

Using Competency Management to Drive Organizational Performance



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EXECUTIVE SUMMARY

Significant changes to the world economy in the past 20 years have made many traditional sources of competitive advantage obsolete

Competency management is key to aligning human capital assets with business strategy to create value for organizations and drive their performance forward in a competitive talent market. Significant changes to the world economy in the past 20 years have made many traditional sources of competitive advantage obsolete. One important change is the transition from the Industrial Age to today's knowledge and information age where competitive advantage is most often derived from ideas, and technology. Globalization has forced companies to seek new sources of top talent. Firms used to compete for customers locally – those customers around the corner or across town – but now face the reality of competitors in every marketplace. In a global, highly competitive marketplace, companies need to continually innovate their products, services, and processes. They must be flexible and able to react quickly to new markets, and new geographic locations while maintaining unprecedented customer service.

Like it or not, the way to get these things accomplished is with people – human capital – through their creativity, knowledge and their relationships with customers, co-workers and professional networks. The challenge for organizations is to align their human capital assets with the strategic priorities identified in their business strategy to create value for their organization.

To survive in today's competitive environment, organizations must work smarter, faster and cheaper than ever before to:

- Ensure responsiveness to rapidly changing customer demands
- Meet the increasing demand for rapid and accurate customer, market and industry specific information
- Increase efficiency and productivity while remaining cost-competitive

This paper will address these points and will also discuss these topics:

- Getting started with competency management the 21st Century workplace
- Competency model development
- Five steps to develop a competency management strategy

THE 21ST CENTURY WORKPLACE

According to a recent study of 77 companies and almost 6000 managers and executives, the most important corporate resource over the next 20 years will be talent: *smart, sophisticated business people who are technologically literate, globally astute, and operationally agile.* [Ed. note: I need a reference for the study – not sure from the references used slide how to attribute] Yet as the demand for high performing talent grows, the supply of qualified talent continues to decrease and creates an intensely competitive environment for the remaining available talent. How do organizations shift from traditional approaches to talent shortages – such as hiring their way out – to developing the talent they need *today*?

The American Society for Training and Development (ASTD) notes the organizations that won the 2005 BEST Awards (for *Building talent Enterprise-wide, Supported by the organization's leaders fostering a Thorough learning culture*) are the organizations that successfully linked learning to individual and organizational performance. The strategy most often cited by the BEST

organizations is that they align business strategies with competencies; and development is linked to competencies and competency planning.

The 21st century workplace also demands a positive corporate culture that can nurture a generation of leaders who work independently as well as collaboratively.

The skills, training, and knowledge of a company's talent are often viewed as a *cost* rather than an *asset*. Yet a robust skill set, knowledge, and training are specifically required for organizations to remain creative, innovative and competitive. The 21st century workplace also demands a positive corporate culture that can nurture a generation of leaders who work independently as well as collaboratively.

Aligning the so-called intangible assets of human capital with business strategy is the key to creating value for all organizations. What does this mean? If employee skills, training, knowledge, culture, leadership, and teamwork can be “synced” with business plans, human resource professionals can create value that their organizations need to thrive in the new century.

GETTING STARTED WITH COMPETENCY MANAGEMENT

There's an old saying about “fishing from the same pond.” Increasingly, the talent pool, or pond, is diminishing. Yet companies today have an even greater need for talent than ever before. Without a sufficient quantity of quality talent to implement business strategy, companies will falter. How can HR professionals avoid this? It is crucial, asserts Professor Cyndi Gaudet of the University of Southern Mississippi, to acknowledge the finite number of available qualified professionals. “Instead of continuing to look outward, perhaps looking inward is a better source for talent. Let's look at building a talent pool internally - who are your high potentials? Are there untapped skills and talent right under your nose?”

The idea of “talent” within an organization setting strikes some as a discordant idea. It's “actually the perfect word” to describe what Gaudet means by skills, training, and knowledge. It is people's propensity to be able to perform in certain roles that enables organizations to grow and profit. It is the capacity of individuals to make a significant difference to the current and future performance of the business that will ultimately provide the competitive advantage that all companies seek.

What do people want in their careers? The only way to know is to engage employees in goal setting and people planning.

Winning the war of competition for talent will likely depend on an organization's ability to attract new, highly skilled employees and then to train and develop them. Talent comes from two sources - it can be “bought” (sourced from outside a company) or developed. Buying talent can be very expensive but developing talent requires time and effort. If part of the war for talent results in people leaving their jobs for other jobs, it might mean that people aren't getting what they want from their original jobs. What do people want in their careers? The only way to know, says Gaudet, is to engage employees in goal setting and people planning. Help employees align what they want from work with the needs of the organization. No other organizational system can help individual employees understand the opportunities for growth and advancement as well as a strategically aligned performance management system. In the best systems, competency management provides a roadmap for career planning and development. Growth and development opportunities are competency-based, are linked to the organization's strategic priorities, and are focused on the next generation of leaders - a best practice model of succession management.

Gaudet provides a succinct overview of the steps necessary to get started with a competency management model in the following illustration.

Figure 1



Competency management provides a roadmap that helps organizations develop their talent pool.

Managing talent in an organization is a process that requires focused planning and connects all talent management activities in the organization by analysis and forecasting to make sure it has the right people at the right time, and at the right price to execute business strategy. Competency management means that an organization has a systematic process to identify, articulate and develop the knowledge and skills that are linked to your business strategy. Competency management provides a roadmap that helps organizations develop their talent pool.

Traditional job descriptions say what needs to be done in specific positions, but fail to address the talent competencies needed for success. Yet competencies affect a major part of an individual's work role and are linked to the individual's ability to perform his or her job. Ideally, competencies can be measured against well-accepted standards and can be improved with appropriate professional development. Competency models are collections of competencies needed for exemplary performance in a job or role. When used as a human resource (HR) tool for recruitment and selection,

talent development, performance management, and succession planning, competency models can produce outstanding results, because they specify the knowledge, skills, and abilities that enable people to efficiently and effectively do their job.

COMPETENCY MODEL DEVELOPMENT

Competency Models are generally developed from scratch or start with a validated model that is refined to fit the needs of the organization. Development often begins by studying top performers, documenting their best practices, and replicating the competencies needed for exemplary performance in key roles throughout the organization.

Development of a competency model requires attention to detail and a process of careful preparation, planning, implementation and evaluation. It's important to ensure that:

- The specific business need being addressed by the project is communicated, understood and supported
- Senior management supports the effort and generates commitment for it throughout the organization
- The purpose and progress of the project is communicated clearly and often
- As many people as possible are involved as early as possible in planning and implementing the development of the model and the human resources initiative it supports
- The KSAs (knowledge, skills, ability) in the model are relevant to people's jobs and people in the job(s) perceive that relevance

Organizations must be willing to devote the necessary time and energy to plan the development and implementation of the competency model, allocate appropriate resources, and monitor its progress. Figure 2 highlights the

key components of a competency model and the model's potential benefits.

Figure 2



Gaudet advises to “Be certain to build a project team that includes enough viewpoints and stakeholders that will ensure the competency model is relevant.” More importantly, “Recognize that competency modeling is a continual balancing of what is and what should be.

The goal of competency management is to increase overall workforce productivity through the improved attraction, retention, and utilization of talent.

Organizations first need to assess their readiness to implement a competency management system. The culture of an organization – the collective “way we do things around here,” is the sum of all of the behaviors by all of the people in the organization. Culture sets the stage for how leadership, talent, and teamwork are maximized. People are the only way for organizations to generate the ideas, relationships and service that success now requires. Managing human capital is quite different from managing to maximize physical and financial capital. No two people are alike and they cannot be managed as replaceable parts. Organizations must understand how an individual's KSAs are applied and how they are influenced by human interaction, engagement in the workplace, and belief in the values of the organization.

The goal of competency management is to increase overall workforce productivity through the improved attraction, retention, and utilization of talent. A competency model is crucial to this effort because it enables HR managers to focus on the skills, knowledge, and characteristics of human capital that have the most impact on effectiveness. A competency model also:

- Ensures that training and development opportunities are aligned with organizational values and strategies
- Makes the most effective use of training and development time and dollars
- Provides a framework for ongoing coaching and feedback
- Enables a shared understanding of what will be monitored and measured
- Focuses and facilitates the performance appraisal discussion
- Provides a means to gather information about a person's behavior on the job

To develop a competency model, Gaudet says, identify the competencies required of high performers in key positions throughout the organization; strive to eliminate any competency gaps that exist through effective selection and/or training and development; and ensure that meritorious performance is recognized and rewarded.

The development phase of a competency model is the time to consider individuals and small work units.

- Identify performance criteria for individuals and work units that are important to the success of the organization.
- Identify individuals and work units that meet, exceed, and fall below the performance criteria.

The following activities are also important to do in the development phase for a competency model to work in an organization:

- Administer a survey and/or conduct focus groups to include a wider population and test the degree of relevance and importance of the competencies to the job
- Analyze survey or focus group and refine the model
- Validate the model: administer a 360-degree questionnaire to validate competencies that correlate with exceptional performance. Aggregate the competencies by performance level (above, at, and below)
- Finalize the model - review the model with subject-matter experts for each specific work role or job profile for final approval and implementation

How individuals' KSAs are applied and how they are influenced is a vital part of a competency model. Gaudet believes that competency-based individual development plans contribute to the overall effectiveness of a competency model and enhance the ease of competency management. Such plans:

- Focus each employee on the KSAs and other characteristics they personally need to improve upon in order to achieve exemplary performance
- Form the basis for evaluating performance and tailoring training & development to the specific needs of each employee
- Are an effective career planning tool that helps employees achieve their goals through the systematic evaluation, planning, execution and tracking of individualized development strategies
- Maximize organizational talent development, performance management and succession planning efforts

DEVELOP A COMPETENCY MANAGEMENT STRATEGY

Linkage, or alignment, of the competency model to business strategy is essential for success of the model, says Gaudet. Competency models define the measurable

standards for outstanding performance, yield meaningful individual development plans, and provide the language for competency management. Gaudet describes the linkage relationship this way:

- Competency-management is the foundation for *performance management*
- A sound *performance management system* is the engine that drives *talent management*
- *Talent management* is the key to aligning human capital assets with business strategy to create value for the organization

A carefully implemented and wisely used performance management system. . . is built on robust competency management.

The more geographically or functionally dispersed an organization's workforce is, the larger it is, or the more averse it is to rapid change, the harder it will be to attain alignment between human capital and the organization's needs and culture. That's where a performance management system really proves its value. A carefully implemented and wisely used performance management system that is built on robust competency management processes can help translate business strategy into well-articulated, congruent priorities and objectives that allow the entire organization to move forward with a single purpose.

"Do you want to create a culture of high-performance? You cannot create a high-performance culture without a strong performance management system in place."

What role does a performance management system play in talent management? A performance management system can help focus the direction of an enterprise towards its goals. It allows senior executives and human resource professionals to concentrate on the "hows" and

the “whats” that can be accomplished through people. Significantly, such a system is particularly suited to the development of high performers. “Do you want to create a culture of high-performance?” Gaudet asks. “You cannot create a high-performance culture without a strong performance management system in place; yet many senior executives demand high performance without building the kind of workplace with the right knowledge, skills and abilities needed to power high performance.”

John Kotter and James Heskett conducted an 11-year longitudinal study at Harvard Business School that summarizes the impact of a performance-enhancing culture (PEC) on the performance of the organization. The performance of companies with a PEC and those without a PEC are compared according to their revenue growth, stock price, and net income growth. Companies that fostered a performance-enhancing culture outperformed those who did in all three areas. Further research by Development Dimensions International (DDI) found excellent results and dramatic improvements over time whenever there was an effect performance management system in place, driven by senior line management. *[Editor’s Note: A slide or chart I can plug in here to demonstrate this would be terrific.]*

“Top performers have ‘it’ while average performers never quite get ‘it.’ To define ‘it’ you must identify and study your top performers.”

The role of high performers in the success of a competency model and competency management cannot be underestimated, Gaudet believes. What makes for exemplars, or top performers? It is a combination of experience, competencies, values, and ability to discern what is important in both processes and outcomes. Top performers are those performers with initiative, who identify what needs to be done, set goals accordingly, and organize themselves to achieve their goals efficiently. Top performers, according to Harold Stolovitch in a recent “Workforce Performance Solutions” article *[Ed. note: Reference, please]*, exploit

every useful resource, and listen, observe and learn from all valid sources, including their own misadventures. They are fearless in doing what it takes to succeed.

Top performers have “it” says Gaudet, while average performers never quite get “it.” “To define “it” you must identify and study your top performers. Go into the workplace, in the field, in the plant, in the office. Observe them in action. Don’t just listen to what they say or listen to what others say they do. Observe their processes and learn what they do to make them consistently exceed expectations. Validate your findings with other exemplars, their managers, and customers.”

Build a composite of how the top performer demonstrates their commitment and contribution to the work role or job profile. Note critical differences between top and average performers. Look for evidence that identifies how top performers interact and influence others in similar work roles or job profiles. Top performers are often recognized not only internally within the organization, but are also well known through trade and industry associations for the work they do.

Exemplary performers produce deliverables with 45% to 75% superior results over their average colleagues.

Exemplars do well because they have been appropriately selected, have clear and meaningful objectives to achieve and are trained, developed, and supported as valued assets. They receive suitable feedback and rewards for their results. They also make huge contributions to overall organizational success.

Exemplary performers are worth identifying because they add value to the organization. The McKinsey Quarterly’s study, *The War for Talent*,

Part 2, suggests exemplary performers produce deliverables with 45% to 75% superior results over their average colleagues.

Effective performance management based on the performance of an organization's high performers can help to raise the engagement level of employees.

In Gallup's first national survey on employee engagement earlier this year, they found that of all US workers 18 or older, only 26% are engaged at work, meaning they are committed and motivated, unlike their "unengaged" (55%) and "actively disengaged" (19%) counterparts. Effective performance management based on the performance of an organization's high performers can help to raise the engagement level of employees.

FIVE STEPS TO A COMPETENCY MANAGEMENT STRATEGY

While it's fine for everyone in the workplace to be on the same page about the organization's strategic priorities and his or her individual role in advancing in that direction, it is not enough. How does a leader know whether progress is being made— or if enough progress is being made? The answer is simple – it must be measurable to be manageable. In an effective performance management system, the organization takes every associate's goals, which are already tied to strategic priorities, and ensures that it can link individual performance to expected outcomes. When progress is measurable, each associate can be held accountable for the results. Accountability is one of Gaudet's five steps to develop a competency management strategy:

1. Link competency management initiatives to your organization's business strategy.
2. Develop a system that works for your organization, one that integrates best practices for technology-enabled competency management.
3. Create Individual Development Plans that can be tracked by both the employee and the supervisor and used to support and reinforce new knowledge and skills.
4. Embed accountability at all levels system-wide.

5. Review progress regularly.

This does not mean that managers should fire every employee that doesn't meet the deliverables of his or her individual development plan. Managers want employees to "own" their work. "Managers need to engage employees frequently about their performance compared to their objectives, and work to remove barriers to achieving their goals," Gaudet observes. "After all, most . . . problems don't result from associates' willfully digging in their heels; rather, they stem from process obstacles that must be overcome.

Sustaining results requires a commitment to long-term management, and accountability is key to this. "We really need champions for accountability," says Gaudet. "Champions are often self-selected and emerge only when they have freedom to participate in the competency modeling process."

Accountability may be the cornerstone of Gaudet's five steps, but regular reviews of progress are nearly as important. Performance management presents a unique opportunity to empower the individual. Organizations want to be sure that their human capital can actually do what they have committed to do. Do they have the skills? Are they getting the job done? How do managers know? Performance management meetings as part of a regular review process provide a good forum for answering these questions. If the formal performance management process is structured around the organization's strategic priorities as they pertain to a given group of employees, and if HR professionals follow up regularly regarding progress toward those objectives, then they are actively managing toward those strategic priorities.

CONCLUSION

Human capital alignment is *not* for the faint of heart, cautions Gaudet, and it requires a great deal of energy and commitment. Yet she also contends that system approaches are not mysterious. By keeping a few, sound principles in the forefront, organizations can build a robust competency model and practice effective human capital management. Gaudet summarizes the most important points to consider:

- Base recruitment, selection, performance management, learning and development on a set of core competencies mapped to your business strategy
- Become a champion to establish definitive and consistent company-wide data
- Create a common language to describe competencies, jobs, work roles, etc.
- Adapt talent management and development to each need – no cookie-cutter approaches allowed
- Make talent management and development tools simple and efficient

Make sure you are developing your staff to use the processes and tools in your organization that align human capital with organizational strategic priorities

- Link talent management with the business planning process
- Build in accountability at all levels through numbers and clear actions for implementation

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PRESENTER

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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 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.

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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, and beginning Russian. She can be reached at karen.beaman@jeitosa.com.

**TRICIA DUPLIKA, VP SERVICES
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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.

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

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