

## USING COMPETENCY MODELS FOR PERFORMANCE MANAGEMENT

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### ABSTRACT

*The development of HR competency models continue to be an area of interest to practitioners, researchers, academicians, employers and consultants. New HR models are necessary because the business world is changing at an unprecedented rate. Since HR activities directly impact on an organization's ability to compete, HR competency models need to be continually researched. The intensity of globalization has somewhat forced the HR professionals to re-examine their practices and change accordingly to suit to the changing needs and challenges. Competency model covers ability, personality, skills and knowledge. In A fully-integrated, competency-based human resource system, the competences identified as required for effective performance are used to select, develop, manage, reward, and compensate employees of an organisation. It is contended that the workforce should be best segmented on a skills basis. After all, skills are the new currency in the 21st century workplace. As global business competition shifts from efficiency to innovation and from enlargement of scale to creation of value, management needs are oriented towards the strategic use of human resources. A critical factor related to an organization's long term success, is its ability to measure how well employees perform and to use that information to ensure the tangible results. The identification and application of the competencies required for effective job performance has become a complex and sophisticated endeavor as experience with this approach has furthered in business and industry. HRM is an organic field with great challenges and this study is carried out to bring about a value in HRM.*

**Keywords:** Competency Model, Performance Management, Implementation, Challenges

### COMPETENCY MODEL

Competency models are created to illustrate how competencies lead to performance. The models illustrate personal and job related characteristics, the organizational context, and the interrelationship of those elements that result in performance in relation to the predetermined standards. A competency model is an organizing framework that lists the competencies required for effective performance in a specific job, job family (e.g., group of related jobs), organization, function, or process. The model is organized into tiers of competencies and includes descriptions of the activities and behaviors associated with each competency. Competency models are often highly tailored to the organization. .

Customization includes not only the specific competencies developed but also the way in which the competencies are described. The context includes all those factors that influence the employee behaviors the model is trying to improve, including the organizational culture,

life stage, market, customers, employee relations, presence of a union, and strengths and weaknesses of its management. Competency-based HRM is a core strategy to help align internal behavior and skills with the strategic direction of the organization as a whole. Competency models translate organizational strategies, goals and values into specific behaviors.

The model can provide identification of the competencies employees need to develop in order to improve performance in their current job or to prepare for other jobs via promotion or to transfer. The model can also be useful in a skill gap analysis, the comparison between available and needed competencies of individuals or organizations. It is a diagnostic and formative tool to be harnessed in experiential learning. It has the power to aid understanding of the complex interaction between the numerous factors which can affect professional learning. It is the basis for dialogue between employer and employee. Competencies can be used in different parts of employee management applications, having an important role in each one of them. Competency models are widely applicable in Human Resources management processes – for instance in recruitment and selection, learning and development, career planning. The benefits from using them include employees having a clear understanding about the behaviours and attitudes encouraged in the organisation, transparency and fairness of the performance management and talent identification and development processes.

## **LIERATURE REVIEW**

Competency modeling becomes a popular management topic (Alldredge, & Nilan, 2000; Bartlett & Ghoshal, 1997; Kochanski, 1997; Mirabile, 1997; Pickett, 1998; Punnitamai, 1996; Shippman, Ash, Battista, Carr, Hesketh, Pearlman, hien, & Sanchez, 2000; Winterton, & Winterton, 1999). Thousands of organizations throughout the world have joined the quest for competencies studies (Bemthal & Wellins, 2001; Cooper, 2000; Dubois, 1998). A task force was commissioned several years ago by SIOP to study the state of competency modeling (Schippmann et al., 2000). Task force findings were based on an extensive literature review as well as 37 interviews with a diverse sample of subject-matter experts (SMEs). A primary finding was that competency modeling was typically far less methodologically rigorous than job analysis.

Competency models are too often a “hodge podge” of job and worker-oriented KSAOs—“ill-defined concepts with no clear meaning” (Sackett & Laczko, 2003). Competency modeling does not inherently lack rigor. However, most early efforts were conducted by less methodologically rigorous consultants who were not researchers. They had many key advantages such as a broader view of management and perhaps better rapport with management because of this. Further, Spencer & Spencer (1993) introduced with visible (skills and knowledge) and hidden (self-concepts, traits and motives) competencies, which in principal can be referred to as soft and hard. Lepsinger & Lucia (1999) divide all abilities into inherent and acquired. The inherent abilities serve as a foundation that determines a prospective acquirement and usage of a particular kind of skill or knowledge.

Competency model is a behavioral job description that must be defined by each occupational function and each job (Fogg, 1999). Depending on the work and organizational environment, a group of 7 to 9 total competencies are usually required of a particular job and depicted in a competency model (Shippman, et. al., 2000). Clifford, (1994), defined KSA's in a hierarchical way. First, skills can be defined as being able to perform a job as well as having

already performed certain work. Second, knowledge is having the knowledge to perform certain work but not having performed it yet. Finally, ability is having the physical, emotional, intellectual, and psychological ability to perform the work, but neither having done the work nor having been trained to perform the work. Cunningham, (1996), defines KSA's in slightly different way. He divides knowledge and skills (KSs) as a generalisable content for (defined) occupational groups, which include basic education, communication, social, letter and report writing, and problem solving. A competency model is a set of core competences that present the core values of an organisation in current and future role (Draganidis & Mentzas, 2006).

As competencies establish the requirements needed to perform a job, competency models can be used: as an employee recruitment and selection tool; as an employee assessment tool; as a tool to develop employee training and orientation curriculum; as a coaching counseling, and mentoring tool; and as a career development and succession planning tool (McLagan, 1996). For competency models to be useful, competencies must be correlated to job activities (Parry, 1998). A competency models help to strengthen HR systems, improve overall performance, and increase business impacts over time (Cook & Bemthal, 1996; Parry, 1996, 1998). The models always comprise of associated knowledge, skills, abilities, and other characteristics abbreviated as KSAOs which represent effective work behaviors (Kierstead, 1998). These KSAOs are grouped into clusters, labeled, and defined in a systematic manner. The models can be developed through in-house or imported, started either from scratch or with a validated competency model or both (Alldredge & Nilan, 2000; Lucia & Lepsinger, 1999). A competency model can be designed for an organization overall or for a position, role, level, function, or job within the organization ( Zwell, 2000).

The combination of traditional job analysis and competency modeling methods can allow for a highly robust approach to competency modeling. There are many methods that can be used to include future-oriented job requirements in competency modeling projects. Although they vary in methodological rigor, all might yield some useful insight. One simple approach is to conduct a literature review (Rodriguez et al., 2002) of emerging business models and their associated competency requirements. Which type of model an organization employs depends on its needs and objectives. Given the fact that, there is no one single correct way to develop competency models. Several organizational context factors and other operational parameters, for examples, - timeline, financial and personnel resources - need to be taken into accounts.

### **STRATEGIES FOR BUILDING COMPETENCY MODELS**

In an organization with many different jobs there are two approaches for building competency models – Universal and Multiple model approach.

**Universal approach** -This is a one size fits all approach. It involves creating a single model with one set of competencies applicable to all jobs. These are less related to specific job or function and more related to values and skills.

**Multiple approach** -This method creates multiple models depending on jobs and levels. This method is used when all the jobs do not have anything in common.

To go ahead with creating models that are of use, the organizations has to be more specific on the potential uses of the model. The model can be used for multiple reasons. First, competency modeling is an important innovation in that it is a way to get organizations to pay attention to job-related information and employee skills in the management of

employees. Second, they are often intended to distinguish top performers from average performers (e.g., Parry, 1996; Olesen, White, & Lemmer, 2007). They focus less on and may even omit descriptors of tasks or KSAOs that do not help understand employee performance (but cf., Lievens, Sanchez, & De Corte, 2004). Third, they often include descriptions of how the competencies change or progress with employee level (e.g., Martone, 2003; Rodriguez et al., 2002). Fourth, the KSAOs are usually linked to the business objectives and strategies (e.g., Green, 1999; Martone, 2003; Rodriguez et al., 2002). Fifth, they are developed top down rather than bottom up like job analysis. Sixth, competency models may consider future job requirements either directly or indirectly (e.g., Parry, 1996; Rodriguez et al., 2002; Schippmann et al., 2000). They do not document the status quo but attempt to look into the future. Seventh, competency models are usually presented in a manner that facilitates ease of use. Designing for ease of use often includes the utilization of organization-specific language.

The value of competency models is that a whole-person assessment or holistic approach (Mansfield, 1989; and Rodriguez, Patel, Bright, Gregory, & Gowing, 2002) can be developed to examine the competencies that an individual possesses and may still need to acquire as required by a given industry or occupation. With global competition and technological advances, organizational success is depending more on team efforts. A team competency model is proposed by ))), with performance being assessed on nine competencies. Finally, a competency framework must be robust, dynamic, fluid, and flexible to change with technological, economic, and other changes (Dubois, 1993; and Lucia, & Lepsinger, 1999) and should be re-evaluated and refined, along with the selection and other human resources tools developed and used with the competency model (Egodigwe, 2006; Lucia, & Lepsinger, 1999; and Patterson, Lane, Ferguson, & Norfolk, 2001).

## **PERFORMANCE MANAGEMENT**

Performance management programs are set up to provide feedback to employees on how effectively they are performing in their jobs. Such programs normally include a set of goals or objectives the employee must accomplish within the review period as well as the standards or criteria for determining whether the defined goals have been accomplished. Performance management is about achieving results in a manner that is consistent with organizational expectations. Integrating competencies within the performance management process supports the provision of feedback to employees not only on “what” they have accomplished, but also “how” the work was performed, using competencies for providing feedback. Assessing competencies as a part of performance management is an important means of assisting employees in understanding performance expectations and enhancing competencies. Performance assessments or tests measure task performance in the job environment and serve as a mechanism for determining task qualification.

Effective performance management include the following features:

- Linking individual goals to the corporate and work unit business plans and goals;
- Focusing on results, behaviours and process improvement.
- Regular reviews and updating of performance plans to address changing demands;
- Training for both managers and employees on how to effectively give and receive feedback;

- Training for managers on how to provide performance evaluations that are fair and unbiased.

Competencies can be integrated into the regular Performance Management (PM) process in one of two ways:

A) By defining the competencies needed to perform each Goal / Objective:

The manager and employee identify the key competencies required to achieve each performance goal / objective. At the end of the performance cycle, the employee's performance is evaluated in relation to the performance goals / objectives as well as the key competencies associated with each goal. Using this approach, the competencies included in the employee's performance plan may or may not completely coincide with the standard competency profile for the employee's role. The advantage of using this method is that the competencies being assessed are entirely consistent with the employee's performance goals for the performance review cycle. The disadvantage is that not all competencies within the competency profile for the employee's role will necessarily be assessed within the cycle.

B) By integrating the competencies for the employee's job into the PM process:

In this case, the performance plan includes the performance goals / objectives for the review period as well as the complete set of competencies from the competency profile for the employee's role. The performance goals / objectives address "what" must be accomplished during the review period, and the competencies measure "how" the employee conducted him/herself to accomplish their work. The advantage of this method is that all competencies defined in the competency profile for the employee's role / job are evaluated. The disadvantage is that due to the specific nature of the performance goals / objectives, key competencies for the effective performance during the review cycle, but not included in the competency profile, will not be assessed.

The results are compiled and a report is provided to the employee. The report includes the results for all competencies, highlighting both the competencies that are strong as well as those rated lowest by the different stakeholder groups. In almost all cases, individual ratings from others are combined in such a way so as to protect the anonymity of the individuals providing the feedback. The report is set up to show similarities and differences in ratings across the different stakeholder groups. The results of the process are normally used to develop learning and action plans for improvement. They can also feed into broader assessment programs to support employee career development and succession management within the organization.

## **IMPLEMENTING THE MODELS**

The performance management process becomes stronger when employees are appraised on both objectives (what) and behavioral performance (how), referred to as the "mixed model". The "mixed

model" provides a shared understanding of what will be monitored and measured, and ensures an understanding of how the work gets done in addition to what gets done. The following stages are included while implementing competency models within Performance Management on a corporate-wide basis:

Stage 1:

- Determine policy for integrating competencies within the Performance Management process
- Design a Performance Management process consistent with the policy (as required)
- Design communications and training program to support implementation
- Pilot the process
- Revise and finalize ready for full implementation

Stage 2:

- Communicate and implement the Performance Management process
- Review and evaluate the process during the first cycle of implementation and make revisions.

### **CHALLENGES IN USING THE MODELS**

Competency models are not the sole solution for every hiring and selection decision or other managerial functions (Cockerill, Hunt, & Schroder, 1995), nor should they be the only tool utilized in meeting education and training needs (Dalton, 1997). Ashworth and Saxton (1990) explain that framing competencies as an outcome can ignore the mental and personal processes that are utilized in developing and exhibiting skills and utilizing knowledge. Despite the efforts to assess the competencies associated with personal characteristics, traits and motivation, such competencies are difficult to define and therefore difficult to assess. Such competencies cannot be directly measured in behavioral terms, but more accurately there are behaviors associated with these competencies. Organizations often invest considerable resources in the initial development and implementation of their competency models; however, equal consideration should be given to maintaining the currency and usefulness of the models over time. Many aspects of competency models can change over time, such as organizational objectives, senior management, environment, likely future, and language. So having a plan for updating is critical.

Organizations should validate the models to avoid risks of having irrelevant and outdated profile which may lead to legal implications. The more extensive applications of the models to HRM activities, the greater degree and time require for the validation. There are several techniques to verify the usefulness, the appropriateness, and the meaningfulness of the models. To mention a few, some less onerous examples are informal feedback from observations, employee survey, audit sampling, and managerial validation methodologies used to designing the models involve :

1. analyzing target job or position under changing business strategies,
2. identifying effective and ineffective behaviors from below, average, and "star" performers,
3. collecting data by using balanced approaches,
4. analyzing the data and formulating an interim competency model, and finally
5. Validating the appropriateness of the model.

Particular attention has to be paid to defining the scope of the different competencies

identified so as to determine competency areas that cover the spectrum of trends and core capabilities and strategy. Next, the 'generalisability' of the identified competencies should be examined so as to separate more generic ones forming competency areas, from more specific ones constituting detailed job-related competencies. One of the major causes of failure of large-scale organisational change efforts is poor communication. As a result, employees often have difficulties in understanding the messages being diffused. Competencies proved to be a powerful tool by enabling HR managers and change agents to communicate change objectives and management expectations regarding new ways of working.

### **Recent Trends in Competency Modeling**

**Automation of competency modeling-** In an effort to streamline and make the process of competency modeling /job-analysis more efficient, Mason and Lin (2008) advocate the use of online data warehouses of competency models, web-based focus groups, and the use of online surveys to gather data from subject matter experts (SMEs) and incumbents.

**Strategic job analysis** - Strategic job analysis involves attempting to identify the relevant tasks, behaviors, and KSAOs for a job as they are predicted to be in the future (Schneider & Konz, 1989). This approach represents a change from descriptive job analysis (with a focus on describing the job as it currently exists) to predictive job analysis (which focuses on how the job is expected to be in the future). The need for strategic job analysis is becoming more apparent because of the dynamic nature of modern-day organizations.

**Personality-oriented job analysis-** The use of personality as a predictor in selection is becoming more and more common in today's organizations. Countless meta-analyses have demonstrated that a number of broad personality traits are associated with high performance on the job.

**Cognitive task analysis** - The identification and analysis of cognitive processes that underlie task performance, has been offered as a supplement to traditional task analysis. With the advent of the Internet and the great increase in technology across the workplace, today's jobs contain more cognitive complexity than ever before.

### **CONCLUSION**

The functioning of an organization largely depends upon several remarkable components, with the talented employee occupying the central role for the accomplishment of organizational goals. The present economic situation encourages more and more organisations to review and further develop their competency models or plan its introduction if they do not have one already. The need for a forward-looking and proactive approach to competency modelling is driven by the increasing pace of change in the business environment. Competencies provide a clear signal to employees regarding encouraged behaviours and attitudes, guiding them towards achieving high results. Different parts of the competency model complement each other to enable the harmonious functioning of the processes in the organisation. Competencies will continue to receive close attention as companies migrate to organization designs that view jobs as excessively rigid and limiting. Competencies offer a powerful opportunity to communicate new values and directions. Competencies can be used for translating strategy into job-related and individual skills and behaviours that people easily can understand and therefore implement. The challenge is not only to be able to define the organisational core competencies required for a business to compete successfully, and then define the right mix of skills and behaviours that the

individuals would need to possess in order to produce and support those core competencies. With the knowledge and use of the information contained within a competency model and awareness of their individual competency strengths and weaknesses, individuals may manage their future job or career success, navigate their current chosen career pathway, or apply the information to examine new career opportunities, considering the utilization of transferable competencies.

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