

Introduction

As expected, the new business plan challenges the organisation to grow and improve profitability. As a senior HR manager you have a key role to play to ensure the organisation has the 'right' people in place to achieve these goals. Could a competence-based approach hold the key to meeting the challenges in the business plan? Recent research conducted by Bersin & Associates certainly suggests so. It showed that there is a direct correlation between business outcomes, such as high growth and above-average profitability, and the competencies used in performance management.

The research report included observations of successful organisations:

- They review and update their core competencies whenever they are going through a major shift or turn around. Today's competencies are not necessarily the ones you will need in the future.
- They enlist the support and buy-in from executive management and develop the competence model with line-of-business management input. Use generic competencies from a library only if you are confident they truly reflect the culture and maturity of your organisation, and the specific business aims and market conditions.
- They keep the competence model simple - it will be easier for everyone to understand.
- They allow individual job functions and workgroups to implement fine-tuned competency management to meet their own needs.
- They establish a few (typically less than 10) leadership and values-based competencies across the entire organisation.

A well-structured competence framework lies at the heart of performance- and talent-management processes enabling managers and employees to recognise, and focus on developing, the skills that really make a difference. It gives hiring managers the right guidance to hire the 'right people'.

Implementing competence management

Implementing competence management is part of implementing a process of continuous improvement. Enlist the active support of executive management and the involvement of the line-of-business to develop the model.

The steps to develop a competence framework are:

1. establish a baseline of what you have already
2. identify the key competencies and gaps (with the business plan in mind)
3. define and implement strategies to close the gaps
4. re-assess, review and refine.

1. Establish a baseline of what you have already

The quickest way to do this is by analysing existing competence assessment data, possibly captured during the last job review or performance appraisal process. If you don't have existing data or an adequate competence model you can use for comparison, develop one collaboratively with the line-of-business that is specific to their needs. We recommend using work analysis techniques such as appreciative inquiry to analyse competencies (skills, knowledge and behaviours) demonstrated by the most successful staff (for more information see our article on [Using Appreciative Inquiry](#)).

To enable the competence framework to be adopted quickly and naturally by the line-of-business, we recommend that the competencies are expressed using terms that are meaningful to them and which truly reflect their business strategy and unique market dynamics.

Assessment is typically done using a self-assessment method against key behavioural indicators aligned with the competencies. It is normally part of a regular job planning and appraisal process. (Behavioural indicators are things that you would be able to observe someone doing that demonstrate they have a specific competence. They should be things that staff and line managers would readily recognise as being relevant and important aspects of their work.) The quality and objectivity of self-assessment can be increased significantly by correlating it with a review by a line manager (180 degree review), and by including others who have experience of the individual's work such as colleagues or customers (360 degree review). To avoid biasing or distorting the results of self-assessment, it is essential that no link is made between competence assessment and pay, bonus or other incentives.

We recommend using a tool such as Talent Insight™ 3.0 to capture and store the results of the assessments and to facilitate analysis of group strengths and weaknesses, and trends.

2. Identify the key competencies and gaps required by the business plan

To identify the key competencies on which to focus, identify the individuals or teams that most closely model the desired performance, as defined in the business plan, and compare the results of their competence assessments with those who represent the norm. The gaps and patterns that emerge in this analysis reveal the key competencies to focus on and the nature and extent of the gaps that exist. If there are no clear patterns emerging you should review the competence model to confirm it still reflects the nature of the role as required in the business plan. If you are confident that it does, then it suggests that the difference in performance is not related to competence but to other factors such as motivation or opportunity to perform.

Having identified the competencies to focus on, you can identify those who already demonstrate these competencies, those who are close to demonstrating them or demonstrate high potential, and those who have significant gaps or weaknesses. The use of analytic tools such as Talent Insight makes this task much quicker and simpler than was the case in the past using paper and spreadsheets.

3. Define and implement strategies to close the gaps

Selecting appropriate strategies depends on the nature of the gaps, timeframes and other constraints and are typically based around these options:

- assigning work to those who demonstrate competence
- developing staff who are close to demonstrating them or show high potential
- recruiting staff (internally or externally) against a clear definition of the competencies required for the role.

The hardest decisions to make and execute are those where you have to recognise that some of the existing staff may simply not have the required competencies or potential to be successful in their current roles. However, taking a competence-based approach may help to identify ways to re-assign work to take greater advantage of their strengths, or to re-deploy them in roles that are better matched to their competence profile.

Taking a competence-based approach can also help identify people that are very well suited to roles from other divisions or functions, which would have been difficult to predict or spot using other methods.

Focussing on specific competencies and quantifying the gaps enables you to plan efficient development strategies, making the best use of limited funds and resources for training. Consider the full range of development options, ranging from structured training (including self-paced and e-learning as well as instructor-led), to on-the-job training with buddy, coaching or mentoring support.

Recruitment may also be an option, in which case the work identifying the key competencies provides clear guidance to hiring managers to select the 'right' people. Psychometric tests aligned with the key competencies are used for greater objectivity in recruitment campaigns. We recommend you also consider Situational Judgement Tests (SJTs), especially for large-scale recruitment. In Situational Judgement Tests, candidates are presented with a range of situations that relate closely to the requirements of the role and are asked to rate the effectiveness of different judgement / decision options. Bespoke tests can be developed to assess and give objective feedback against the key competencies for a role. Being based on job-relevant situations and decisions, these tests have very high face validity as well as high predictive validity compared to other forms of tests (for more information, request our executive briefing on [Situational Judgement Tests](#)).

4. Re-assess, review and refine

The only thing guaranteed is change. By following the steps in this article you will have changed the capability and performance of the organisation, providing a platform to 'raise the bar' and achieve yet higher performance next time around. At the same time, the market conditions and the business plan are also changing. The competence model, as well as your understanding of the competence of your people, must therefore be constantly updated, reviewed and refined to reflect these changes.

In summary

Recent research has demonstrated a direct link between the competencies used in performance appraisals and business performance. Establishing a competence framework is part of establishing a process of continuous improvement and change, and it underpins performance- and talent-management processes. To be successful, competence management must be engrained in the culture of the organisation. To do so requires active support from the executive management, involvement with the line-of-business and the commitment of line managers. The competence framework must be simple, expressed in terms that are meaningful to the business and it must be dynamic and updated continuously to respond to changes in capability and the requirements of the business plan.

Head Light Communications offer a range of practical services and tools help define bespoke competence frameworks aligned with business goals. Talent Insight™ 3.0 enables rapid competence assessment and gap analysis. Talent Spotter™ and related services enables use of bespoke SJTs as an objective assessment method, ideally suited to large scale recruitment campaigns.