Using Competency Models to Improve HRM

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Abstract
Today's many organizations have found that the ability of their workforce is a key to gain competitive advantage and competency studies has gained more and more interest and attention. Competency is a combination of tacit and explicit knowledge, behavior and skills that gives someone the potential for effectiveness in task performance and Competency model is a narrative description of the competencies for a targeted job category, occupational group, division, department or other unit of analysis. Using of competency models in HRM Integrate HR activities. In fact, Competencies are the common link among the majority of human resource subsystems. The purpose of this study is the introduction of competency models and their contribution to promote human resource management practices in 4 Section. After an introduction in section 1, we review the competency concept in section 2, In section 3 the applications of competency models to HRM functions have explained and finally in section 4, we express Advantages of competency-based HR system.

Keywords
Competency, Competency Model, HRM, HRM Functions.

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Introduction

In today's competitive business world, sustainable competitive advantage is the fundamental factor for achieving organizational strategies. As capital and technology became increasingly available to virtually anyone, anywhere, the search of corporations for sources of sustainable competitive advantage increasingly pointed inward towards organizational capabilities. Many organizations have found that the ability of their workforce is a key to gain competitive advantage. Today's organizations are more concerned about their human competency base and its development (Ozcelik and Ferman, 2006: 73) so competency studies has gained more and more interest and attention (Xuejun Qiao and Wang, 2009: 69).

For over 30 years, business and industry has utilized competency models to select employees. But the trend to use competency-based approaches in education and training, assessment, and development of workers has experienced a more recent emergence (Ennis, 2008: 4). The competency movement has been in use in business through the groundbreaking work of David McClelland (1973), Richard Boyatzis (1982), Spencer and Spencer (1993), and many others in the field (Ozcelik and Ferman, 2006: 73). Competency is a combination of tacit and explicit knowledge, behavior and skills that gives someone the potential for effectiveness in task performance (Draganidis and Mentzas, 2006: 53).

Using of competency models in HRM Integrate HR activities. In fact Competencies are the common link among the majority of human resource subsystems (Byham: 6). By linking human resources processes to desired competencies, organizations can shape the capabilities of its workforce and achieve better results (Donzelli et al., 2006: 74) and it may be possible for an organization to build ongoing snapshots of the overall knowledge capital and skills portfolio of its workforce. Further, organizations may be able to utilize this information to perform individual and organizational analysis, reduce education costs, improve hiring practices, improve retention, improve human resources performance and developmental planning processes, and deploy its human capital more effectively (Gangani et al.: 1111).

The purpose of this study is the introduction of competency models and their contribution to promote human resource management practices.

Competency: An Overview

Definition of Key Concepts

Competency has its origins in the Latin word 'competentia' which
means “is authorized to judge” as well as “has the right to speak” (Caupin et al., 2006: 9).

The competency approach to human resources management is not new. The early Romans practiced a form of competency profiling in attempts to detail the attributes of a “good Roman soldier” (Draganidis and Mentzazas, 2006: 52). McClelland (1976) described “competency” as the characteristics underlying superior performance. He is credited with introducing the idea of “competency” into the human resource literature; in his efforts to assist the United States Information Agency improve its selection procedures (Draganidis and Mentzazas, 2006: 52). Competencies are defined as sets of skills, knowledge, abilities and attributes-characteristics that enable people to successfully perform jobs (Spicer, 2009: 34).

Some of the main definitions of competencies from different writers or companies, in addition to that mentioned before, present in Table 1, in an effort to provide a complete understanding of the different aspects that this term incorporates (Draganidis and Mentzazas, 2006: 53).

Table 1: Current definitions of the competency concept

<table>
<thead>
<tr>
<th>Author</th>
<th>Definitions</th>
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<tr>
<td>Marrelli (1998) (1)</td>
<td>Competencies are measurable human capabilities that are required for effective work performance demands.</td>
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<td>Dubois (1998) (2)</td>
<td>Competencies are those characteristics—knowledge, skills, mindsets, thought patterns, and the like—that, when used either singularly or in various combinations, result in successful performance.</td>
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<td>HR-XML (<a href="http://www.hr-xml.org">www.hr-xml.org</a>)</td>
<td>A specific, identifiable, definable, and measurable knowledge, skill, ability and/or other deployment-related characteristic (e.g. attitude, behavior, physical ability) which a human resource may possess and which is necessary for, or material to, the performance of an activity within a specific business context.</td>
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<tr>
<td>Boyatzis (1982)</td>
<td>Boyatzis described competencies as underlying characteristics of an individual, which are, causally (change in one variable cause change in another) related to effective job performance.</td>
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<td>Selby et al. (2000)</td>
<td>Selby described it as an ability expressed in terms of behavior.</td>
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<td>UK National Vocational Council for Vocational Qualification (1997)</td>
<td>The National Vocational Council for Vocational Qualification described competency as performance standards, the ability to perform in work roles or jobs to the standard required in employment.</td>
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<tr>
<td>Treasury Board of Canada Secretariat (1999)</td>
<td>“Competencies” are the knowledge, skills, abilities and behaviors that an employee applies in performing his/her work and that are the key employee-related...</td>
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<td>Source</td>
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<td>Perrenaud (2000)</td>
<td>A capacity to mobilize diverse cognitive resources to meet a certain type of situation.</td>
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<td>LeBoterf (1998)</td>
<td>LeBoterf says that competencies are not themselves resources in the sense of knowing how to act, knowing how to do, or attitudes, but they mobilize, integrate and orchestrate such resources. This mobilization is only pertinent in one situation, and each situation is unique, although it could be approached as an analogy to other situations that are already known.</td>
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<tr>
<td>Jackson and Schuler (2003)</td>
<td>Competencies are defined as “the skills, knowledge, abilities and other characteristics that someone needs to perform a job effectively”.</td>
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<td>Intagliata et al. (2000)</td>
<td>Most fundamentally, competencies provide organizations with away to define in behavioral terms what their leaders need to do to produce the results the organization desires and do so in a way that is consistent with and builds its culture. They should provide the “North Star” by which leaders at all levels navigate in order to create synergy and produce more significant and consistent results.</td>
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<tr>
<td>People Soft</td>
<td>A set of measurable and observable knowledge, skills and behaviors that contribute to success in a job/position.</td>
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<tr>
<td>Gartner Group</td>
<td>A competency is a set of characteristics, including skills, knowledge and attributes, that causes or forecasts performance.</td>
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</table>

Other terms and processes which are essential in competency based management systems are defined as follow (Draganidis and Mentzas, 2006: 55):

- **Competency identification.** The process of discovering what competencies are necessary for exemplary or fully-successful performance.
- **Competency model.** A narrative description of the competencies for a targeted job category, occupational group, division, department or other unit of analysis.
- **Competency assessment.** The process of comparing an individual’s competencies to those of a competency model.
- **Competency-based management.** Application of a set of competencies for managing human resources so that performance contributes efficiently and effectively to organizational results.
- **Competency standard.** Identifies the essential skills and knowledge workers must have, and defines the performance levels they must
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- **Competency profile.** Document that describes the set of competencies particular to a position/job/occupational group/functional community.

**Different Types of Competencies**

Carrol and McCrackin (1988) argue that competencies are generally organized into three main categories. The first is the core competency category, which was first proposed by Prahalad and Hamel (1990). A core competency forms the basis for strategic direction; it is something a company does well relative to other competitors. Because the workforce of the organization is crucial in terms of creating strategic value and organizational performance in the organization, the concept has influenced the HRM practices. Core competencies refer to the elements of behavior that are important for all employees to possess as, for example, a core competency in "result/quality orientation". The second category is leadership/managerial competencies. This category involves competencies that are related to leading an organization and people to achieve an organization's objectives that relate to managing, supervising, and developing people. Some examples include "visionary leadership", "strategic thinking", and "developing people". The third category is functional (job-specific) competencies, those that are required to be performed in a particular job role or profession (Ozcelik and Ferman, 2006: 75).

**Development of Competency Models**

Many companies and governmental organizations have addressed issues such as organizational transformation, performance improvement, employee development, succession planning and etc. by the implementation of competency modeling programs, i.e. through strategic initiatives aimed at aligning employee performance with job requirements.

A competency model is a list of competencies which are derived from observing satisfactory or exceptional employee performance for a specific occupation. 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.

Competencies are the building blocks of competency models. For
example, a competency model for an Area Sales Manager might include competencies such as sales planning, team working, market competition, industry trends and strategic thinking (Draganidis and Mentzas, 2006: 56).

Briscoe and Hall (1999) identify three main approaches that organizations use to create competency models. The first is the research-based approach in which top-performing executives are asked to give examples of critical behavioral incidents that are crucial for success. The idea is that superior performers are different from good performers and are thought to demonstrate these superior behaviors consistently. Second, a strategy-based approach is based on the idea that a company experiencing changes in its strategic goals will also drive a need for change in the competency requirements for its employees. Finally a value-based approach is based on the view that competency frameworks are derived from the normative cultural values of the organization (Ozcelik and Ferman, 2006: 76-77).

The development of a competency model consists of different steps, required for the creation and validation of the model. The validation process is a means of checking that the competencies predict successful job performance. Table 2 outlines the most commonly used steps in the development of a competency model (Draganidis and Mentzas, 2006: 57-58).

**The Applications of Competency Models to HRM Functions**

Competencies can be used in different parts of employee management applications, having an important role in each one of them. Competencies are important in the following employee management applications:

**Selection**

Competency-based selection is the oldest application among all human resources systems and can be traced back to McClelland's early work with competencies for hiring purposes (Ozcelik & Ferman, 2006: 77). Competencies are used in order to compare the capabilities of the candidate with the requirements of the offered position; once the best candidate is identified, competency gaps form the basis for an initial new-hire learning plan (Draganidis & Mentzas, 2006: 55). The purpose is to establish the "behaviors" needed in a particular job and the extent to which these are possessed by different candidates (Rowe, 1995). A competency model provides a complete picture of what it takes to perform the work so that interviewers can identify characteristics required to do the job well. Records of selection decisions and ratings of competency, if regularly acted upon, can help organizations improve the
effectiveness of selection decisions (Ozcelik & Ferman, 2006: 77).

Training and Development
Competency gap analysis can identify the needed competencies; these competencies can be linked with the equivalent learning objects (Draganidis & Mentzas, 2006: 56).

Table 2: Steps in the development of a competency model

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<tr>
<th>Step</th>
<th>Description</th>
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<tr>
<td><strong>Creation of a Competency Systems Team (CST)</strong></td>
<td>As a first step, many enterprises and organizations create a CST which consists of human resources staff, top executives and employees who possess a deep know-how of the jobs included in the model. This team has a responsibility for overseeing the whole initiative.</td>
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<tr>
<td><strong>Identification of Performance Metrics and Validation Sample</strong></td>
<td>A proficiency scale is prepared in order to define superior, average and marginal performance for the jobs included in the model.</td>
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<tr>
<td><strong>Development of a Tentative Competencies List</strong></td>
<td>The CST develops a preliminary list of competencies which serve as a basis for building the model. The creation of such a list can be successful, through reviewing competency models that have already been developed by other organizations and considering the organization’s own business strategies.</td>
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<tr>
<td><strong>Definition of Competencies and Behavioral Indicators</strong></td>
<td>In this step, information is collected on what competencies are needed to perform the jobs in the model by conducting interviews, focus groups, and surveys with employees and managers.</td>
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<tr>
<td><strong>Development of an Initial Competency Model</strong></td>
<td>The CST develops an initial competency model based on the information collected in the previous step by performing quantitative analysis of the survey results and content analysis of the themes contained in the interview and focus group results.</td>
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<tr>
<td><strong>Cross-Check of Initial Model</strong></td>
<td>It is important to check that the initial model is accurate by conducting additional focus groups, interviews, or surveys with groups of managers and employees who did not participate in the defining of the initial model.</td>
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<tr>
<td><strong>Model Refinement</strong></td>
<td>The same types of analysis used in developing the initial competency model are used by the CST to refine the model.</td>
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<tr>
<td><strong>Validation of the Model</strong></td>
<td>Validation efforts begin with converting the competencies into a questionnaire that can be used for rating individual effectiveness. The individuals identified earlier as superior, effective, and marginal performers are rated on this questionnaire by</td>
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A well-constructed competency model includes not only behaviors that are indicators of effectiveness on the job but also those required to support the organization’s strategic direction, as well as develop and maintain the culture needed to achieve business results (Lusia & Lepsinger, 1999).

**Performance Management**

Worker performance is evaluated against job competency requirements as well as objectives (Draganidis & Mentzas, 2006: 56).

Today, performance is not only seen as "what" (objectives) an employee achieves but also viewed as "how" (competencies demonstrated) the job is carried out. Many organizations use competency-based models as a part of their employee development centers. The objective here is to assess individuals’ strengths and weaknesses so that future development is identified. The competency, as a measurement tool, identifies behavioral factors relevant to performance in the job. 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 (Ozcelik & Ferman, 2006: 77).

**Compensation Management**

Competency-based pay provides a link between competency ratings and compensation. As in the performance-management process, a mixed-model approach to compensation is desirable. The important aspects of how a job is performed are ignored when organizations concentrate on pay for results only. On the other hand, organizations may not adequately evaluate results if they only focus on pay just for the use of competencies. Establishing compensation for demonstrate competencies, that is, both what is accomplished and how it is accomplished, provides fairness and equity and distinguishes between superior and average performers. However, as identified by the American Compensation
Association, competency-based compensation is the least common application of competency models among all HRM practices (Ozcelik & Ferman, 2006: 78).

**Career planning**

According to McLagan, the competency approach is an effective tool to be used as a criterion for career development. Competency-based career-planning systems link competencies with the development activities, which help employees learn what they need for further development (Ozcelik & Ferman, 2006: 77). They can review the needed competencies of all the positions and through comparison with the competencies they possess and identify potential positions and develop their career plans (Draganidis & Mentzas, 2006: 56).

**Advantages of Competency-Based HR System**

Byham say that competency-organized human resource system has four advantages:

1. **Decreased communication, training, and administration time.** Managers must learn only one set of competencies and definitions for each position. It takes less training time to install each new subsystem or program because the competencies are understood, and major concepts, such as focusing on behavior and organizing behavior into competencies, are used throughout.

2. **Subsystems validate one another.** Information from different sources can be compared. Data from one component can be used to validate the effectiveness of the others. For example, performance review ratings can easily be used to validate the effectiveness of a selection or training subsystem.

3. **Subsystems reinforce one another.** The use of one subsystem supports and reinforces the use of others. Using the definitions and rating scales successfully in one subsystem reminds managers the importance of using them in other activities. For example, successfully using a performance management system organized around competencies would reinforce using a selection system organized around competencies.

4. **The entire system and each subsystem can be validated using a content-oriented validation strategy (that is, the subsystem can be related to defined job requirements)** (Byham: 7).
Conclusion

Competency Models are effective measurement tools that help employees agree on a common language and comprehend what is understood by superior performance. Moreover, 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. Today organizations realized that if properly designed and skillfully handled, the competency model leads to individual and organizational performance enhancements and therefore helps the integration and promotion of all HRM practices.
References


Rowe. (1995), "Clarifying the use of competence and competency models in recruitment, assessment, and staff development", Industrial and commercial Training, 27 (11), pp. 12-17
