AN AVILAR WHITE PAPER

MASTERING COMPETENCIES: HOW TO CREATE THE BEST FRAMEWORK

AVILAR

THE COMPETENCY COMPANY

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Mastering Competencies: **How to Create the Best Framework**

Every day, savvy organizations make investments in their future. Physical assets such as equipment, intangible assets such as trademarking a logo, and human assets such as employees, are all critical to an organization's success – and all require financial and time commitments. As technology compels business to move faster, and new generations of employees comfortably jump from company to company, smart organizations must continue to ensure that their assets are more than just adequate to move them forward. They must focus their assets toward achieving the organization's goals. This focus applies especially to human assets – a company's workforce.

While it's easy to know when to replace malfunctioning machinery, or protect a brand in the marketplace, it can be significantly more challenging to know whether the current workforce is sufficient, over-staffed or under-staffed. In fact, planning far enough in advance to know the skill sets and competencies needed in the organization in one or five years is a fine blend of art and science. Without an intelligent, loyal, and reliable workforce, an organization is unlikely to achieve its goals, whether short-term or long-term focused.

Creating that reliable workforce is a two-step process. Identifying and acquiring the right employees is a challenging first step. Once the right employees have been hired, the company must take the second step: ensuring that its mission, vision, goals, and values are in alignment and are understood by the workforce. Key stakeholders cannot begin succession planning for mid- and senior-level managers until this alignment focus is adopted. It is only when all employees understand and internalize the values and direction that the organization can confidently move toward its future goals.

The Ripple Effect of Goals

In most organizations, key stakeholders and senior management identify and set the organization's mission, vision, and goals. Those beliefs are then communicated throughout the remainder of the organization, disseminating them to all employees. While typical, a top-down process is not adhered to by all organizations; some companies choose to solicit feedback from employees at every level, creating a participatory environment that can often yield new ideas, products, and services.

In whatever way the mission, vision, and goals are developed, communicating them throughout the organization is crucial. If these beliefs are not clearly and thoroughly communicated, the message is likely to be diluted, and acceptance will suffer.

Chihocky and Bullard[1] describe the value that strategic internal communications can have on a business and its long-term plan. When communication on a project is consistent and delivered via different methods, it will more likely result in a stronger message that can be absorbed and understood. "Open, informative, honest and continual communication creates advocates among staff members who then initiate a 'ripple effect' by advancing the organization's mission and programs" internally.[1]

After learning the overall company's beliefs, each workforce level and department within the organization should then create its own subcategory of goals – goals which are in alignment with the larger organization, and which can be measured and achieved within specific periods of time. When every employee at every level performs daily activities that are directly tied to the greater company's goals, then the organization moves forward as one entity.

The Competency Management Method

It's easy to say that "our organization should disseminate these beliefs to all employees." However, the actual dissemination and subsequent alignment of departmental and individual goals with those of the larger organization can be a daunting challenge. One of the best ways to achieve this is through the development of a competency model, or "method," that is unique to the organization.

As the competency management method was developed and proven over time, some researchers[2] found that such models help with alignment up and down the organization, ensuring that employees are focused on doing the right things for effective performance. A clear and well-articulated competency model will help each employee focus on the overall goals of the organization – not simply "knowing" what those goals are – but validating that their work aligns with the organization's forward movement. By aligning internal behaviors and skills with the organization's main goals, the strategic direction of the company progresses.

In his book, *Testing for Competence Rather than for Intelligence*, David McClelland[3] suggested that academic aptitude and knowledge-content tests alone cannot predict a high level of performance among employees. McClelland also indicated that an employee's personal qualities, motives, experience, and behavioral characteristics could "distinguish the most successful from those who were merely good enough to keep their jobs."[3] Thus dawned the era of competency management.

Today, in performance management a competency is defined as "the capability to apply or use a set of related knowledge, skills, and abilities required to successfully perform 'critical work functions' or tasks in a defined work setting."[2] However it is defined, the process of identifying, defining, organizing, and maintaining the competencies needed in each job role in an organization are of great strategic importance. This is why competency management has become the foundation for managing and developing employees.

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The two key characteristics of a competency are that it should be observable and measurable. Competencies can be considered the building blocks for an organization's competency method, which connects its strategic business objectives to the work that is expected of employees. In addition to defining competencies that are needed today, strategically-focused organizations should consider the competencies that it will need from its employees in the future to meet its goals.

While the process to create and implement a competency management method will vary by company, most experts recommend following a specific process. Creating such a method in an organization takes time and effort, but the results are well-worth the work investment. Specifically, five main steps need to be completed.

THE COMPETENCY MANAGEMENT METHOD

Integrating a Competency Management Method with workforce development and training requires a specific process to be followed.

STEP 1 Define the organization's mission and goals
STEP 2 Conduct a job task analysis
STEP 3 Set key performance standards and metrics
STEP 4 Assess individual skills gaps and identify learning resources
STEP 5 Observe and measure changes in key performance metrics

A competency management method serves as a solid foundation for an organization, upon which most other human resources functions can build, from talent acquisition to succession planning. When carefully implemented, it becomes an integral part of an organization's success. For more details and to learn Avilar's perspective, download our white paper, *Energizing Performance Through Competency Management*.

> Organizations with competency maturity benefited by realizing positive impacts on key business indicators and other talent management practices.

A competency management study by Brandon Hall Group[4] revealed that most organizations are not capitalizing on all of the benefits that a strong competency management method can bring them. In fact, the study found that nearly two-thirds (64 percent) of organizations either have no approach or have only an informal approach to a competency framework.[4]

Yet the study also found that organizations with competency maturity benefited by realizing positive impacts on key business indicators and other talent management practices. The level of maturity in an organization's competency management practice was determined by the time and financial resources committed to developing "different types of competencies in concert with each other," and which were "aligned with business objectives and enabled by technology," such as a competency management system.[4] Specifically, Brandon Hall Group's research found that organizations with low-level competency maturity are missing an opportunity to reap benefits from a well-developed competency management method. Some of the more significant benefits indicated they were:

- 55 percent more likely to realize year-over-year revenue increases
- 45 percent more likely to experience customer retention in subsequent years
- 41 percent more likely to increase market penetration and experience customer satisfaction than in the previous year[4]

Frameworks to Measure ROI

Once goals have been clearly defined, and a competency management method has been developed and implemented, the next phase – measurement – becomes most important. The now-defined specific objectives must be continually measured to identify if and when goals are being achieved. These measurements can take many forms, from demonstrating Return on Investment (ROI), to cost reduction percentages, to revenue increases, to market share gained or lost, and others.

Balanced Scorecard

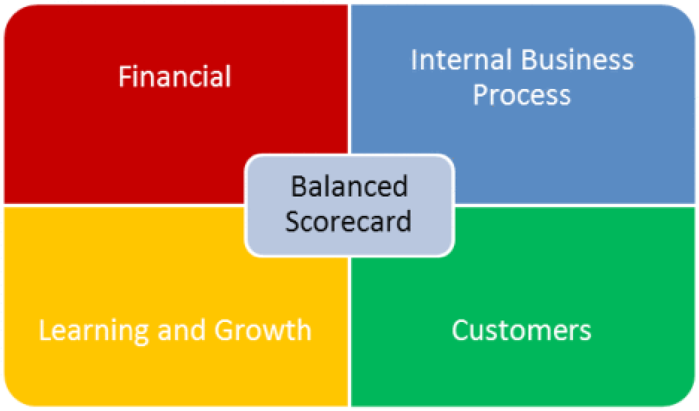

IMAGE COURTESY 4SQUAREVIEWS.COM

There are several systems for measuring and demonstrating ROI. One of the most common methods used is Balanced Scorecard (BSC), a strategic planning and management system.[4] Many organizations use BSC to connect intangible strategy elements (such as mission, vision, and core values) with tangible, operational elements (such as objectives, key performance indicators/KPIs, targets, and initiatives). The result is clear communication regarding the alignment of work with objectives, prioritization of projects, measurement of results, and the monitoring of progress toward the realization of goals.[5]

Balanced Scorecard was developed out of the work of French process engineers in the early 20th century, and built upon by General Electric's pioneering work on performance management reporting during the 1950s. Traditionally, companies primarily used short-term financial performance as the measure of a company's success; yet financials alone were deemed to be inadequate by many organizations.

BSC was developed by Dr. Robert Kaplan of Harvard University and Dr. David Norton as a framework to determine an organization's performance using more than only financials: a balanced set of performance measures. By adding non-financial, strategic measures, Kaplan and Norton found that companies could better focus on long-term success. The system has evolved over the past decades and is "now considered a fully-integrated, strategic management system."[5]

BSC recommends that the organization be viewed from other focus areas, in addition to the financial perspective. Objectives, measures (KPIs), targets, and initiatives (actions) are to be developed within each of these focus areas:

BALANCED SCORECARD – 4 POINTS OF VIEW

Financial: point of view is organizational financial performance and the use of financial resources

Customer/Stakeholder: point of view is the customer's perspective, or that of other key stakeholders the organization is designed to serve

Internal Process: point of view is focused on the quality and efficiency related to the organization's products or services, or other key business processes; Total Quality Management grew out of this focus area

Organizational Capacity: previously called Learning and Growth, this point of view is focused on human capital, infrastructure, technology, culture, and "other capacities that are key to breakthrough performance"[5]

Each of these focus areas are important to each department, as well as to the organization as a whole. However, Organizational Capacity plays a particularly crucial role, since an organization that is unable to adapt, learn, and change will be unable to grow. Therefore, learning and growth enable the organization's mission to be fulfilled, and its financial goals to be met.

While a Balanced Scorecard framework implemented at the top of the organization is important, it is perhaps even more crucial for a refined BSC framework to be developed and implemented at the middle and lower levels of the company. A study by Gomes and Liddle[6] researched the effects of using Balanced Scorecard as an overall framework for the entire organization, versus at a department level. While focused on the non-profit industry, the results of the study have universal impact: the evidence suggests that "developing a single Balanced Scorecard for each department promotes cooperation rather than competition and leads to synergy rather than fragmentation."[6]

A carefully developed and implemented departmental Balanced Scorecard, that is in sync with the top organizational BSC, becomes a powerful tool for propelling the organization toward its goals.

Total Quality Management

Total Quality Management (TQM) approaches long-term success for an organization through customer satisfaction. All members of an organization focus on and strive to improve the processes, products, services, and culture in which they work.[7] There are eight principles that comprise the framework of TQM:

In an organization focused on quality, all employees are involved in continual improvement – whether that is improvement in an individual job, team, department, or the organization as a whole. By using strategy, data, and effective communications, high quality becomes a discipline and an inherent part of the company's culture and activities.

TOTAL QUALITY MANAGEMENT – 8 PRINCIPLES

Customer Focus: the customers' purchases of the company's products are the ultimate determinant of customer service for the organization

Total Employee Involvement: all employees work toward common goals, and work systems integrate improvement efforts with normal business operations

Process-Centered: a focus on process thinking is predominant in TQM; each process' steps are defined and performance measures are continuously monitored to detect variations

Integrated System: the horizontal processes that interconnect vertical departments are the focus of TQM; as micro-processes come together to form larger processes, all processes ultimately aggregate into those required for defining and implementing strategy

Strategic and Systematic Approach: the strategic and systematic approach to achieving the organization's goals are outlined in its strategic plan, one that integrates quality as a core component

Continual Improvement: by continually striving for improvement, an organization can be both analytical and creative in its competitive approach and more effective at meeting stakeholder expectations

Fact-Based Decision Making: data on performance measures is needed for regular evaluation; the on-going collection and analysis of data improves decision-making accuracy, achieving consensus, and allowing prediction based on past history

Communications: effective communications play a large role in the organization, from the lowest to the highest levels, and are critical for maintaining high morale and motivating employees[7]

Six Sigma

Another framework focused on quality is Six Sigma, a quality-control program developed in 1986 by Motorola. It is particularly relevant for manufacturing organizations, and is used by numerous medium and large manufacturers, since it emphasizes cycle-time improvement, statistical improvements to a business process, and the reduction of manufacturing defects to a maximum of 3.4 units per million units.[8]

By 2016 Six Sigma had evolved to a more general, business management framework, with a primary focus on "meeting customer expectations, improving customer retention, and improving and sustaining business products and services." As a business philosophy, it promotes the idea that "all business processes can be measured and optimized."[8] There are five steps which comprise the method of Six Sigma:

By using this statistically-driven methodology, an organization can theoretically solve any seemingly-unsolvable problem.

IMAGE COURTESY HENRY HARVIN EDUCATION

SIX SIGMA – 5 STEPS FOR BUSINESS PROCESSES

Define: an analysis of company goals and requirements reveals one or more processes which can be described as "faulty," whether through manufacturing defects, breakdowns in process flow, communication gaps, or other factors; a definition is created which outlines the problem, goals, and deliverables of the process

Measure: the "faulty" process undergoes an initial benchmark measurement, identifying problematic inputs and shedding light on how the process functions

Analyze: each input – or potential reason for failure – is isolated, analyzed, and tested for whether it is the root of the problem; the reason for process error usually comes to light in this step

Improve: improvements to the process are identified, tested, and implemented

Control: controls are added to the process to ensure it does not regress and fail again[8]

When the competency management method is integrated with an ROI framework, performance naturally becomes aligned with organizational goals. Employees can see and understand how they are contributing to the organization's success, and become more motivated to work toward achieving those goals. The use of balanced measures, clear and concise metrics, and regular reporting at the individual, departmental, and broad organizational levels ensures that the company is synchronized in its efforts toward achieving its goals.

The Lynchpin Impact of HR

Human Resources (HR) Departments can play an integral role in moving the organization toward synchronicity. Contrary to some beliefs, the HR department is not an entity that is separate from other departments, or separate within the organization; instead, it is the lynchpin that can seamlessly engage all levels toward working toward the same goals.

Taking a holistic view – HR as a function, as a system, and as a set of behaviors – creates true value by connecting the people with the company's performance.

There are several specific benefits for HR when a competency management method is used within a business metrics framework:

1. A deeper understanding and appreciation of HR is created throughout the organization
2. HR is provided with greater insight into problem areas
3. Bright lights will ultimately shine on the company's success areas
4. The concrete data provided by metrics will demonstrate the connections between competencies and organizational success

Of course, most employees desire to make positive contributions to the organization, as well. By understanding the connection between their daily activities and the company's goals, job satisfaction levels are likely to increase. An ROI framework helps to communicate strategy clearly at all levels, and shows employees how they fit into the bigger picture. Employees will perform the right work, and will perform their work right – that is, better and more efficiently – by applying their creativity and initiative.

In Summary

A competency management method is a powerful tool for identifying proficiency levels at the organizational, team or departmental, and individual levels. An ROI framework paired with a competency management method can create a culture with increased employee job satisfaction, the ability to attract better talent to the organization, and reductions in employee turnover. Key stakeholders and customers benefit as well, with greater customer satisfaction levels, increased profits, and growing market share.

About Avilar

How Do We Begin?

Implementing a competency management initiative that ties with your ROI framework can seem like a daunting challenge, but you don't have to face the challenge alone. Avilar – The Competency Company – can help you transform your organization from ordinary to extraordinary. Contact us today at info@avilar.com for a complimentary consultation or visit our website www.avilar.com to schedule a demo. You can be confident that we will listen to your organization's specific needs and help you find the best solutions to the competency management challenges you're facing.

About Avilar

Founded in 1997, Avilar is a leader in competency management and workforce optimization. We believe that a competency management method is one of the most effective ways to develop a workforce and deliver results in an organization. Our flagship WebMentor product line, introduced in 1998, includes a complete suite of affordable, easy-to-use, and full-featured competency development and management tools. Avilar is a recipient of the Excellence in E-Learning for Customer Satisfaction Award from Brandon Hall Group and eLearning Magazine, and has been cited by Training Magazine as a top "price-to-value" provider. Avilar blends leading human capital management and business intelligence professionals with our state-of-the-art workforce management system to solve the complex issues facing managers in the globalized business arena.

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