# Ten Best Practices for Successful Competency Management

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With the global economy in flux, today's businesses are beginning to rethink their talent development strategies—and with good reason. Workforce demographics are shifting as baby boomers retire, and the need to hire, retain, or streamline to the most highly skilled employees is more critical than ever to corporate success. Yet as companies focus more intently on delivering knowledge and services, we also face a new challenge: How do we objectively recognize the skills and competencies that make our workers desirable? Are competency models even relevant anymore?

These are crucial questions to answer, primarily because your competency model guides the end-to-end management of your organization's talent base—from performance assessments and goal achievement, to training and development, workforce planning, and recruiting. More than any other department, Human Resources (HR) has the power to leverage a well-built competency plan to generate high-impact reports and analytics. This data provides tremendous value to executives and significantly improves a company's ability to identify needed skills and attract key employees.

Not surprisingly, then, your competency model should be the cornerstone of your organization's talent development strategy. This paper offers ten best practices that will help define your competencies today, craft an effective competency plan, and ultimately use that plan intelligently in conjunction with your performance management system. The result? You'll be better equipped to engage, develop and retain the greatest assets your company has—its employees.

## 1. Consolidate the core.

Core competencies apply to all employees and typically relate to the company's high-level values. Examples include items such as communication, integrity, and time management. Begin by taking an inventory of any existing core competencies used in your company and consolidate down to a manageable list of 10 to 15. Your final list should reflect the most high-impact competencies that tie in well to your corporate culture.

## 2. Specialize.

With core competencies established, you can now delve into the detail of functional competencies. As their name implies, these competencies are more inclusive and apply to specific job functions. For example, functional HR competencies might include those items that represent the basic tasks within HR, such as employee relations, benefits, and compensation.

Obviously, creating these lists for each job function can be a daunting task. Start small, focusing on a single department or on jobs that have the highest number of incumbents. Enlist a sponsor to assist in the project—ideally someone with specific knowledge of the department or job under discussion.

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## 3.  Develop profiles.

Your next step is to use the information you've developed to draft competency profiles. Each profile reflects a combination of the core and functional competencies specific to a department or job. For example, a simplified profile for an HR Manager II might list the following:

- Communication (core)
- Decision-making (core)
- Conflict resolution (core)
- Employee relations (functional)
- Compensation (functional)
- Hiring (functional)

How your company's core competencies relate to all departments or jobs is up to you. Remember, however, that limiting the overall number of competencies in a profile will make performance appraisals more manageable. For the simplest approach, start with one profile per high-level department. Over time, dig deeper and develop profiles for each job code. The more profiles you develop, the more efficient your performance management capabilities will become.

## 4.  Set proficiency levels.

After completing your competency profiles, you might consider adding the next level of detail: proficiency levels. For some organizations, this step is optional, but those looking to generate greater success within an overall talent development strategy should pay close attention. Why? Because proficiency levels represent your company's expectations for mastery across all of the different competencies within a profile—and armed with this information, employees are better prepared to make progress in their careers.

Proficiency levels will vary by position, and will also vary within the same position over different job levels. For example, an HR Manager III with 14 years' experience is expected to perform at a higher level than an HR Manager II with only six years under her belt. Compare the two simple profiles below, which indicate proficiency level expectations on a scale from 1 (beginner) to 5 (mastery):

| HR Manager II | HR Manager III |
|---|---|
| Communication (core) - 4 | Communication (core) - 4 |
| Decision-making (core) - 3 | Decision-making (core) - 4 |
| Conflict resolution (core) - 4 | Conflict resolution (core) - 5 |
| Employee relations (functional) - 5 | Employee relations (functional) - 5 |
| Compensation (functional) - 2 | Compensation (functional) - 3 |
| Hiring (functional) - 1 | Hiring (functional) - 1 |

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Although counterintuitive, some proficiency level expectations will actually decrease as the position becomes more strategic and less tactical. This is particularly true for functional competencies. A vice president within the HR department, for instance, might only require a basic skill level for compensation, as the HR staff below the executive will likely deal with compensation-related processes. Compiling these details is, no doubt, time-consuming—but ultimately, the process is worthwhile if employees use the data to develop their skills and become more valuable resources for the company.

## 5. Communicate competencies across the company.

With competency models completely outlined and up-to-date, you're ready to share information with the company at large. Better yet, have executive sponsors champion the project as you inform employees and managers about the importance of the company's competencies. Help each employee understand how this data will be used—from hiring, to gauging performance, to compensation decisions. An informed workforce will be ready to step up to the challenges of meeting expectations.

## 6. Apply competency data for appraisals and rewards.

Don't stop at talk. You must move from developing your competency plans to using them as benchmarks for employee performance. A strategic and comprehensive performance management system will enable you to make all of your identified competencies—at all levels of detail—necessary components of individual performance appraisals. Managers can rate employee performance against each established competency. Moreover, HR can design annual compensation increases, bonuses and other awards to recognize employees for specific achievements.

## 7. Analyze and add value.

After a competency plan is developed and performance appraisals based on that information are well underway, HR can leverage the resulting assessment data through the performance management system to highlight its strategic partnership with management.

By running competency reports, you can analyze the data and pinpoint, for example, which core competency has the biggest gap in expected proficiency. Furthermore, you can use that information to develop your organization's training needs. Use your report results to forecast upcoming talent requirements.

Your ability to see gaps on the horizon lets you effectively plan in advance, so you can ramp up internal bench strength, fill key positions without recruiting or onboarding new hires, and potentially save your company thousands of dollars and hundreds of manpower hours. A performance management system will allow you to fully capitalize on competency reports for this purpose—not only by providing specifics geared toward identifying skills gaps, but also by linking to learning management technology that seamlessly bridges those gaps. Only HR has initial access to this information at such a high level.

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## 8. Don't just assess competencies, develop employees.

Remember that your greatest assets are your employees. HR should assist managers with identifying individual employee gaps and developing employees one by one. Incorporate these gaps into performance appraisal reports, and use the data to generate each employee's personal development plan. After all, a performance appraisal is simply a measurement of what has already happened; development plans and follow-up action are the catalysts that actually improve individuals' performance, which should in turn positively influence the organization's overall performance.

## 9. Guide career development and succession plans.

In addition to assisting in individual development, competency performance data can also be used to identify your high and low performers. This is where career development plans come into play. Critical for all employees, these plans have proven to further engage employees by giving them a clearer career path and a commitment to their own development. In fact, with a straightforward picture of their gaps in skills or competencies, employees can see a domino-like progression of how to fill those gaps and move forward. An HR Manager II, for example, can clearly see how further training in decision-making and compensation might prepare her for an HR Manager III position.

## 10. Recruit with competency in mind.

While HR departments in today's economy are certainly focused on developing and retaining existing employees, we cannot disregard recruiting by any means. All open positions should ideally use a competency profile along with the job description as a starting point for locating both internal and external candidates. When screening resumes, first look for candidates with all your key competencies—and screen out those who do not make the grade. When interviewing begins, design questions that deal with five to 10 target competencies. This type of planning helps ensure that new hires come to the table with the appropriate skill sets and proficiency levels for their jobs, making performance management much easier down the road.

Clearly, competencies impact every phase in the employee lifecycle—from recruitment through career development and beyond. While the legwork in defining and establishing competency plans might be extensive, the end results hold tremendous potential in terms of ramping up employee caliber, rating and building employee skills, and identifying and bridging gaps.

By combining a properly constructed competency model with a full-featured performance management system, HR departments can systematically generate, apply and leverage competency data across a comprehensive talent development strategy, ultimately boosting business results through a stronger, more productive workforce.

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