes the retention of good hires and minimizes the number of bad hires. Good assessment also maximizes the value of training and minimizes the wasted time of individuals and trainers. Placing trainees who are deemed ready for development pays off in rapid demonstration of desired

competencies, related productivity, and talent engagement.

A well-done job analysis to identify essential competencies is key to building efficiency into both solution and development programs.<sup>1</sup> Should a company build its own competency assessment tools? Oliver Cummings, Managing Director at Insight to Grow, says, “Only if you have no other choice.”<sup>2</sup> Competency assessment tools are complex and sophisticated and only a handful of organizations can afford to assemble the expertise necessary to create one. Working with technology providers whose expertise is competency assessment for both solution and development can be more cost-effective. Competency assessments cover a range of functions and behavioral competencies, as shown in Figure 1.



At a base level, a candidate’s personality characteristics and habits can be considered. Examples include time management skills, teamwork style, and level of initiative. These are important to assess as they are the most difficult to change in any individual. Foundational knowledge, abilities, attitudes, and skills (KAAS) can be assessed. Foundational competencies are those the candidate needs to maintain a job, or learn a new one quickly. Finally, a job -specific KAAS is evaluated. These are the competencies that judge the candidate’s ability to thrive in a particular job. For example, job-specific competencies for a financial candidate might be the ability to create financial models.

After identifying the right candidates for your organization, competencies can continue to be communicated and summarized through job analysis. A thorough job analysis will give employees the foundation and understanding of performance expectations and the competencies required to be successful in the job. Furthermore, it provides a job reward function for the company’s assessment programs through a concrete, tangible document.<sup>3</sup> Employees who understand competencies are shown to be more productive and more satisfied at work. In addition, investments made in training and development are more efficient, because both the employee and the company know where to aim.

<sup>1</sup> See [www.job-analysis.net](http://www.job-analysis.net) or [www.workstreaminc.com](http://www.workstreaminc.com) for more information.

<sup>2</sup> He suggests two sources to start a search for assessment tools: The Buros Institute’s *Mental Measurements Yearbook* and their *Tests in Print*.

<sup>3</sup> Some additional resources that may help in creating a job analysis are at [www.job-analysis.net](http://www.job-analysis.net) and [www.workstreaminc.com](http://www.workstreaminc.com).

Conducting these assessments makes a difference to a company's bottom line. Below are some real-life company examples of the impact felt when selection and promotion competency assessments were completed:

- *Creative Extruded Products* documented a reduction of start up training time from 6 months to 2 months with implementation of a selection process including foundational skills assessments
- *Pitney Bowes* and the *Dixie Group* have reported shorter training periods for hires selected for certain foundational skills
- Manufacturers and small business reports reduced turnover, reduced re-work, and fewer defects
- Research facilities report reduced procedural non-compliance<sup>4</sup>

## ASSESSMENTS FOR TRAINING AND DEVELOPMENT: A CASE STUDY

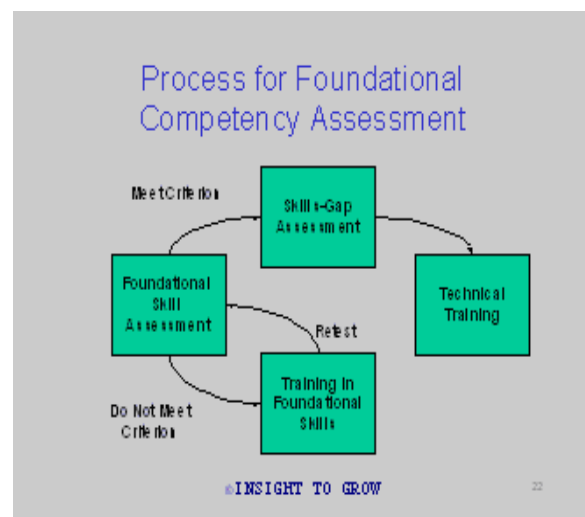
Not only do competency assessments and job analysis tools aid in selecting new hires, they also contribute to the promotion/employee development process. A study by the Hermann Group in 2003 notes that "corporate training and education will accelerate to accommodate new employees *and* the redevelopment of existing staff." The following case study highlights how competency assessments can be beneficial for training and development initiatives.

A leading chemicals manufacturer with over 25,000 employees, annual sales over \$25 billion and customers in over 170 countries

<sup>4</sup> Source: <http://www.act.org/workkeys/case/index.html>; cited by Insight to Grow.

faces a variety of business challenges, including global competition, keeping up with technological innovation, and maintaining workforce demographics. In addition, a number of employees with technical competencies were "burning out" as a result of these challenges. To combat this burnout, a training and development assessment tool for foundational and technical competencies was created. The goal of the technical training was increased competencies that contributed to safety, productivity, and performance for the plant's process operators, and the employees who maintain all the physical components of the company's plants.

Figure 2 illustrates the competency assessment process used to achieve the manufacturer's goals. Competency



assessment is integrated with training and development to effectively address two of the assessment areas the company targeted, foundational KAAS and job-specific KAAS.

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In the chemical company case study, foundational skills for the plant's process operators to maintain a current job and get quickly up to speed on a new job, were assessed to be observation and reading were. If the operator was found to have the foundational skills necessary, he or she would move to the next part of the assessment: technical skills. If they did not have the foundational skills, the company provided additional resources to obtain these skills (In the diagram: "Training in Foundational Skills"). In this example, the company sent operators to various community college courses so they could obtain the prerequisite skills before beginning technical training.

A technical skills-gap assessment determines the job-specific competencies needed to be successful. In this case study, examples of technical competencies assessed were process control and emergency action. This critical assessment defines the type of technical training needed to move forward.

After the foundational skills are met, and the technical skill gaps are identified, technical training may be provided.

While a methodical competency assessment process, requires an investment in planning companies find it incredibly effective. For the chemical company in the case study, the value was obvious. The technical training program offered increased credibility because it was structured to meet the technical gaps identified in the assessment. Also, the program remained objective – if competencies are clearly identified, employees will understand exactly what they are being evaluated against. And bottom line impact of the formalized competency assessment process led to

improved performance *and* success for participants.

## **CREATING TEAM COMPETENCIES**

Organizations are interdependent; therefore, it is not enough that all individuals in an organization are trained and accountable for their job responsibilities and related competencies. Individuals must come together to form an organization that is accountable as a whole. Mark Samuel of Impaq states that an "accountable" organization is "a working environment where people can count on each other to keep commitments." For this reason, the next logical step in using competencies to manage human capital is to put employees on teams.

Samuel says there are four steps to implementing team competencies:

- Create a new mindset
- Change habits
- Track results
- Proactively plan for recovery

It is sometimes difficult for individuals in an organization to recognize the benefits of working on a team. Helping others to success is perceived as, at the very least, non-beneficial and, at the other extreme, threatening to one's own job. To change the mindset of a team so they can leverage team competencies, the benefits and accountabilities of working together must be communicated. A practical suggestion for organizations to create a team mindset is to work through what type of team reputation they want to deliver

to customers. If a team is able to sit down together and discuss how they want to be perceived by customers, then competencies to achieve that reputation are more easily agreed upon.

Next, teams must grow accustomed to standards that are designed to carry the organization forward. It is not enough that the bar is set to current standards; an effective team must develop and demonstrate competencies that pertain to future deliverables.

When team competencies are identified, team member habits must change to achieve and maintain them. Figure 3 lists some key competencies often valued by a team:

**Creating Team Competencies**

- Customer service
- Project management
- Reducing costs
- Documentation
- Consistent practices
- Information sharing
- Decision making
- Meeting effectiveness
- Cross-functional teamwork
- Sharing resources
- Follow through
- Responsiveness
- Strategic & proactive
- Safety
- Quality
- Tracking best practices
- Follow procedures

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Once team competencies are agreed upon, the opportunity to demonstrate those competencies must be identified and habits developed. For example, if a team has decided that open communication (information sharing) is a core competency, individual members must re-shape their habits to honor this practice. Teams can go

through any number of communication exercises and, though armed with the know-how, if their habit is to *not* communicate, the effort fails. In addition, habits must change for the team as a whole. Another example illustrates this point: A team has decided that a competency for the group will be to arrive at meetings on time. If an individual shows up on time for the first meeting, but the rest of the team fails to do so, that one individual is much less likely to show up on time again. Habits must change for the entire team.

Tracking results keeps a team focused on the application of their competencies. It provides a look back on where they've come from, how they're currently doing, and where they

can improve for the future.

When it comes to measuring the success of competencies, it may not always be with an objective metrics-oriented tracking tool. It may be a subjective measure. Similar to musicians who “just know” when they are good enough to record a song, a team may also know by intangible acts that they are achieving their agreed

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upon competencies, or if they need further focus.

The people are selected. They're trained. They are on strong teams. They know what competencies they are expected to grow and maintain. Yet, there will still be times when people fall short. It is important to recognize during these times that failure comes not with the fall, but the inability to get back up.

In anticipation of these temporary setbacks, a useful suggestion is to have alternate plans when one doesn't demonstrate a competency that will lead to accountability and success. For example, let's say that the competency is to meet with team members directly to resolve conflict. If an individual is having trouble with that and begins to speak with an uninvolved third party, possible alternatives a manager or mentor could recommend are:

- "Would you feel comfortable speaking with XYZ directly?"
- "I know that XYZ is very busy and difficult to catch. Have you tried setting up a formal meeting?"
- "I'm sorry to hear that you and XYZ are unable to resolve this conflict. I would be happy to get a mediator or someone else neutral to facilitate your conversation."

## **THE BENEFITS OF TEAM COMPETENCIES**

It is difficult to argue against the idea of competency assessment when the result is strong, sustained performance. There are tangible benefits for teams who demonstrate relevant team competencies. Interdisciplinary collaboration is becoming essential to make the most of human capital talent. Project teams are the

operational mechanism required to develop and maintain competencies. In one study completed by Impaq, 60 to 80% of the team's competencies improved when the four steps discussed in the previous section were implemented. In addition, teams were able to operate using the competencies for over 5 years, while also strengthening team motivation and morale.

A few more specific examples on how companies from various business sectors realized the benefits of implementing team competencies are:

- *Nuclear Energy Plant* decreased corrective action to employees by 40% in only 6 months.
- *Bio Tech* saw a 20% reduction in costs and reduced raw material turnover by 10 million dollars.
- A medical center reduced costs by 4.3 million dollars in 3 months.
- *National Credit Reporting Form* reduced their turnover from 27% to 7% in 9 months.

## **CONCLUSION**

The workforce is changing and companies are struggling to identify, train, and retain talent. The use of competency assessments can be key in doing all three of these things well, if integrated consistently throughout the talent life cycle.

Understanding the elements of the job and identifying the competencies needed to be successful attracts the right candidates and also aids

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companies identify successful hires from the start. The ability to identify skill-gap areas through competencies enables training to be more even more targeted and efficient. Finally, the use of competencies on teams leads to bottom-line financial results for companies, and increased engagement and retention of collaborative talent.

From the Human Capital Institute webcast *Integrating Competency Assessments into Human Capital Management*, **September 8, 2006**

### **Presenters**

Oliver Cummings, Managing Director, Insight to Grow

Oliver Cummings is General Manager of Insight to Grow, a consulting and management company dedicated to providing timely, accurate information to support decision-making. Oliver was a Partner/Director with Andersen Worldwide at Arthur Andersen's Center for Professional Development for many years. At Andersen Oliver led efforts to bring to the company and to other businesses the broad range of performance enhancement and training services that are needed for successful organizational planning, development, and change. Oliver's experience includes strategic planning and articulation, program evaluation, educational assessment, training function management, and executive development. As Manager of Custom Development at Riverside Publishing he created standards-based assessments and facilitated standards-setting to meet the needs of state departments of education and large school districts. In work with ACT, Oliver directed development on the WorkKeys assessment, a workforce-development

oriented series of conventional and non-traditional tests. Oliver has published over 25 works, including articles in CLO Magazine, the Journal of Instructional Development, and the Performance Improvement Quarterly, and book chapters on topics such as corporate training approaches, program evaluation, and testing. His most recent article, on designing a performance measurement program for the training function, is scheduled for publication in Workforce Performance Solutions Magazine in January 2007.

Mark Samuel, President & Founder, Impaq

MARK SAMUEL is the President and Founder of IMPAQ and internationally acclaimed author of *Creating the Accountable Organization* and co-author of *The Power of Personal Accountability, Achieve What Matters to You*. As an Independent Consultant, Educator and Speaker since 1978, Mark has gained a far-reaching reputation for his expertise in how Accountability can improve a company's bottom line. He teaches organizations of every stripe to thrive in the competitive 21st century global marketplace through results-oriented management based upon the practice of Accountability. Mark is considered a practical visionary by many Fortune 500 companies and has been recognized by CNBC, Bloomberg and Fortune Magazine, which cited him as a top authority on "how companies can end blame in the ranks and create a place where people want to work and get results." He has inspired positive, profitable improvement in companies worldwide, including Chevron Corporation, American Express,

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Genentech, Mervyn's of California, Nissan Corporation, Hewlett-Packard Company, Universal Studios, Pacific Bell, The Royal Bank of Canada, Dura Pharmaceuticals, The University of California at Berkeley and PDVSA of Venezuela.

### **Panelists**

Karen V. Beaman, VP/Chief HCM Strategist, Workday

Karen V. Beaman is the founder and Managing Partner of The Jeitosa Group, a worldwide strategic business consultancy focused on making global HR a reality. Most recently, she consulted with Workday as the chief strategist responsible for designing the Global Enterprise Model (GEM) and Human Capital Management (HCM) System. Previously she was responsible for the sales and delivery of ADP's global professional services across the Americas, Europe, and Asia/Pacific. Karen is an internationally recognized speaker and author on topics such as global human resources, information technology, transnational organizational design, strategic sourcing, cultural diversity, and global leadership. She has degrees from Old Dominion and Georgetown Universities, is co-founder and Editor-in-Chief of the IHRIM Journal, and editor of four books: *Boundaryless HR: Human Capital Management in the Global Economy* (2002), *Out of Site: An Inside Look at HR Outsourcing* (2004), *Common Cause: Shared Services for Human Resources* (2006), and *HR Frontiers: Shifting Borders and Changing Boundaries* (2007). In 2002, Karen received the Summit Award, IHRIM's highest award honoring her lifetime achievements in field of human resources. She is fluent in English, German, French, Portuguese. She can be reached at [karen.beaman@jeitosa.com](mailto:karen.beaman@jeitosa.com).

Tricia Dupilka, VP Services, Workstream

Tricia Dupilka is the VP, Services responsible for implementing competency-based recruitment, performance management, succession planning and development systems at Workstream. Tricia leads a group of Project Managers and Human Capital Consultants currently creating competency models for organizations such as Shaw Industries and GlaxoSmithKline. After spending over 10 years as a human resource practitioner using and creating competency models for hiring and development, Tricia obtained her Masters of Business Administration from the University of Calgary. She then began focusing her career on helping leading organizations achieve the benefits of strategically aligning human capital with business results by utilizing the most comprehensive Competency Library in the industry and the best-in-class software tools now offered by Workstream. Over the past six years Tricia has worked with organizations such as Dell, CSC, William Blair, Halliburton, and Cisco to make their competency-based initiatives successful.

Cyndi Gaudet, PhD Faculty, University of Southern Mississippi

Cyndi Gaudet is director of the WLPI and associate professor and coordinator for the Human Capital Development (HCD) degree program. Her cutting-edge workforce development research has received awards from NASA, the Southern Growth Policies Board, the New Orleans Chapter of the American Society for Training and Development. One of the high-growth, high technology research initiatives under Dr. Gaudet's direction was identified

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as a top five finalist for the U. S. Department of Labor's 2005 Recognition of Excellence Award, Educating America's 21st Century Workforce. She has presented professional papers at over 100 regional, national, and international conferences, and her research has been published in journals such as the HRD Quarterly, International Journal of Instructional Media, NABTE Review, URISA Journal, and the Delta Pi Epsilon Journal. Gaudet holds a B.S. and M.Ed. from Southern Miss and a Ph.D. in Human Resource Education and Workforce Development from Louisiana State University.

Frank Schultz, PhD Faculty, Economic Analysis Policy & Organizational Behavior Hass School of Business at UC Berkeley  
Dr. Frank Schultz is a faculty member in the Economic Analysis and Policy, and Organizational Behavior and Industrial Relations Groups of the Walter A. Haas School of Business at the University of California Berkeley. Dr. Schultz received his B.A. in Accounting from the University of Washington, his MBA in Finance/General Management from the University of Michigan and his Ph.D. in Strategic Management from the University of Minnesota. He currently teaches courses in the areas of Leadership and Competitive Strategy. Dr. Schultz' most recent research concerns the role of expertise in organizations and how individuals and organizations can improve their performance by engaging in Deliberate Practice. Highlights of his forthcoming book on Deliberate Practice were presented in a recent research forum for business executives in the San Francisco Bay Area. Additional advance previews of how organizations and individuals can enhance their performance outcomes through Deliberate Practice are available to

organizations on a limited as-requested basis.

Bill Welter, President, Adaptive Strategies, Inc.

Bill has over 35 years of experience spanning four separate careers: military, engineering, consulting and education. He is the president of Adaptive Strategies, Inc., a small firm specializing in helping business managers improve their thinking skills; and is the lead co-author of *The Prepared Mind of a Leader: Eight Skills Leaders Use to Innovate, Make Decisions, and Solve Problems.* (Jossey-Bass, 2006) Bill has an undergraduate degree in Socio-Technical Systems Engineering from the University of Illinois at Chicago and a Masters in Business Administration from DePaul University. He is a Fellow in Executive Education at the Carlson School of Management, University of Minnesota. He can be contacted at [bill.welter@mindprep.com](mailto:bill.welter@mindprep.com).

### **Moderator**

Joy Kosta

As Director of Talent Development and Leadership Communities at The Human Capital Institute, Joy brings twenty-five years of experience in multiple facets of organizational development, human resources and business management with an emphasis in customer satisfaction, service quality, process improvement, and applying the Malcolm Baldrige Criteria for Performance Excellence. As founder and President of Performance Partners in Health Care, a company dedicated to building better patient experiences, she has authored several curriculums in leadership and staff development, and co-authored

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with Harold Bursztajn, MD Senior Clinical Faculty member, Harvard Medical School, *Building a Treatment Alliance with Patients and Families*.

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## ACKNOWLEDGEMENTS

This White Paper is made possible by Workstream, sponsor of HCI's Competencies for Top Talent Track.

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Workstream provides On-Demand Enterprise Workforce Management solutions and services that help companies manage the entire employee lifecycle - from recruitment to retirement. Our solutions are offered on a monthly subscription basis, under an applications service provider (ASP) model that help companies cost-effectively maximize workforce productivity, engagement, and satisfaction by applying business discipline to key people processes.

### About the Human Capital Institute



The Human Capital Institute is a catalyst for innovative new thinking in talent acquisition, development and deployment. Through research and collaboration, our programs collect original, creative ideas from a field of top executives and the brightest thought leaders in strategic HR and talent management. Those ideas are then transformed into measurable, real-world strategies that help our members attract and retain the best talent, build a diverse, inclusive workplace, and leverage individual and team performance throughout the enterprise.

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