

PLAT<sub>EAU</sub>

# COMPETENCY MANAGEMENT

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The “Compass” for Strategic Talent Management

# TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
DEFINING COMPETENCY MANAGEMENT	3
HOW TO BUILD YOUR “COMPETENCY COMPASS”	5
HOW A “COMPETENCY COMPASS” GUIDES STRATEGIC TALENT MANAGEMENT	6
CONCLUSION	8
APPENDIX	9

## EXECUTIVE SUMMARY

Changes in the economy, marketplace and competitive landscape are prompting businesses to change direction or, at the least, make course corrections. As a result, new technologies, processes, policies and priorities are making existing jobs more complex, while requiring managers to create and fill all-new jobs. In addition, this need to make fundamental changes is occurring just as Baby Boomer retirements are beginning to intensify the already daunting challenge of managing a dispersed and diverse workforce.

Changing direction means having the right talent on the job today while filling the pipeline with talent that will be needed down the road. That's why many organizations are adopting talent management programs. In fact, a recent report by PriceWaterhouseCoopers validates that talent management plays an important role in supporting business strategy by ensuring that "pivotal positions are always staffed with premier talent and that they have a credible bench of high potential candidates ready to succeed them."<sup>1</sup>

The problem is that simply having a talent management program is not enough. True, a good talent management system integrates recruitment, performance management, training, compensation and succession planning. And it can match all of these key areas to the business needs.

*Talent management, however, can take a business in any direction. To take the business in the specific direction required to meet strategic goals, it is necessary to have a "compass." Competencies equip the talent management system with this compass for keeping all talent management initiatives on course.*

Competencies enable the talent management initiative to drive change *and* to align that change with strategic goals. Plus, competencies eliminate guesswork as to what types of skills, behaviors and knowledge are needed to meet strategic goals. This empowers the company to provide the right learning activities to the right employees and motivate and reward the right types of performance. This means that the business can arrive at key milestones faster and more cost-effectively.

This whitepaper examines how to use a competency-based approach to build behaviors, skills and knowledge that will answer the organization's specific strategic goals. It explains how to integrate competencies into all phases of talent management to onboard, review, develop, motivate and retain employees with these competencies. It also shows the valuable contribution competencies can make in managing change and defusing turf battles that arise during downsizings, consolidations and business reengineering.

Finally, the report offers a checklist for evaluating a Talent Management Suite (TMS) to make sure its features support a competency-based approach and can apply competencies consistently to everything from recruitment and selection, to workforce management, recognition and individual learning plans.

## DEFINING COMPETENCY MANAGEMENT

### WHAT ARE COMPETENCIES?

According to ASTD (American Society for Training and Development), competencies are areas of personal capability that enable people to perform successfully in their jobs by achieving outcomes or completing tasks effectively. A competency can be knowledge, skills, attitudes, values, or personal characteristics. Competencies can be defined for job, business, or management activities. They can be applied to individuals, teams, departments, countries and the enterprise. Here is an example from the Plateau Leadership Competency Library showing how competencies and proficiency levels can be defined.

Competency: Decisiveness	
<b>Description:</b> <i>The ability to make firm and resolute decisions as the situation demands, especially in the face of adversity or in cases where there is no clear solution.</i>	
Rating	Characteristics
(1) Limited	<ul style="list-style-type: none"> <li>• Demonstrates some ability to exercise good judgment in situations where there are clear and straightforward answers</li> <li>• Frequently seeks guidance from others when faced with adversity</li> <li>• Requires guidance in understanding when it is appropriate to make decisions independently vs. seeking advice from higher level organizational leaders</li> </ul>
(2) Basic	<ul style="list-style-type: none"> <li>• Exercises good judgment in situations where there are clear and straightforward answers</li> <li>• Sometimes seeks guidance from others when faced with adversity</li> <li>• Understands when it is appropriate to make decisions independently vs. when it is appropriate to seek advice from higher level organizational leaders</li> </ul>

<sup>1</sup> Facing Critical Workforce Issues in the Utility Industry: How Talent Management Supports the Business Strategy, Point of View, PriceWaterhouseCoopers, August 2009.

(3) Intermediate	<ul style="list-style-type: none"> <li>• Frequently exercises sound judgment in situations where solutions may be unclear</li> <li>• Demonstrates the ability to make firm decisions in most cases, only seeking guidance from higher level leaders in cases of unusually difficult decisions</li> <li>• Makes decisions in a timely manner</li> </ul>
(4) Advanced	<ul style="list-style-type: none"> <li>• Exercises sound judgment in situations where solutions are unclear</li> <li>• Demonstrates the ability to make firm decisions without seeking guidance from higher level leaders</li> <li>• Quickly makes decisions that are appropriate for the organization</li> </ul>
(5) Expert	<ul style="list-style-type: none"> <li>• Demonstrates the ability to make sound decisions even in extremely difficult situations</li> <li>• Leads others by setting guidelines on how to weigh factors and make decisions in cases of adversity or demanding situations</li> <li>• Consistently takes appropriate risks in decision making while keeping the best interests of the organization in mind</li> </ul>

### WHAT TYPES OF COMPETENCIES SHOULD BUSINESSES DEFINE?

As a general guideline, Bersin & Associates recommends developing four types of competencies<sup>2</sup>:

1. Leadership Competencies (developed primarily by the management team)
2. Career Path Competencies (developed by function, primarily by the management team)
3. Functional/Job Family Competencies (developed by function, primarily by OD/HR personnel)
4. Core Values for All Employees (developed globally, applied to positions by managers)

### WHY IS “PROFICIENCY LEVEL” CRITICAL IN DEFINING COMPETENCIES?

Let’s look at the example above. “Decisiveness” is a competency that is required in many different jobs at many different levels of the business. Clearly, however, it takes a higher level of decisiveness to succeed as CEO than it does to succeed as a business analyst. This is where proficiency levels come into play. In this way, you can use observable behaviors to define what level of competency is expected in each different job *and* to measure the performance of the individual in that job.

### WHAT IS COMPETENCY MANAGEMENT?

Competency management is the process of using clearly defined competencies to keep all talent management activities aligned with the organization’s strategic goals. Businesses benefit from the very process of defining these competencies. First, it disciplines them to understand the specific skills, knowledge and behaviors that make their top performers successful today. Second, developing a competency model also disciplines businesses to look ahead and anticipate the type of talent that will be necessary

to take the business forward. Once this strategic outlook is defined, the competency model serves as a compass for guiding the entire talent management program: learning activities, assessments, compensation, and succession planning and development. Plus, as the business changes, competencies can serve as a compass to guide talent management initiatives that keep the workforce ready to handle new products, technologies, processes and challenges *as they emerge*.

### WHAT IS THE STARTING POINT FOR DEVELOPING A “COMPETENCY COMPASS?”

A recent PriceWaterhouseCoopers report sums up that in order to develop competencies and use them effectively, the talent management team must have:

*“...an understanding of what it takes to deliver the performance objectives – what skills, knowledge and attributes the individuals in the pivotal positions possess. This is important not only for the development of the individuals current in the roles, but also for building bench strength through career paths and for recruiting individuals with the right attributes...”<sup>3</sup>*

### HOW IS COMPETENCY MANAGEMENT USED?

According to Bersin & Associates, a “high impact talent management framework” can be developed by defining exactly what it takes to realize the overall strategic vision. These definitions can take the form of *job profiles, corporate values, leadership competencies and functional competencies*.<sup>4</sup>

<sup>2</sup> *Competencies and Assessments: A Marriage Made in Heaven*, Bersin & Associates presentation, 2009.

<sup>3</sup> *Facing Critical Workforce Issues in the Utility Industry: How Talent Management Supports the Business Strategy*, Point of View, PriceWaterhouseCoopers, August 2009.

<sup>4</sup> *Competencies and Assessments: A Marriage Made in Heaven*, Bersin & Associates presentation, 2009.

Once specific behaviors, knowledge, skills, personality, leadership style, and other competencies are defined, they can be measured.

For example, job candidates with appropriate competencies can be targeted and the selection process can utilize competencies to identify the best of the best. Existing employees with sound competencies can be rewarded and groomed for potential advancement. At the same time, employees with weaker competencies can be tracked to specific learning development activities or into roles that are a better fit for their competencies.

To illustrate this decision-making process, here is how a competency profile for the job performed by a junior pharmaceutical sales rep might appear:

Competency Required by the Job:	Level of the Competency as Demonstrated by the Specific Employee:
Knowledge of Business Ethics	Intermediate
Knowledge of Local Physician Market	Intermediate to Advanced
Selling Skills	Intermediate
Communications Skills	Basic
Group Presentation Skills	Limited
Leadership Skills	Intermediate to Advanced
Negotiation Skills	Limited

Now suppose that the junior sales representative in the example above is only meeting 60% of his sales quota. Should he be let go?

Not necessarily. With recruitment costs rising, firing him might undercut financial goals by costing the company the time and money it would take to get a new salesperson up to speed while, in the meantime, the company would lose any revenues that the existing salesperson was managing to generate.

A look at competencies can help the manager make the right decision. In this case, improving the rep's negotiation and group presentation skills could boost performance. Or, the manager might use the competency profile to match the employee to a better-fit job, such as using his excellent understanding of the physician market to make an instant contribution in a sales support or marketing position.

## HOW TO BUILD YOUR "COMPETENCY COMPASS"

The competencies you use to steer talent management should reflect the values, priorities, and structure that make your organization unique. How do you go about defining the unique competencies that will drive success in *your* organization?

## START BY LOOKING AT YOUR TOP PERFORMERS

What skills, knowledge and behaviors do your top-performing workers demonstrate? By defining what makes them successful, you can use build the right competency compass to guide your talent management system toward recruiting and developing more employees with these "success" factors.

Taking the time to do this analysis offers a substantial return on investment. In fact, recent Aberdeen research has revealed that best-in-class performers are distinguished from lower-performing companies by their ability to articulate which skills and traits make up their top performers:

*This connotes a connection between knowledge of workforce core competencies and a company's ability to achieve its objectives.<sup>5</sup>*

Despite the strategic – and substantial – benefits of defining competencies, HR departments can be overwhelmed by the daunting task of defining every requirement for every job in the organization. Fortunately, a competency compass doesn't have to include every attribute of every position.

## ZERO IN ON JOBS AND COMPETENCIES THAT MATTER MOST

Start by focusing on the most mission-critical positions and the most in-demand skills. Further, you don't have to reinvent the wheel: start by selecting core competencies (like "decisiveness" from a proven library of competencies.

*An easy process for developing a strong competency profile:*

- 1. Define what it takes to do the job:  
Job-specific skills, knowledge, behaviors*
- 2. Define what it takes to have a competitive advantage in this job:  
Industry-specific skills, knowledge, behaviors*
- 3. Define the soft/strategic skills you want to see demonstrated:  
Organization-specific skills, knowledge, behaviors*

*By including all three types of skills, knowledge and behaviors, you build competencies that address not only the immediate job, but the competitive and strategic goals of the business.*

<sup>5</sup> Competency Management: The Link Between Talent Management and Optimum Business Results, Aberdeen Group 12/2009.

The Plateau Talent Management Suite, for example, includes a built-in library of 45 general competencies plus 1,000 behavioral indicators. These cover general attributes and capabilities plus soft skills (such as oral communications) that apply to every position. To create competency profiles for jobs or abilities that are unique to the organization, the talent management team can combine these ready-to-use definitions with competencies defined in industry-specific or custom in-house libraries.

### SECURE BUY-IN

The key is to clearly communicate the value of competencies to each of the stakeholders:

Stakeholders	Competency Value Proposition
Company Leadership	<ul style="list-style-type: none"> <li>• Increase the company's agility in achieving strategic goals and responding to changes and challenges</li> <li>• Identify high-potential candidates for succession planning</li> </ul>
The HR Team	<ul style="list-style-type: none"> <li>• Define "success factor" skills, knowledge, behaviors so they can be recruited and developed</li> <li>• Align all talent management initiatives with achieving specific strategic business goals</li> </ul>
Managers/ Supervisors	<ul style="list-style-type: none"> <li>• Use a "level playing field" for assessing employees and managing/motivating both development and performance</li> <li>• Enable self- and peer-assessments</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Seek out jobs that are the best fit for their competencies</li> <li>• Align career development with their strengths</li> <li>• Zero in on training that will make the biggest difference to their performance (and compensation)</li> </ul>

In some of Plateau's largest talent management implementations, buy-in has been improved by using input from throughout the organization to build the actual competency model itself. This helps engage both employees and management in shaping competencies and applying them fairly to job profiles. In fact, even after the competency model is in place, this continued input from all stakeholders helps the talent management team continue to refine competencies and keep each job and each employee aligned with the overall talent management strategy as *it evolves*.

In addition, buy-in can be improved by taking the time to keep all stakeholders informed of the progress in defining and using competencies – including examples of specific successes achieved along the way.

## HOW A "COMPETENCY COMPASS" GUIDES STRATEGIC TALENT MANAGEMENT

### THE VALUE OF A COMPETENCY-GUIDED PROGRAM

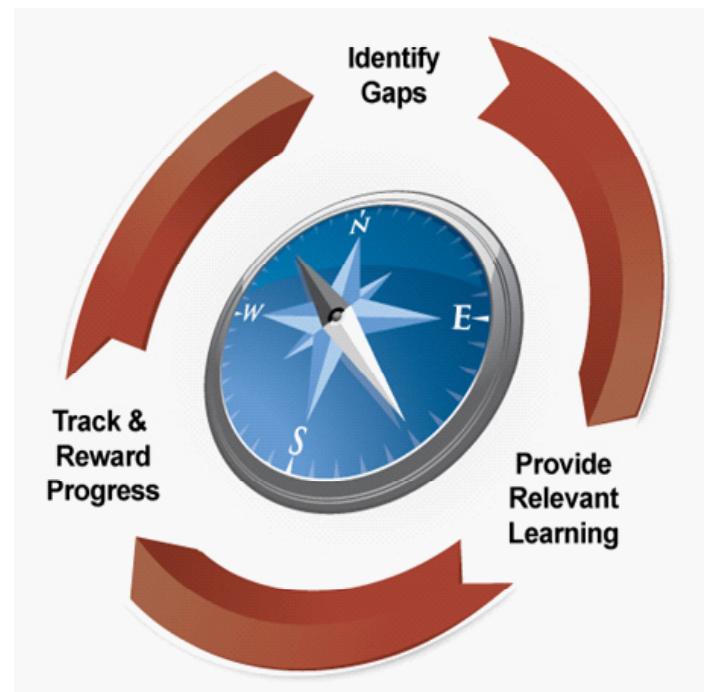
Without a competency-based approach, organizations can find themselves locked in a reactive mode where they simply respond to requests for creating new positions or eliminating jobs. Competencies support a more proactive approach. Using competencies as a compass, managers – and even front-line supervisors – can work with executive leadership to mesh recruitment, organizational, and cost-cutting decisions with the business's immediate *and* long-range strategic objectives.

### STEERING STRATEGIC SUCCESS

The competency compass serves as a guide for strategic recruitment and performance management. It also guides continual improvement. Competencies provide clear and consistent criteria for measuring both proficiency and performance. They can be used to analyze gaps in an individual's "skill set" or in the make-up of a department or team.

In addition to assessments and gap analysis, this compass can guide how the gaps are bridged – through competency-focused recruitment or learning activities.

Finally, the compass guides fair and effective compensation and succession planning. Specific salary levels and promotions can be tied not just to completing to certain certification or learning activities, but to achieving specific competency-proficiency levels.

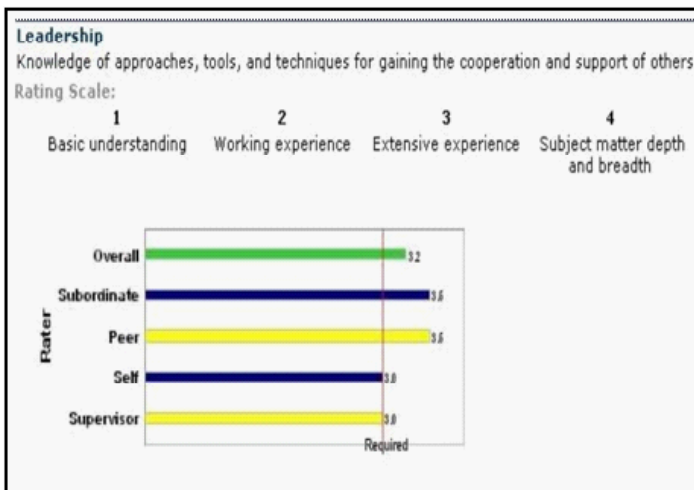




## A CLOSER LOOK AT HOW COMPETENCIES HELP IDENTIFY AND BRIDGE GAPS

Identifying and bridging gaps is crucial to a successful talent management program. With competencies built into the system, the talent management team – along with managers and supervisors themselves – has greater power to review and analyze the gaps between required and demonstrated competencies.

The following screen illustrates Plateau's gap analysis view of "leadership" as a competency. In this one view, you can see how the employee ranks on leadership as perceived by subordinates, peers, the supervisor and the employee himself. Because competencies *and the gap analysis feature* are built into the Plateau system, both the manager and the employee can quickly see that the employee ranks at the minimum proficiency that is required for his job, and that his self perception is perfectly aligned with how his supervisor has rated him.



Using this analysis, the employee and manager agree on the need to improve the employee's proficiency with leadership skills. Because competencies are integrated throughout the Plateau Talent Management, the employee can click directly from this assessment into the Learning Management System (LMS) where appropriate leadership learning activities have been flagged. Again, because of Plateau integration, the employee can register and, in the case of e-learning, actually begin the course.

## HOW COMPETENCIES GUIDE EVERY ASPECT OF TALENT MANAGEMENT

According to Bersin & Associates, competencies are valuable in guiding every aspect of talent management<sup>6</sup>. Let's look at the specific contribution competencies can make at each step of the process.

### 1. Performance Management

Competencies provide objective standards the organization

can define ahead of time and use to measure subsequent performance. Competencies create a common language for evaluating employees. This, in turn, enables apples-to-apples appraisals of different employees by different managers. It also supports 360-degree reviews, including manager appraisals, self-ratings, peer assessments, and subordinate reviews. From this process, every employee gains a clear and objective baseline from which they can work with their managers to improve their competencies, and thus their performance ratings.

### *The difference between assessing competencies and performance:*

*A performance assessment uses competencies to measure the employee's past performance.*

*A competency assessment looks to future performance by identifying specific skills, knowledge and behaviors that can be improved.*

### 2. Career Development

A key role for talent management is to develop a pipeline of employees with the skills, knowledge and behaviors necessary to lead the business and keep it growing. Competencies help guide employees to learning and development activities targeted specifically at developing the skills, knowledge and behaviors they need to move into new jobs.

### 3. Leadership Development and Succession Planning

Competencies define the specific skills, knowledge and behaviors that drive success in key leadership positions. Competencies make it easier to identify top performers and then go the extra step to identify the *right* "high potential" employees for *specific* positions. This is a critical distinction. For example, a top salesperson might *not* make a successful sales manager.

### 4. Retention

Career development and succession planning that are based on clear, objective competencies give employees more control over their own upward path. Salary.com research shows that this plays a critical role in retention: employees "are less likely to seek job opportunities outside the organization if there is a career path in place that is suited to their competencies."<sup>7</sup> By guiding employees into "right-fit" jobs, competencies also support a higher degree of employee satisfaction.

### 5. Learning and Development

As described above, competencies help guide what learning activities are needed to develop the skills, knowledge or behaviors identified during performance appraisals and career

<sup>6</sup> Competency Management: The Link Between Talent Management and Optimum Business Results, Aberdeen Group 12/2009.

and succession planning. In addition, the competency compass guides the acquisition of learning materials themselves: what materials and activities are needed to teach specific competencies? Competencies also create an objective platform for learning assessments.

**6. Compensation**

Competencies make it clear how pay is aligned with performance. This takes the subjective element out of bonuses, merit pay and other forms of pay and incentives. It also enables the talent management team to use compensation to motivate specific actions and behaviors that are of the greatest strategic value to the business. Thus, compensation can target not just the end results of performance, but the competencies that enabled that performance.

**7. Business Decision-making**

A competency-guided approach helps integrate talent management functions *and* integrate talent management itself into business decision decision-making. For example, competencies can guide decisions about creating positions – or cutting them. Competencies can also enhance managers’ tactical ability by enabling them to plan and develop the teams they manage while engaging in active, ongoing performance management and succession planning rather than having the process driven top-down by a centralized HR department.

**HOW COMPETENCIES SUPPORT – AND GUIDE – CONTINUOUS IMPROVEMENT**

Once implemented, the components of a good, integrated talent management system will continue to serve the organization no matter how its vision and business environment change. The only secret is to choose a system with the flexibility, functionality and upgradability to support robust learning, performance management,

compensation planning and succession planning/development.

Competencies, however, *must* change so that the organization’s pool of talent to keep up with the skills, knowledge and behaviors needed to stay successful.

In other words, building your competency model is a continuing process. To make sure it’s a process that also drives continuing improvement, regularly review competencies so they stay aligned with your strategic direction. Just as employees, managers and leadership should be involved in building the initial competency model; all these stakeholders should also be involved in a regular review of competencies.

**CONCLUSION**

A good talent management system is essential in helping a business achieve its strategic goals. When a “competency compass” is built into that system, the business can achieve those goals more consistently and efficiently and have greater agility to change course as new challenges *and* opportunities arise. In addition, competencies provide transparency and objectivity in assessing, developing and rewarding performance. This creates a level playing field where employees feel empowered to actively pursue their own best career path. It also enables the business to make more strategic decisions in areas not traditionally associated with talent management, such as cost-cutting or business reorganization.

To leverage maximum ROI, this “competency compass” should be built into an integrated talent management system so that competencies can automatically be updated and applied to guide learning, performance, compensation, and succession planning.

Events that Should Trigger a Review of Competencies:	
<b>Organizational Level</b>	<ul style="list-style-type: none"> <li>• Implementation of business processes, technology, operating procedures or policies</li> <li>• Changes in the organization chart or team structure</li> <li>• Expansion into new markets, new locations</li> <li>• Decisions about cutting or adding jobs</li> </ul>
<b>Manager Level</b>	<ul style="list-style-type: none"> <li>• When an employee quits or is terminated</li> <li>• Wiring job descriptions for new or existing jobs</li> <li>• Preparing to interview and select job candidates</li> <li>• Performance reviews (their own and those of subordinates)</li> </ul>
<b>Employee Level</b>	<ul style="list-style-type: none"> <li>• Performance review</li> <li>• Career planning</li> </ul>

7 Competency Assessments Make Talent Management More Effective, Jonathan Verdun, Salary.com 12/2008.



## APPENDIX

### A CHECKLIST FOR CHOOSING A COMPETENCY-BASED TALENT MANAGEMENT SYSTEM (TMS)

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- ✔ **Integrated learning, performance, compensation and development** so that refining the competency model is a natural part of performing regular business processes such as requesting a new position.
- ✔ **Tools that automate the process of assigning competencies** to large populations of employees based on job roles, employee attributes and profiles. As roles and attributes change the TMS should *automatically* update their competency assignments.
- ✔ **Flexibility to continually review and refine competencies** to keep talent management aligned with the changing needs of the business.
- ✔ **A built-in library of core competencies** to which you can/ integrate industry-specific competency libraries plus your own in-house library of job-specific or brand-specific competencies.
- ✔ **Built-in gap analysis feature** for at-a-glance, graphical presentations of where an individual, team, or the entire business stands with regard to a specific competency.
- ✔ **Built-in proficiency levels** for at-a-glance, graphical presentations of where an individual, team, or the entire business stands with regard to a specific competency.
- ✔ **Option of using a SaaS model.** With businesses – and their learning content needs – changing so rapidly, a hosted “software as a service” model may prove a better solution for talent management than managing infrastructure and delivery in-house and negotiating and renewing individual contracts with third-party content providers.

## ABOUT PLATEAU

Plateau Systems is the industry’s premier provider of enterprise-class SaaS talent management suites. Major global corporations and government agencies, including General Electric, the U.S. Air Force and Capital One Services are using Plateau’s integrated talent management solutions to improve productivity and facilitate strategic workforce initiatives around learning, performance, compensation and career and succession management. Plateau is widely recognized throughout the industry for its commitment to customer satisfaction, forward-thinking vision and for consistently delivering best-in-class functionality. Founded in 1996, Plateau is headquartered in Arlington, Va. and has offices across the United States, Europe and Asia Pacific. For more information about Plateau, visit [www.plateau.com](http://www.plateau.com).