



guide to implementing competency management





Introduction

45% of HR managers rate 'improvement of their performance management processes' as one of their top two areas of focus and performance management has become one of the biggest investments for HR today.^[1] When executed effectively, performance management creates fully-aligned, engaged and results-orientated organisations. When done badly, it can lead to unclear expectations at all levels of the organisation, a disengaged workforce and difficulty in hiring and keeping top talent.

Competencies can serve as a solid foundation for performance management and are now used by some of the world's most forward-thinking, talent-hungry organisations. Google, Nike, American Express, the UN and numerous small businesses are among those now leveraging competency management to snap-up, engage and develop top talent, reinforce organisational values and drive business success.

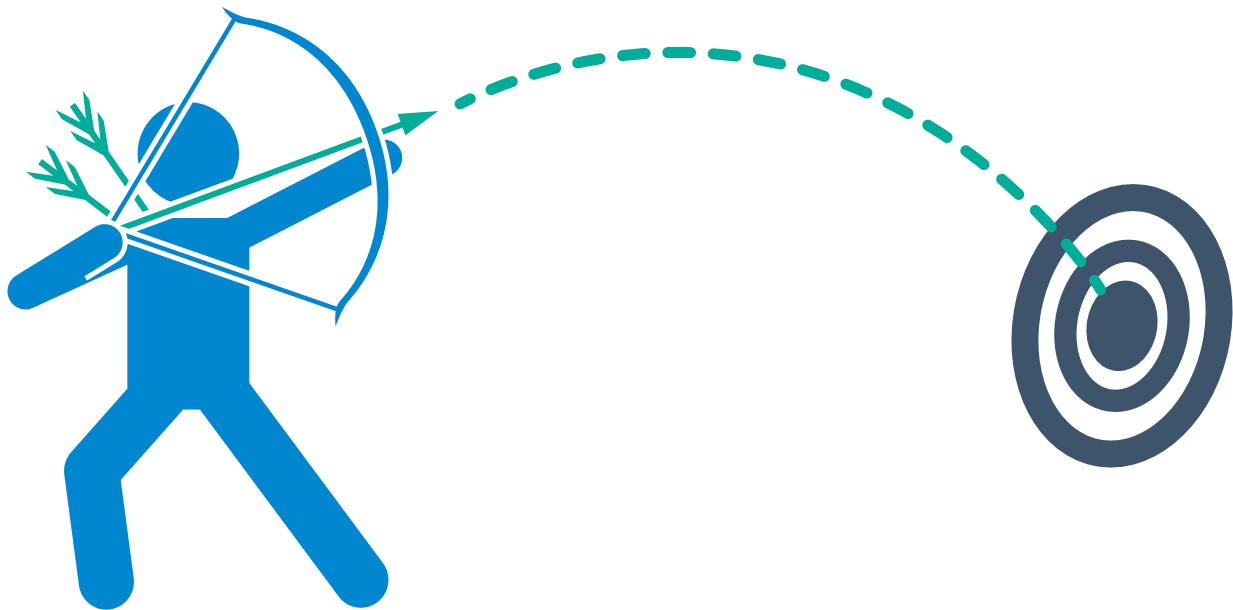
72% of organisations agree that competency management is critical or important to the business, and over half of those planned to pay much greater attention to competency management over the next year.^[2] Competencies are fast becoming the tool of choice for high-performing companies to manage performance development.

What Are Competencies?

Almost unknown before the 1990s, competencies are now used by numerous Fortune 500 companies. Adoption by prolific brands, such as Hewlett Packard, Pepsico and Deloitte; extensive research; and increased access through smart, competency-management software prompted others to revise their approach to performance management.

A competency is a measurable characteristic of a person related to success at work and could be a behavioural or technical skill. Simply put, they are the knowledge, skills and behaviours needed to get a job done.

Companies often adopt different strands of competencies to effectively manage performance.



Behavioural competencies

Also known as soft skills, behavioural competencies define how a task is done and will vary greatly depending on the job role. For example, confidence on the telephone would be more valuable for those working in sales. Behavioural competencies can relate to interactions with others, including empathy for alternative viewpoints or the ability to offer constructive feedback. Many organisations also develop a separate set of leadership competencies, to define the type of people best suited to lead in their organisational culture.

Technical or functional competencies

Functional competencies refer to a specific technical task. Project management would be relevant to the IT department, learning design to HR or solution development for the sales team. Technical competencies are traditionally managed at a functional, rather than enterprise level.

Values-based or core competencies

All organisations have a set of values, either clearly communicated and demonstrated or not. They might include integrity, quality, accountability or collaboration. A set of values-based core competencies can provide a framework for corporate culture, which cannot be achieved by focusing on strategy-based capabilities alone.

These competencies are often chosen by senior leaders and are applicable to all job functions. Performance-orientation and teamwork are two of the global core competencies at PepsiCo. Able to weather major disruption and used during performance reviews, they represent the kind of employees, culture and ways of working which are valued at that particular organisation.

How Do Competencies Drive Impact Across All Levels Of The Organisation?

Across an organisation, competencies can act as a focus point, helping organisations understand where to allocate resources including incentives, coaching and development. By understanding how top performers achieve results through observable behaviours, organisations can build an objective model for success that can be clearly, consistently communicated and understood by multiple functions in multiple geographies.

Bersin research found that the majority of HR managers and executives take competencies management very seriously.^[1] Those that do, leverage their impact in numerous areas of the business.

Integrated talent processes

The highest-performing organisations use competencies as a set of standards outlining what is expected for each job role. This consistent tool kit can be used in talent acquisition, retention, reward and all stages of the employee lifecycle.

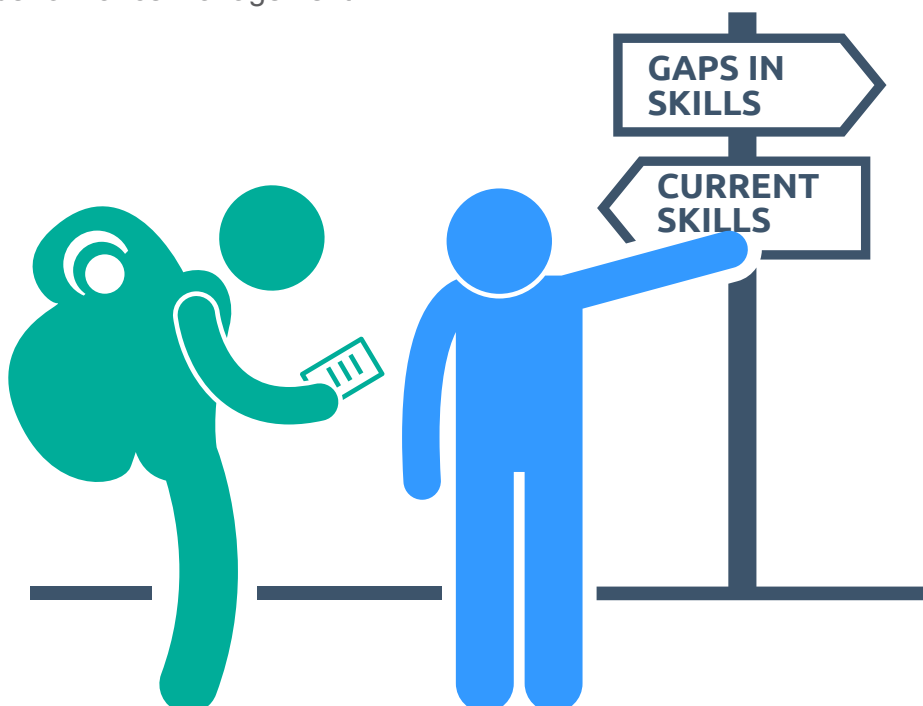
Uniting culture

The organisation's core competencies can act as a guiding star for corporate culture, identifying, communicating and reinforcing the shared values and behaviours that drive success for their unique context.

Clarifying expectations

Starting a new role in a new company can be daunting. Matters get considerably worse if employees lack clarity on exactly what they are meant to do. Recent research by Gallup revealed that only one in two employees clearly know what is expected of them when they go to work every day.^[3] Armed with clear expectations, new starters and current employees alike do not need to rely on luck or gut instinct to consistently perform well.

Competencies provide a high level of detail, objectivity and can be easily assessed. They help employees understand what level of skill they currently have and subsequently, identify gaps and areas for improvement. This is hugely empowering to employees and supports a collaborative approach to performance management.





Learning and development

There are numerous ways to gain skills and develop competencies at work. This may be through formal training; mentoring; productive feedback conversations with management or peers; modeling top performers; an online knowledge portal documenting best practice; networking and learning groups in or outside the organisation; and books, videos or online resources. Competencies can help learning and development professionals identify which specific behaviours will ensure the success of their organisation, so they can build a learning strategy with real business impact.

Hiring

Competencies can act as a precise and thorough wish list for finding the ideal candidate. Furthermore, by using competencies as a basis for employee assessment, organisations can more simply identify the behaviours and skills needed to succeed in a specific role and use these to assess applicants. This greatly increases the chances of placing the right match in the right environment, as recruitment decisions are objective rather than subjective.

Career development

71% of organisations agree the opportunity for leadership and technical skill building is the number one predictor in an individual's decision to stay with or join an organisation.^[4] However, many companies continue to invest resources in development purely for compliance purposes and 31% of organisations are yet to define their essential leadership competencies, leaving employees clueless.^[5]

Nobody likes to feel stuck. Companies investing in opportunities for growth through training, career mobility and a dynamic learning culture show a clear devotion to their people with a knock-on effect on productivity, performance, cross-functional collaboration and employee engagement.

Competencies put career development firmly in the hands of each individual employee. With a thorough understanding of the behaviour, skills and qualifications needed to progress and succeed, employees can assess themselves continuously, explore targeted opportunities to improve and ask for more relevant, specific feedback. Competencies also allow employees to compare their abilities to those required for the next role in their career and can serve as a simple, standardised tool to identify employees deserving of recognition, reward or promotion.

Succession planning

Times have changed. People used to be in a job for life, joining an organisation as part of the graduate scheme and leaving to cash in their pension. The new workforce is constantly seeking fresh opportunities. In fact, 60% of millennials in the U.S. workforce are currently looking for a new job.^[3] Thoughtful succession planning grounded in a thorough understanding of competencies for key roles is fundamental to ensure pivotal positions stay filled. Competencies can help you understand if a current employee can fill an upcoming position, the support they need to get there or whether you need to look outside of the existing workforce. Continuous and careful assessment of competencies provides leadership with meaningful data to mitigate such unexpected risks.



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What Are The Must-Haves For Successful Implementation?

Although 86% of HR managers believe that competency management is critical to their success in performance management, they find it difficult to do well.^[1] Just 7% have the tools to efficiently identify critical competencies, making it very hard to understand current capabilities and the skills needed to drive future growth.^[6] Only 15% agree competencies are well-defined at an enterprise-wide level and 45% believe that important competencies are sporadic or completely absent.^[1] It is important to consider the strategies required to develop mature, high-performance competency management systems and tackle underlying blockers head-on.

Take your time and start small

64% of organisations just starting to develop their competency management system are trying to deliver competencies for all full-time employees.^[7] Building and managing a fully optimised competency management system is extremely complex, particularly for large organisations with thousands of employees with multiple functions in multiple different locations.

Brandon Hall Group found it most effective to start small with a pilot programme to gain experience and uncover blockers. Then, establish competencies for critical jobs and roles, before rolling out across the entire organisation.

Align competencies to business goals

As with effective learning and development programmes, aligning competencies to business objectives is key to success. Only 19% of organisations are able to do this effectively,^[7] so it is no surprise that 72% of organisations believe employee and leader skill building is only loosely focused on developing competencies correlated to real business goals.^[2] However the benefits are high - organisations aligning competencies with business targets were 67% more likely to rate their top competency objectives as effective.^[7] Competency management must be seen as a fundamental element of business success, not merely an HR function. Take time to engage all necessary stakeholders around the world to ensure competencies are effectively aligned.

Avoid plug-ins

Resist the temptation to adopt ready-made, generic competencies. Your organisation and workforce is unique, so ensure competencies truly reflect the company's culture, strategy and market.

What's in it for me?

Competency experts cite leadership and employee buy-in as key to programme implementation and success. A fully optimised model should be co-created with management and tied to career progression to help employees understand why they need to pay attention.

Invest

48% of organisations cite budget as one of the biggest barriers to a successful competency management system. Their concerns are justified. Competency management is one of the most underfunded talent management processes. In 2013, 9% of the talent management budget was allocated to competencies. Four years later in 2017, half of organisations spent 3% or less and one in five companies spent nothing at all.^[7]

Brandon Hall Group research found a strong correlation between spend on competencies and an annual increase in KPIs. Companies spending 10% or more of their talent budgets on competency management are 68% more likely to rate their top competency objectives as effective.^[7] These organisations also enjoyed a significant increase in employee engagement, customer satisfaction, customer retention, organisational revenue and market penetration.

Invest in technology, but also the right communication, coaching and mentoring to ensure everyone understands the model.



Get The Tech

Juggling job profiles, proficiency scales, assessment and all other elements of competencies is practically impossible on paper. It is no surprise that 34% of companies cited lack of automation as a key barrier to implementing a successful competencies system. Yet, 40% of organisations still use a paper-based approach to competencies^[7] and 60% for performance management, usually focused on an annual performance review to be completed by management and sent to HR for filing.^[1]

However, the 11% of organisations using fully automated competency management systems get significantly better results and are 69% more likely to rate their top competency objectives as effective.^[7]



Without an automated system, it is much harder to accurately assess performance and mastery of critical competencies, define individual strengths, inform strengths coaching, build a standardised approach across every area of the organisation and identify the skill gaps. This can lead to variable performance standards across similar roles, an unclear understanding of true proficiency levels, skill gaps in critical competencies and erratic application of competencies across different talent processes. A fully automated system, enables the organisation to focus on the strategic direction of the business rather than operations.

The role of managers

Bersin research suggests that high-performing companies work towards developing everyone to be a good manager. This means they can effectively manage themselves, their team and subordinates as well as engage key stakeholders. Great managers, will hire and develop great people. If you want great performance management, make sure it's in the hands of great managers.

Develop technical competencies

Technical skills are a necessity for many critical roles including medical professionals, IT specialists and engineers. However, twice as many companies have developed core competencies, based on organisational values, than technical competencies. This could be due to lack of resources to define and map technical competencies, lack of leadership recognition of the importance of building technical skills or the outsourcing of technical roles.^[2]

Although technical competencies may prove harder to develop, organisations proficient at developing and using them are 115% more likely to rate their top competency objectives as effective.^[7]

Reinforcement through language, process and culture

Help your employees live and breathe competencies, by integrating them into every process and behaviour across every level of the organisation. It is key that management and leadership model competencies in interactions and the way they recognise achievement. You will also need to ensure competencies are communicated clearly at every level using a common language, so everyone in the organisation has a shared view. This can have a significant impact on development, with employees citing clear communication of competencies as the single most important call to action to improve performance.^[2]

Keep it simple

Be careful not to over-complicate things. The goal of the competencies management system is to help develop a high-performing, profitable, sustainable organisation. If your system is not working towards this goal, simplify it. There is no need to model every single task, as you can rely on individuals and teams to adapt and build on the framework, if there is clear understanding and communication.

Which Competencies Will Drive Success?

When used efficiently, competencies can act as a guiding star for resource management, including strategic hiring, incentives, coaching, training and development. Research by Bersin set out to identify which competencies lead to better business results across different sectors. Although competency-based performance management best practice varies greatly by industry and organisational maturity, the report found that lower-performing organisations tend to focus on competencies that build individual capabilities, while high-performance companies consistently valued competencies that build organisational capabilities. These include competencies associated with leadership, management and personal growth, as opposed to tactical or job-specific competencies.^[1]

The report also demonstrated the need to ensure competencies align with business objectives and strategy, which will vary depending on the workforce demands of your sector. For example, technology companies tend to focus on innovation, highly efficient processes and swift adaptation to an increasingly volatile market. This translates to competencies such as 'creativity', 'leadership' and 'customer focus'. Financial services companies are seeking to eradicate silos and align thinking, so impactful competencies might include 'initiative' and 'communication'. On the other hand, retailers need to focus on boosting integrity, safety and in-store service. In this case, 'dependability', 'integrity' and 'safety' would be considered high-impact competencies.

The value of developing competencies relevant to your industry and company's level of maturity is clear. Focus on defining which competencies form the right 'currency' for your organisation at the current point in time. This also means that competencies may need revisiting and revising for a new phase of growth or major change in product or market focus. Those competencies that provided great impact in the early stages, may not have the same impact in a new phase of growth. These elements are all vital to consider before investing in automating or updating a competency-based performance management system.

The Impact Of Effective Competencies Management On Your Organisation's Financial Performance.

Paying close attention to developing a fully optimised, mature and effective competency management system is good for business, correlating with both talent quality and results.

Performance

Organisations with excellent use of competencies are four times more likely to have a performance-driven culture.^[6] They are also 64% more effective in improving individual performance than companies with no system in place and 51% more effective in raising organisational performance.^[7]

Hiring

Competency-based talent management results in a 63% reduction in turnover and has a significant impact on internal fill rate of key positions, saving recruitment costs and maintaining continuity.^[9]

Revenue

Organisations will also enjoy an average 12.5% increase in sales and profits.^[9]

Engagement

Organisations with a fully optimised competency planning and management system are 63% more effective in driving employee engagement than companies at the start of their journey introducing competencies.^[2]

The link between engagement, productivity and business success is well researched. Employee engagement is the instinctive connection and passion an employee has for their company's vision, which translates to shared goals, self-motivated accountability, raised productivity and optimum performance.

Organisations boasting top levels of employee engagement report double the rate of success, 22% higher productivity, 65% lower turnover, 48% fewer safety incidents, happier customers and higher revenue. And that's just for starters.^[10] On the other hand, Gallup estimates disengaged employees cost the U.S. up to \$1.2 trillion each year due to poor management and lost productivity.^[3]

Brand quality

Organisations with mature and effective competency management systems are 63% more likely to boast very good or excellent brand quality than companies with a fledgling system.^[2]

86% of HR manager believe that competency management is critical to their success in performance management.^[1] So it follows that organisations using competencies effectively will also see financial gains associated with a fully optimised performance management system, including:

Increased productivity: More effective performance feedback processes boost team productivity by 12.5%.^[11]

Reduced turnover: A study revealed that turnover was reduced by 14.9% when employees were given feedback that helped them understand and develop their own capabilities.^[11]

Reduced training spend: Training costs can be slashed by as much as 50% with a more effective mix of learning methods.^[12]



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The Business Case For Implementing Competencies Management.

Effective use of competencies can give you a clear holistic view of individual and organisational capabilities, supporting identification of skill gaps and opportunities for growth. The rich data can help define hiring requirements, performance management goals, learning and development needs, leadership standards and drive self-managed career progression. They serve as a clear-cut, consistent guide for both employee and organisational development.



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make competency management count.

contact us today

service@cognology.com.au

Australia: 1800 062 781 • International: 61 3 9001 0848

www.cognology.com.au

