Competency-Based Management

Expanding capability and capacity is the key to managing people successfully. Here's how.

BY JIM KOCHANSKI

IN MANY, IF NOT MOST, organizations, employees become managers when they assume responsibility for managing people. Yet, managers often manage everything except people. Instead, they're busy making product, technical, process, and financial decisions. Management that overlooks an organization's capacity and capability—the combined competencies of its people—risks not meeting customers' needs and losing them to competitors.

Most managers care about their organizations' success, and they recognize the need for employees' contributions. So, why aren't otherwise responsible managers practicing sound people management?

Typically, sound practices are used only with a small number of employees—the top and bottom performers. So, while top performers are being rewarded and low performers are exiting, most employees are just maintaining their current level of performance. In that scenario, an organization's capacity and capability remain static.

Traditional management practices tend to be too complex, and they don't fit with the new organizational environments. Narrow job descriptions and classifications just don't mesh with the increasingly dynamic nature of work.

Competency-based management is an approach that reduces complexity, adds capacity, and increases overall capability. CBM involves identifying the competencies that distinguish high performers from average performers.

It condenses core competencies from the complex web of roles, responsibilities, goals, skills, knowledge, and abilities that determine an employee's effectiveness.

The competencies form the foundation for selection, learning, rewards, and other aspects of employee management. CBM also supports such imperatives as speed-to-market, customer satisfaction, flexibility, and employees' control of their careers and personal lives.

System within a system

Consider the numerous areas related to development or effectiveness from an employee's perspective:

▶ recruitment, selection, and orientation
▶ training
▶ job design and work assignments
▶ succession planning and promotions
▶ organizational structure
▶ pay structure
▶ career planning
▶ reward and recognition systems
▶ termination.

That's a mind-boggling array of elements that should be linked. But even HRD professionals have trouble explaining how they fit together.

That complex system of employee-related areas operates within an even more complex system: the organization. Often, the only thread that ties together "people processes" is a manager's bias about what makes an employee successful.

To an employee, what is the link between such elements as his or her performance evaluation, pay increase, training, job assignment, transfer, and promotion? It's the manager's perception of the employee. If the perception is accurate and articulated well, that's positive for the employee. But more often, the manager's perception is either inaccurate or incomplete. Or, it's not understood by the employee. Even when employees understand a manager's perception of success, other managers' perceptions may be different. That can make an employee's path through the career development maze hazardous, confusing, and tricky.

Further complicating the system of employee development and effectiveness are the biases of the employees managers manage. How do employees learn what it takes to be effective? Most learn from legend, hearsay, and trial and error. The result: Each employee has a somewhat different, only partially accurate view of how to be effective at work.

Most managers don't have the time or mandate to be responsible for developing their staffs. And it doesn't help the situation when well-meaning administrators ask managers to fill out appraisal and development forms.

The thinking is that employees are bound to be effective if they're assessed and trained properly and if their job responsibilities and skills are clearly written. But that requires a huge control center. Rigid job descriptions are also counter to the reality of constant change within organizations and the need for greater flexibility and less hierarchy. Instead, organizations need broad roles that encourage fewer boundaries. Instead of narrow skills, employees should strive for broad skills that increase their flexibility and speed and that lessen the need for managers to coordinate work.

The answer isn't to hire more people and work harder. That strains an organization with an already stretched capacity. But even in chaos, there are patterns of order, though they're sometimes hard to see. Such patterns are evident through the repeated actions of the most effective employees. CBM can shed light on orderly patterns in the behavior and development of exemplary employees.

On the surface, CBM looks a lot like traditional people management with programs for hiring, evaluating, developing, and rewarding employees. But CBM differs in that it involves these elements:

▶ a carefully defined strategic direction for the overall capacity of an organization
▶ clearly articulated descriptions of the individual competencies that distinguish high performance
▶ simplified management and HRD programs aimed at reinforcing the identified competencies.

Below the surface, CBM represents a culture change toward employees' greater self-direction and responsibility.

The competencies are the skills, abilities, knowledge, and traits that distinguish outstanding performers from average performers within a work role or job category. Some competency-based systems fail because they define competencies as everything employees do in their jobs.

Many organizations create programs (such as forced ranking) to deal with low performers and programs (such as rewards) to deal with high performers, without achieving performance improvement in the total workforce. But competencies based on high performance aim to improve average-performing employees, which is most employees.

CBM provides a simple, explainable, high-leverage, employee-controlled way to improve performance. It also requires less maintenance than traditional approaches because the competencies stand up longer than practices grounded in the details

of current organizational priorities.

CBM can also spur strategic change. (See the box, Shifts in Strategic Change, on page 44.)

Getting there

The first step in CBM is to conduct an organizational-capability analysis. It can help develop a strategy around the necessary capabilities for organizational excellence, aligning individual competencies with the organization's strategic direction. One way to achieve alignment is to identify the competencies of people who are already supporting strategic goals successfully. In other words, study exemplary employees.

An example of a competency-based management system is the one being used by product managers in a high-tech organization as part of a strategic initiative. The company developed a competency model through interviews with high-performing product managers in different business units, identifying 12 critical competencies.

Using the competencies, the company developed self-assessment, assessment, and employee-selection tools, guides for development planning and activities, and career-planning ideas. It rolled out the model and tools in a training program led by a senior executive and HR professional. Product managers worked in teams, using an action-learning approach to gain specific competencies while working at their jobs. They continued to use current appraisal, development, and succession programs—but with a new common, valid basis for them.

Here are the main steps in creating and implementing CBM:

▶ Determine strategic direction.
▶ Design the CBM system's architecture.
▶ Develop a competency model and tools.
▶ Maintain open communication.
▶ Use multiphase implementation.

Strategic direction. As part of the regular business planning cycle, determine strategy on increasing the organization's capacity. Capacity and capability, like products and processes, are important aspects of strategic direction, especially in dynamic work environments. They're also important to

competitive advantage. In CBM, it's necessary to decide which capabilities to grow, protect, or shrink. That helps identify the competencies employees will need.

The architecture. Identifying competencies is a process of discovery. But there is a benefit to having a vision of how the whole system will look and work—with particular attention to the critical applications for success, such as pay, promotion, and selection.

The vision must be flexible. You may think that you want a set of competencies for each function in the organization and then learn that the competencies are similar between functions. Instead, you find that job level is more pivotal.

The architecture should leverage competencies to bring order to any chaos in the HR system, not force a set of competencies for every way to slice the workforce pie. Nor should the model and tools try to include every job skill and activity. One option is to create one model or set of competencies for each major organizational group. Later, you may find that you need other models.

Another option is an architecture with separate levels of detail within a simple overall structure. It would consist of these elements:

▶ a library of potential competencies for the organization as a whole
▶ subsets of the library with six to 12 competencies for each major job category
▶ four to 10 statements describing each competency in terms of behaviors.

Such a model was developed for 1,000 employees, based on their common function in the organization. The model has several levels to accommodate different uses and users. The single model helped bring order and simplicity, even though different levels of employees existed within the function and several subfunctions.

In this step, it's important to answer two questions: Is legal validity important? Is a descriptive (current) or prescriptive (future-oriented) model desirable?

The term *validity* means that the competencies are truly related to effective performance in a job. If legality is an issue—for example, if the competen-

cies will be used for hiring and firing—then validity is especially critical.

If the key objective is organizational change—or, if the work environment is especially dynamic—a future-oriented, or prescriptive, model is preferable. In such cases, it's possible to discover the competencies from current employees if they are already doing the jobs of the future.

Another option is to have experts modify a current model to fit with the organization's anticipated future.

The model and tools. There are several ways to develop a competency model; all are based on discovery. The competencies aren't created out of whole cloth. (See the box, How To Discover Competencies.)

It's advisable to use a "high-touch" approach that involves a lot of people interactively, such as focus groups. Such involvement helps gain people's buy-in, speed up the process, and reduce elitism or exclusion. One way to obtain involvement is to issue regular communications about the project while preparing the implementation and training materials.

Here are some tools for linking HRD functions in a competency-based system.

▶ descriptions of the competencies in different levels of detail, including the use of audio and video versions
▶ assessment and feedback tools, including self-assessment, management appraisal, and 360 feedback
▶ guides for creating development plans
▶ development ideas mapped to the competencies
▶ career-planning guides
▶ action-learning programs
▶ training mapped to the competencies
▶ a competency-based pay structure
▶ recruitment and selection systems.

You can develop some new tools by adapting current tools to fit the new model. To facilitate the culture change, the tools should be accessible to all employees. Another task is to develop a system to house the tools. One approach is to place the competency model and tools where all employees have electronic access.

Communication. Sometimes in change initiatives, there's a tendency to delay communication until a project is ready

SHIFTS IN STRATEGIC CHANGE

Business Changes		Organizational Changes	
From	**To**	**From**	**To**
Autonomous silos	Boundaryless partnerships	Narrow job responsibilities and skills	Broad roles and competencies
Hierarchical or centralized structure	Flat and decentralized structure	Planned career paths	Informed, opportunistic development
Patriarchy	Empowerment	Managers responsible for development	Employees responsible for development
Low cost, high volume	Quality, speed, and innovation		
No mistakes	Measurable improvement	Control of problem employees	Upgrading of all employees' abilities
Closed systems	Open systems	Feedback avoidance	Feedback seeking
		Secrecy regarding success factors, job opportunities, and selection	Openness regarding competencies, job opportunities, and selection

for rollout. But to reduce people's resistance, it's important to keep them informed while the competencies and tools are being developed. Communications should reinforce the vision, explain the reasons for any change initiatives, and prepare employees for the expected effect on them.

Implementation. Competency-based management systems are best implemented in phases. First, introduce the competencies and a few basic elements of the new tools or system. That gives people some time to adjust while additional tools are being developed. Later, release the added new tools. That helps refresh users on the overall system and elicits their input on possible future elements.

Pitfalls

Here are some pitfalls to look out for.
Managers won't use it. Even when managers don't use a new system, some employees will use it anyway. But the old saying goes, "What interests my boss fascinates me."

Some managers retain power and control by using their own factors (or biases) to evaluate employees. Still, they can become converts to CBM if they're involved in the project or roll-

out. A few won't convert because they practice favoritism or discrimination. If that's allowed, CBM won't work.

In fact, managers do tend to use CBM once they understand it—because it's less cumbersome than traditional approaches and because it's part of the shift of career responsibility to employees.

Managers overuse it. In rare instances, managers become tyrannical in their use of competencies, especially to evaluate employees. But managers should keep in mind that even the best competency models are generalizations of complex phenomena.

People made it up. A frequent suggestion is that some people get together in a room and create a list of competencies. That may appear to be a way to expedite development, but it's more often an effort to ensure one's own input to the model. That's not necessarily bad, except that it's inconsistent with the shift away from management control and bias. Such models will be useful only as long as the leaders who made them up stay around. Such an approach also assumes that the list makers' personal views are accurate and superior.

In almost all of the training I've

done on competencies, a skeptic asks, "Who made up this list?" But I've been able to turn such skeptics around when I explain the valid approach for developing a model.

People fear the competencies. If you want to sabotage acceptance of the competencies, start out using them to fire, demote, reprimand, transfer, or even promote people. Though it's natural to want to do something with the model, it's best to start using it to give non-threatening feedback, for example, or to support employees' responsibility for their own training and development.

The models proliferate. There is such a thing as too many models. One model probably isn't enough, but a model for every job is too much. A desire for a lot of models is, in part, driven by true differentiation between job categories—or by the desire of some stakeholders to have a competency model with little stretch or one that will confirm rather than challenge their abilities. Honor the former reason; reject the latter.

The models are used for development only. If the competencies are used only for development, they're unlikely to stick. Eventually, they should be linked to selection, pay, and promotion in order to become part of the people-management system.

The computer does it. It's fairly easy to conceive and implement a system in which multirater competency evaluations are distributed and tabulated through a computer-networked environment. But that's not how competency improvement occurs. That requires management judgment, face-to-face feedback, and coaching. Computers play a part in housing competencies and tools, but they can't replace people talking to people. ∎

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