

# Great ROI Awaits Investors in Competency Management

## Research Summary

Brandon Hall Group Research Team



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## About the Study

Brandon Hall Group's 2017 Competency Planning and Management Study provides an in-depth look at how organizations plan, develop and management competencies and the impact those practices have on talent management and the business.

## 449 Global Responses



### 57 Countries

- 61% US/Canada
- 26% EMEA
- 9% APAC
- 4% Latin America



### 36 Industries

## Small, Mid-Size, and Large Organizations



**37%**

below 500  
employees



**32%**

500 - 5,000  
employees



**31%**

5,000+  
employees

**30%** Learning Professional

**21%** Executive/Senior Leaders

**19%** HR/Talent Professional

**13%** Head of Learning/HR

**9%** Business/Technical

**8%** Individual Contributor

## Great ROI Awaits Investors in Competency Development and Management

### KEY FINDINGS

- Almost two-thirds of organizations (64%) have no competency program, or are still working to define competencies for mission-critical positions. This represents the lowest level of maturity among Talent Management and Learning practices researched by Brandon Hall Group in the past 18 months.
- Only 19% of organizations that utilize competencies say that competencies and business goals are aligned.
- However, those organizations with fully developed competency management programs are:
  - 55% more likely than other organizations to have increased revenue over the past year.
  - 45% more likely to have increased customer retention over the past year.
  - 41% more likely to have increased market penetration over the past year.
  - 41% more likely to have increased customer satisfaction over the past year
  - 37% more likely to have increased employee engagement over the past year.

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

### Overview

As organizations try to improve their abilities to engage, develop, and retain high-quality employees and improve business outcomes, competencies can be a powerful tool.

Competencies – the knowledge, skills, abilities, and behaviors to successfully perform a job or job role – can serve as the foundation for most or all talent process.

They can help:

- Define hiring criteria for high-quality job candidates.
- Define goals for performance management.
- Determine priorities for learning and development to improve individual and organizational capabilities.
- Define goals and standards for leadership development.
- Facilitate career and succession management.

By creating a defined “playing field” for performance development, competencies create a clear and transparent blueprint for employee development from the time of hire, through the employee lifecycle.

However, Brandon Hall Group’s 2017 Competency Planning and Management Study shows that most organizations are barely scratching the surface of the potential that competencies represent:



## Primer on Competencies

Before delving into the challenges of competencies – and key strategies for improvement – it is important to understand what competencies are, the types of competencies, and ways to communicate the approach to competencies to the organization.

Competencies are the knowledge, skills, abilities, and behaviors to successfully perform a job or job role. There are several types of competencies, as shown in Figure 2 below. Only core competencies — the most basic type, which define vision, mission, values, and strategic objectives of the organization — are actively used by the majority of organizations.

Figure 2 Types of Competencies					
Competency Type	Description	% of Organizations Actively Using	% of Organizations Developing	% of Organizations Planning to Use	% of Organizations with No Plans to Use
Core	Vision, missions, values, strategic objectives	61%	20%	9%	10%
Leadership	Capabilities, skills, behaviors required of leaders, ideally at all levels	45%	29%	13%	13%
Functional/job	Capabilities, skills, behaviors, attributes for a particular industry or discipline	39%	30%	16%	15%
Technical	Capabilities, skills, behaviors, attributes for highly technical roles, often ones that are critical or that differentiate the organization	28%	26%	16%	30%
Career Path	Capabilities, skills, behaviors, attributes needed to move within a job role or between job roles, includes education, experience, certifications	24%	34%	21%	21%

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

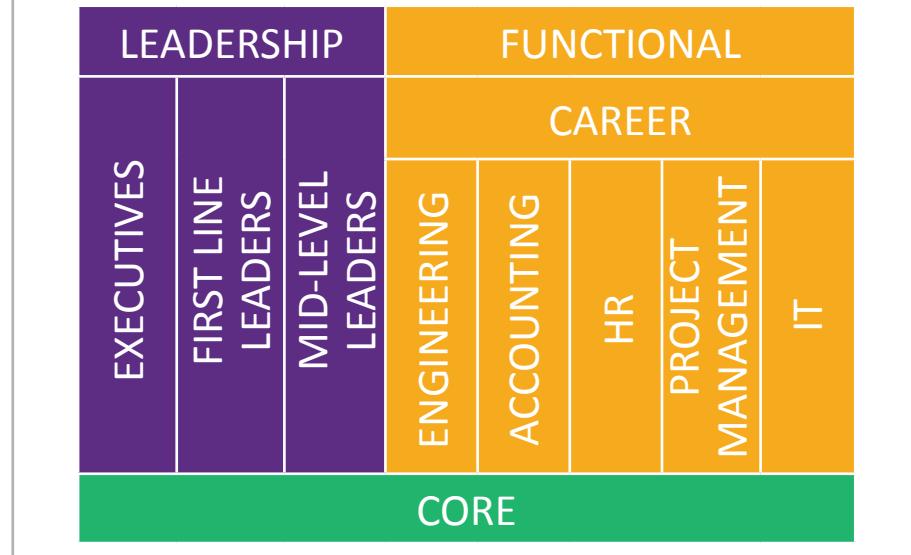
It's important for organizations to develop an approach to competencies that fits the needs and business goals of the organization. This is often done through a competency model. It provides a high-level view of how the organization defines competencies (while the names and descriptions above are typical, they are not universal to all organizations) and how they work together. A model plays a big role in developing a common understanding and language around competencies. However, only 28% of organizations have a fully developed and active competency model, which negatively impacts the ability to create a common language and culture around competencies. This is one major reason why most organizations struggle with competencies. The basics are not well-enough established.

## Competency Management Maturity and the Impact on Effectiveness

An organization's ability to invest in competencies enough to develop different types of competencies in concert with each other, aligned with business objectives and enabled by technology, determines the maturity of their competency management practice. The research shows that the level of maturity determines the level of benefit — in terms of impact on key business indicators as well as on other talent management practices.

To gauge how organizations are faring with competencies, Brandon Hall Group, using the research results, developed a Competency Maturity Model. It illustrates four levels of maturity, along with definitions of each level.

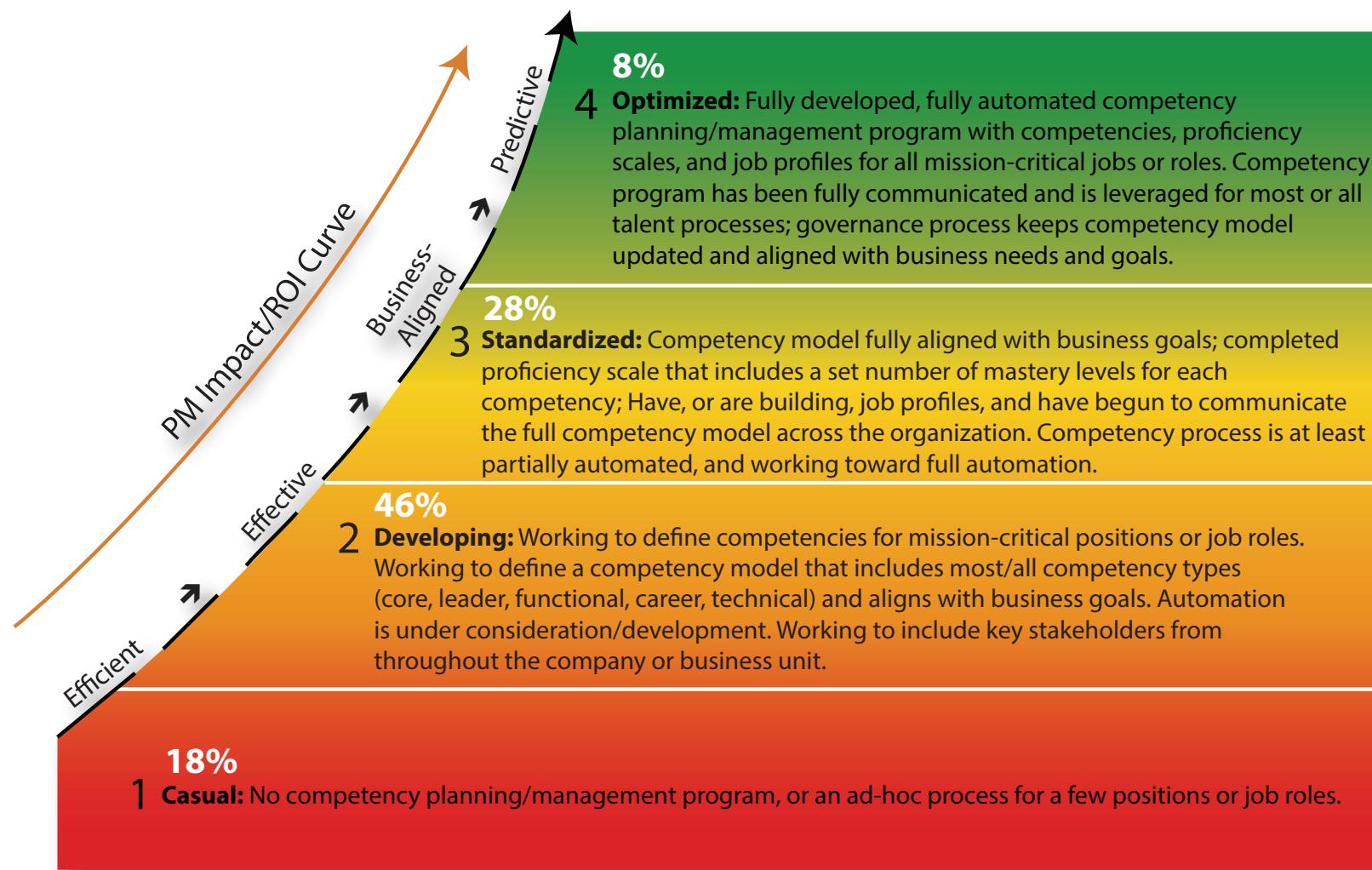
**Figure 3** Example of Basic Competency Model



Source: Brandon Hall Group 2017

**Figure 4**

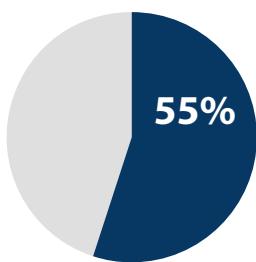
## Brandon Hall Group Competency Maturity Model



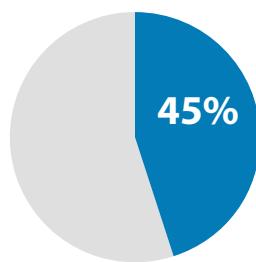
Source: Brandon Hall Group 2017

Brandon Hall Group develops maturity models for each of our research studies. The 64% of organizations at Levels 1 and 2 makes competency management the least mature of the Talent Management and Learning and Development practices in the last 18 months of research.

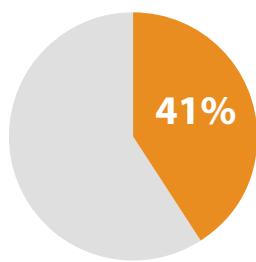
This represents a huge missed opportunity, because organizations with fully developed competency management programs have a significant impact on key business indicators. The relatively few organizations at Level 4 are:



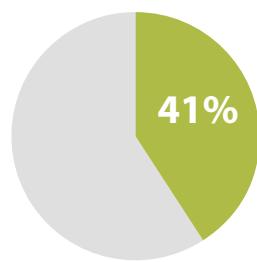
**more likely than other organizations to have increased revenue over the past year.**



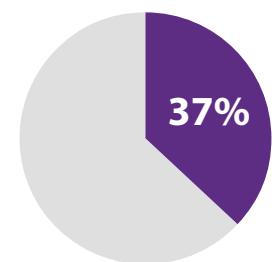
**more likely to have increased customer retention over the past year.**



**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.**

So, with the potential impact so high, why are so few organizations able to take advantage? This report explains the reasons behind the struggle to leverage competencies to drive talent management and business outcomes, and five strategies to address the challenges.

There are several reasons for the relative lack of maturity of competency management. The big picture, according to our research, is that high-performance competency management is a complex process that requires:

- Executive buy-in and leadership.
- Alignment of competencies with business goals.
- Communication and transparency throughout the organization.
- And a common language and approach to competencies throughout the organization.

Organizations face several barriers to appropriately develop and manage competencies. The most common ones cited in the research are shown in Figure 5.

Organizations understand the value of competencies. A high percentage of respondents cited several excellent objectives, but the barriers create a large gap between objectives and effectiveness.

Figure 5

## Biggest Barriers to Planning/ Managing Competencies



**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



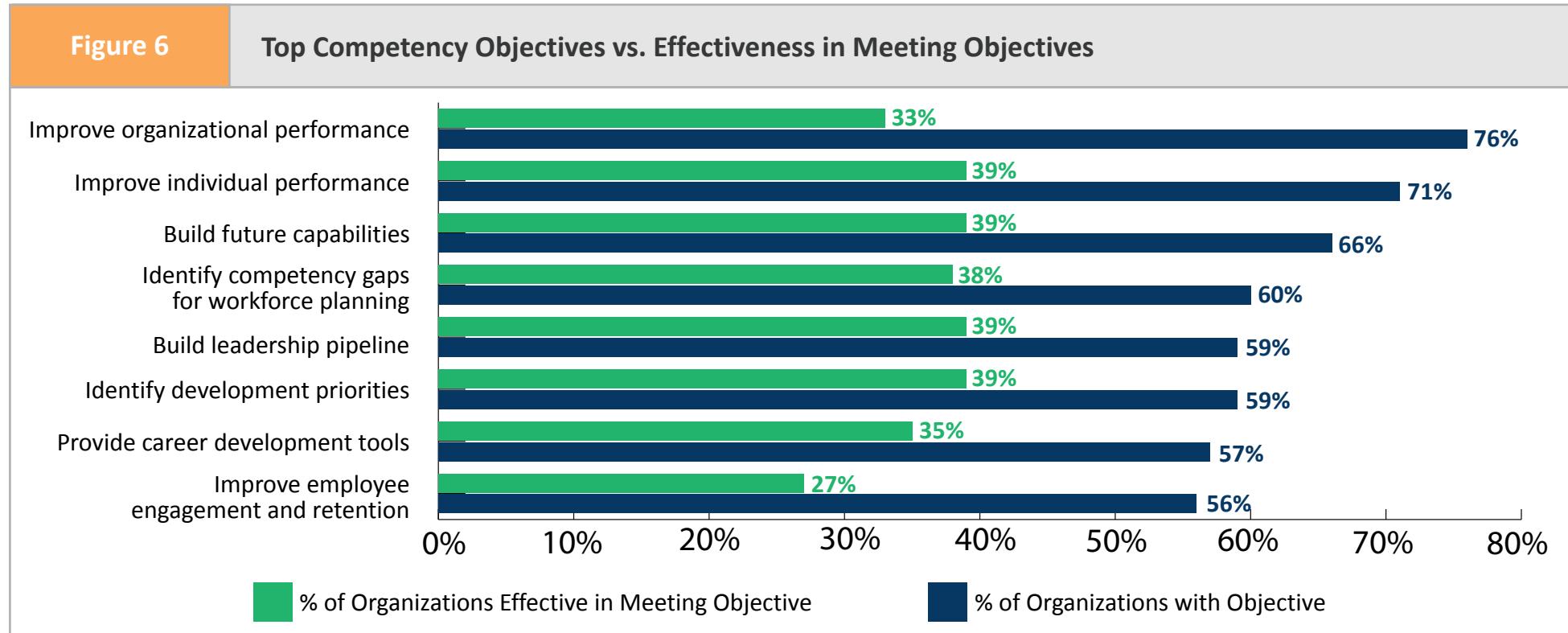
**34%**  
Lack of automation

Source: 2017 Brandon Hall Group

Competency Planning and Management Study (n=449)

**Figure 6**

## Top Competency Objectives vs. Effectiveness in Meeting Objectives



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

While competency development and management sit at a low maturity level and faces many barriers, there are several strategies for improvement that can be implemented – most of them straightforward and doable for organizations serious about the value of competencies.

The next section of the report identifies and describes those strategies for success in competency management.

## 5 Strategies for High-Performance Competency Management

### ***1. Take Time to Develop Planning Tools***

Developing and managing competencies is a complex process, especially for large and matrix organizations. You have thousands of employees with myriad skills, in multiple operating units, often spread across the globe.

It was stunning to discover in the research that 70% of organizations overall, and 64% of organizations just developing competencies (Levels 1 and 2), were attempting to utilize competencies for all full-time employees.

While that may be a laudable long-term goal for some organizations, Brandon Hall Group's experience with companies attempting to establish competencies tells us that it is better to start by establishing competencies for critical jobs and job roles. Even determining what is critical and not-as-critical can lead to lively debate within organizations. But the point is, as with most new initiatives, that it is better to start small or launch a pilot program so you gain experience before expanding the scope.

The other issue is that the majority of organizations are going all-in on competencies without establishing and utilizing planning tools that can create a common competency language and culture.

Experts in developing competencies in corporations told us that getting traction for competencies depends on getting buy-in from management — and employees.

"One of my biggest challenges is getting competencies tied to career progression. Even getting people thinking like that is a challenge," said a competency director for a major energy company. "Attainment of competency has to be a requirement for progression. If not, you are taking away the 'what's in it for me?' factor from the employee."

**Figure 7**
**Use of Competency Planning Tools**

Planning Tool	Fully Active
Job Profiles	31%
Competency Model	28%
Consistent Terminology	25%
Competency Proficiency Scales	23%
Competency Governance	21%
Competency Inventories	20%
Assessments to Target Competency Gaps	18%

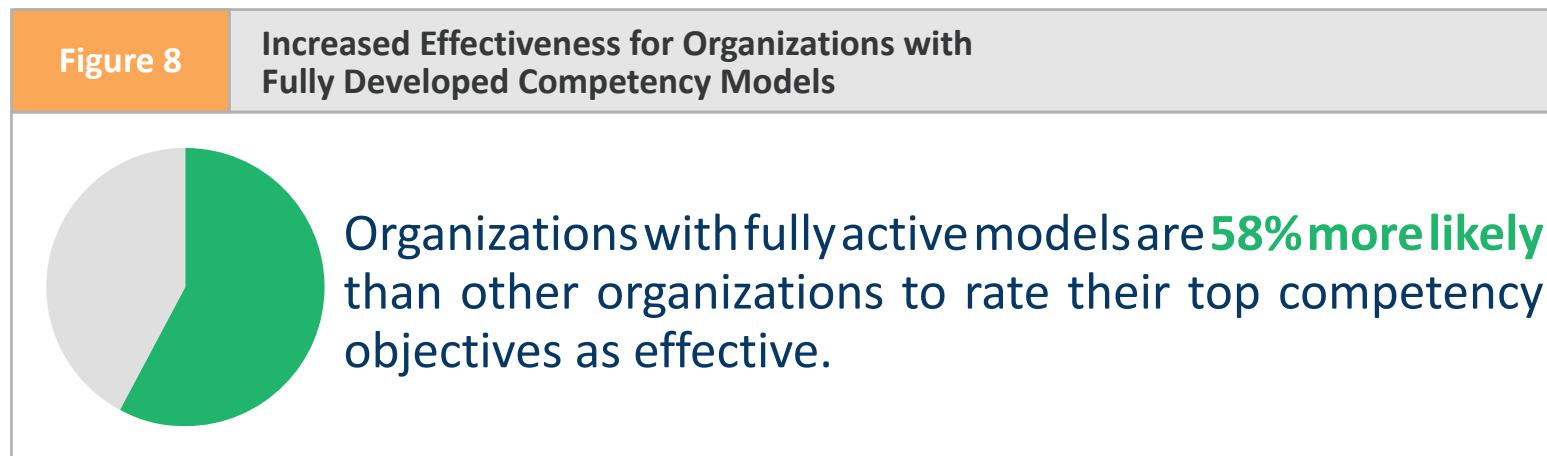
Source: 2017 Brandon Hall Group Competency Planning and Management Study (n=449)

For that reason, said a competency director for a major energy company. "We have different proficiency levels -- it can be by salary level, job level, or aspirational. But you have to develop proficiency scales; otherwise, all you are doing is getting people to the lowest level of competence. There is no incentive to go beyond that."

It also impossible to get competencies right if you are not using the same terminology, don't have a governance structure, and aren't using tools like job profiles, and competency models.

"If you just throw competency out there, everyone comes into the room thinking different things about what we are talking about," the competency director said. "The entire competency industry has this problem -- everyone needs to meet different business requirements. So it's critical that everyone is talking the same language."

The key to success is to take the time to fully develop planning tools. For example, completing and utilizing a competency model enables organizations to take a consistent, organized approach toward using competencies within the talent management lifecycle. Only 28% of organizations have a fully developed competency model. But those organizations that do get much better results:

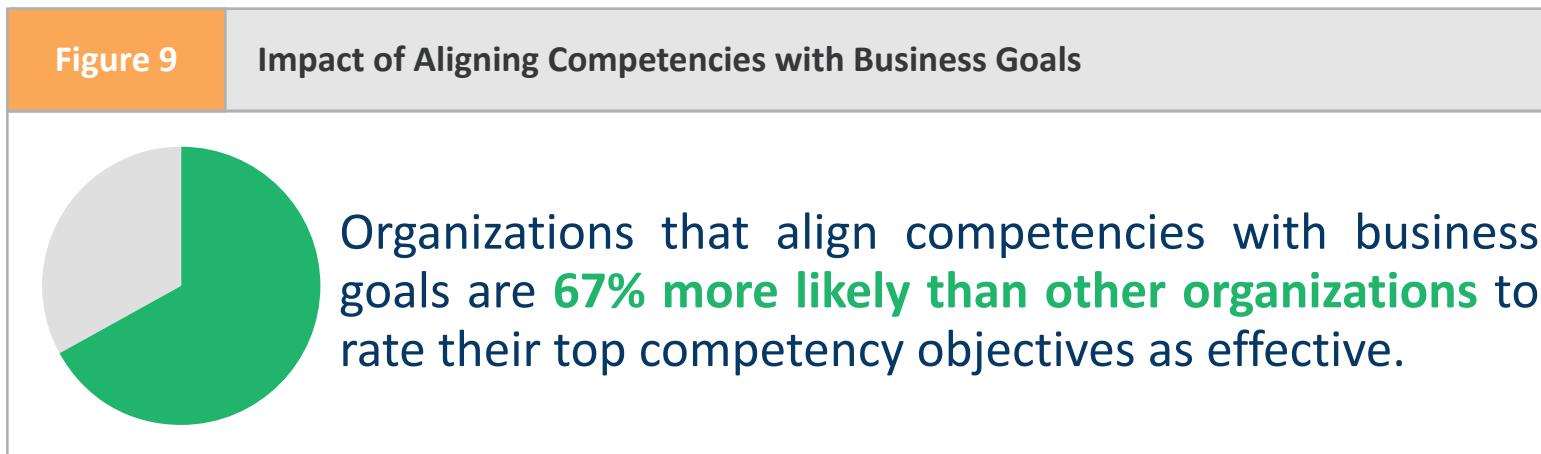


Source: 2017 Brandon Hall Group Competency Planning and Management Study (n=449)

## ***2. Align Competencies to Business Goals***

It is well-established that it is difficult for organizations to develop effective learning programs if the learning goals are not aligned to business goals. Yet, only 38% of organizations say that they have learning goals aligned to business goals. The same thing is true for competencies – they must be aligned with business goals if they are going to be fully effective. The process for doing so can be

slow and arduous. It involves collaboration among multiple stakeholder groups across business units and geographies. Therefore, the percentage of organizations able to do this is very low (19%), but the impact of doing so is high:



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

### **3. Budget More Money for Competencies**

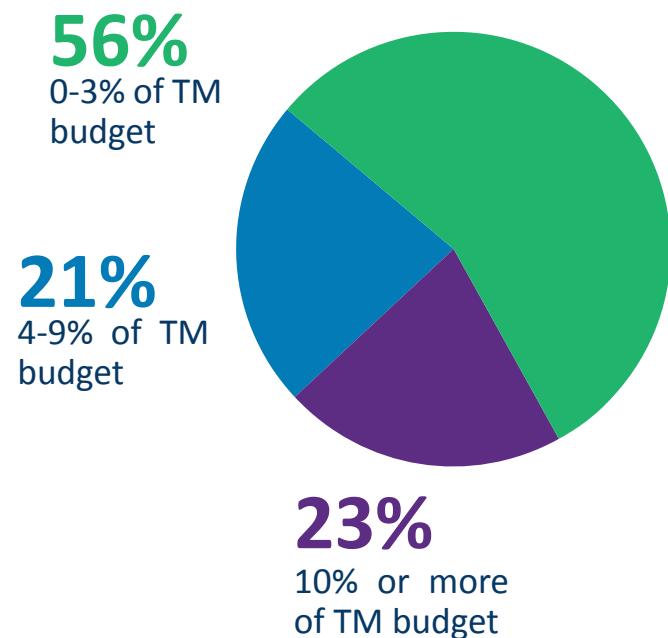
Over the five-year period that Brandon Hall Group has studied competency management, the function has been among the most underfunded of the talent management processes.

In 2013, on average, competencies accounted for 9% of the talent management budget and ranked eighth out of nine functions (workforce planning was last). In 2015, that number dropped to 7% on average, and again ranked next to last among talent management processes.

In 2017, we looked at competency management in terms of spending ranges and found that more than half of organizations spent 3% or less of their talent management budgets on competency management. One in five organizations spent nothing. But the more organizations invest in competencies, the better the results. The research also found a strong correlation between higher spending on competencies and a year-over-year increase in KPIs.

Figure 10

## Impact of Investment in Competencies on Effectiveness

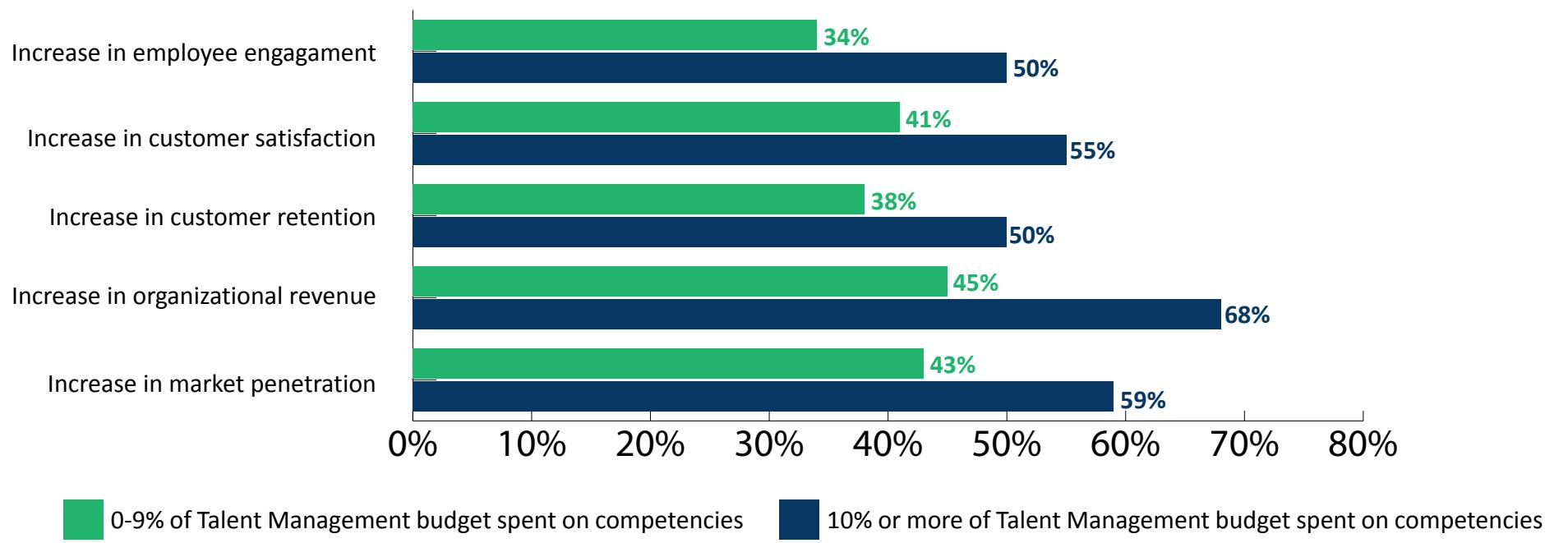


The 23% of organizations that spend 10% or more of their budgets on competency management are **68% more likely than other organizations to rate their top competency objectives as effective.**

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

**Figure 11**

## Percentage of Organizations with Year-over-Year Increase in KPIs by Spending Range



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

## 4. Leverage Technology to Manage Competencies

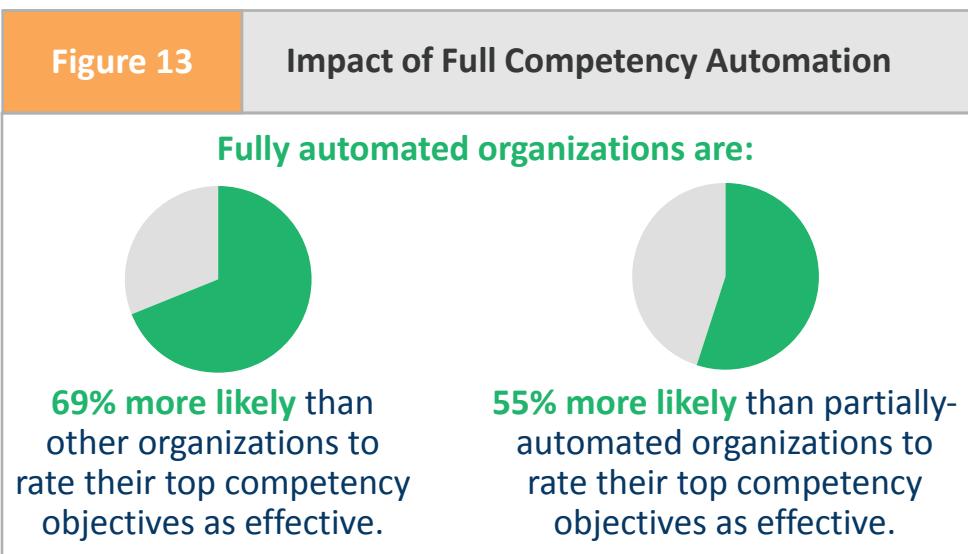
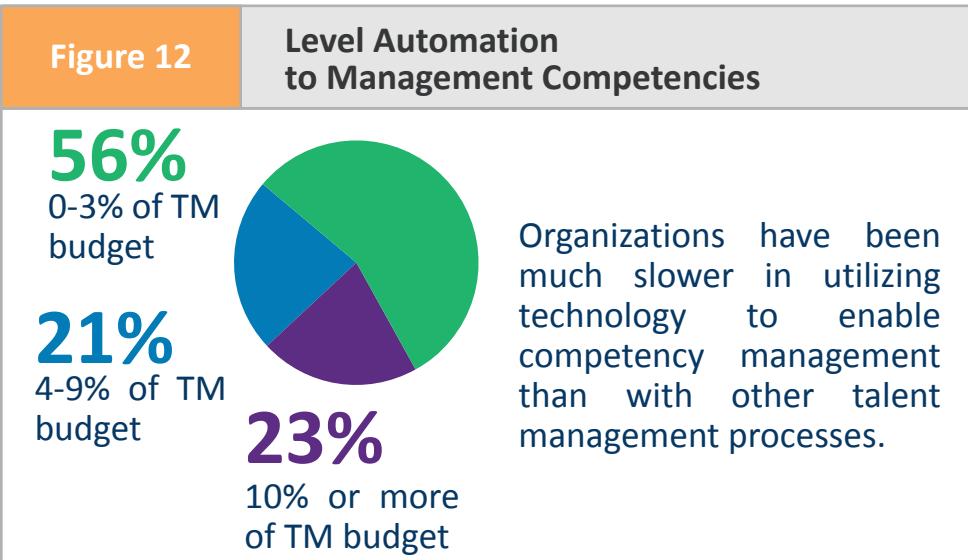
Given the low level of spending on competencies, it is not surprising that organizations have been much slower in utilizing technology to enable competency management than with other talent management processes.

But the 11% of organizations that have fully automated competency management get decisively better results.

There is good reason for this: it is difficult to manage all the aspects of competencies – from job profiles, to proficiency scales, assessments, training, and more. Trying to do it on paper – as 40% of organizations still do – is an exercise in futility. A large percentage of any spending increase in competencies should be on some level of technology.

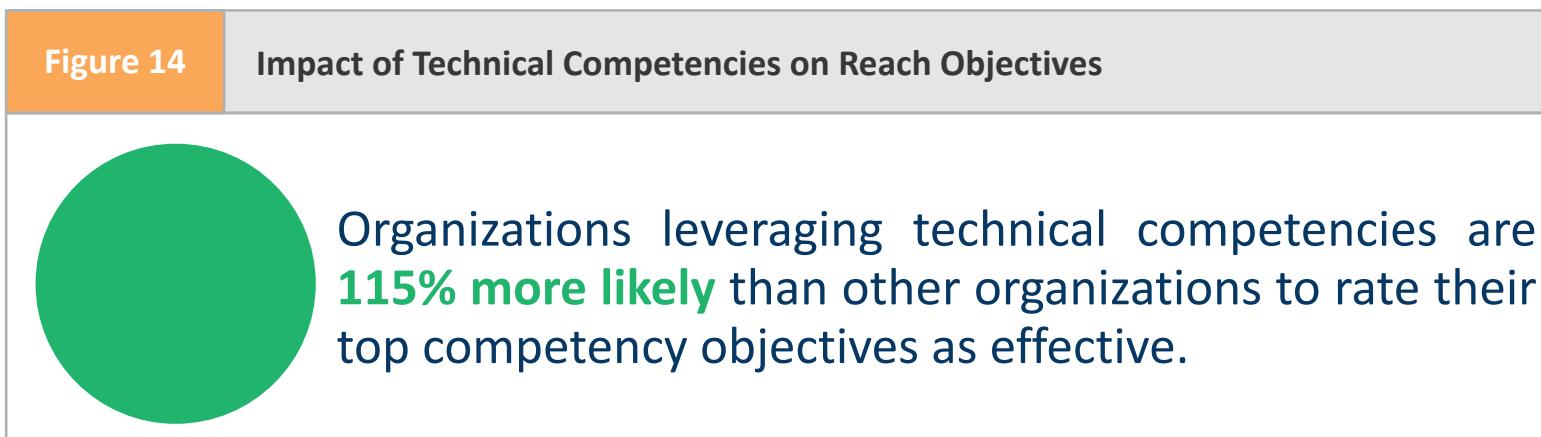
## 5. Develop Technical Competencies

About twice as many organizations have core competencies – focused on organizational values and behavioral traits – than have technical competencies, which are aimed at specific skills for the most technically oriented (and often the most important) roles. That makes sense – technical competencies are much more difficult and time-consuming to develop. And



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

that's the point. Organizations must have a mature competency practice to have the in-depth knowledge to effectively develop technical competencies. If your organization can get to the point where it is proficient at developing and utilizing technical competencies, you will be in a strong position to achieve your competency objectives and have a strong return on investment, as you can see:



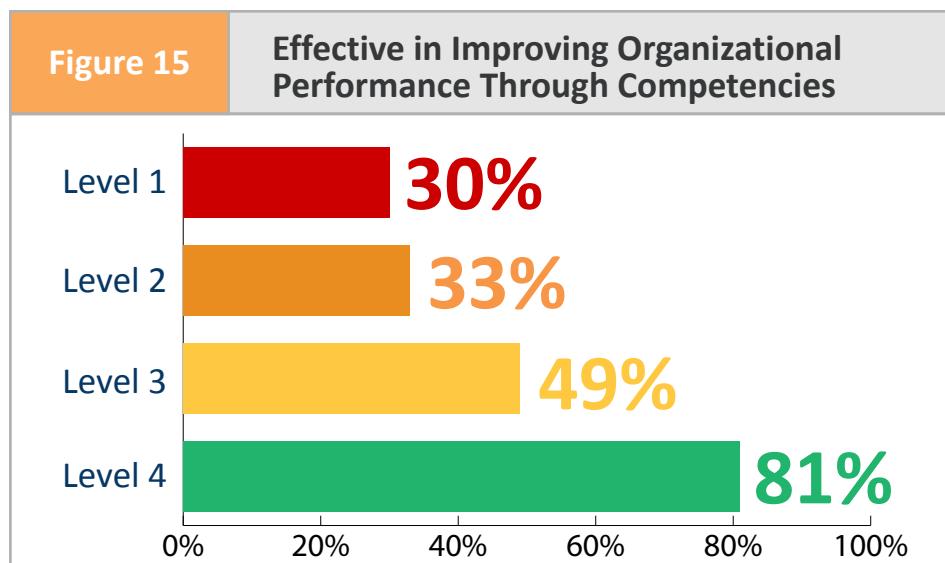
Source: 2017 Brandon Hall Group Competency Planning and Management Study (n=449)

## Key Take-Away

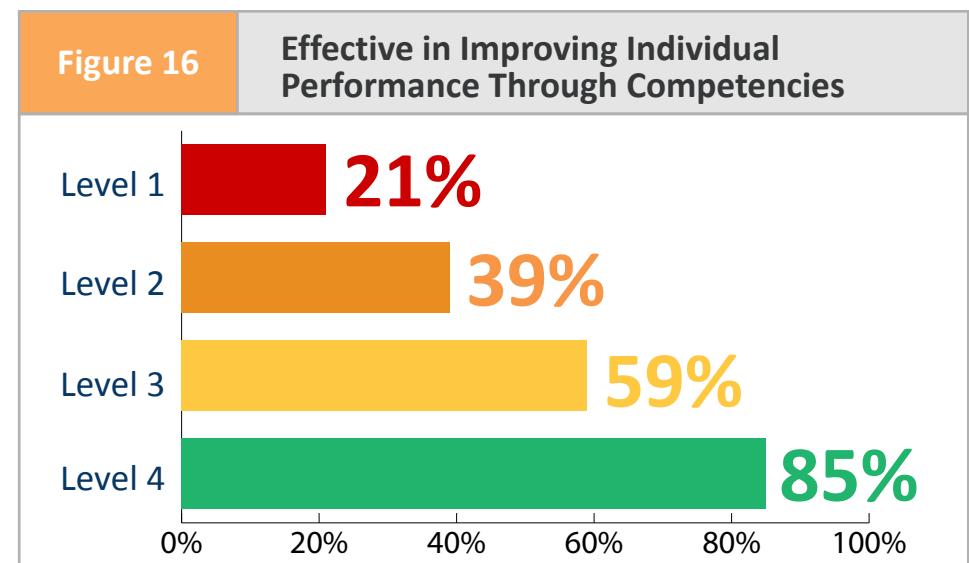
The big take-away from the research is that organizations are unlikely to have much success with competencies if they do not make a strong investment to create well-developed, mature processes that include everything from creating a common language to communicate competencies, to establishing a competency model that fits the needs of the organization, to governance, and investing in all aspects of competency development and management, including technology to automate processes.

The graphics below illustrate the difference in effectiveness in reaching competency objectives at the four levels of maturity:

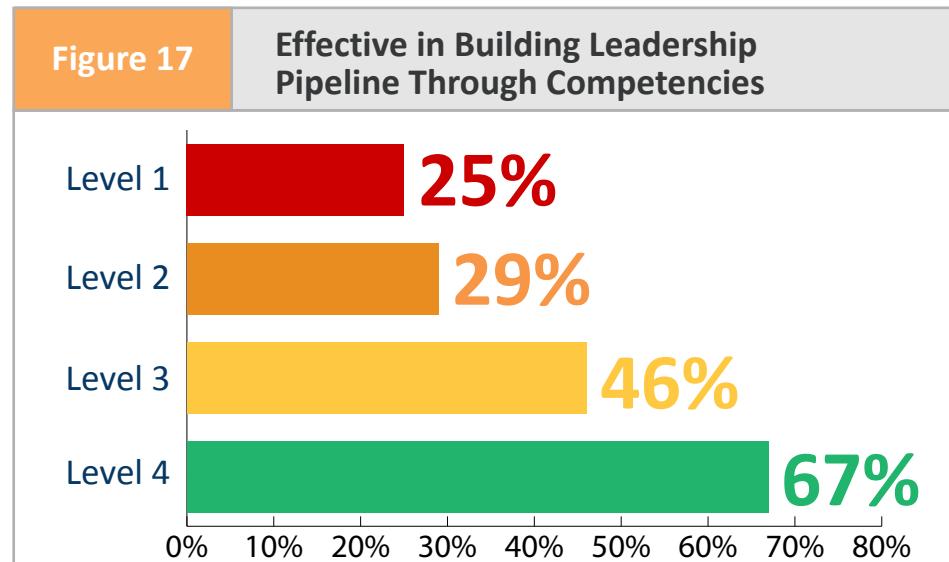
- Level 1 (Casual): No competency planning/management or an ad-hoc process for a few positions or job roles (18% of organizations).
- Level 2 (Developing): Actively working to define competencies for mission-critical positions or job roles, and aligning them with business goals. Still a work in progress (46% of organizations).
- Level 3 (Standardized): Competency model established and aligned with business goals, and communication underway across the organization. Competency management is at least partially automated. (28% of organizations).
- Level 4 (Optimized): Full developed, fully automated competency planning/management with governance that keeps competency model updated and aligned with business needs and goals. (8% of organizations).



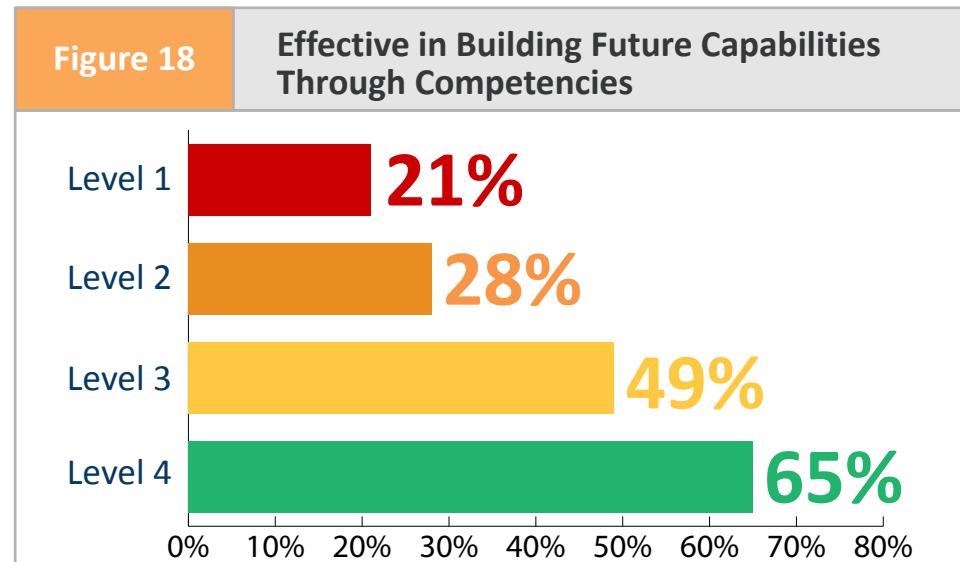
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Source: 2017 Brandon Hall Group Competency Planning and Management Study (n=449)

## Brandon Hall Group's Research Methodology



## 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 20 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.

**Our vision:** To inspire a better workplace experience.

**Our mission:** Empower excellence in organizations around the world through our research and tools each and every day.

## Authors and Contributors



**Claude Werder** ([claude.werder@brandonhall.com](mailto:claude.werder@brandonhall.com)) wrote this report. He is the Vice President of Research Operations and Principal HCM Analyst at Brandon Hall Group. His responsibilities include overseeing Brandon Hall Group's team of analysts, directing research priorities, content quality assurance, and producing the annual HCM Excellence Conference.

**Melissa Benavides** ([melissa.benavides@brandonhall.com](mailto:melissa.benavides@brandonhall.com)) is the Creative and Events Manager at Brandon Hall Group and created the graphics and layout for this report.

**Carol Clark** ([carol.clark@brandonhall.com](mailto:carol.clark@brandonhall.com)) is a Copy Editor and Graphic Artist at Brandon Hall Group and provided editing support for this report.

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### GET HELP TO DRIVE RESULTS FOR YOUR TALENT

In today's volatile and global business climate, managing talent for high-performance plays an increasingly crucial role in an organization's growth and future success. Effective talent management is a top priority in organizations everywhere because, while organizations recognize the need to obtain and retain people with the very best skills, they continue to struggle to implement effective strategies to do so. HR and Learning professionals need to be able to successfully define organizational talents needs and skills, identify talent strengths and career goals, and align organizational needs to individual needs. Rethink your strategy, validate your assumptions, transform your business, and optimize your time with the use of reliable data, tools, and guidance.



PLAN



ATTRACT



DEVELOP



PERFORM



RETAIN



OPTIMIZE

### GET HELP WITH YOUR HR SERVICES MANAGEMENT & DELIVERY

As described in the employee lifecycle, processes are linked to employee transactional processes (e.g., compensation, benefits, compliance, contingent workforce management, etc.) via workforce planning and analytics.

- Policies/Process/Procedure
- Payroll
- Expense Management
- Benefits & Compensation
- Contingent Workforce Management
- Compliance
- Time & Labor Management

## Our Services (Continued)

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  - Executive Management
  - Team Development
  - Measurement & Analytics
  - Program Design & Deployment
  - Technology Selection, Management & Integration
  - Organizational Structure
  - Measurement & Analytics
  - Change Management
  - Budgeting & Forecasting
- 

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