Competencies That Matter

Creating Competency Models for
Successful Talent Management

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Introduction

Do competencies matter? Companies are quickly learning that they matter more than ever during this critical time in our economy. Despite a so–called "talent crisis," downsizing and layoffs are constantly making headlines in the media. Little thought is typically given to what a business will look like *after* the downsizing and what key competencies, organizationally and individually, will be required for future success.

Compounding the situation for employers, the U.S. Department of Education estimates that only 20 percent of the U.S. workforce will have the skills necessary for most newly created jobs.[1] This is only one element of the looming talent crisis—massive baby boomer retirements will expand the skill gap even farther. [2]

Anticipated mass retirements by experienced baby boomers are fueling a dire forecast—worker shortages of 10 million by 2010 (U.S. Bureau of Labor Statistics).

This loss of experienced talent is coupled with skill deficiencies within the lower ranks. In fact, only 20 percent of the U.S. workforce will even have the skills necessary for most newly created jobs (U.S. Department of Education).

Frequently, companies that downsize are cramming "square pegs" into round holes to get the necessary work done. Even worse, many enterprises try to put a single square peg into *multiple* round holes. This leads to frustration for employees and managers. Competency management will not solve these problems, but it can certainly lessen them.[3]

Other drivers are affecting this unique labor market, which is hovering near a 17–year low as measured by the Labor Department.[4] According to James Holincheck at Gartner, the effects of organizational change have been significant:

> "There has been an unprecedented amount of enterprise changes: mergers, acquisitions, divestitures, downsizing, upsizing, right–sizing. As enterprises make these changes, they have become acutely aware of the need to understand, leverage, develop and deploy the *knowledge, skills, abilities, backgrounds and experience—the competencies*—of its workforce."[5]

Since the labor market is tight and organizational dynamics have shifted so severely for many companies, the need to develop and manage talent has become a top priority.

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[1] *Growing Talent Crisis*, p. 2

[2] *The Growing Talent Crisis: Challenges and Solutions*, sponsored by Aon Consulting. Published by Global Corporate Marketing and Communications #2763 (July 2007), p. 2

[3] Gartner Research, *The Coming Resurgence of Competency Management*, by James Holincheck in Plateau, p.6

[4] "Retirements Keep Labor Market Tight, Fed on Inflation Alert," by Mathew Benjamin in Bloomberg.com, February 21, 2006; quoted in *Baby Boomer Exodus*, p. 1

[5] Gartner Research, *The Coming Resurgence of Competency Management*, by James Holincheck in Plateau, p.6

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Why Competencies?

Tough economic times are when competencies come into particular focus. Competency management ensures that consistent (and correct) criteria are used to hire and manage the right people for the right jobs. Candidates are measured objectively and employees are evaluated consistently across an organization.

Many organizations wonder: "Do we need competency models if we have a performance management process?" Many companies are holding employees accountable for what needs to be done, but not necessarily how it's done. Objectives spell out *what* the organization wants employees to do, while competencies spell out *how* management wants the objectives to be accomplished.

> **Objectives** spell out *what* the organization wants its employees to do.
> **Competencies** spell out *how* management wants those objectives to be accomplished.

Competencies are certainly more difficult to define and measure than performance objectives (e.g., "sell 1,000 widgets by June 1"). They often encompass less concrete attributes, such as employee methodology (how they accomplish goals) and their fit with the company culture.[6] By stipulating both performance objectives and relevant competencies, companies clarify to their employees exactly what constitutes high performance on the job.

Competency models function as the foundation for talent and performance management activities within an organization. They establish the objective criteria to *select* candidates for a position, to *measure* incumbents in that position, and to *guide* the development priorities of employees who wish to excel in that position.

Competency Models: The Foundation for Talent Management

Because of the impact that they have on talent management activities, competency models are strategic. They should not be developed or changed without extensive thought, validation and consideration of the impact of such changes. According to leading HR analysts, competencies are *critical* to a thriving, influential HR organization.

Why are they critical? They enable the HR organization to address and alleviate core organizational challenges, such as:

➢ "Which employee behaviors are going to drive the strongest results?"

➢ "Our employees lack the skills and knowledge necessary to perform effectively."

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[6] Bersin, Josh, "The Role of Competencies in Driving Financial Performance" (Bersin & Associates: January 2007), p. 7

➢ "The skill sets of our employees might not be aligned with our business needs."

➢ "Our company is not clear how much training should be required or what our hiring processes should look like."

Now that we understand why they are important, let's define exactly what competency models are and how to develop them within an organization.

> "Take time to do competency work. A well-defined, role-based competency library is a cornerstone of effective performance management. When done properly, competencies provide improved visibility into organizational competency levels. With this visibility comes a clearer understanding of employee-development needs that can be communicated to workers during the review process. Putting in the time up-front to ensure accuracy and detail is worth the effort."[1]
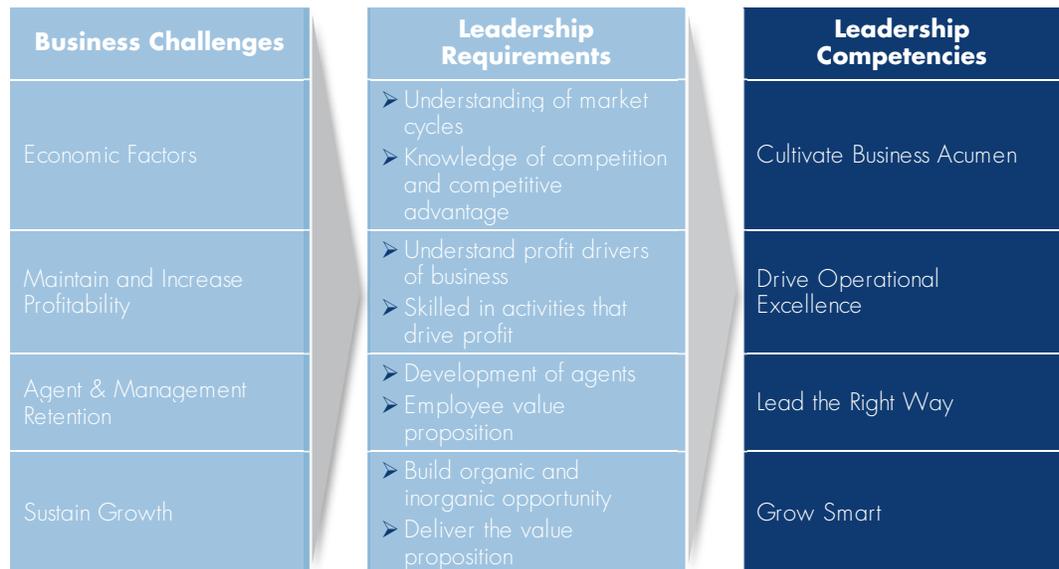>
> —Rowan, Lisa & Peter McStravick. "Best Practices for Performance Management" in *Talent Management* (September 2006)

What is Competency Modeling?

Competency modeling is a process that defines the skills, knowledge, and organizational values that drive leadership effectiveness. The outcome is a set of competency models that represent the intersection of business strategies, organizational culture, and leadership requirements. A competency model is a list of attributes, skills or behaviors that enable an individual to perform a particular role in an outstanding manner and make a substantial, positive economic contribution towards the success of the organization.

Figure 1:
Competency Modeling aligns leadership capabilities with business challenges – building a solid foundation and positioning an organization for goal achievement

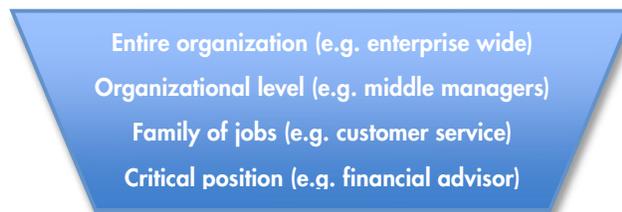| Business Challenges	Leadership Requirements	Leadership Competencies
Economic Factors	➢ Understanding of market cycles ➢ Knowledge of competition and competitive advantage	Cultivate Business Acumen
Maintain and Increase Profitability	➢ Understand profit drivers of business ➢ Skilled in activities that drive profit	Drive Operational Excellence
Agent & Management Retention	➢ Development of agents ➢ Employee value proposition	Lead the Right Way
Sustain Growth	➢ Build organic and inorganic opportunity ➢ Deliver the value proposition	Grow Smart

What are the benefits of competency models?

Competency models provide a basis for evaluating how people achieve results the organization needs in order to increase performance; therefore, employees are encouraged to achieve goals by applying these critical competencies. Goal achievement at any cost is not a viable long–term strategy for success. Carefully crafted and customized competencies help managers with coaching, development and the identification of skill gaps.

Competency modeling benefits an organization by identifying the skills/competencies the organization needs to increase performance. Organizations with competency models are equipped to:

➢ Develop skill sets and leadership from within the company.

➢ Define the desired behaviors to assist in selecting and retaining the right people.

➢ Establish a solid foundation for the entire talent management lifecycle.

➢ Create impacting learning programs and development plans.

➢ Develop sustainable succession management.

➢ Guide compensation decisions.

Building the Competency Model

First, determine where competency models are needed within the organization:

Entire organization (e.g. enterprise wide)
Organizational level (e.g. middle managers)
Family of jobs (e.g. customer service)
Critical position (e.g. financial advisor)

Then, employ the streamlined, straightforward process outlined below to create competency models for organizations, departments, job levels and/or individual positions.

10 Steps to Successful Competency Development and Deployment:

1. Identify a task force comprised of organizational leaders and subject matter experts.

2. Determine key goals and business challenges.

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3. Ensure organizational buy–in from the top down.

4. Gather, analyze, filter and sort meaningful data.

5. Define the model in terms that are meaningful and relevant to the industry, the organization and its culture.

6. Ensure the competency model is aligned with the key business goals and challenges identified in step two.

7. Educate the workforce about the process and its importance.

8. Deploy the model quickly and efficiently, with minimal disruption.

9. Ensure the models are consistently applied in talent selection and performance management.

10. Evaluate competency models periodically and modify as needed, to reflect changes in market conditions, organizational goals, etc.

Next, assessing the types of competencies needed for the model is critical for ensuring its relevance.

Competencies can be divided into three categories: core competencies, leadership competencies and functional competencies.[7]

Core Competencies are values or behaviors relevant to any employee in any role and are central to fundamental organizational goals. Typically, these competencies will not change from year to year as they are aligned with overarching business objectives.

Representative Core Competencies	➢ Demonstrating exceptional customer service ➢ Executing the plan ➢ Communicating across the organization ➢ Acting with professionalism

Leadership Competencies apply to those in leadership positions. These will vary from company to company, depending upon which kinds of leadership behaviors are valued and relevant.

Representative Leadership Competencies	➢ Displaying global business acumen ➢ Building high–performing teams ➢ Influencing and empowering

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[7] Bersin, Josh, "The Role of Competencies in Driving Financial Performance" (Bersin & Associates: January 2007), p. 9–11.

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Functional Competencies are related to a particular job or job family.

Representative Functional Competencies	➢ Financial acumen ➢ Media relations ➢ Project Management

The chart below depicts a competency model for a standard managerial position within an organization. This TalentQuest 4–Quadrant Managerial Competency Model is founded on best practices and research across hundreds of organizations and contains the most common behaviors necessary for management success. In a complete model, multiple behaviors will be defined (typically 4–6) for each competency; in the graph below, one behavior is described per competency for illustration.

TalentQuest Managerial Competency Model

Quadrant	Competency	Sample Behavior
Q1: Mindset	Critical Thinking	Generates multiple alternatives and solutions before deciding
	Effective Judgment	Anticipates and addresses obstacles when creating plans
	Continuous Improvement	Identifies and shares best practices
Q2: Discipline	Plan & Execute	Delegates effectively and to the right level
	Customer Focus	Uses customer–focused metrics to build satisfaction
	High Standards	Models a high level of personal productivity and commitment
Q3: Teamwork	Coaching	Helps team members learn from successes and mistakes
	Communication	Communicates in a concise and straightforward manner
	Relationship Development	Shares credit for accomplishments
Q4: Character	Self Assurance	Demonstrates courage and decisiveness when needed
	Trust	Openly shares important facts and information
	Conflict Resolution	Seeks win–win outcomes in negotiations

Banking on Best Practices

Apply these best practices to ensure the competency model "sticks" in the organization and ensures sustainable results:

Keep it simple and straightforward.

Devise a core set of consistent, easily understandable competencies that can be applied across the organization.

Define competency models for each major job or job family.

Different jobs will require different skills, knowledge, and values to be successful. For example, jobs that involve managing people will require skills in coaching and leading, while jobs that do not involve managing others will not require these skills. Sometimes organizations will have hundreds of different job titles, and developing competency models for each job title is not practical. Similar job titles should be combined into job families and competency models should be developed for each job family.

Develop competency models based on input from experts and high performers in the job.

The competency model development process should involve in–depth interviews with supervisors of the job in question, as well as high performers within the job in question. Incorporating their expertise helps to ensure the model's validity.

Competency models should be unique to the organization and reflect its culture.

When possible, competency models should be customized to both the position and the organization. This allows competency models to use language that captures the culture of the organization and the unique competitive environment in which it operates.

## Focus each competency model on key skills and behaviors.

A competency model is not intended to capture everything a particular job is responsible for. Rather, it focuses attention on the particular characteristics that, if they are done poorly or if they are done well, will have economic implications on the organization's success. As a rule of thumb, because organizations need to prioritize the most critical requirements, a competency model should consist of no more than 12 competencies. In fact, the lower the number of competencies is, the higher the level of organizational focus to these key elements of success.

Incorporate the models into all relevant organizational systems.

Once competency models are developed, other talent management systems should be aligned with the competency models. People should be recruited and selected based on their match with the competency models. Training should lead to learning and improvement in the competencies. Coaching and succession planning should be done with a solid understanding of the competencies needed to succeed at each job in the organization. In short, the organization's entire talent management lifecycle will originate from the competency foundation.

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Beware of the Pitfalls...

➢ Over–engineering the model; less is more!

➢ Loosely connecting the model with organizational challenges

➢ Meeting with only a few executives to identify the model

➢ Letting the model sit unused

➢ Allowing HR to sponsor the work; HR's job is to ensure that the work is meaningful and gainfully deployed

➢ Failing to market the effort... spread the good news!

Less is more!

The Professor's invention for peeling potatoes.
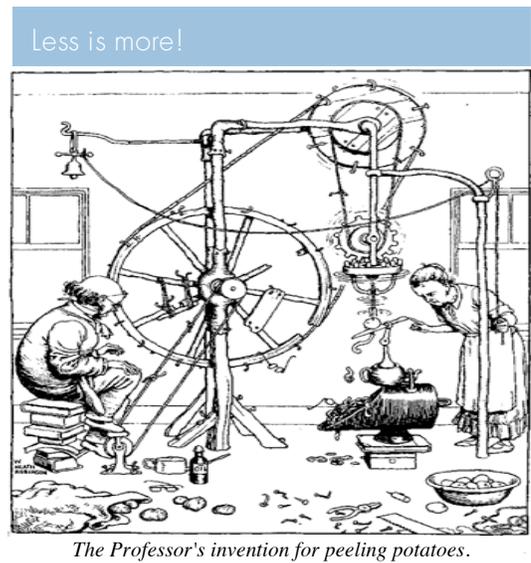
Application

Depending on an organization's specific needs, one core competency model could be used for all positions. However, typically there are approximately six to ten types of positions that will be defined with unique competency models.

Once position–specific competency models are built, they are used in all aspects of talent management, including selection, performance management appraisals and activities, 360° feedback survey, succession management and compensation decisions.

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Ultimately, incorporating competency models into an organization will address the following concerns:

- ➤ How to measure how employees accomplish results

- ➤ How to accurately differentiate between top, medium, and bottom performers

- ➤ How to provide employees with feedback on their performance in a productive way

- ➤ How to effectively integrate all of the talent management processes

- ➤ How to integrate competency models into all of the organization's systems and processes

TalentQuest has a diverse team of Ph.D.–level consultants with backgrounds in industrial and organizational psychology who have in–depth experience working with businesses to develop and improve their competency modeling systems and processes. These consulting engagements typically last from three to six months.

TalentQuest has conducted competency modeling consulting engagements with many clients, including, but not limited to:

- ➤ Morgan Stanley
- ➤ Coldwell Banker
- ➤ Tech Data
- ➤ RARE Hospitality
- ➤ American Cancer Society
- ➤ Alaska Airlines

- ➤ Republic–NDC
- ➤ TomoTherapy
- ➤ Duane Reade
- ➤ McKesson
- ➤ Sykes Enterprises
- ➤ Washington Mutual

For additional information on competency model development, please contact info@talentquest.com or visit http://www.talentquest.com.