Competency Management

Competency Management at Its Most Competent

When implemented properly, competencies can be used as a metric against which every individual can be selected, developed, and evaluated fairly and consistently.

Competencies That Work for Business

Without the right skills, innovation suffers, customer loyalty declines, and growth goals are missed. Research shows that 43% of companies reported current skill gaps, and 44% said they will have skill gaps in the next five years.[1] It's no surprise that 74% of CEOs were concerned about the availability of skills.[2]

But how can companies close these skill gaps and ensure leaders have the right skills to help the business succeed? The answer lies in using well-defined competencies that are in line with business priorities and relevant to each person's role level. When implemented properly, they can be used as a metric against which every individual can be selected, developed, and evaluated fairly and consistently. And, they help translate your organization's values into expected employee behaviors.

The value of competencies is well-established. According to a study by McKinsey & Company, 48% of respondents said their organizations' reskilling efforts enhance bottom-line growth. And nearly seven in ten respondents say the business impact from reskilling programs has been greater than or equal to the investment in them.[1] Additionally, according to DDI's Job/Role Competency Practices Survey Report, when competencies are the foundation of a company's HR processes, 91% of organizations report their training and development is more effective.

Success Profiles[SM]

DDI has created a holistic view of success, including—and expanding upon—competencies as traditionally defined.

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The Success Profile℠ separates four important and distinct components of success, resulting in a powerful framework for selection decisions. This separation allows HR to give personal dispositions and motivations—that are difficult to develop—extra attention when considering candidates for a role. The competency component defines the specific behaviors and capabilities that need to be demonstrated proficiently to achieve success. And, with the clear identification of specific experiences and knowledge vital for success in a growth assignment, development can be individually targeted. Each component of the Success Profile describes unique requirements that can be fine-tuned to meet the needs of your various talent management systems. This is done by targeting only the most critical elements of the profile, which clearly differentiate exceptional performance from mediocre performance or worse.

The Value of Success Profiles Varies by Stakeholder

The design and launch processes should add value for four key stakeholder groups: senior leaders, managers, employees, and the talent management team. It is critical that you consider each group and define what they will gain from using the competency model.

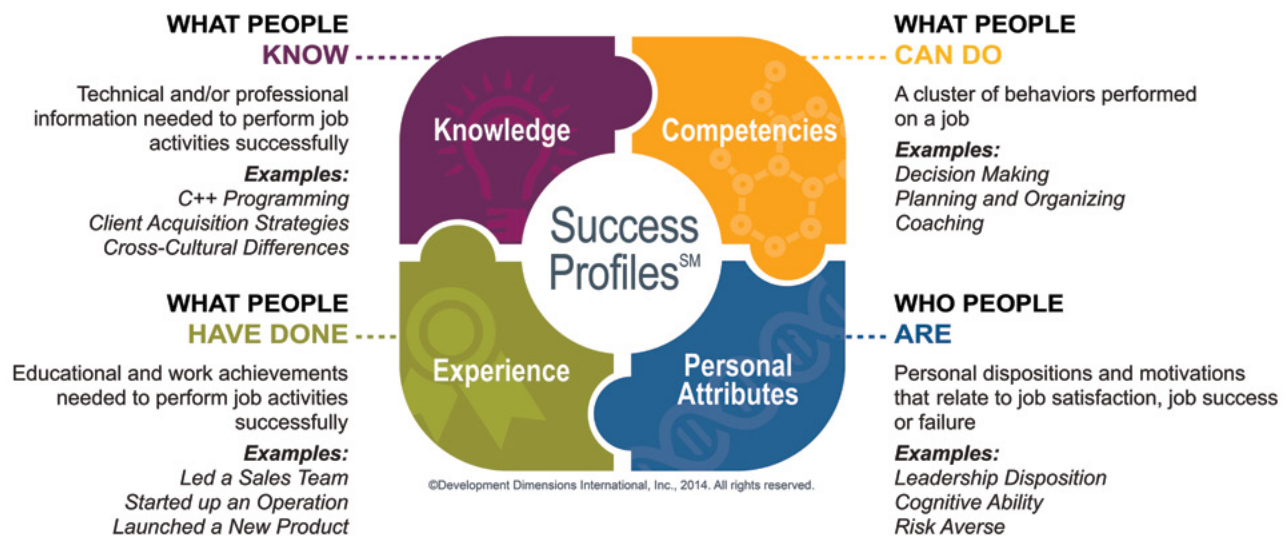Senior Leaders. Success Profiles become the primary source of intelligence upon which crucial talent decisions can be made: the WHOs to put in available positions, or the WHATs required by your strategic development.

They also ensure alignment of HR's strategies with those of the business. And, when the strategy needs to change, Success Profiles can be quickly revisited to clarify what should remain constant and what should change to meet new demands.

Managers. Success Profiles focus managers on the critically important targets when acquiring talent, developing and evaluating employees in current roles, and getting employees ready for future careers. This increases managers' confidence that the decisions they make are fair and aligned with both their team's and the organization's goals. For competencies to provide this value, they must be defined at the appropriate job level. In addition, managers should be trained to use the competencies and other elements of the Success Profile across all talent management systems.

Employees. Success Profiles connect employees at all levels to the organization's strategy by identifying how they can achieve expected results at their job and level. Competencies provide clear expectations for how goals should be accomplished, and they help employees understand the skills they need to develop in their current and future-planned roles. Employees should also be oriented to the meaning of the competencies and trained in applying them.

The Success Profile℠

WHAT PEOPLE KNOW
Technical and/or professional information needed to perform job activities successfully
Examples:
C++ Programming
Client Acquisition Strategies
Cross-Cultural Differences

Knowledge

Competencies

WHAT PEOPLE CAN DO
A cluster of behaviors performed on a job
Examples:
Decision Making
Planning and Organizing
Coaching

WHAT PEOPLE HAVE DONE
Educational and work achievements needed to perform job activities successfully
Examples:
Led a Sales Team
Started up an Operation
Launched a New Product

Experience

Personal Attributes

Success Profiles℠

WHO PEOPLE ARE
Personal dispositions and motivations that relate to job satisfaction, job success or failure
Examples:
Leadership Disposition
Cognitive Ability
Risk Averse

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Talent Management Team. Success Profiles serve as the foundation upon which HR should build and connect talent management systems. This unified approach reduces both implementation costs and confusion. For example, a Success Profile for a first-level leader can be used for recruiting, onboarding, appraising performance, and development. During the competency modeling design process, HR should encourage stakeholder conversations about business challenges and then, and only then, choose connected Success Profiles. The links to business challenges ensure buy-in by line managers and build the reputation of the talent management team as effective business partners.

Failing to Realize the Competency Promise

Even with the evidence pointing to the value of competencies, many organizations still fail to reap the full benefits. Organizations typically face a variety of challenges when implementing competencies, including:

Design Issues

- No strategic starting point; competency development is fragmented and haphazard.
- Little thought is given to how competencies are going to be used across talent management systems, or if used, they are applied inconsistently.

Launch Issues

- Descriptions of competencies are too broad. They are not a road map for taking action via specific behaviors.
- Users are not provided with the skills to use the competencies effectively.
- The competencies are hard to embed consistently into all talent management systems.

Sustainability Issues

- There is no ongoing ownership or accountability to support competency applications in systems.
- No process is in place to evaluate what is working and not working or to make appropriate changes.
- There is a lack of agility for a quick response to changing business needs and no way to assess the value (ROI).

As evidenced by these common challenges, even the best competencies are going to fall short if they aren't executed properly. That's not to say defining competencies isn't important; you must give equal consideration to both launching and deploying them.

The Higher Power of Integrated Talent Management

Integrated talent management is the process by which individual HR processes are aligned to common business objectives as well as to each other. DDI pioneered the entire concept of integrated talent management more than 40 years ago, long before it was an acknowledged best practice.[3] Integrated talent management systems enhance the impact of all talent management systems. Research[4] cites the following organizational benefits for integrated talent management:

- 26 percent higher revenue per employee
- 40 percent lower turnover among high performers
- 87 percent greater ability to "hire the best people"
- 156 percent greater ability to "develop great leaders"

As shown below, DDI views Success Profiles at the center of an integrated talent system. The key is aligning the systems used to select, develop, promote, and retain talent around your Success Profiles, which in turn should be aimed at achieving your business outcomes and cultural strategy.

**Integrate Talent Systems for Success**

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Putting Competencies to Work

Competencies have become widely popular, in part, because they provide value in diverse work contexts, cultures, industries, and across multiple talent management applications. Some common applications of competencies are:

1. Talent Acquisition: As seen below, DDI research shows that companies that use competencies are more likely to rate their staffing processes as effective, when it comes to filling key positions quickly and effectively. Also, when organizations thoroughly define holistic Success Profiles, they are better able to compete to source and hire the talent required. Finally, when business-critical competencies are targeted in interviews and assessments, the talent entering the organization is better prepared to meet business needs, reducing ramp-up time.

Talent Acquisition
Our organization does a thorough job of determining what knowledge, skills, abilities, and experiences future employees should have.

75%

32%

Don't Build Profiles

Build Profiles
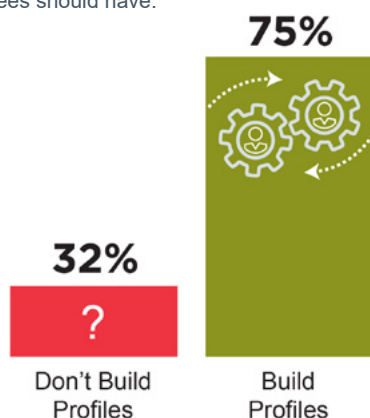
2. Learning and Development: Competencies provide the framework on which individuals can build development plans and managers can provide feedback. At an organizational level, development can be more effectively planned and implemented when specific behaviors and skills are clearly identified and communicated. According to DDI's Job/Role Competency Practices Survey Report,

organizations that identify Success Profiles are 4.8 times more likely to rate themselves in the top 10 percent of their competitors based on the quality of their leadership talent.

3. Succession Management: Competencies offer clarity to senior leaders as they build talent pools to meet business needs. They provide standards against which individuals—across the organization—can be assessed. With the intelligence that comes from assessment, organizations can pinpoint talent gaps before deficits rear their ugly heads and negatively impact business results. They can also better use Success Profiles to place those individuals who are best qualified for key promotions or other opportunities.

4. Performance Management: By leveraging competencies, managers and employees gain a common language that spells out the HOWs in performance plans. Without competencies, there is a tendency for performance plans to rely too heavily on the WHATs (outcomes/objectives), without providing behavioral guidance. Competencies help develop performance plans so your associates understand the specific behaviors they need to exhibit in achieving results. The competency framework is useful in evaluating associates, and providing feedback throughout the performance cycle.

5. Career Planning: By identifying and communicating the critical competencies associated with success at a job level, organizations can establish more strategic career-planning systems. Managers can help their employees identify career paths for future-focused development that will better prepare them for their next move.

6. Culture: Competencies help make an organization's values tangible. For example, an organization may desire to build a culture of innovation. However, innovation as a value is somewhat nebulous unless you can identify the behaviors or skills essential to innovation. Managers need to reinforce the behaviors in line with the desired culture and hire individuals into the organization that possess skills and motivations that fit the culture.

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Achieving the Competency Promise

Your organization must take the time to put in place an overarching strategic plan for all phases of the design and implementation effort as depicted in the gray-shaded, outer circle below. The four critical steps associated with effective competency management are: Plan for Impact, Design, Launch and Engage, and Optimize.

Steps for Effective Competency Management

1. Starting with a plan which sets a foundation for success.

2. Building Success Profiles that align with business challenges.

3. Engaging leaders and employees to use the profiles.

4. Assessing their impact and adjusting as needed.

Step 1: Plan for Impact

- Identify stakeholders' needs and the requirements of various talent management systems.

- Determine launch strategies that engage employees.

- Identify metrics and measurement methods to ascertain what is working and what needs to be improved.

A McKinsey study found that organizations that planned from the outset for long-term sustainability were nearly twice as likely to be good competency implementers as those who didn't. Why is this important? Because the good implementers were also nearly five times more likely to be successful at accomplishing their change efforts.

Once a solid foundation with a strategic plan has been set, follow the key activities below. These will ensure success as you work through the steps associated with successful implementation.

Step 2: Design

- Tie the competencies to your business strategy.

- Identify those competencies that are critical in all of your systems and those that are best used in specific systems (e.g., less-trainable behaviors such as adaptability in selection systems).

- Ensure competencies are relevant to each of your target levels (e.g., individual contributors, leaders, and executives). Well-designed competency models specify by job level the competencies and behaviors appropriate to each level, and not just a single "one-size-fits-all" set of competencies.

- To be scalable, focus on the behaviors rather than the tasks. Competency frameworks should clearly define the common key behaviors within each competency critical to effectiveness, and avoid a lot of specificity about tasks that can vary by job/role and change frequently over time.

- To ensure scalable talent management systems, identify job families—those clusters of jobs that may have different responsibilities and titles, yet require similar competencies.

- Focus on job transitions, areas where competency requirements change significantly (e.g., individual contributors to leaders and managers to executives).

- Ensure your competencies are relevant to associates from all applicable cultures, functions, and locations.

Step 3: Launch and Engage

- Plan communications targeted to each stakeholder group, establishing the value of the competencies for each group.

- Integrate the competencies into your talent management systems in ways that enhance their impact.

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Order Matters

Most organizations develop their Success Profiles first, and then try to line them up with their business strategies; the reverse should happen. We suggest starting with the identification of business imperatives and then using those imperatives to decide on appropriate Success Profiles.

Below, you can see how the competency and personal attribute components of the Success Profile align to a specific business priority.

Talent Acquisition
Aligning Success Profile components to strategy, via Business Drivers

Business Priority
Eliminate waste and cost from internal business processes

Business Driver
Drive and Execute Process Efficiency

Aligned Competencies
- Driving Execution
- Operational Decision Making
- Leading Change

Aligned Personal Attributes
- Pragmatic and Process Focused
- Energetic: Drives Self and Others

- Establish an engaging way to orient your users to—and reinforce buy-in for—the competency model.
- Train your employees and managers to use the competencies in your talent management systems.

Step 4: Optimize

- Establish ongoing accountabilities to help design talent management systems that support the model.
- Document and share successes, and identify methods to evaluate the impact of competency applications on business and talent outcomes.
- Gain an understanding of any challenges in applying competencies, and take action to address any issues.
- Determine when the business strategy and the competitive situation require modifications to the competency model and quickly adapt the model to new challenges.
- Establish ways to keep talent management systems in sync with changes in the competency model over time.

Unfortunately, many organizations neglect one or more of these phases. Some companies have a few meetings to develop a list of competencies. Other companies do extensive analysis and design, but spend little time launching the competencies so that all employees understand and use them. In other organizations, no one owns the competencies—no one helps with the deployment and use of new competencies, evaluates their impact on the business, or recognizes the need to adjust them as the business evolves.

But when done properly, you will be able to answer key business strategy questions such as:

- Do we have the talent needed to win in the marketplace and sustain long-term growth?
- What leader competencies (at all levels) are critical, but in short supply?
- What competencies and other attributes are not well-assessed or developed by our current talent management processes?

Just Too Many Competencies?

Too often competency models use only generalized descriptors of meanings or provide a one-size-fits-all definition for a concept. For example, Coaching Others: If the competency is too vaguely defined, a manager may

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fail at fully developing all the behaviors associated with proper coaching. Well-written competencies include key actions that specify the component behaviors that lead to strength and define the unique behaviors that lead to success, across key leadership levels throughout the organization. These behaviors provide a better guide for evaluation and development.

A better competency library would include well-defined behavioral anchors that differentiate HOW to coach others for executives versus coaching for front-to-mid-level leaders. The coaching examples below offer a more explicit example of coaching behaviors defined for multiple levels of leadership.

Example: Coaching and Developing Others (for Executives) Providing feedback, instruction, and development guidance to help others excel in their current or future job responsibilities; planning and supporting the development of individual skills and abilities.

Key Actions:

- Clarifies performance
- Provides timely feedback
- Conveys performance expectations and implications
- Evaluates misalignment
- Facilitates development
- Fosters developmental relationships

Example: Coaching (for Frontline to Mid-Level Leaders) Engaging an individual in developing and committing to an action plan that targets specific behaviors, skills, or knowledge needed to ensure performance improvement or prepare for success in new responsibilities.

Key Actions:

- Aligns expectations for the discussion
- Defines the performance challenge
- Maintains motivation
- Engages and involves
- Offers support
- Gains agreement
- Establishes action plan

The Bottom-Line Value: Competencies Support Talent Analytics

With clear definitions of success, you can measure your talent capabilities by comparing business performance against competency evaluation data.

First, access assessment data from your talent management# and performance systems. This will provide information based on the same elements identified during the Design phase mentioned earlier. An analysis of these data will enable you to identify the competencies which differentiate would-be outstanding performers from those who are ineffective.

Next, review your talent management program's evaluation results, such as users' perceptions of accuracy, relevance, and utility of your programs. These may also include outcomes such as rates of promotion, engagement results, and retention. You should also seek sales customer satisfaction, productivity, and quality and safety metrics. From these, you can effectively target improvements to all your talent management systems and minimize talent gaps that affect your business and culture.

When an integrated Success Profile is deployed throughout your talent management systems, you'll be able to perform talent analytics to answer the critical questions with a higher degree of speed and accuracy. This is the promise of optimized competency management.

To learn more about Success Profiles, visit www.ddiworld.com/successprofiles

Endnotes

1 *McKinsey & Company Global Survey. (2021). https://www.mckinsey. com/business-functions/people-and-organizational-performance/ our-insights/beyond-hiring-how-companies-are-reskilling-to-address- talent-gaps#interactive*

2 *PwC Talent Trends Report. (2020). https://www.pwc.com/gx/en/ ceo-survey/2020/trends/pwc-talent-trends-2020.pdf*

3 *Byham, W.C. (1981). Applying a systems approach to personnel activities, DDI.*

4 *Sherman Garr, S., (2012). Integrated Talent Management: A Roadmap for Success. Bersin and Associates.*

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About DDI

DDI is a global leadership consulting firm that helps organizations hire, promote and develop exceptional leaders. From first-time managers to C-suite executives, DDI is by leaders' sides, supporting them in every critical moment of leadership. Built on five decades of research and experience in the science of leadership, DDI's evidence-based assessment and development solutions enable millions of leaders around the world to succeed, propelling their organizations to new heights. For more information, visit ddiworld.com.

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EMAIL: **info@ddiworld.com**
VISIT: **www.ddiworld.com**