

Improving competencies: a six-step plan

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This final of three articles concludes with a six-step plan for developing high-impact competencies. The following approach to validating competencies enables talent management executives to take the lead in introducing a more strategic approach that will have demonstrable added value for their organisation.

Step 1 – Identify key or pivotal jobs

These are the ones most critical to executing your strategy successfully. They may not always be managerial roles. One international airline's strategy was to compete on the basis of excellent in-flight service. In this instance the cabin crew positions were key to executing the strategy.

One way to identify critical jobs is through key task analysis. The strategy, objectives as well as supporting activities are broken down into essential tasks that must be performed to a very high standard to ensure success. These tasks are then mapped on to the various jobs to see which jobs contain the largest percentage of key tasks to determine relative criticality.

An alternative method is to make a judgment call as to those jobs where the money is made or lost. In the case of a global production and logistics organisation, two jobs were identified as being critical to success. One of these was the job of General Manager of the various production/logistics units located around the globe. Subsequent analysis confirmed that this job was absolutely critical in terms of labour and material cost control, as well as maintenance of high quality standards and customer relations to meet profitability expectations.

Step 2 – Determine standard deviation of performance

Once the critical jobs have been identified

it is important to measure the degree of performance variability to establish the opportunity both for performance improvement and the capacity required to execute strategy successfully.

Hard objective performance measures such as financial, quality, productivity and customer retention data should be used in preference to performance ratings that can be subject to a variety of problems that make them less suitable as performance criteria measures, unless no other relevant data is available.

The more complex the job, generally the wider the variability. For example in the general manager's job above, those managers whose financial performance was one standard deviation above the mean were found to have results that were on average over a two year period, 94% better than those managers operating at the mean. Other studies we have conducted for clients have shown that with one standard deviation managers can grow their profits twice as fast over a four-year period than average performers.

This information allows talent management executives to size the problem/opportunity and to help build a business case.

Step 3 – Identify human factors underlying performance variability

The human element alone cannot explain all the variance in performance. However, we have found that a substantial proportion of the variance (approximately 40% on average) in the job samples we have studied is accounted for by the competency behaviours of the jobholder.

This is why we recommend that a formal job competency analysis be conducted following the original procedure as detailed by Spencer & Spencer (1993).

Many alternative approaches to competency modelling have emerged over the years, mainly to save time and cost, but these approaches do not

“One way to identify critical jobs is through key task analysis.”



The goal: pinpoint the competencies that make star performers stand out from the crowd.

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provide the degree of granularity required for the type of analysis proposed.

Critical incident interviews are the best way to obtain the detail required. Interviews of approximately four hours duration provide a wealth of detail in terms of tasks being worked upon during the course of a successful event as well as the associated competency behaviours that are coded both for frequency and competency level.

This data is then used to determine the amount of variance explained in the objective performance measure through the use of various statistical techniques such as multiple regression analysis and structural equation modelling.

Other variables such as organisational climate or engagement survey scores can be included to provide incremental validity. It is also possible to include other variables such as the previous year's revenue to see the extent to which these may explain the following year's results compared to what can be attributed to the jobholder him or herself.

Once it is known how much of the performance variance is due to the jobholder's own competencies then the options open to talent management executives can be considered.

Step 4 – Develop a business case

Information from Steps 2 and 3 can be used to prepare a business case. The suggested procedure is outlined in Spencer (2001) where an expected rate of return is set or agreed and the probability of achieving this calculated to support talent management initiatives/investments.

The business case should show the potential, i.e. the extra value-added by those managers that are one standard deviation above the mean and how much of this amount can be attributed to the competencies being measured. For example, if such jobholders generate 80% more than those at the mean and if their competencies account for 40% of this variation, then the potential exists to

obtain 32% more added value.

The question then becomes how much of this 32% added value due to competencies can reasonably be expected to be achieved either through developing the competencies of existing jobholders or replacing average performers with others capable of achieving performance one standard deviation above the mean.

A further exercise that can be undertaken is to plot the distribution of jobholders' competency scores that predict superior performance to see how many people within the initial interview sample of jobholders have the necessary levels of competence required for superior performance.

This will provide talent management executives with a measure of capacity in relation to key jobs and can highlight the proportion of jobholders that are mission ready/capable, or close to it, depending on the cut-off point that is set.

As an example, in an initial sample of 15 key jobholders only two had predictive competency scores at or above one standard deviation above the mean. In this case, a suitable/acceptable cut-off point would be .5 of a standard deviation. This would in addition identify those jobholders who could be considered to be mission ready/capable within the current period and brought in a further three jobholders. Out of the initial sample of 15, only a third could be classified as mission capable. Such analysis can allow talent management executives to plan their succession pipelines or selective replacement activities on a more informed basis.

Step 5 – Conduct jobholder assessments

Ideally, every key jobholder should be assessed against competencies plus other factors that statistically relate to measured job performance. But we have found it is better to focus initially on a more tightly defined group. Until an organisation's senior managers see

Many talent managers are left to discover what they should be doing for themselves

tangible evidence of the benefits of this approach, they can remain sceptical.

A Pareto-type analysis will separate out a sub-sample of jobholders whose collective job performance represents a substantial amount of the larger group. Accordingly, out of a total population of 100 key jobholders, 20 of these would account for 80% of the performance of the total group. It should be easier to justify the cost of conducting a full interview assessment for this sub-sample which has the potential for developing a competency model that should predict performance over several years where tasks remain the same. One longitudinal study conducted for a client showed that the original competency model continued to predict financial performance over a four-year period.

If this interview option is not available, then a competency questionnaire developed from the interview data obtained in Step 3 can be used as an assessment tool. The predictive validity will not be as good as an in-depth interview but should provide better information than an off-the-shelf product because it will be based on what superior performers in the key job actually do which underpins their success.

Results from the questionnaire approach can be improved in two ways. The first is to calibrate the questionnaire against data from Step 3 showing cut-off points for superior, average and unacceptable performance. This will require raters to make more considered judgments against clearly stated/marked standards.

Group rater training can also improve accuracy. Illustrative examples of actual behaviour from the key job, preferably taken from the data in Step 3, are presented to the group and variations in ratings debated until a consensus is reached. This can substantially improve standards of accuracy and minimise ratings drift.

The data obtained from this step can then be analysed to determine the distribution of competency strengths and weaknesses. This provides the basis for

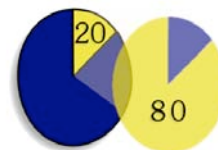
the development and implementation of an appropriate talent management strategy.

Step 6 – Develop, implement and monitor talent management strategy

There are several options available to make optimal use of the data generated in previous steps.

- Where a goal is to ensure an adequate supply of superior job holders in the key positions, then selection and promotion tools and methods can be developed from the information gathered in Step 3. The critical-incident interview is used for both internal and external candidates. Asking candidates to recall events when they felt they were particularly effective and which provided a benefit for the organisation gives a better picture of a person's competencies than using pre-set, situational-based interview questions.
- To improve accuracy, training can be provided on conducting interviews and evaluating candidates' responses which incorporates behavioural examples from Step 3.
- Subsequent tests or surveys, such as organisational climate surveys for internal candidates, can be used to supplement the interview data and provide incremental validity.
- Job-specific case study material can be developed from critical-incident interview data in Step 3 to improve existing key jobholder performance for example, by assigning people to projects identified as providing specific competency-development opportunities.
- For either recruitment or development strategies, a specific performance tracking system should be put in place. This will provide talent management executives with evidence that their initiatives are working as planned using measures already in place and accepted as valid by senior management.

One client collected before-and-after performance data to evaluate their selective replacement strategic initiative.



Pareto-type analysis can be used to identify the 20% of jobholders who account for 80% of the total group.

Critical-incident interviews can be used to identify opportunities for competency-developing assignments.

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Lyle M. Spencer*

Trend lines of key leading indicators as well as performance outcome measures were plotted before the appointment of the replacement jobholder, who had been selected against the competency model defined in Step 3, and compared to the period after the change in jobholders. After a relatively short period trend lines stabilised and then showed an increasing or decreasing trend depending on the variable being measured which could be attributed to the replacement jobholder.

Conclusion

This may appear to be a complicated procedure, but once started the pieces naturally fall into place and understanding grows quickly. Given that job holders can be expected to remain in place for several years this system more than pays for itself and provides a longer term, more strategic solution that has greater predictive power.

One particular benefit is that it will help facilitate greater levels of interaction with other functions, for example finance, by using the primary business language of finance to discuss and review talent management related issues. In this way talent management executives can raise their profile and be confident that what they are proposing is based upon well known and proven approaches integrated into a complete system.

Inadequate managers scare off talent

Almost half of those who have left jobs in a 3,000 respondent Chartered Management Institute study did so to get away from their managers. A similar proportion said they would take a pay cut if this meant that they could work with a better manager.

The results have some clear messages for talent managers and the way managers are selected and developed.

- More than two-thirds say they ended up in a managerial role by mistake
- Two in five managers claim they would prefer to be without managerial responsibility
- Almost two thirds have had no management training
- Only 28% have some kind of formal qualification.

These 'accidental' managers have a corrosive effect on staff engagement. Unsurprisingly, half the respondents believe that they could do a better job than their current bosses.

“The sad truth is that UK managers are no longer regarded as professional, competent or accountable,” says CMI chief Ruth Spellman.

In response, the CMI has launched its ‘Manifesto for a Better Managed Britain’ asking Government, employers and managers to pledge to turn round the situation.

If the CMI claims are as dire as they sound, then it seems that many organizations need to recalibrate their talent management goals on getting the basics right.

Chartered Management Institute:
www.managers.org.uk