

Competency-based HRM

Competency-based HRM is about using the concept of competency and the results of competency analysis to inform and improve the processes of performance management, recruitment and selection, employee development and employee reward. The language has dominated much of HR thinking and practice in recent years.

The concept of competency has achieved this degree of prominence because it is essentially about performance. Mansfield (1999) defines competency as 'an underlying characteristic of a person that results in effective or superior performance'. Rankin (2002) describes competencies as 'definitions of skills and behaviours that organizations expect their staff to practice in their work' and explains that:

Competencies represent the language of performance. They can articulate both the expected outcomes from an individual's efforts and the manner in which these activities are carried out. Because everyone in the organization can learn to speak this language, competencies provide a common, universally understood means of describing expected performance in many different contexts.

Competency-based HR is primarily based on the concepts of behavioural and technical competencies as defined in the first section of this chapter. But it is also associated with the use of National and Scottish Vocational qualifications (NVQs/SNVQs) as also examined in the first section. The next five sections of the chapter concentrate on the application and use of behavioural and technical competencies under the following headings:

- competency frameworks;
- reasons for using competencies;
- use of competencies;
- guidelines on the development of competency frameworks;
- keys to success in using competencies.

The final section describes the associated concept of emotional intelligence.

TYPES OF COMPETENCIES

The three types of competencies are behavioural competencies, technical competencies and NVQs and SNVQs.

Behavioural competencies

Behavioural competencies define behavioural expectations, ie the type of behaviour required to deliver results under such headings as teamworking, communication, leadership and decision-making. They are sometimes known as 'soft skills'. Behavioural competencies are usually set out in a competency framework.

The behavioural competency approach was first advocated by McClelland (1973). He recommended the use of criterion-referenced assessment. Criterion referencing or validation is the process of analysing the key aspects of behaviour that differentiate between effective and less effective performance.

But the leading figure in defining and popularizing the concept of competency in the USA and elsewhere was Boyatzis (1982). He conducted research that established that there was no single factor but a range of factors that differentiated successful from less successful performance. These factors included personal qualities, motives, experience and behavioural characteristics. Boyatzis defined competency as: 'capacity that exists in a person that leads to behaviour that meets the job demands within the parameters of the organizational environment and that, in turn, brings about desired results'.

The 'clusters' of competencies he identified were goal and action management, directing subordinates, human resource management and leadership. He made a distinction between threshold competencies, which are the basic competencies required to do a job, and performance competences, which differentiate between high and low performance.

Technical competencies

Technical competencies define what people have to know and be able to do (knowledge and skills) to carry out their roles effectively. They are related to either generic roles (groups of similar jobs), or individual roles (as 'role-specific competencies').

The term 'technical competency' has been adopted fairly recently to avoid the confusion that existed between the terms 'competency' and 'competence'. Competency, as mentioned above, is about behaviours, while competence as defined by Woodruffe (1990) is: 'A work-related concept which refers to areas of work at which the person is competent. Competent people at work are those who meet their performance expectations.' Competences are sometimes known as 'hard skills'. The terms technical competencies and competences are closely related although the latter has a particular and more limited meaning when applied to NVQs/SNVQs, as discussed below.

NVQ/SNVQ competences

The concept of competence was conceived in the UK as a fundamental part of the process of developing standards for NVQs/SNVQs. These specify minimum standards for the achievement of set tasks and activities expressed in ways that can be observed and assessed with a view to certification. An element of competence in NVQ language is a description of something that people in given work areas should be able to do. They are assessed on being competent or not yet competent. No attempt is made to assess the degree of competence.

COMPETENCY FRAMEWORKS

A competency framework contains definitions of all the behavioural competencies used in the whole or part of an organization. It provides the basis for the use of competencies in such areas as recruitment, employee development and reward. The 2003/4 *Competency and Emotional Intelligence* survey established that the 49 frameworks reviewed had a total of 553 competency headings. Presumably, many of these overlapped. The most common number of competencies was eight.

Competency headings

The competency headings included in the frameworks of 20 per cent or more of the organizations responding to the survey are shown in Table 11.1. The first seven of these are used in over 50 per cent of the respondents.

Table 11.1 Incidence of different competency headings

Competency heading	Summary definition	% used
Team orientation	The ability to work co-operatively and flexibly with other members of the team with a full understanding of the role to be played as a team member.	85
Communication	The ability to communicate clearly and persuasively, orally or in writing.	73
People management	The ability to manage and develop people and gain their trust and cooperation to achieve results.	67
Customer focus	The exercise of unceasing care in looking after the interests of external and internal customers to ensure that their wants, needs and expectations are met or exceeded.	65
Results orientation	The desire to get things done well and the ability to set and meet challenging goals, create own measures of excellence and constantly seek ways of improving performance.	59
Problem-solving	The capacity to analyse situations, diagnose problems, identify the key issues, establish and evaluate alternative courses of action and produce a logical, practical and acceptable solution.	57
Planning and organizing	The ability to decide on courses of action, ensuring that the resources required to implement the action will be available and scheduling the programme of work required to achieve a defined end-result.	51
Technical skills	Possession of the knowledge, understanding and expertise required to carry out the work effectively.	49
Leadership	The capacity to inspire individuals to give of their best to achieve a desired result and to maintain effective relationships with individuals and the team as a whole.	43
Business awareness	The capacity continually to identify and explore business opportunities, understand the business needs and priorities of the organization and constantly to seek methods of ensuring that the organization becomes more business-like.	37
Decision-making	The capacity to make sound and practical decisions which deal effectively with the issues and are based on thorough analysis and diagnosis.	37
Change-orientation	The ability to manage and accept change.	33

continued

Table 11.1 *continued*

Developing others	The desire and capacity to foster the development of members of his or her team, providing feedback, support, encouragement and coaching.	33
Influence and persuasion	The ability to convince others to agree on or to take a course of action.	33
Initiative	The capacity to take action independently and to assume responsibility for one's actions.	29
Interpersonal skills	The ability to create and maintain open and constructive relationships with others, to respond helpfully to their requests and to be sensitive to their needs.	29
Strategic orientation	The capacity to take a long-term and visionary view of the direction to be followed in the future.	29
Creativity	The ability to originate new practices, concepts and ideas.	26
Information management	The capacity to originate and use information effectively.	26
Quality focus	The focus on delivering quality and continuous improvement.	24
Self-confidence and assertiveness	Belief in oneself and standing up for one's own rights.	24
Self-development	Managing one's own learning and development.	22
Managing	Managing resources, people, programmes and projects.	20

REASONS FOR USING COMPETENCIES

The two prime reasons for organizations to use competencies, as established by Miller *et al* (2001) were first, that the application of competencies to appraisal, training and other personnel processes will help to increase the performance of employees; and second, that competencies provide a means of articulating corporate values so that their requirements can be embodied in HR practices and be readily understood by individuals and teams within the organization. Other reasons include the use of competencies as a means of achieving cultural change and of raising skill levels.

COVERAGE OF COMPETENCIES

The Miller *et al* research found that employers adopted different approaches to the parts of the workforce covered by competencies:

- 22 per cent covered the whole workforce with a single set or framework of core competencies (modified in a further 10 per cent of employers by the incorporation of additional behavioural competencies for managers and other staff);
- 48 per cent confined competencies to specific work groups, functions or departments;
- 20 per cent have a core competency framework that covers all staff in respect of behavioural competencies, alongside sets of technical/functional or departments.

Subsequent research (Rankin, 2002) found that:

- 25 per cent of employers using behavioural competencies had a core framework;
- 19 per cent supplemented the core framework with additional competencies for single groups such as managers.

The 'menu' approach

Rankin notes that 21 per cent of respondents adopted a 'menu' approach. This enables competencies to be selected that are relevant to generic or individual roles. Approaches vary. Some organizations provide guidelines on the number of competencies to be selected (eg four to eight) and others combine their core framework with a menu so that users are required to select the organization-wide core competencies and add a number of optional ones.

Role-specific competencies

Role-specific competencies are also used by some organizations for generic or individual roles. These may be incorporated in a role profile in addition to information about the key output or result areas of the role. This approach is likely to be adopted by employers who use competencies in their performance management processes, but role-specific competencies also provide the basis for person specifications used in recruitment and for the preparation of individual learning programmes.

Graded competencies

A further, although less common, application of competencies is in graded career or

job family structures (career or job families consist of jobs in a function or occupation such as marketing, operations, finance, IT, HR, administration or support services, which are related through the activities carried out and the basic knowledge and skills required, but in which the levels of responsibility, knowledge, skill or competence needed differ). In such families, the successive levels in each family are defined in terms of competencies as well as the key activities carried out. (Career and job family structures are described in Chapter 46.)

USE OF COMPETENCIES

The *Competency and Emotional Intelligence* 2003/4 survey found that 95 per cent of respondents used behavioural competencies and 66 per cent used technical competencies. It was noted that because the latter deal with specific activities and tasks they inevitably result in different sets of competencies for groups of related roles, functions or activities. The top four uses of competencies were:

1. Performance management – 89 per cent.
2. Training and development – 85 per cent.
3. Selection – 85 per cent.
4. Recruitment – 81 per cent.

Only 35 per cent of organizations link competencies to reward. The ways in which these competencies are used are described below.

Performance management

Competencies in performance management are used to ensure that performance reviews do not simply focus on outcomes but also consider the behavioural aspects of how the work is carried out that determine those outcomes. Performance reviews conducted on this basis are used to inform personal improvement and development plans and other learning and development initiatives.

As noted by *Competency and Emotional Intelligence* (2003/4): 'Increasingly, employers are extending their performance management systems to assess not only objectives but also qualitative aspects of the job.' The alternative approaches are: 1) the assessment has to be made by reference to the whole set of core competencies in the framework; or 2) the manager and the individual carry out a joint assessment of the latter's performance and agree on the competencies to be assessed, selecting those most relevant to the role. The joint assessments may be guided by examples known as 'behavioural indicators' of how the competency may be demonstrated in the

employee's day-to-day work and in some cases the assessment is linked to defined levels of competency (see Chapter 33 for further details of how this process works).

Learning and development

Role profiles, which are either generic (covering a range of similar jobs) or individual (role-specific), can include statements of the technical competencies required. These can be used as the basis for assessing the levels of competency achieved by individuals and so identifying their learning and development needs.

Career family grade structures (see Chapter 46) can define the competencies required at each level in a career family. These definitions provide a career map showing the competencies people need to develop in order to progress their career.

Competencies are also used in development centres (see Chapter 40), which help participants build up their understanding of the competencies they require now and in the future so that they can plan their own self-directed learning programmes.

Recruitment and selection

The language of competencies is used in many organizations as a basis for the person specification, which is set out under competency headings as developed through role analysis. The competencies defined for a role are used as the framework for recruitment and selection.

A competencies approach can help to identify which selection techniques such as psychological testing are most likely to produce useful evidence. It provides the information required to conduct a structured interview in which questions can focus on particular competency areas to establish the extent to which candidates meet the specification as set out in competency terms.

In assessment centres, competency frameworks are used to define the competency dimensions that distinguish high performance. This indicates what exercises or simulations are required and the assessment processes that should be used.

Reward management

In the 1990s, when the competency movement came to the fore, the notion of linking pay to competencies – competency-related pay – emerged. But it has never taken off; only 8 per cent of the respondents to the e-reward 2004 survey of contingent pay used it. However, more recently, the concept of contribution-related pay has emerged, which provides for people to be rewarded according to both the results they achieve and their level of competence, and the e-reward 2004 survey established that 33 per cent of respondents had introduced it.

Another application of competencies in reward management is that of career family grade and pay structures.

DEVELOPING A COMPETENCY FRAMEWORK

The language used in competency frameworks should be clear and jargon-free. Without clear language and examples it can be difficult to assess the level of competency achieved. When defining competencies, especially when they are used for performance management or competency-related pay, it is essential to ensure that they can be assessed. They must not be vague or overlap with other competencies and they must specify clearly the sort of behaviour that is expected and the level of technical or functional skills (competencies) required to meet acceptable standards. As Rankin (2002) suggests, it is helpful to address the user directly ('you will...') and give clear and brief examples of how the competency needs to be performed.

Developing a behavioural competency framework that fits the culture and purpose of the organization and provides a sound basis for a number of key HR processes is not an undertaking to be taken lightly. It requires a lot of hard work, much of it concerned with involving staff and communicating with them to achieve understanding and buy-in. The steps required are described below.

Step 1. Programme launch

Decide on the purpose of the framework and the HR processes for where it will be used. Make out a business case for its development, setting out the benefits to the organization in such areas as improved performance, better selection outcomes, more focused performance management, employee development and reward processes. Prepare a project plan that includes an assessment of the resources required and the costs.

Step 2. Involvement and communication

Involve line managers and employees in the design of the framework (stages 3 and 4) by setting up a task force. Communicate the objectives of the exercise to staff.

Step 3. Framework design – competency list

First, get the task force to draw up a list of the core competencies and values of the business – what it should be good at doing and the values it believes should influence

behaviour. This provides a foundation for an analysis of the competencies required by people in the organization. The aim is to identify and define the behaviours that contribute to the achievement of organizational success, and there should be a powerful link between these people competencies and the organization's core competencies (more guidance on defining competencies is provided in Chapter 13).

The production of the list may be done by brainstorming. The list should be compared with examples of other competency frameworks. The purpose of this comparison is not to replicate other lists. It is essential to produce a competency framework that fits and reflects the organization's own culture, values, core competencies and operations. But referring to other lists will help to clarify the conclusions reached in the initial analysis and serve to check that all relevant areas of competency have been included. When identifying competencies care must be taken to avoid bias because of sex or race.

Step 4. Framework design – definition of competencies

Care needs to be exercised to ensure that definitions are clear and unambiguous and that they will serve their intended purpose. If, for example, one of the purposes is to provide criteria for conducting performance reviews, then it is necessary to be certain that the way the competency is defined, together with supporting examples, will enable fair assessments to be made. The following four questions have been produced by Mirabile (1998) to test the extent to which a competency is valid and can be used:

1. Can you describe the competency in terms that others understand and agree with?
2. Can you observe it being demonstrated or failing to be demonstrated?
3. Can you measure it?
4. Can you influence it in some way, eg by training, coaching or some other method of development?

It is also important at this stage to ensure that definitions are not biased.

Step 5. Define uses of competency framework

Define exactly how it is intended the competency framework should be used, covering such applications as performance management, recruitment, learning and development, and reward.

Step 6. Test the framework

Test the framework by gauging the reactions of a balanced selection of line managers and other employees to ensure that they understand it and believe that it is relevant to their roles. Also pilot test the framework in live situations for each of its proposed applications.

Step 7. Finalize the framework

Amend the framework as necessary following the tests and prepare notes for guidance on how it should be used.

Step 8. Communicate

Let everyone know the outcome of the project – what the framework is, how it will be used and how people will benefit. Group briefings and any other suitable means should be used.

Step 9. Train

Give line managers and HR staff training in how to use the framework.

Step 10. Monitor and evaluate

Monitor and evaluate the use of the framework and amend it as required.

DEFINING TECHNICAL COMPETENCIES

Technical competencies are most often produced for generic roles within job families or functions, although they can be defined for individual roles as ‘role-specific competencies’. They are not usually part of a behaviour-based competency framework, although of course the two are closely linked when considering and assessing role demands and requirements. Guidelines on defining technical competencies are provided in Chapter 13.

KEYS TO SUCCESS IN USING COMPETENCIES

The keys to success in using competencies are:

- frameworks should not be over-complex;
- there should not be too many headings in a framework – seven or eight will often suffice;
- the language used should be clear and jargon-free;
- competencies must be selected and defined in ways that ensure they can be assessed by managers – the use of ‘behavioural indicators’ is helpful;
- frameworks should be regularly updated.

EMOTIONAL INTELLIGENCE

Goleman (1995) has defined emotional intelligence as: ‘The capacity for recognizing our own feelings and that of others, for motivating ourselves, for managing emotions well in ourselves as well as others.’ The four components of emotional intelligence are:

1. *Self-management* – the ability to control or redirect disruptive impulses and moods and regulate your own behaviour coupled with a propensity to pursue goals with energy and persistence. The six competencies associated with this component are self-control, trustworthiness and integrity, initiative, adaptability – comfort with ambiguity, openness to change and strong desire to achieve.
2. *Self-awareness* – the ability to recognize and understand your moods, emotions and drives as well as their effect on others. This is linked to three competencies: self-confidence, realistic self-assessment and emotional self-awareness.
3. *Social awareness* – the ability to understand the emotional makeup of other people and skill in treating people according to their emotional reactions. This is linked to six competencies: empathy, expertise in building and retaining talent, organizational awareness, cross-cultural sensitivity, valuing diversity and service to clients and customers.
4. *Social skills* – proficiency in managing relationships and building networks to get the desired result from others and reach personal goals, and the ability to find common ground and build rapport. The five competencies associated with this component are: leadership, effectiveness in leading change, conflict management, influence/communication, and expertise in building and leading teams.

According to Goleman it is not enough to have a high IQ (intelligence quotient); emotional intelligence is also required.

In 1998 Goleman defined emotional intelligence in a way that encompasses many of the areas covered by typical competency frameworks. Miller *et al* (2001) found that

one-third of employers covered by their survey had consciously included emotional intelligence-type factors such as interpersonal skills in their frameworks.

Dulewicz and Higgs (1999) have produced a detailed analysis of how the emotional intelligence elements of self-awareness, emotional management, empathy, relationships, communication and personal style correspond to competencies such as sensitivity, flexibility, adaptability, resilience, impact, listening, leadership, persuasiveness, motivating others, energy, decisiveness and achievement motivation. They conclude that there are distinct associations between competency modes and elements of emotional intelligence.

As noted by Miller *et al* (2001), a quarter of the employers they surveyed have provided or funded training that is based on emotional intelligence. The most common areas are in leadership skills, people management skills and teamworking. The application of emotional intelligence concepts to management development is dealt with in Chapter 40.