

## Competencies in the 21st century

**Almost unknown before the 1990s, competencies are now used by the majority of Fortune 500 companies. Today, the world's most talent-hungry and skill-focused organizations—companies such as Google, HP, Nike, Volvo, and many more—rely on competency-based talent management strategies to help them attract, retain, and develop talent and reinforce organizational values.**

It's not just blue-chip organizations that are using competencies. As competency content, tools, and training become more affordable and widely available, smaller businesses are also turning to competencies as a better way to strengthen their human capital.

### "TALENT YOU CAN SEE"

How did competencies come to dominate talent management in little more than three decades? What is it about competencies that make them so attractive to HR professionals and highly motivated organizations?

The appeal of competencies is their ability to make talent more visible. In simple terms, competencies identify the observable behaviors of top performers—not just WHAT employees do, but HOW they do it. By identifying the competencies required for a specific role, organizations can develop a blueprint for success that anyone can see and understand—HR professionals and employees alike.

### ACCELERATED ADOPTION

What trends have contributed to the growing popularity of competency-based HR systems in the past decade?

- A number of **high-profile champions** have sparked new awareness. For example, when Google discontinued their famously brain-teasing interview questions and embraced competency-based interviewing techniques, it made headlines and caused other companies to re-examine their assumptions about talent management.

### Who uses competencies today?

Hewlett Packard, Google, Pepsico, Volvo, United Nations, Nike, Pfizer, 3M, Deloitte, PricewaterhouseCoopers, McDonald's, Starbucks, American Express, Johnson & Johnson, Coca-Cola, Toyota, Bank of America, BP, Wells Fargo, General Motors, HP, Radio Shack, HCA, Carlson Companies, BHP, IBM, General Electric, PDVSA, Anheuser-Busch, Girl Scouts USA, US Federal Reserve, KPMG, Sanofi, Ingersoll-Rand, Lockheed Martin, Konica Minolta, Luminant, Prudential, Inven-sys, ConAgra, Expedia, DuPont, General Mills, Schlumberger, Grainger, and many more...

- A **growing body of research** indicates that competencies outperform other talent-management approaches. As the research has accumulated, more companies are taking an evidence-based approach and evaluating the potential of competencies within their work environment.
- A **new generation of tools** such as off-the-shelf competencies and competency-management software has made it easier than ever for organizations to apply competencies quickly and affordably. Originally a costly and time-consuming talent-management approach reserved for large enterprises, competencies are now an accessible option for organizations of any size.

### SEEING TALENT CLEARLY

By using observable behaviors to identify successful workplace performance, competencies provide greater objectivity and a common point of reference for HR professionals, managers, and employees alike.

Let's compare a conventional description of workplace performance with a competency-based description.

*"To succeed in this position, an employee needs to be client focused."*

Conventional description	Competency-based description
A client focused employee will pay attention to clients' needs and ensure those needs are met.	A client focused employee will: <ul style="list-style-type: none"> <li>• Clearly show clients that their perspectives are valued</li> <li>• Keep clients up to date on the progress of the service they are receiving and changes that affect them</li> <li>• Enhance client service delivery systems and processes</li> </ul>

A conventional description is vague, lacks detail, and relies on criteria that need to be intuited or interpreted rather than simply observed. What does it look like when an employee "pays attention" to clients' needs? How could a supervisor or HR professional confirm that attention was being paid?

The competency-based description, by comparison, provides concrete examples of what it looks like when employees demonstrate client focus on the job: showing clients their perspectives are valued, keeping clients up to date on progress, enhancing client-facing systems and processes, and so on.

With clear descriptions of competent on-the-job behavior, expectations are less ambiguous, discussions about performance are more objective, and any performance shortcomings can be clearly recognized by both the supervisor and the employee.

## Top 5 reasons to use competencies

Why are so many organizations choosing to adopt competency-based HR systems?

Other than the enhanced level of detail and objectivity that competencies provide, there are a number of key benefits that motivate organizations to use competency-based practices:

### 1. BUILDING ORGANIZATIONAL CULTURE.

While job-specific competencies identify the behaviors that ensure success for each individual employee, core competencies can be used to identify the shared behaviors that drive organizational success. Identifying core competencies for the organization helps to articulate, reinforce, and communicate the behaviors that give the organization its core competitive advantage.

### 2. EMPOWERING EMPLOYEES.

Because they provide an objective basis for evaluating performance, competencies support a more collaborative approach to performance management and career development. In addition, competencies use a common language to describe every job in the organization, which encourages employees to take charge of their careers, direct their own personal development and explore their potential not only within their current role but in future lateral or vertical roles.

### 3. ENHANCING DEFENSIBILITY.

By bringing greater objectivity to processes such as hiring, assessment, performance management, and promotion, competencies help organizations ensure the defensibility of their HR practices, providing a greater degree of protection from internal and external criticism or legal action.

### 4. ENSURING CONSISTENCY.

Competencies form the basis of every activity across the talent-management life cycle, including hiring, development, and succession planning. With a consistent language in place to describe requirements at the micro (job) and macro (organizational) level, HR professionals can achieve greater consistency, co-ordination, and integration of all HR activities.

### 5. DELIVERING RESULTS.

Results-focused organizations with clear objectives are drawn to competencies because the research shows that they produce a measurable impact in the workplace. A meta-analysis of competency-based talent management practices recorded a median 63% reduction in turnover, 19% improvement in employee performance, and 12.5% increase in sales and profits.<sup>1</sup>

<sup>1</sup> Spencer, Lyle M. The Economic Value of Emotional Intelligence Competencies and EIC-Based HR Programs. From: Cherniss, C. and D Goleman, eds. (2001) The Emotionally Intelligent Workplace: How to Select for, Measure, and Improve Emotional Intelligence in Individuals, Groups, and Organizations. San Francisco, CA: Jossey-Bass/Wiley

## Getting started

### What's the first step in evaluating a competency-based approach for your organization?

If you haven't used competencies to manage talent in your organization, or if you're not sure your competency content and processes are performing optimally, there are many resources available to help you explore the potential of this talent-management approach.

Get more information from this [competency info sheet from HRSG](#).

See whether HRSG's [off-the-shelf competencies](#) are available for your industry.

Learn more about [developing competency profiles](#), the foundation for every competency initiative.

### ABOUT HRSG

Since 1989, HRSG has worked with a range of industries to define talent needs, address skill deficiencies, and improve individual and organizational performance. Clients include global corporations and small or mid-sized organizations operating in sectors such as logistics, finance, accounting, technology, HSE, HR, manufacturing, sales and marketing, and many more. For more information, please visit [www.hrsg.ca](http://www.hrsg.ca).

