

Building the Business Case for Competency Management Systems

Business Builder



Brandon Hall Group Research Team

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Executive Summary

As the world's workforce became more automated and efficiency-focused in the early 2000s, talent management often took a backseat to workforce productivity and analytics. However, in today's environment, people processes are often areas that organizations can find the greatest competitive advantages.

Competencies (the knowledge, skills, abilities and behaviors to successfully perform a job) and competency management are big parts of that differentiation. Because they are directly related to individual performance, they're closely connected to talent acquisition, onboarding, learning and development, succession management, career pathing, performance management and leadership development.

In all aspects of the employee journey and lifecycle, competency management plays a key role in helping organizations meet strategic objectives, though most do not take full advantage of this powerful lever of business success.

This report will help explain:



How companies can leverage competency management and the impact this will have



How an investment in competency management technology makes sense and will provide an immediate return on investment

The Agenda

- **Business Impact:** Research that validates ROI.
- **Business Need:** Top challenges for competency management.
- **The Case for Technology:** What is a next-generation competency management and how can it help?
- **Questions to Consider:** What questions should organizations ask before investing in technology?
- **Building a Business Case:** What are the steps to gain buy-in?
- **Stakeholder Analysis:** Who are the key stakeholders and what do they need to know?
- **Metrics:** How to measure the real impact for your business.



Business Impact

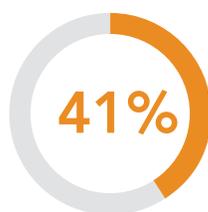
High-performance competency management requires executive buy-in, clear and transparent communication, aligning competencies to business strategy and a shared approach to competency management throughout the organization. Only 19% of organizations surveyed in our research said their competencies and business goals were aligned. But those with a fully formed competency management program are:



more likely than other organizations to have increased revenue over the past year



more likely to have increased customer retention over the past year



more likely to have increased market penetration over the past year



more likely to have increased customer satisfaction over the past year



more likely to have increased employee engagement over the past year

Source: 2017 Brandon Hall Group Competency Management Study (n-446)

This data suggests that improving your organization's use of competencies has a real impact on the bottom line. With that in mind, what are the most common stumbling blocks for organizations seeking to improve their competency management and how can they be overcome?

Business Need

KEY POINTS

- Cost is the most common obstacle to creating a high-performing competency management program.
- About one-third of organizations see lack of automation as an obstacle, the highest percentage among talent processes.
- Aligning competencies with business objectives is essential to effective competency management processes.

Barriers to Competency Management



48%

Budget



41%

Difficulty in aligning competencies with business goals



38%

Lack of coaching and mentoring within the organization



38%

Lack of internal knowledge of how to develop competencies and competency models



34%

Lack of automation

Source: 2017 Brandon Hall Group Competency Planning and Management Study (n=449)

These obstacles come directly from what organizations told Brandon Hall Group research and help explain the relatively low percentage of organizations that adopted modern competency management practices despite the significant improvements in organizations they provide.

The Case for Investing in Technology

KEY POINTS

- Competency management, in a fully automated form, is still relatively rare.
- Competency management is more complex than it seems and needs technology to simplify the process.
- Increasing the budget for competency management is money well spent. Organizations doing so are much more likely to rate their competency management system as more effective.



Compared to other talent management processes, organizations do not utilize technology to fully enable competency management as much as they could. However, the 11% of organizations that have fully automated competency systems enjoyed significant increases in the effectiveness of their competency management plans.

Competency management is a complex process; everything from assessments, training and development, career pathing,

succession management and more tie into competency management. Brandon Hall Group research shows 40% of organizations are still attempting to do it manually, which may provide short-term benefits with long-term deficiencies.

If there is a budget increase for competencies, a large percentage should go towards upgrading technology.

The 23% of organizations that spend 10% or more of their budgets on competency management are 68% more likely than other organizations to rate their top competency objectives as effective.



PLAN FOR TECHNOLOGY

Answering these questions can help you articulate how a competency management technology enables business outcomes.

Existing Technology

What are your greatest competency-management challenges?

Capabilities

What are the key capabilities that will improve business outcomes?

How will new technology support the overall corporate objectives?

Budget

What is our budget for competency management technology?

What are we currently investing in and what do we plan to invest in for the future?

When thinking about the budget, companies should consider what they spent in the past, what they can spend today and what is realistic for the future.



Pricing

What is the cost of the competency management system?

What pricing model is available to us?

- Pay per-user, subscription model, licensing model, implementation fees etc.
- What is the financial impact of not acquiring a competency management technology solution?

What happens if the price escalates after the first year?

What happens if our needs change and more employees than anticipated use our competency management system?

To compare pricing for the new competency management technology solution, examine the inefficiencies of your current competency management process. For example, 38% of companies say a lack of coaching and mentoring is a major problem. The organization could invest in training managers to be better coaches, or they could invest that money into a competency management solution, which offers learning resources and assessments that measure competency gaps. This resolves the major issues with a lack of coaching and mentoring, but also provides other features that come standard with a competency management system.



Be aware of how much you are spending for product capabilities, implementation and subsequent releases. You can handle this challenge by asking very detailed questions about pricing. You also must plan for costs of implementation services, training and additional users.

Fully automated organizations are:

69%
more likely than other organizations to rate their top competency objectives as effective.

55%
more likely than partially-automated organizations to rate their top competency objectives as effective.

Source: 2017 Brandon Hall Group Competency Planning and Management Study (n=449)

Implementation

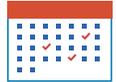
- Do we need third-party implementation support?
- What is a realistic timeframe for implementation?
- Will HR or IT own implementation?
- Will we need post-implementation training?
- Do we need a global implementation strategy?

Develop a plan for rolling out technology by region or business unit. You must be patient when implementation does not go smoothly. Be prepared to deploy additional resources if needed.

Timeframe

- When do we need to revisit our existing contracts with our technology providers?
- When do we need to upgrade our HRIS, LMS or other technology solutions, such as PM or Rewards and Recognition? The competency management solution may need to be integrated with those other systems.

Companies often seek to replace technology when it is time to upgrade existing ERP or HRMS technology. Consider available options and if a new system can meet individual workforce needs. Your timeline depends on existing technology and its ability to be modified.



Delivery Model

- What is our preferred delivery model?
- If we currently use on-premise solutions, what internal resources are needed to support SaaS or cloud-based systems?

The majority of competency management solution providers offer on-demand Software as a Service (SaaS) model or cloud-based solutions. SaaS provides configurability needed for a company in growth mode.



To maximize investment in these systems, consider the long-term implications of an integrated strategy and begin any communications and change management to support this strategy before investment.



Integration

- How will we handle integration?
- What existing solutions do we need to integrate with, and how will this integrate with our existing ERP, TMS, HRMS and/or LMS?

Metrics

- How do you measure the real impact on your organization?
- What metrics are needed to measure the effectiveness of your competency management system?
- How will this system improve productivity, skill acquisition, behavioral change and assessment?

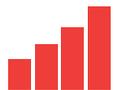
Business metrics, such as customer satisfaction, revenue and HR efficiencies, in addition to the traditional competency management metrics are needed to measure the impact on your organization.



Individual and Organizational Performance

- How will this solution improve individual performance indicators?
- Is the technology intuitive and engaging?
- Does the employee experience with the technology match our employer brand?

If the technology is not user-friendly, intuitive and engaging, employees avoid the solution and waste HR resources. Technology solutions must provide a seamless experience that encourages better communication and engagement for management, employees, implementation partners and customers.



Building a Business Case

Based on qualitative and quantitative research, Brandon Hall Group identified several critical steps for building a business case to move forward with a competency management system investment.

Identify a Champion

Organizations tend to struggle with articulating and quantifying the value they will receive from the investment. Consider including a senior leader outside of Talent Management/Leadership Development to support the initiative and the funding request to bridge the gap between the business and talent management.

Building Your Internal Team

A selection committee should be responsible for creating RFPs, scheduling demos and evaluating providers. IT professionals, procurement professionals, HR professionals and other business leaders should be included in the group.

Timeframe for Selection

Ensure the selection process has a realistic timeframe within overall organizational projects and objectives. If IT has other selection projects in place, competency management may need to adjust the timeframe.

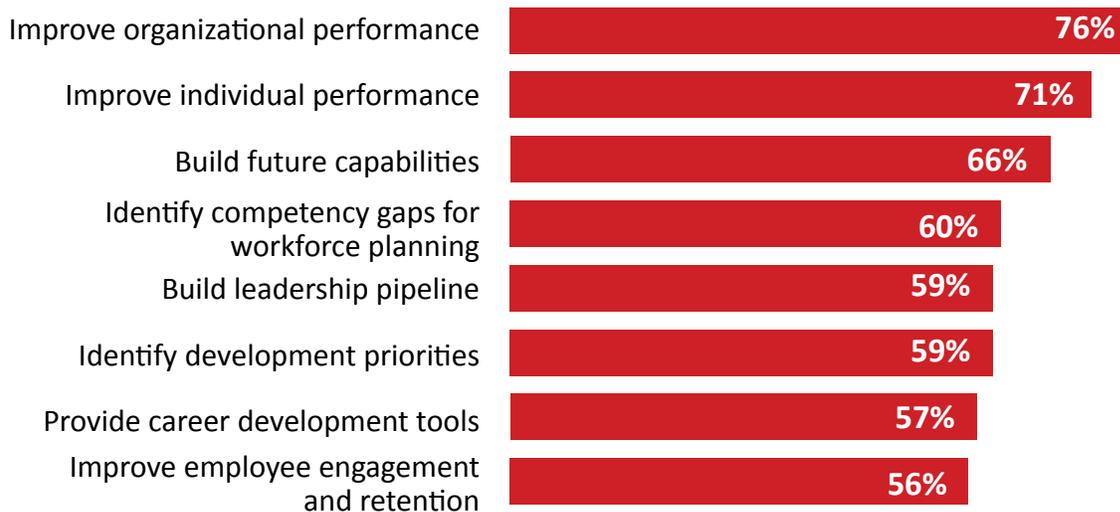
Identify a List of “Must-Haves”

Consider unique competency management needs before investing in a competency management system. Organizations typically identify “must-haves” in terms of functionality, technical requirements and solution-provider viability. For example, does the system integrate competencies into key processes such as career paths and assessments?

Measure Effectiveness

Although most organizations can determine effectiveness shortly after going live with their system, companies must define the metrics for success prior to selection. Continually monitor and evaluate efficiency to support the business viability of the system. Below, from our latest competency research, are the best targets for measurement.

Top Objectives for Competency Programs



Source: 2017 Brandon Hall Group Competency Development and Management Study (n=449)

Develop a Change Management Strategy

Any technology change typically requires some level of change management. It provides a transition to the future state. For some organizations this can involve moving from a paper-based process and for others, moving off of a legacy system. In most cases, change management begins at the leadership level and requires strong communication to employees expected to use the system. A successful change management program will have a tremendous impact on adoption rates.

Begin Communication

A communication strategy should be developed to articulate the need for the technology investment with key stakeholders and overall business leaders. This communication strategy must be revisited regularly through the selection process and during implementation.



Stakeholder Analysis

Different stakeholders evaluate the impact of competency management in different ways and communicating with them requires a focus on these different metrics. Below we offer a list of key players, their typical roles in acquiring a competency management system and the critical metrics that must be tracked to help them see progress.

Key Players in Competency Management and their Concerns

STAKEHOLDER	INTERESTS	METRICS
HR Professionals	Integration, Analytics, Document Management, Task Management, Employee Experience, Skill Assessments	Employee Retention, Direct Manager Feedback, Organizational Metrics (revenue, profitability, engagement)
IT Professionals	Integration, Set-up	Adoption Rates
Talent Management Leaders	Analytics, Coaching, Skills/ Capabilities	Assessment Scores, Adoption Rates, Employee Retention, Direct Manager Feedback, Performance Reviews
Learning & Development	Assessments, Performance, Content Management, Mentorships, Goal-Setting	Assessment Scores, Employee Engagement, Survey Results, Performance Reviews
External Stakeholders - Department Managers, Business Unit Managers	Performance, Turnover, Internal Talent Pipeline	Performance Reviews, Employee Retention, Employee Engagement, Time-to-fill, Organizational Metrics (revenue, profitability, brand awareness)



Translating Metrics For Key Players

THE BOTTOM LINE	
HR Professionals 	<p>HR Professionals want a competency management system that automates the entire process, provides an engaging user experience, increases productivity and performance, and fills the internal pipeline. This technology should provide HR leaders with the information they need to support increasing organizational talent readiness, improving internal time-to-fill and raising the organizational performance overall.</p>
IT Professionals 	<p>IT departments are often responsible for training new hires on adopting these systems and must plan accordingly. Additionally, they will need to know how to support the competency management system, particularly if the solution has to be integrated with other systems.</p>
Talent Management Leaders 	<p>Talent management leaders want a strong correlation between individual and organizational performance. This technology should provide learning leaders with the information/content they need to support competency and skills progression, as well as metrics related to time-to-proficiency and organizational readiness.</p>
Learning & Development 	<p>L&D professionals may be required to assess competencies either before or after (most likely both) any technological intervention, to plan out resources necessary for training existing employees who will be subject to competency processes. Behavioral metrics, skill adoption rates and knowledge retention metrics should be provided for these stakeholders.</p>

About Brandon Hall Group

Brandon Hall Group is a HCM research and advisory services firm that provides insights around key performance areas, including Learning and Development, Talent Management, Leadership Development, Talent Acquisition, and HR/Workforce Management.

With more than 10,000 clients globally and almost 25 years of delivering world-class research and advisory services, Brandon Hall Group is focused on developing research that drives performance in emerging and large organizations, and provides strategic insights for executives and practitioners responsible for growth and business results.

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