



## Trends

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### **Identifying Competencies That Matter**

For decades, competency modeling has been the de facto standard that organizations use to integrate human resource functions such as selection, performance, development, pay and succession management. Traditionally, those competencies have been based on what leaders deem logical. However, without hard data, what may seem logical could be just a gut reaction. Liken it to a hockey team that thinks its players growing beards is the reason it wins, without analyzing shooting and blocking ratios.

With logic as a foundation, organizations may produce long lists of competencies that aren't completely accurate — meaning the defined competencies don't have as much impact on business outcomes as is thought, which makes them less effective business drivers than they could be. Today's businesses need a more evidence-based approach.

The good news is that technological advances have increased the availability of analytical data needed to bring an evidence-based competency process to life. Companies that use this data to leverage the right talent and skill sets will have a significant competitive advantage as they build their businesses.

#### **Evidence-Based Competency Modeling Defined**

An evidence-based competency model uses performance management and talent analytics to determine what competencies drive an organization's success, drawing empirical links between employee skill and an organization's bottom line.

When determining the right competencies, leaders should ask themselves: Is there evidence that shows employees who rank high in this area actually have a positive impact on key indicators, such as employee engagement, earnings, client loyalty and productivity?

Previously, talent leaders didn't have access to rich analytical data that could prove the correlation. Today, there is better access to analytical data, and it has revealed alarming results. Previous beliefs are often wrong, very wrong. For example, most companies have identified 12 or more competencies as critical to their success. However, an evidence-based approach often finds only four or five of the 12 competencies identified in a logic-based approach have real business value; another three or four are mediocre; and the rest have no direct impact on the business at all.

Using facts, an evidence-based approach places a strategic emphasis on aligning employees' competencies with business results. It is a scientific and research-based process that drives out a lot of the inefficiencies and inaccuracies found in most traditional competency models.

## The Power of Evidence-Based Competency Models

To understand how evidence-based competency modeling really works, let's look at a real-world example. Take a nationwide big-box specialty retailer with 700-plus stores across the country. Each district manager is responsible for 12 - 14 stores, and each store has 20 to 30 employees. Logically, one would assume a critical competency would be exceptional customer service skills. However, the evidence shows a different story.

The retailer pulled detailed data from an 18-month period. Information included everything from each store's sales volume and average transaction size to hours of associate labor. The retailer also pulled 18 months of data from a monthly customer loyalty index and assessed its own employees using a multi-rater performance measurement instrument. The data showed that the most successful districts were those with district managers who had strong strategic behaviors and skills — managers who ran their districts by the numbers dramatically outperformed those who focused on personal interactions with customers.

The ability to use research that pointed to concrete evidence of a causal relationship between strategic district managers and higher sales allowed this retailer to place a much higher emphasis on training district managers to build strategic skills. It also benefited district managers because they had a much clearer direction of the skills and performance that would be most important to their success. Finally, the organization was able to focus future hiring of district managers and began looking specifically for strategic skills in the interview process.

Taking the retail example one step further, strategic district managers aren't important in every retail situation. Different businesses, from size and customer expectation to critical competencies, show different outcomes. However, one thing remains the same: When a company moves to an evidence- or fact-based approach, it can recast the most important competencies to directly align with desired business outcomes. The results can be significant.

A technology firm found project management skills, planning and the willingness to collaborate were its core competencies and had far more impact than more logical skills such as persistence and interpersonal effectiveness. Consultants who ranked high on these competencies brought in 23 percent more revenue than the least effective performers. Using that data, this organization modified its selection, development and promotion criteria and accommodated these results to drive decision making.

## Why Not Use an Evidence-Based Approach Sooner?

Evidence-based competency modeling has become more available recently because of technology and the move away from paper-based processes to integrated online systems that allow companies to import, export and aggregate data.

Today, organizations can finally leverage and understand their data and turn it into actionable information. For example, forward-looking organizations are working with consultants and creating measurement tools like the performance matrix. The matrix might include items such as sales and profits, which are compared to competencies. An organization can then overlay its employees on the matrix to have a clear picture of which employees have the most impact on its bottom line. The matrix can turn into a return-on-salary view, which is useful when leaders need to make strategic talent decisions.

Surprisingly, many leaders use unscientific approaches when they need to make staff cuts and need to decide who will stay and who will go. Some even use the "first in the door, first to go" policy. Such a process can have a devastating impact on a business. A matrix approach, on the other hand, can give leaders a more strategic view into such decisions. The matrix also can help a business when it's

growing and hiring because leaders can focus interviews on the competencies that will have the most impact. As a result, they will make better hiring decisions and will have employees who can hit the ground running faster.

### **Drive the Competency Model of the Future**

Technology is only as good as the people behind it and their willingness to adopt new ways and new processes. Fortunately, today, executives recognize the competitive power of their people. Successful companies have C-level executives on the forefront of this trend, adopting new processes to use rich analytical data to make business-based talent decisions. But many companies and their leaders still face roadblocks and are not ready to move to an evidence-based competency model. The biggest hurdle to overcome is many leaders' cherished beliefs. For example, there is no question that a keen, relentless, laser focus on customers is essential for success in today's competitive retail environment. Without customers, retailers cease to exist. Consumers only need to consider their own service experience to understand how customer service — or the lack thereof — impacts where they choose to shop. Therefore, customer service is a mainstay of every retail competency model. It's a no-brainer. Or is it?

Another roadblock that some companies face is a natural resistance to change processes. Many companies still have silo data, with each division or group maintaining its own information. For example, financial data rests within one group, supply chain information is in another group, and quality and efficiency statistics are in yet another group. With paper-based processes, it was a lot more difficult to share and aggregate data. Technology has made it possible to integrate this information, and data is much more actionable when shared, but business leaders need to create an environment that encourages and supports these types of process changes in order to advance their businesses efficiently.

After months of lackluster business results, companies are finally emerging and actively preparing for growth. It's critical that they know which skills and competencies will impact their business so they can focus on developing and hiring, and ensure they have the right staff to move their businesses forward.

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