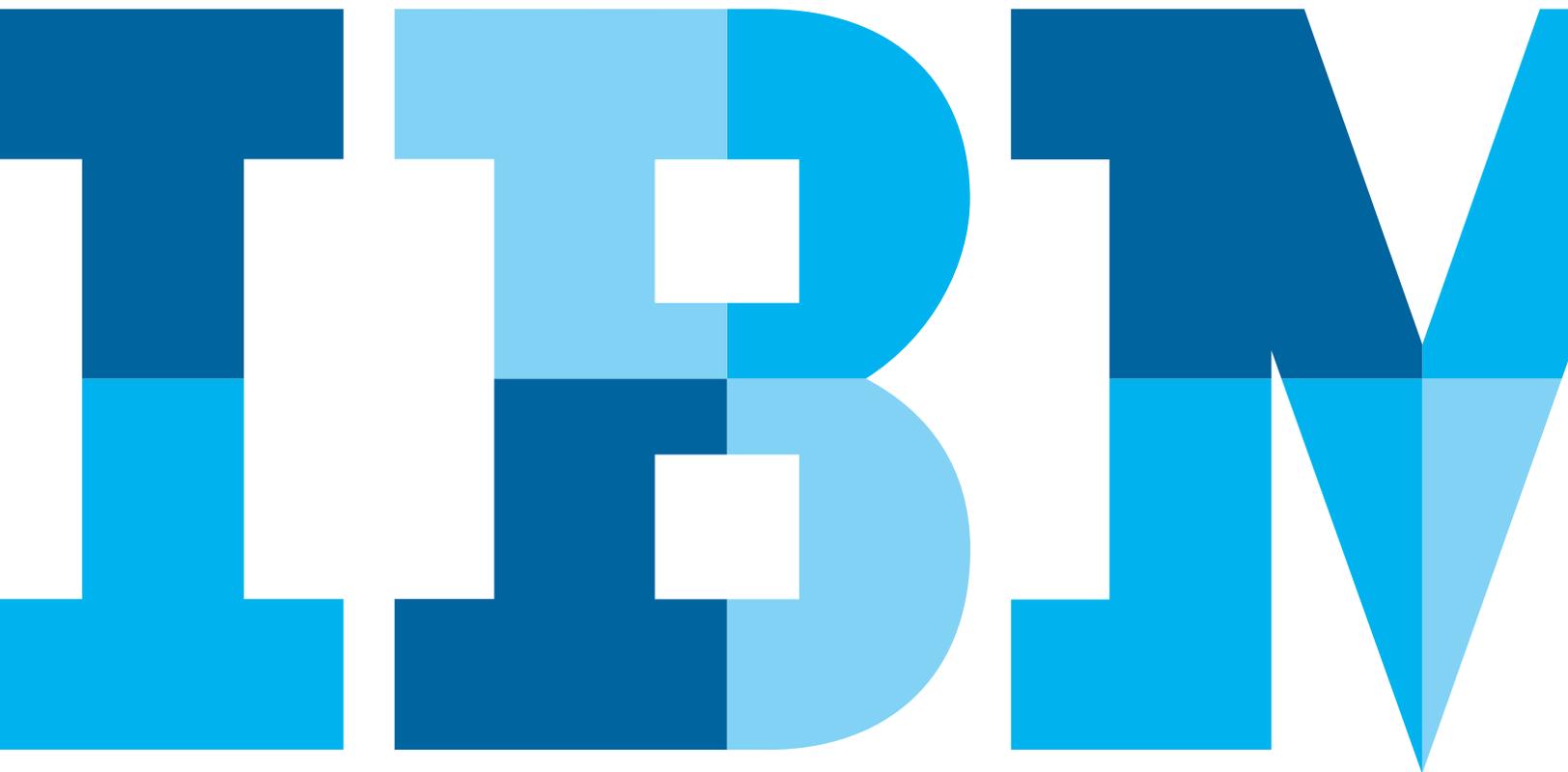


How Human Resources can impact business using a functional competency approach

*Increasing productivity through the design and implementation of a
competency management program*



Human Resources (HR) faces an ongoing challenge of improving retention and increasing productivity in the workplace. An effective strategy to combat this challenge can be found in developing and communicating clear expectations using job descriptions and competency frameworks. This white paper focuses on the reasons why this practice can be successful. It also discusses a solution to a common pitfall that can derail the implementation of competency management in an organization.

Included are three real world scenarios that demonstrate how competency management can be used for internal recruiting, succession planning, and training and development. Additionally, this paper describes the practical, research-based approach used by IBM to implement and facilitate successful competency management programs.

In a survey conducted by the *Wall Street Journal*, one of the biggest challenges human resources will face in 2012 is related to productivity. “When times are tough and workers feel stuck, bad morale and poor performance usually follow. Companies have to figure out how to create some sort of internal opportunity, however small” (Russo, 2011).¹

Such internal opportunity can be fostered by an effective competency management program. An employee can often feel as though his or her career is at a standstill, but developing an awareness of the employee’s competencies is a good way to let the employee take the wheel and see where possibilities lie. An employee can not only self-check what it takes to succeed at the current level, but also see what it takes to reach the next. The employee and management can then come together and develop a career development plan to reach that next level.

This process keeps the employee engaged and productive, while still striving to take the next step in his or her career. This also reduces the likelihood of the employee leaving the company to seek possible opportunities elsewhere.

Optimizing employees’ knowledge, skills and abilities properly to perform their job is one of the keys to a productive environment. It keeps employees fully engaged by using their best attributes, and it helps the organization by increasing productivity and reducing turnover. The 2009 Aberdeen Group study, “Assessments in Talent Management” quantifies the outcomes of an Assessment strategy developed from a competency framework (see *Figure 1*).²



Figure 1: Outcomes of an assessment strategy developed from a competency framework

It is essential to identify what qualities are required for successful performance to improve productivity. Once competencies are defined in terms of behavioral examples of demonstrated knowledge, skill or ability, management can begin to evaluate the developmental needs of each person more accurately and objectively to better deploy employees to take advantage of their abilities. With proper management of competencies, several resulting improvements can yield benefits to HR and to the organization overall. Based on research, the following improvements can be seen (Sanghi, 2007):³

- The likelihood of placing the appropriate people in the appropriate job increases
- Training and development is facilitated by identifying relevant skill gaps
- People are evaluated objectively on their demonstration of appropriate behaviors
- 360° feedback is better focused on the crucial competencies directly related to individual and organizational success
- Adapting to evolving business needs and attendant organizational changes is facilitated by identifying competencies needed for the present and future

Beyond problems with productivity, competency management is often the missing link in a total HR process that integrates compensation management, talent management, recruiting, succession, onboarding, internal mobility and other traditional HR activities that impact business results and operations. This detailed practice helps guide managers to hone in on:

- The right candidate for a job
- Getting new hires up to speed quickly
- Where gaps in training and development occur
- Who is and is not performing at a certain level, and why
- The right candidate for succession
- The person best suited to join a project team
- The organization's actual ability to achieve its current and future business goals

A carefully implemented competency management program is not just an effective way to improve productivity in the organization, but can also help managers offer non-financial rewards and a positive, motivating experience to employees.

The following three scenarios highlight the value of competency management when an organization is faced with real world HR issues.

Making best use of scarce training dollars

Building and/or using a competency framework can provide a desirable base from which to execute a training needs analysis. For example, a sales representative is being considered for a territory manager position. One of the steps in this decision process would be to find out if the candidate has the managerial skills to perform in this position, but what about the next steps? It is important to be able to determine the candidate's proficiency for the job-specific skills, and the next level of sales management and forecasting beyond being an individual contributor. Collecting data from a variety of resources and subject matter experts about the responsibilities, knowledge and tactics of a successful territory manager can identify the competencies necessary for management to make an informed decision about the role. Once the data is analyzed, a competence determination can be made and if the candidate has most of the required competencies for the position, a training program can be developed to provide the rest.

The use of competency models for training and development can save the organization time and money in the long run because it will target the relevant skills needed for the position and determine if training the candidate will be an economical decision. Additionally, these models can help determine which candidate competencies can easily be trained, and which may be more complicated and problematic. Thus, virtually no time and money will be wasted on a standardized training program that the candidate may or may not need.

Finding the right person for the job

Competency models help streamline HR activities and can make each process more efficient and cost effective. They typically provide a fair and systematic approach to each activity, such as finding an internal candidate for a special project. For instance, the marketing department presents a strong business case about the company's website needing a major upgrade to attract more customers. The IT department now has to launch a project to upgrade the website. They need to find people who have the right competencies to get the job done, but they do not want to hire new staff just to accomplish this one project. They also do not want to outsource the project because the current website was outsourced and the vendor provided a poor result. They are confident that people with the needed skill sets are already in-house, but it will be a chore to find them and free them up from their current assignments. Typically, this process is difficult, and the best candidate may not be easily found. However, compiling a list of the specific competencies the project manager needs in a candidate and evaluating it against a profile of each potential candidate can deliver faster results in identifying the qualified person or ad hoc team to get the job done. This typically will increase the value of time spent searching, interviewing and training the right candidate and, consequently, increase the likelihood for a successful project.

Aligning candidates for succession

Along the same lines as the internal recruiting in the above scenario, competency models can also be used for succession planning. One scenario, in which this could occur, is where a high-level executive or director has decided to leave the company. This individual has a specific set of not only technical competencies, but also leadership competencies and organizational knowledge used to manage multiple jobs and relationships in a matrix environment. A profile of the high-level position should be made identifying the required competencies for the job. This can then be used to evaluate the potential candidates for replacement.

The process of succession planning is often a high-touch process that can only be entertained for the most senior positions. However, a job-based functional, and technical competency-based strategy can enable tactical succession as a realistic goal across the organization. This can help an organization manage effective replacement at each level. Filling these positions quickly with an effective replacement, and enabling them to be ramped as fast as possible can all be enabled through the detailed behavior-based competencies. Internally, this approach of tactical succession tool may be branded as a career development program outside of the non-executive level; it is an action succession planning for the entire company.

Ok, but what is the downside?

Introducing a new concept (such as a competency management initiative) into an organization, even though the concept can be beneficial, often poses an unexpected challenge to management, and depending on the assessment approach selected may be perceived as a threat by employees. A common misconception by poorly informed employees is that a program

like this will be used by management as justification to terminate employees who do not “measure up.” If the competency management initiative is not properly introduced into the organization, it can have an adverse effect on morale – just the opposite of what management intended.

To avoid this, it is imperative to gain buy-in prior to implementation and extensively communicate the entire process. In addition to constant communication and timely updates to the employees, this will lessen the threat to involve them in the implementation. This will not only give them time to become comfortable with the change, but also let them know that their input is valued. It will also help improve the environment of the workplace by socializing the new concept among their peers. One way to engage them is to have them review and critique the job and competency descriptions for their business unit to help ensure that the language used, accurately reflects the culture and environment of the organization.

How do I achieve results?

Numerous companies have tried and failed to build an in-house competency management program from scratch. In many cases, despite best efforts, the program became extremely complex and collapsed under its own weight. Use of a mature, well researched and reliable, off-the-shelf job-competency model can significantly reduce the time and cost of launching a competency management initiative.

Well-constructed competency models define the required, key competencies and their corresponding proficiency levels for each job. When applying a job model to a given job, the competencies and the required degree of proficiency in each, provide an effective way to capture the whole picture of a job.

The model enables efficient and informed selection decisions about appropriate candidates and evaluates the current capabilities of existing employees versus their current jobs. Typically the best models are flexible enough to be used as a starting point and then customized to the unique culture and environment of the organization.

Appendix A illustrates an example from our job and competency framework for an HR Benefits Manager. It includes a job definition for rapid alignment based on the scope and responsibilities to your parallel job, not just relying on a job title match. The second element is what we refer to as a “job profile.” This table shows the competencies required in the position and the relative degree of proficiency in each competency that the job requires. Also included is the relative importance of each competency for overall successful performance in the job. This is intended to be used by managers or high performing individuals to identify and shortlist what key competencies your organization needs someone to exhibit to succeed in that role, not just what that individual thinks makes them good. This template is the starting point for the job. The next step may be to customize the content in light of how the job is actually performed in a given organization, or your organizational vocabulary. This customization step must be done to validate the data in the context of how the role is actually performed in the organization.

The competency component defines the set of competencies specific to each of the jobs in a job family. Competency categories include:

- Business, individual, management, leadership
- Foundational (competencies common to the majority of jobs in many organizations)
- Technical (skills specific to jobs in various verticals)

Competency descriptions go beyond typical definitions by providing unique and specific descriptors characterizing the typical behaviors exhibited by incumbents performing at various levels of proficiency. The descriptions provide four distinct levels of proficiency in the competency. The proficiency descriptions do not consider the amount of time that the incumbent has been performing the given function. Instead, they focus on the relative degree of ability at each level. Each competency has a common format:

- Competency definition summary
- Four proficiency levels with 21 behavioral based, observable or demonstrable indicators unique to that competency
- Up to 15 learning references and development activities identified for each competency
- Performance accelerators addressing development goals, coaching tips, and feedback writing assistance
- Interview questions

More than just the ability to evaluate individuals, the information gained in this process, when aggregated virtually across all competencies and all jobs, can help objectively and definitively identify the organization's strengths and weaknesses relative to its ability to meet its current and future business objectives. Based on the information derived, the organization can launch initiatives to shore up its weaknesses and use its strengths.

Bottom line

Increasing productivity is an ongoing challenge, but with the proper tools and resources, such as our job and competency framework to accelerate the traditional, labor intensive research, job analysis and competency authoring, business goals can be met. The design and implementation of a competency management program does not happen overnight, but when done correctly the long-term benefits can far outweigh the time and resources invested.

Appendix

Job Title	Benefits Manager
Job Band ID	3
Job Family	Compensation and Benefits
Job Definition	Manages the development and administration of employee benefits programs, policies and procedures and helps ensure compliance with related regulations.
Job Responsibility 1	Provides leadership in the planning, design and implementation of benefits programs (e.g., medical, dental, vision, disability insurance, life insurance and employee assistance programs) and helps ensure all activities comply with legal requirements.
Job Responsibility 2	Oversees the collection and overall accuracy of benefits data located within the organization's HRIS; evaluates current benefits programs and identifies and monitors critical performance.
Job Responsibility 3	Manages vendor relationships to help ensure adherence to required service levels for outsourced benefits providers.
Job Responsibility 4	Monitors the employee benefits eligibility and enrollment process to help ensure employees meet eligibility requirements.
Job Scope Description	Designs, plans and implements corporate benefits programs, policies and procedures. Responsible for helping ensure programs meet employee needs, comply with legal requirements and are cost effective. Requires a bachelor's degree in a related area and at least seven years of experience in the field or in a related area. Familiar with a variety of the field's concepts, practices and procedures. Relies on extensive experience and judgment to plan and accomplish goals. A wide degree of creativity and latitude is expected. Performs a variety of tasks. Leads and directs the work of others. Typically reports to a head of a unit/department.

Table 1: Sample job (Benefits Manager)

Job Band ID	Job Band Name	Job Band Description
1	Executive Management	Vision, policy, strategy and direction setting; enterprise and industry view; driving organizational goals
2	Senior Management	Strategy formulation; Vision implementation; Operational responsibility; Cost and risk management; Enterprise view
3	Management; Senior Level Consulting	Functional, technical or process leadership; management of multiple teams; high complexity and ambiguity; tactical responsibilities
4	First Line Management; Senior Professional	Team or technical supervision; expertise and experience with complex technical activities; project management and consulting
5	Team Leadership; Technical Professional	Difficult technical tasks; implementation experience; self-sufficiency; small project responsibility; technical supervision
6	Technician, Trainee, Administrator	Routine technical or administrative tasks; follows procedures; operates under supervision

Table 2: Sample job (Benefits Manager)

Profile Name: Job Title		Benefits Manager	
Competencies Per Job			
Competency Code	Competency Name	Proficiency	Importance
B0050	Knowledge of Organization	2 - Working experience	Medium
B0295	Business Orientation	3 - Extensive experience	High
B0750	Budgeting	3 - Extensive experience	High
B1000	Project Administration	3 - Extensive experience	High
B1020	Planning: Tactical, Strategic	2 - Working experience	High
B1060	Effectiveness Measurement	3 - Extensive experience	High
B1100	Standard Operating Procedures (SOP)	3 - Extensive experience	High
I0480	Effective Communications	3 - Extensive experience	Medium
I0700	Decision Making and Critical Thinking	2 - Working experience	High
I1000	Managing Multiple Priorities	3 - Extensive experience	Medium
I1010	Relationship Management	3 - Extensive experience	Medium
I1020	Analytical Thinking	3 - Extensive experience	High
L0010	Accountability	3 - Extensive experience	High
L0070	Goal Setting	2 - Working experience	High
L0080	Honesty and Integrity	3 - Extensive experience	Medium
M0550	Managing in a Matrix Environment	3 - Extensive experience	Medium
M0810	Outsourcing	3 - Extensive experience	High
THR000	HUMAN RESOURCES POLICIES, STRATEGIES AND ENVIRONMENT	3 - Extensive experience	Medium
THR010	HR: Trends and Direction	3 - Extensive experience	Medium
THR020	HR: Policies, Standards and Procedures	3 - Extensive experience	High
THR030	HR Legal and Regulatory Environment	3 - Extensive experience	High
THR110	Employee Counseling	3 - Extensive experience	Medium
THR200	Compensation Management	2 - Working experience	Medium
THR300	BENEFITS PROGRAMS	3 - Extensive experience	High
THR-	Specific Benefits Plan Development	3 - Extensive experience	High

Table 3: Sample job (Benefits Manager)

Competency Code: THR200	
Competency Name: Compensation Management	
Competency Description: Knowledge of and ability to design, implement and evaluate compensation programs, policies and processes within an organization.	
Level 1 – Basic understanding	Describes key purposes (e.g., motivating employees) of compensation management.
	Cites organizational examples of compensation management.
	Lists government regulations and industry policies related to compensation.
	Lists major compensation programs (e.g., executive compensation) used in the organization.
Level 2 – Working experience	Implements compensation packages for an organization’s employees.
	Assists in developing various compensation programs within an organization.
	Maintains good relationships with staff from HR and business units.
	Adheres to government and industry compensation regulations.
	Conducts job analysis and salary survey activities within the department.
Level 3 – Extensive experience	Determines if compensation management objectives are in line with overall business objectives.
	Oversees the implementation of compensation programs within the organization.
	Advises the management team on compensation issues, such as pay structure.
	Evaluates the effectiveness and competitiveness of existing compensation programs.
	Improves implementation processes of different compensation programs, e.g., executive compensation.
	Adjusts the organization’s compensation policies based on market trends and industry policies.
Level 4 – Subject matter depth and breadth	Leads in aligning compensation strategies with overall organizational strategies.
	Establishes organizational best practices for compensation program design.
	Develops standard compensation program implementation processes that are suitable for the whole industry.
	Monitors the market trends and industry directions of compensation management.
	Champions organizational adoption of new methodologies and technologies for compensation management.
	Elaborates on key issues of existing industry compensation policies; makes recommendations accordingly.

Table 4: Sample competency (Compensation Management)

Competency Code: THR200			
Competency Name: Compensation Management			
LR1	BK-0417: Business Ethics: A Global and Managerial Perspective		
LR2	BK-0833: Compensation and Motivation		
LR3	BK-3011: Rewarding Excellence: Pay Strategies for the New Economy		
LR4	PUB-HRDR: Human Resource Development Review		
LR5	GOV-DOL: Department of Labor		
LR6	ORG-ACOM: American Compensation Association		
LR7	ORG-ECFC: Employers Council on Flexible Compensation		
LR8	ORG-IFEBP: International Foundation of Employee Benefit Plans		
LR9	ORG-SHRM: Society for Human Resource Mgmt. (SHRM)		
LR10	ORG-WAW: World at Work		
LR11	TR-005: Strategic Issues in Compensation		
LR12	UNV-BOS: Boston University		
LR13	VND-AHI: AHI's Employment Law Resource Center		
LR14	VND-CPM: Compensation Venture Group, Inc.		
LR15	WEB-HRLAW: Human Resource Law Index		
Development Statements	Development Statement Group	Development Statement Name	Development Statement Description
	Quantitative	Implement Compensation Packages	Implement compensation packages for two business units each month next year.
	Quantitative	Conduct Salary Survey Activities	Conduct job analysis and salary survey activities for three business units within the next month.
	Qualitative	Design a Compensation Program	Design an organizational compensation program (e.g., executive compensation) in one month.
	Qualitative	Evaluate a Compensation Program	Evaluate the effectiveness and competitiveness of an existing compensation program in three weeks.
Quantitative	Solve Compensation Issues	Solve 85 percent of compensation issues (e.g., pay structure) raised by the organization's management team each month next year.	

Table 5: Sample competency (Compensation Management) learning references and development statements

Competency Code: THR200			
Competency Name: Compensation Management			
Coaching Tips	Coaching Tip Group	Coaching Tip Name	Coaching Tip Description
	Professional Development	Attend Compensation Policies Training	Attend training sessions or conferences to learn about the latest industry compensation policies.
	Career Building	Assist in Compensation Program Development	Assist senior level colleagues in developing an organizational executive compensation program.
	Improving Operations	Consult Compensation Management Experts	Consult experts on how to improve the organization's productivity and competitiveness through compensation management.
	Improving Operations	Document Compensation Issues and Solutions	Document common compensation issues that are raised by the organization's management team and their associated solutions.
	Relationship Building	Organize HR Seminars	Organize seminars for employees from HR and business units to enhance their relationships.
Interview Questions	Interview Question Group	Interview Question Name	Interview Question Description
	Fit	Experience with Compensation Programs	What kinds of compensation programs have you designed?
	Knowledge	Describe Compensation Regulations	Describe the main industry and government regulations governing compensation.
	Problem	Compensation Issues from Management	What are common compensation issues that are raised by the organization's management team?
	Solution	Improve the Compensation Implementation Process	How did you improve the organization's compensation program implementation process?
	Results	Compensation Program's Impacts	What were the impacts of a compensation program you implemented on the business's overall performance?

Table 6: Sample competency (Compensation Management) coaching tips and interview questions

Job Bands					
1: Executive Management	2: Senior Management	3: Management; Senior Level Consulting	4: First Line Management; Senior Professional	5: Team Leadership; Technical Professional	6: Technician, Trainee, Administrator
Top Compensation and Benefits Executive	Compensation and Benefits Director	Payroll Manager	Payroll Supervisor	Benefits Analyst	Payroll Administrator
Top Compensation Executive	Compensation Director	Corporate Insurance Manager	Benefits Analyst, Sr.	Benefits Clerk, Sr.	Benefits Clerk
Top Benefits Executive	Benefits Director	Benefits Manager	Compensation Analyst, Sr.	Stock Plan Administrator, Sr.	Stock Plan Administrator
		Compensation and Benefits Manager	Benefits Supervisor	Benefits Administrator	Compensation Administrator
		Executive Compensation Manager	Executive Compensation Analyst	Compensation Specialist	Workers Compensation Administrator
		Workers' Compensation Manager	Compensation Analyst	Payroll Clerk	
		Compensation Manager	Payroll Clerk, Sr.		
		International Compensation and Benefits Manager			

Table 7: Job family matrix (Compensation and Benefits)

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