



# **ENERGIZING PERFORMANCE THROUGH COMPETENCY MANAGEMENT**



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# ■ ■ ■ Energizing Performance Through Competency Management



Today's most successful organizations use data to develop their strategies and improve day-to-day operations. But how can data be derived from intangibles such as employee performance and productivity? People change constantly, while data snapshots remain static. The challenge of defining and measuring the ebb-and-flow of human performance may seem to be overwhelming at first. But the need for this measurement is great: people and their job performance directly influence the bottom line. The good news is that competency management systems now provide the tools needed to collect and analyze data about job skills and performance.

## **Human Capital as an Asset**

One of the most important strategies that an organization can implement is the investment in and nurturing of human capital. That investment can pay off in a myriad of ways, from productive employees who stay with the organization, to high-performing teams, to improved financial bottom lines. However, successfully implementing such a strategy

is dependent upon systems to support it. Competency management can propel the organization forward, thanks to tangible metrics that support and sustain the organization's mission and long-term goals.

By identifying, defining and communicating the competencies that are needed for the company to be successful – both now and in the future – the organization can better achieve its goals. While *competence* is the ability of a person to do their job, a *competency* is a set of defined and structured behaviors – encompassing skills, knowledge, abilities, and personal attributes – that, taken together, are critical to successful work completion.

There are several key components for identifying and defining a competency; one of the most critical is that it must be observable and measurable. Competencies become the vehicle by which the organization's strategy is outlined and communicated to employees to ensure that the organization will attain its goals.

## Foundations of Competency Management

The beginning of the competency movement in human resources and employee development is usually credited to Craig C. Lundberg<sup>1</sup> and David McClelland<sup>2</sup> in the early 1970s. Lundberg authored *Planning the Executive Development Program* where he described and defined the dimensions related to executive success.

McClelland later wrote *Testing for Competence Rather than for Intelligence*, which suggested that academic aptitude and knowledge-content tests alone cannot predict a high level of performance among employees. McClelland also indicated that personal qualities, motives, experience and behavioral characteristics could “distinguish the most successful from those who were merely good enough to keep their jobs.”<sup>2</sup>

McClelland posited that an employee’s competency in knowledge, skills, and attitude were less likely to predict successful behavior in a job role than were other characteristics, such as the specific self-image, values, traits, and “motive dispositions” that more consistently distinguish outstanding performance from average performance in a particular role.<sup>2</sup> Numerous later researchers<sup>3</sup> expanded upon McClelland’s work, demonstrating that a particular competency for one job role does not predict success in another job role, or even the same job role in a different company.

The process of identifying, defining, organizing and maintaining the competencies needed in each job role in an organization are of great strategic importance. This is why competency management has become the foundation for managing and developing employees.



## Competency Management Today

To determine whether competency management had a positive effect on an organization’s bottom line, Morgan and Schiemann<sup>4</sup> conducted a study among business executives in the U.S. Their findings are fascinating: companies emphasizing measurement of employee performance tend to be higher-performing organizations overall than companies that do not emphasize measurement. The companies with a high emphasis on measurement tend to be industry leaders, or financially in the top one-third

in their industry. The study reveals that employee measurement plays a key role in distinguishing a successful organization from a less-than-successful one.<sup>4</sup>

To help organizations move toward implementation and measurement of competency management programs, the Research Quality Association<sup>5</sup> (RQA) in the United Kingdom published guidelines for competency management programs. RQA endorses a holistic approach to competency management, where responsibility for success – for the program and the bottom line – is understood to be shared between the individual employee and the organization.







To become a high-performing individual, employees must take responsibility for their own development plans, identifying ways in which their training needs can be met, and establishing their own development targets.<sup>5</sup> Without this cooperation, the competency management method is likely to be less successful, and have little or no impact on the bottom line.

Thomson Reuters<sup>6</sup> worldwide study of higher education executives revealed that measurement was central to the success of their organization, describing it as “an investment in quality.” Measurements were used in a broad array of activities, from goal-setting to publicizing their successes to student recruiting. The study also showed that when research programs within a particular university were quantified across various metrics, faculty members had a clearer understanding of what they were expected to contribute. In fact, resources were “mobilized” to support the faculty’s activity toward the established priorities.<sup>6</sup>

These studies reveal that managing performance while focusing on competencies, and using the proper tools and systems to do so, help organizations achieve their goals, attain higher productivity levels, and attain the financial performance they seek. However, it is not enough for an organization to simply “start performance management;” it must be created and implemented properly. Fortunately, a process exists to build the necessary foundation, upon which future success can be built.

**Competency management best practices indicate that the employee must take responsibility for their own development plans.**



# ■ ■ ■ The Competency Management Method

Adapting a Competency Management Method takes time and effort, but the results are well-worth the work investment. Specifically, five main steps need to be completed.

The first and most critical step is for the organization to define its mission and goals clearly. All of the organization's endeavors flow from a well-defined mission and specific goals.

The second step is almost as important as the first – to conduct a job task analysis that defines job roles and related competencies. This means that each job role must be evaluated in-depth and the core competencies for success in that job role must be defined. Ideally, all competencies for a job role should be identified. In addition, the competencies for each job role must align with the organization's mission and goals.

Third, key performance standards, and metrics to measure them, must be established. This creates a baseline of the known minimum levels for the main job tasks and related competencies. Whenever feasible, the performance standards should include specific metrics: for example, timing to complete a certain task, or knowledge of a software system at a 75 percent level.

The fourth step evaluates each individual on their performance against the standards defined for their specific job role. When the performance standards contain sufficient detail, the individual skills gaps become apparent when measuring the employee's performance against them. In this step, learning resources and necessary tools can also be identified to help close the skills gaps.

The fifth and final step involves continuous evaluation, monitoring, and measuring over the long term to determine whether individuals are progressing at closing the skills gaps. Coaching is one prevalent and effective tool, allowing supervisors and employees to discuss progress on closing the skills gaps. It also ensures that each employee understands each competency and the expectations for it. The information from these discussions and the data from measurement can then be analyzed on a broader scale, to team, departmental, and organizational levels.

## THE COMPETENCY MANAGEMENT METHOD

Integrating a Competency Management Method with workforce development and training requires a specific process to be followed.

- STEP 1** Define the organization's mission and goals
- STEP 2** Conduct a job task analysis
- STEP 3** Set key performance standards and metrics
- STEP 4** Assess individual skills gaps and identify learning resources
- STEP 5** Observe and measure changes in key performance metrics

## Why a Competency Management Method Results in Success

Developing a competency management system and integrating it into an organization's fiber can have far-reaching benefits. The most significant of these is the organization's long-term success. In a continuous cycle of success, the organization operates smoothly and successfully reaches its goals, which provides support to each department, team, and individual to effectively complete their responsibilities. In turn, the latter then facilitates the success of the organization and the achievement of its goals, and on, and on.

Second, identifying employees' skills gaps provides a platform for the organization to target the specific needs it has determined to be strategic to its success. That is, senior management, department managers, and team leaders – along with human resources and training stakeholders – can use this information to map organizational growth areas, identifying critical roles before they become critically vacant. Ultimately, this process ensures that the organization's employees have the skills needed to achieve the broader objectives.

Managers can use competency management systems to improve their recruiting efforts. As the skills needed for high performance are identified, managers can implement selection tests to assess specific competencies for job roles. This saves money and time by ensuring that the right candidates are selected for each job vacancy.

Project staffing can also be supported by use of a comprehensive skills inventory. Skills and competencies can be matched to project requirements to find the candidates with the best fit. This reduces the overall risk for staffing the project, and in some cases, can identify and leverage under-utilized talent.

Third, identifying skills gaps and measuring against them regularly ultimately benefits Training Teams, as needs for training in both the short and long term are revealed. Training programs are under constant pressure to demonstrate a positive return on investment (ROI), so it is crucial to evaluate and understand the impact of training on the company's bottom line. A competency management method makes it easy to see exactly where training dollars are having the strongest impact.

Finally, competency management systems can improve career planning for applicants and employees. Job applicants are attracted to organizations that provide

additional benefits not readily apparent in other organizations. Applicants who are smart and career-motivated will find companies with career development programs to be more appealing than organizations lacking in such programs.

### **Cohesive Blending with Software Systems**

The importance of competency management systems continues to grow among organizations that are focused on success. Because most organizations utilize many people in myriad jobs, numerous competency models – sometimes hundreds – can be required. These companies often need practical technology to manage this large volume of detailed data. In some cases, organizational, audit, and tax requirements mandate regular reporting from the competency management system.

The International Association for Human Resource Information Management (IHRIM)<sup>7</sup> has stated that its membership is particularly focused on the importance of utilizing technology to manage human capital.<sup>7</sup> Software solutions offer broad functionality to manage all aspects of human resources and training, including databases to record job role competencies and competency management by employee. Where feasible, organizations can greatly benefit from the organized detail provided by many software systems.

#### **A Case in Point**

The competency management system identifies that a specific employee has a skill gap for simple accounting tasks. Based on this information, the employee is provided an opportunity to take a Basic Accounting class. A few months later, upon re-assessment, the competency management system shows that the employee's skills in accounting have improved and the skill gap has been closed. This clearly indicates that the training improved the employee's job performance.





## KPM Guidelines

It is important to guard against random or unrealistic expectations when establishing KPMs. These guidelines are important to follow. A KPM must:

- be quantifiable
- be repeatable
- reflect the organization's goals
- be clearly defined prior to implementing the competency management method
- be defined in a way that is applicable from year to year

Overall, the number of KPMs for each job role should be kept to a minimum, so that each employee's attention can remain focused on achieving the organization's goals.

## Key Performance Metrics (KPMs)

As mentioned, the fifth step in establishing a competency management system is the on-going evaluation and measurement against the identified skills gaps. Evaluation and measurement are a crucial step in the process to determine whether the organization is on target to meet its goals or has veered off course. To facilitate the process, key performance metrics (KPMs) must be established to guide the organization in measuring its progress. Without measurement, the organization will not have insight into whether its goals are producing results.

Because they tie back to each organization's goals, KPMs will be different in every organization, and may even change from job role to job role. For any KPM to provide insight, it must be measurable and link directly to the competency it measures. The process for observing and recording the KPM must be clearly defined, and that process should occur at a frequency that allows for change to occur in between measurements. Too frequent analysis – or too infrequent analysis – can quickly lead to performance that is off-target.

## KPMs Driving Organizational Success

Metrics are solidly embedded in organizations' daily functions. In some cases, there is so much data to consume and analyze that there aren't enough employees to make sense of it all. Yet, tying KPMs to the bottom line remains a crucial activity that produces results. According to a study by the HRO Today Institute, "Companies that use employee-performance data to improve ongoing talent acquisition outperform their competition 58% of the time, and by margins of up to 200%."<sup>8</sup>

A follow-up study by the same institute validated and expanded upon those findings. Companies that experience huge success – in particular, in the form of revenues and growth – are diving deep into the metrics to best advise decision makers. It is described as a "holistic solution," where the objective data is integrated with the more subjective human capital evaluations, which provides fewer inconsistencies and greater reliability on the data.<sup>9</sup>

This focus on measurement is also playing a role in organizations' development of predictive analytics. As organizations define competencies, identify skills gaps, and measure performance, they build a data set over time that can indicate future, bottom line performance.<sup>9</sup> For example, the past years' data can be used to predict some future outcomes for the organization. As a result, the creation of forecasting models and predictive analytics are natural extensions of the competency management method.

“Companies that use employee-performance data to improve ongoing talent acquisition outperform their competition 58% of the time, and by margins of up to 200%.”



## A Case in Point

A large government agency retained Avilar to conduct a training needs analysis, which was intended to benefit the organization's training department as well as its 9,000+ worldwide employees. Recently, the agency had implemented a policy requiring the creation of individual development plans for each employee, and had taken steps to define competencies and tasks for each job role.

Avilar reviewed 625 different jobs with more than 2,200 tasks and competencies and validated them. This became the foundation for the agency's employees to use self-assessments and evaluate themselves against the competencies required for their own job roles

With the completion of the self-assessments, skills gaps were then identified, from which individual development plans were created. The competency management system that was developed during this process also connected employees with learning resources which could be tapped to close their identified skills gaps.

By implementing the competency management system, the agency was able to direct their training investment to the most-needed areas. Typically these were areas where a manager and an employee agreed that additional training for the employee would yield results such as closing the skills gap and also positively impacting organizational performance. After training was completed, the competency management system was again used to assess employees' skill levels. The information generated in this subsequent phase allowed the agency to determine whether training was positively impacting employee performance.

The agency also used the competency management system to provide career planning for its employees. This next phase aided employees in identifying their desired career path, along with the competencies needed to successfully pursue that path. The agency provided additional learning resources where necessary to ensure that employees could obtain and master the competencies they needed in their future.

**“By implementing the competency management system, the agency was able to direct their training investment to the most-needed areas.”**

## In Summary

While competency management is sometimes seen as a “complementary” resource to existing human resources functions such as acquisition, training, and succession planning, it is, in fact, much more important than that. Employees and their skills are among the most important assets in any organization, and investing to improve that asset is essential for the growth and longevity of the company. Competency management creates opportunities to correlate human capital investments with

metrics from the organization's results. While competency management requires both time and financial investments, the payoff in performance and conquering targets is worth it. Employees will improve their skill sets and acquire the understanding that the company values them, thanks to the organization's investment in their performance. The organization benefits by having employees who are more versatile, effective, and efficient, while meeting its financial goals.



# ■ ■ ■ About Avilar



## **What's Next?**

Implementing a competency management method with Avilar – The Competency Company – can help move your organization from ordinary to extraordinary. Contact us today at [info@avilar.com](mailto:info@avilar.com) for a complimentary consultation or visit our website [www.avilar.com](http://www.avilar.com) to schedule a demo. You can be confident that we will listen to your organization's specific needs and help you find the best solutions to the competency management challenges you're facing.

## **About Avilar**

Founded in 1997, Avilar is a leader in competency management and workforce optimization. We believe that a competency management method is one of the most effective ways to develop a workforce and deliver results in an organization. Our flagship WebMentor product line, introduced in 1998, includes a complete suite of affordable, easy-to-use, and full-featured competency development and management tools. Avilar is a recipient of the Excellence in E-Learning for Customer Satisfaction Award from Brandon Hall Group and eLearning Magazine, and has been cited by Training Magazine as a top "price-to-value" provider. Avilar blends leading human capital management and business intelligence professionals with our state-of-the-art workforce management system to solve the complex issues facing managers in the globalized business arena.



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