

Competency White Paper

Introduction

In mid August 2006, ERI sent an offer to its 10,000 subscribers soliciting comments on their use of competency models in their organizations. The 8/15 letter read:

Autumn 2006 will be a tough time for management.

Employees' personal debts have risen, energy costs are appearing in utility bills, high gasoline prices continue, and adjustable interest rates are soaring. Many employees will need increased earnings to maintain their present lifestyles. Yet businesses can only pay for the job that needs to be done, the value contributed by the individual to the mission of the organization.

A person's skills, knowledge and abilities have no value unless there exist job demands and work tasks within / to which they can be applied. Task achievements have no value unless an organization's mission and objectives are fulfilled. This mix of behavioral skills, knowledge/abilities, job demands, and tasks, all within the framework of an organization's strategy are referred to as "competencies." Stripped to the core, the number of organization competencies can be surprisingly few. It is the organization's mission that defines their content and number. Each can be captured in a few words, a paragraph, of prose.

Today, many ERI subscribers report the use of competencies in defining work (European subscribers have led the way). To some, full job descriptions are seen as smoking guns and their definitions, along with metric measurements created by job analyses and job evaluation and complementing performance appraisals, have vaporized in the litigious American climate. With a few exceptions, such as the new US FLSA regulations (which are pure job analysis) and the new US OFCCP Systemic Discrimination regulations, paragraph length competencies are evolving to take the place of these older constructs. And in this "feel good, high self-esteem" world, a secret battle also exists in many organizations: Do workers define their own jobs, their own missions or do the business objectives of an organization prevail? Competency descriptions of work, embedded with the mission/strategy of the organization, appear to solve this problem. (Because if not defined by management and business necessity, then by whom?)

The structure of American pay is becoming "base pay/salaries" for a specific job title (often itself a simple skill abbreviation) and incentive pay tied to competencies (defined in a variety of motivational reward vocabularies). A portion of competency valuation is captured by competitive rates of pay paid by competitors for similar jobs. Today, this data is overwhelming. Once only samples of employers' pay, technology is changing "salary data" into census reports rather than surveys. Optical character recognition reads of SEC and IRS documents, scrubbed web/other media incumbent inputs (like the US Census), web-service loan and employment applicant earnings verifications, data mining of job boards (which are ubiquitous as they assist in protecting against discriminatory challenges), combined with traditional surveys and the new interactive Internet surveys, now provide a comprehensive picture of the base rates paid for skills and identified tasks.

Articles abound as to the need for HR professionals to become part of their management's strategic team. A point often missed is that the information for the collection and definition of competencies is found only in HR's "language of work." The missing link is not the inability to pay for competencies or reward for performance; it is lack of defining these competencies. Without such definition, one can squander compensation dollars unnecessarily, granting pay increases in 2007 for apparently no reason at all.

*ERI's **2007 Salary Increase Survey & Forecast** is unique in its reporting planned increases by differing jobs, functions, and families. (If all jobs increased at the same rate, one would need to purchase salary survey data but once a century.) ERI has begun reporting increases forecasted for specific skills (the foundation of competencies). In an updating of the O*NET Detailed Work Activities, using **Assessor Series** and eDOT Skills Project data, we are crosswalking skills to 2007 increases for inclusion in the **2007 Salary Increase Survey**. It is our start toward valuing unique organizational competencies.*

As has been our practice since inception, ERI's **2007 Salary Increase Survey is **FREE** to **Assessor Series** subscribers and we'll credit free access to a Webinar above if you'd take the time to send us 100 words about your use/view, if any, of "competencies."*

Further Background

Again, ERI defines competencies (there are other definitions) as behavioral and demonstrated knowledge, skills, or abilities performed to a specific standard unique to a specific organization. Competencies are observable in relation to the tasks required in an organization's work; part skill, duties, responsibilities, and job demands framed in the language of an organization's culture and work environment, they typically take the form of written paragraphs, the number of which might vary from 5 – 50 – 250 for an organization reflecting the strategy and goals of that entity.

Practically, competency statements have taken the place of job analysis in modern business and lend themselves well to a litigation minimization strategies that utilize job bands (rather than grades) and large job families (rather than position descriptions). Competencies are difficult to value (skills & abilities are worthless unless a task is required and contributes to the organization's mission) so organizations today continue to use position specific job titles (a job title is often a simple primary task statement) for salary planning, but for EEO-1 reporting, OFCCP compliance, and minimization of affirmative action claims, competencies are better tools in today's world than job specific data that too often has been found to be a "smoking gun."¹

"Employee selection" and "employee promotion" are where competencies have proven their most effective. Internet applicant systems today look for "sharp pegs" (rather than "square pegs") to fit into "square holes." By focusing on knowledge, skill, and ability generalized documented methodology can be developed and archived wherein explanations may be manufactured as/when required. The US Government has led the way with its replacement and abandonment of the DOT in favor of the O*NET designed primarily for the educational establishment's use in career planning for youngsters. Generalization, not specificity, has won the battle for the hearts of time-starved management who find job

analysis, job evaluation, and the study of work “overhead squared” for the well-being of internal operations/administration and not an entity’s sales/service/production.

Summary Combination of Observations

ERI researchers have summarized the comments received (many verbally with a request for anonymity) into the following discussion categories:

- The Need Created by the Competency Vacuum – from a full-day response
- A “best practices” link to an interesting similar white paper/posting (“research could fit snugly into the backpack of a relatively small ant.”)
- A Historic 10 year old reference
- Consensus comments

The Need Created by the Competency Vacuum

This evolution to competencies, the use of macro job families, and broad bands for controlling wage/salary costs has left several (economically defenseless) needy user groups in the dust. They include:

1. Individuals over age 27 who are looking for work - rarely do “out of work adults” with family responsibilities “start over” in their career search. They do not need to find a “job family,” they need to find a “job.” The rule is that most stay within their industry, network with peers, and play the hand dealt them.
 2. Disabled individuals shown competencies must guess as to the job demands associated (is lifting required, can one sit/stand/shuffle, etc.) A disabled person is best served by the identification of specific jobs where their mental and physical residual capacities fit the reality of the job (with its required competencies).
 3. Veterans coming out from military service have no easy crosswalk between required military competencies and those unique statements found within a strategy enriched set of organizational competencies.
 4. And HR professionals (and OFCCP contractor/managers) are left with huge voids in information needed for compliance. How does one:
 - a. Determine “similarly situated employee groupings” for EEO-1 and OFCCP?
 - b. Create or find an inventory of skills unique to today’s work (the US Government’s O*NET skills list (DWAs) is 20 – 30 years old?
 - c. Know the average job demands for various competencies so that disabled individuals are not misplaced either mentally or physically?
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- 1) All this is a bit of a game. The new EEO-1 form to be used post 1/1/2007 breaks Management down into two categories: 1.1 and 1.2, executive and managerial which some call “strategic” and “operational.” The new OFCCP Regulations related to systemic discrimination disallow the use of grades or bands in determining “similarly situated employee groupings.”
- 2) Office of Federal Contract Compliance Programs; Interpreting Nondiscrimination Requirements of Executive Order 11246 with Respect to Systemic Compensation Discrimination June 16, 2006; Office of Federal Contract Compliance Programs: 41 CFR Part 60-1 Obligation to Solicit Race and Gender Data for Agency Enforcement Purposes, Final Rule October 7, 2005.

A Best Practices Link

ERI refers you to Steven G Rogelberg’s (Bowling Green State University) website and column:

*For this month's column, I asked two BGSU graduate students to gather and synthesize the empirical literature on competency modeling methods and practice. **To no great surprise, the resulting document could fit snugly into the backpack of a relatively small ant.** Despite the abundance of competency modeling practice, there is a dearth of competency modeling research. Maggie and Jimmie then changed gears, and instead of combing the academic literature for competency modeling articles, they interviewed practitioners and searched the trade literature. What follows is a nice, and hopefully useful, synthesis of their findings. If you have any comments/questions concerning this column, please contact*

See: <http://siop.org/tip/backissues/TipApril00/14Rogelberg.aspx>

A Historical Perspective

ERI refers you also to writing\s of 10 years ago. The use of “competencies” in US and European organizations in 2006 has not occurred as a “bolt of lightning.” Individuals have been talking about these models for several Decades.

COMPETENCIES AND COMPETENCY MODELS: DOES ONE SIZE FIT ALL?

*By Patricia K. Zingheim, Ph.D., Gerald E. Ledford Jr., Ph.D., Jay R. Schuster, Ph.D.
ACA Journal, Spring 1996, pp. 56-65*

Although competencies are not new, paying for competencies is rapidly gathering attention. In many firms, the rate of change is so great that the individual job has ceased to be useful as the “atom” around which organizations and human resources practices are structured. Job-based pay has outlived its usefulness in such companies. Firms are searching for a new logic to pay and a new basis for salary structures that are better aligned with organizational strategies, structures, cultures and other HR practices. At this point, competency-based pay is the most promising

A Consensus Response

ERI subscriber comments are summarized in the following consensus response. Much like a picture, each sentence is worth another 1,000 words.

*Over the past two years, we have consolidated a vast number of position descriptions and titles into a more standardized set that exists today. Based on this, it is at this point that core competencies are still difficult to correlate with survey data. Discrepancies result from lack of competency requirements being included with job descriptions which are commonly used. **Additionally, many advancements result from a perceived need of a new job title instead of rewarding competency.** It is believed that a shift toward competency reward in addition to well defined competencies included with job descriptions will further simplify the advancement/reward/hiring processes, as well as move our management to a common set of behaviors and skills that we will reward, train for, and look for during the employment life-cycle.*

ERI maintains a database of over 100,000 job titles. This growth in job titles, too, is a phenomenon of the past ten years, a “reality” that we have created without questioning the proliferation of job titles found in the economy. Many responses included mention of the fact that the use of “competencies” has led to the proliferation of unique job titles, reflecting the unique skill required by these specific jobs. Every new force has new reactions and consequences.

September 2006 (this paper is a living document, “in process”)