Custom Competencies:

The Key to Driving Authentic Process Integration

TALENTQUEST

Introduction

With all of the talk today in human resources and human capital circles about the need for integrated talent management, it's often lost on many organizations exactly how to weave all of the disparate parts into a cohesive whole. The answer is competencies – the common thread in the elaborate tapestry that is talent management.

Achieving true integration means using competency-based talent processes across the employment spectrum – including hiring, development, promotion, compensation and succession – to drive the financial performance of an organization.

For companies looking for *true* process integration, competencies are the key, and they are unique to every company. Competencies that work for another company won't necessarily work for yours. Instead, they must be drawn from the knowledge, behavior and skills of your leaders and top performers, and from the culture and values of your organization. A custom fit is essential, and tailoring competencies to your needs requires extensive experience.

However, the fundamental mistake that most organizations make when choosing talent technology is assuming that software vendors have knowledge and experience in competency development. The truth is they don't – and not knowing this can deal a fatal blow to your talent initiatives from the start.

Companies should focus *first* on competencies because they create the foundation for integrated talent management. Unfortunately, competencies are often overlooked and sometimes difficult to understand, so many organizations choose to focus on software instead. But relying on software alone can't deliver true integration, only custom competencies can.

TalentQuest understands that your software provider and your talent consultant really need to be one and the same. And we have the experience to incorporate competencies into all key talent processes, layering the technology onto the process afterward to make it as efficient and tailored to the organization as possible.

What are competencies, and why do they matter?

Although competencies can seem mysterious to some, they shouldn't. Think of competencies as the DNA of your organization. All of the knowledge, behavior and skills used to evaluate, assess and develop employees are contained in competencies, and creating custom competencies establishes a common language for your organization to talk about employee development. [1]

Competencies are the foundation of all aspects of talent management. They are the common, integrative thread of a talent management process, even more so than seamless technology. Competencies help define the qualities that will make an organization and its employees successful. For example, competencies in a manufacturing organization might include "job knowledge," "quality," "adaptability / flexibility" and "teamwork". [2]

Typically, talent management systems and processes require four types of competencies:

- **Core Principles or Values:** These competencies are determined at the highest level and can define a company culture and brand. These can be applied to all employees. *Example:* "Integrity".

- **Leadership Competencies:** These can be used to assess leadership readiness and capability. These competencies can be applied to existing managers and leaders as well as high-potential employees. *Example:* "Strategy".

- **Functional Competencies:** Based on the profiles of high-performing employees, these are competencies needed for success in a given position and can be applied to different roles. *Example:* For a Web developer, expertise in Java may be a competency.

- **Career Path Competencies:** These can be job specific and geared toward career development. These competencies must be mastered before moving on to the next career step. They may be applied to encourage career planning in critical roles. *Example:* In HR, benefits administration may be a career path competency. [3]

If developed correctly, competencies make talent decisions far less subjective and allow talent management technology to live up to its full potential. However, few organizations seem to realize this. Only 35 percent of organizations use competencies for performance management, and only 25 percent of organizations regularly maintain competencies. [4]

1. Bersin & Associates. The Evolution of Talent Management Systems. 2008.
2. Bersin & Associates. The Role of Competencies in Driving Financial Performance. January 2007.
3. Bersin & Associates. Competency Management: The Gateway to an Integrated Talent Management Strategy. February 2008.
4. Ibid.

How do competencies fit into talent management?

Many companies fail to understand that integrated talent management requires much more than technology. The real magic of integration occurs because of the foundation of competencies that are customized to an organization. With a firm foundation of competencies, the talent processes are the structure that is assembled on top. But how do these competencies weave through the various talent processes?

- **Recruitment:** Hiring can sometimes feel like a shot in the dark. Why do employees who interview so well not seem to work out? If your organization isn't using assessments as part of the pre-hire process, success can certainly feel random. Using competencies based on proven top performers and employees who "fit" your culture, an organization can qualify and assess candidates and facilitate objective behavioral-based interviewing. In essence, you are hiring people who are similar to ones who have proved to be successful in your organization.

- **Performance:** It seems that both employees and managers hate performance reviews. The source of this dissatisfaction is simple: The assessment is based mostly on manager opinion and does little if anything to develop an employee, much less connect the employee's efforts to the overall business strategy. Incorporating competencies into the performance process allows an organization to define the behaviors that will be used to measure employees and allow the alignment of organizational goals with individual efforts. This information not only guides employees on what to achieve but clarifies how to achieve it.

- **Succession:** Who are your future leaders? Which positions are your critical roles? These two talent questions are the ones that keep business leaders up at night. They want to know that the talent will be there when they need it. Competencies guide career development and progression, making it easier to identify and assess "high potential" employees. This information allows organizations to clearly understand bench strength and proactively address any talent gaps.

- **Learning:** In organizations that emphasize learning, competencies provide the crucial link between learning and performance. Competencies allow curricula to be built within job functions.[5] Competencies can also be used as a vital part of the succession management process to develop future leaders and talent to fill critical roles over time. It is not an overstatement to say that without competencies, effective enterprise learning is next to impossible.

5. Ibid.

Competencies: One size does not fit all

Competencies must be customized to a company by goals, culture and performance requirements in order to drive successful integration across multiple talent management functions, from talent assessment and acquisition to leadership and succession management. But sometimes "custom" competencies really aren't.

Most organizations that need to develop competency models are faced with this simple choice: build or buy?

- **Building competencies:** This is just what it sounds like – true, from-the-ground-up development of custom competencies that are unique to your organization.
- **Buying competencies:** Off-the-shelf competency models are available for organizations that don't have the time or budget to build their own. However, even if your organization chooses this route, the competency model will still need to be tailored to your organization.

The answer of whether to build or buy can depend on several variables, including budget. But developing, customizing and managing competencies is a complex challenge either way. No organization should go it alone. Finding an experienced partner isn't just a good idea – it's a must. However, buyers should beware. Even if you believe that you are partnering with a talent management vendor to develop competencies, most of the time, you really aren't. Instead, 99 percent of talent management software providers outsource competency development. If that's the case, what's the point of a partnership, anyway?

What your talent management vendor won't tell you.

- **We don't really understand competencies.** One of the dirty little secrets of most talent management software vendors is this: They don't understand competencies any better than you do. Most are happy to provide you with "cookie-cutter" competency libraries that may not map to your organization's needs. If you push them on this point, these vendors will most often refer you to a third-party consultant at an additional cost.

- **We're selling software, not solutions.** Most software vendors want to discuss the features and benefits of their software, especially the areas that play to their strengths. Custom competencies may underpin the effectiveness of talent technology, but development of competencies doesn't play to their strengths – and slows down deals.

- **We're molding your talent processes to the strengths and weaknesses of our software, not vice versa.** Customization cuts into profit margins for most talent software vendors. They don't want to understand your talent strategy. Instead, they would rather force your processes to work within their standard features, whether that benefits your organization or not.

A true partner should be able to do it all – from developing your competencies to implementing them to integrating them in a holistic way with your talent technology. That is the only proven way to realize the full benefits of integrated talent management technology. Your software provider and your talent consultant really need to be one and the same.

Best practices

Whether your organization is developing talent management technology for the first time or replacing existing technology, keep these recommendations in mind:

- **Competencies first, technology second.** As tempting as it is to move forward with selecting and implementing technology first, don't do it. The competencies that you develop will shape the implementation and adoption of your technology and could even change your technology needs.

- **HR alone cannot define competencies.** Although HR leaders play a key role in the development of custom competencies, business leaders and functional experts must also be involved. They are the ones who understand what it takes to be successful in the company or in a specific role.

- **Know when you should review competencies.** Like a garden, competencies need to be maintained and cultivated over time. Although your organization should commit to review on a regular basis (such as every year or two), certain business conditions could require an immediate review. These conditions include the need to make organizational changes, an increase in hiring needs and a change in competitive conditions.

- **Establish goals for ALL employees.** One misconception about talent management is the belief that it is impossible to establish clear goals for all employees. Regardless of role, competencies actually make it feasible to link business strategy to the individual performance and actions of every employee.

- **Use competencies to power pay for performance.** Most organizations don't mind paying employees who create value and drive revenue. However, compensation decisions for many roles are often guided by perceived value instead of real results. Competencies can bring into focus which positions are critical to your organization, as well as which employees are meeting and surpassing goals. With this information, making compensation decisions becomes easier.

Conclusion

For any organization that needs to build a solid talent management infrastructure using technology, competencies form the foundation. Don't fall into the trap of entrusting competencies to a software vendor – they don't understand competencies, but they are more than happy to sell you off-the-shelf competencies that are thinly veiled as "custom" ones. That doesn't mean that you must go it alone. You can hire strategic talent management expertise to establish the right competency foundation for your organization before you purchase the software to build upon it. But shouldn't your software vendor and your talent consultant be one and the same?

Outsourcing a key component to a third party, as most talent management software vendors do, isn't something a true partner does. TalentQuest is one of the rare organizations with the knowledge, experience and ability to develop competencies and implement them correctly as you roll out your talent management initiatives. We offer you what you really need – talent _**and**_ technology expertise in the same place.

Unlike other talent management technology providers, TalentQuest has a strong base of consulting expertise to help your organization develop strategy before implementing technology solutions. Contact us today – call 866.377.6106 or email info@talentquest.com – to find out more about how we can help.