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# Using Competencies and Metrics to Align Employee Performance with Corporate Goals

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# Getting More from Your Assets

I think it is safe to say that every organization wants to get as much as they can out of their assets. Nowadays, this is especially true about the human assets. Mergers, decentralization, and technological advances which are all very common, make it difficult for organizations to make a name for themselves in the marketplace. Therefore, the main differentiator between organizations is the quality of their employees. Also, without intelligent, dedicated, and hard-working employees, organizations would not be able to achieve the strategic goals that they have set for themselves. Finding these employees is not an easy process and once organizations are able to find them, they still have to complete another crucial step in order to allow them to get more from their employees. This second step involves ensuring that the company's mission, vision, goals, and values are all focused and aligned with each other. When all of the employees within an organization know the organization's values and direction, they will be more likely to make decisions that will lead to a consistent, logical implementation strategy. In addition, when key decision makers understand the values and direction of the organization, there is a greater chance that the right successors will be chosen from inside the organization.

# The Process for Goal Setting

In order to achieve alignment, the goals, mission, and vision should start at the top and trickle down through the organization. For example, let's look at goal setting. It is critical for companies to develop strategic goals. These goals are useless if everyone in the organization does not take actions to support and attain these goals. The organizational goals are developed by the leaders of the organization but they are carried out by the people at the lower levels within the organization. Every person's performance in the organization must be aligned with the organizational goals. Once the organizational goals have been defined, department heads should ask themselves what actions they need to take in order to help the organization reach its goals. After those actions are defined, the department should create goals based on those actions. Next, each employee should think about the actions they need to take to help the organization and the department reach their goals. At that point, each employee can create their own goals. This is the process that should be followed in order to create goals that are aligned throughout the organization. Having everyone in the organization aligned to work on the right priorities helps to increase the value of the organization in the marketplace.

# The Impact of Competencies

One way to ensure that the organization is working towards the same goals is by developing competency models. "In the superheated struggle for competitive advantage, many companies have focused on people as the key to success. Competency models are highly useful in ensuring that employees are doing the right things, clarifying and articulating what is required for effective performance. Such models help organizations align internal behaviors and skills with the strategic direction of the company as a whole."[1]

For an organization, a competency can be defined as the technical capability that differentiates that organization from the competition. On an individual level, a competency is a set of behaviors that encompasses skills, knowledge, abilities, and personal attributes that, taken together, are critical to successful work accomplishment. A key component of a competency is that it should be observable and measurable. Competencies are the building blocks for competency models which relate the organization's strategic business objectives to the work expected of employees.

Once an organization has identified their goals, they should identify the competencies that their employees currently possess. In addition, they should identify competencies that they will need in the future in order to reach their goals. Competencies should be identified by conducting interviews and focus groups with key decision makers and employees who are performing the jobs that the competency models will be used to describe. Once the competency models are developed, employees will know what knowledge, skills and abilities they need to possess to help the organization attain their goals. Competency models are crucial to the success of the organization so they serve as the foundation for all areas of human resources, including selection, employee development, performance management, career planning, and succession planning. This foundation will help to ensure that all areas involving employee performance are aligned with each other.

Footnote:
1. Lucia, A.D. & Lepsinger, R. (1999). *The Art and Science of Competency Models: Pinpointing Critical Success Factors in Organizations.* San Francisco: John Wiley and Sons, Inc.

# Balanced Scorecard

At this point, the organization has developed clear goals and competency models. That is a great start but there is more that has to be done. Organizations need some way to create specific and measurable objectives that will help them to identify when their goals have been achieved. In addition, human resources departments are often required to demonstrate a Return on Investment (ROI) for all of their human resources programs. Measuring ROI allows the organization to identify whether a human resources program is really making an impact on their business goals. ASTD has found that companies are spending anywhere from 2 to 4 percent of payroll on training. That represents a significant commitment of billions of dollars for corporate education each year. Yet ASTD also has calculated that only 8% of companies try to measure the business impact of this investment.[2] Therefore, this is an area where many companies need to focus their efforts. One common approach for measuring ROI is the Balanced Scorecard.

Robert Norton and David Kaplan developed the Balanced Scorecard in 1992. The Balanced Scorecard translates mission and strategy into objectives and measures that provide a complete and detailed view of the company. The scorecard is organized into the following four perspectives:

**Financial Perspective:**
This indicates whether a company's strategy, implementation, and execution are contributing to bottom-line improvement. This perspective includes the traditional financial measures such as return on investment or return on assets, revenue growth, market share and earnings per share.

**Customer Perspective:**
In this perspective, managers identify the customer and market segments in which the business unit will compete and the measures of the business unit's performance in these targeted segments. Measures of importance to customers, such as timeliness, quality, performance, cost, and service, are utilized in this perspective.

**Internal Business Process Perspective:**
The measures used in this perspective focus on the critical internal activities and processes that will have the greatest impact on customer satisfaction and achieving an organization's financial objectives.

**Learning and growth perspective:**
This perspective identifies the infrastructure that the organization must build to create long-term growth and improvement. The organization's ability to change and innovate for the future will be measured. This could include time to market for new product development, workforce training and development, and process improvement.

Footnote:
2. Oakes, K. (March 2005). Learning: The Non-Traditional Approach. *Chief Learning Officer.*

It is important to examine all four of the perspectives. Ultimately, the ability to meet ambitious targets for financial, customer, and internal business process objectives depends on the organizational capabilities for learning and growth. Therefore, learning and growth is the enabler of the organization's strategy. It provides the foundation for the organization to be able to attain its goals. Motivated employees with the right skills and tools in the right environment are the key to improving processes, meeting customer expectations, and ultimately improving financial returns.

By using balanced measures at the organizational level, and by sharing the results with supervisors, teams, and employees, managers are providing the information needed to align performance plans with organizational goals. The Balanced Scorecard creates a holistic model of the strategy that allows all employees to see how they contribute to organizational success. Without this connection, individuals and departments can improve their individual performance but fail to contribute to achieving the organization's strategic goals.

# What Does All of This Mean For the Organization?

Many human resources departments see themselves separately from the rest of the organization. In order for an organization to be competitive, HR must become more involved helping to develop strategic goals. Currently, only 34% of HR organizations are viewed as strategic partners. Mark Huselid from Rutgers University says, "It's all about thinking systematically and systemically about how HR – the function, the broader HR system and the resulting HR behaviors – create value. HR managers are often so focused on their own budgets and their own function that they have a hard time seeing how what they do is connected to the performance of the firm."[3] Using competency models and metrics together will allow HR to gain a better understanding of its influence throughout the organization. The Balanced Scorecard can provide hard data that will show how HR's work affects the rest of the organization.

Employees need to feel that they are making a contribution to the organization. If they understand how their work helps the organization to achieve its missions and goals, they will be more satisfied with their job. Balanced Scorecards communicate the organization's strategy to everyone in the organization and they identify how each employee fits into the strategy. When people understand how their actions contribute to strategic results, they are more motivated. Not only will employees be performing the right work but they will be applying their creativity and initiative to doing it better.

Ultimately, the Balanced Scorecard can contribute to achieving a culture that results in increased employee job satisfaction, reduced turnover, increased ability to attract the best people, more satisfied and devoted customers, and increased profits and market share.

**Footnote:**
3. The Corporate Executive Board. (December 2001). *HR Balanced Scorecard.*

# Other Tools to Help Create Alignment

Now that I have stressed the importance of creating alignment within your organization, you might be wondering what other tools can help you to create this alignment. For example, once you have created competency models for your organization, you must use the right tools to ensure that the models do help to form the foundation for alignment between employee performance and corporate goals.

Competency management systems are one of the tools that are critical for this process. Avilar's WebMentor Skills is an example of a competency management tool. Competency management systems allow organizations to transform their strategy and goals into the competencies that are needed for the organization to perform well. Then, these competency models can be used to assess the current workforce's ability to meet those needs. Employees can take self-assessments or objective assessments to identify their proficiency levels for the competencies. This information can be used to help employees to identify the learning resources they should take in order to be more successful within the organization. In addition, competency management systems are a powerful tool for measuring ROI. These systems can be used to create reports for all levels of the organization. For example, the reports can identify the proficiency levels for competencies for the entire organization or on an individual level. Therefore, these reports can be used to measure the effectiveness of any human resources programs that use competencies.

Hal Gerrish, Director of Competency Management at Avilar Technologies, Inc., provides useful information on how competency management systems can be successfully implemented within an organization in his white paper titled "Implementing Competency Management: The Critical Success Factors"(http://www.avilar.com/solutions/resources.htm).

The ultimate goal for any organization should be to align employee performance with corporate goals. This process will improve corporate culture, increase growth and improve the overall performance of the organization.

# Biography Lauren Havighurst

**Lauren Havighurst,** M.A., serves as a Competency Management Solutions Practice Manager at Avilar Technologies, Inc. Lauren holds a Master of Arts degree in Industrial and Organizational Psychology from the University of North Carolina at Charlotte. She works directly with clients to deliver training and competency management solutions. She assists clients with the development of competency libraries. Prior to joining Avilar, she was an Industrial/Organizational Psychologist with Fields Consulting Group, Inc. At Fields, she developed, validated and administered assessment centers for various public sector clients and government agencies. Lauren also developed and facilitated training programs on leadership development, career development and communication skills.

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## Endnotes

1. Lucia, A.D. & Lepsinger, R. (1999). *The Art and Science of Competency Models: Pinpointing Critical Success Factors in Organizations.* San Francisco: John Wiley and Sons, Inc.

2. Oakes, K. (March 2005). Learning: The Non-Traditional Approach. *Chief Learning Officer.*

3. The Corporate Executive Board. (December 2001). *HR Balanced Scorecard.*