The competency approach to human resource management is based on identifying, defining and measuring individual differences in terms of specific work-related constructs, especially the abilities that are critical to successful job performance.

The concept of competency lies at the heart of human resource management, providing a basis for integrating key HR activities such as selection and assessment, performance management, training, development and reward management, thus developing a coherent approach to the management of people in organizations.

This use of competencies in human resource management is not something new, although the approach is still characterized by a certain confusion related to what competencies are and how they should be measured. Difficulties with the operation and implementation of competency management systems are mostly related to the complex and lengthy process required for identifying the appropriate competencies for an organization and for building the appropriate competency model. Another issue of concern is that the competencies defined most often end up as being backward-looking rather than future-oriented with respect to strategy and organizational change. Competency models tend to focus on what managers currently do rather than what is needed to perform effectively in the future, something that jeopardizes the potential of competencies to act as levers for implementing change.

The need for a forward-looking and proactive approach to competency modelling, i.e. to the process of identifying and describing job competencies in narrative form for an identifiable group of jobs, is driven by the increasing pace in strategy development and implementation. In this context, competencies can be used for translating strategy into job-related and individual skills and behaviours that people can understand and therefore implement in support for change. The challenge here is not only to be able to define the organizational core competencies required for a business to compete successfully, but also define the right mix of skills and behaviours that the individuals would need to possess in order to produce and support those core competencies.

Employees' competencies and the integration of HR policies and practices with business strategies play a central role for sustained competitive advantage. The culture of the lifetime employment no longer exists. Rather, we are witnessing a shift from “people as workforce to people as competitive force” that identify strategic thinking, innovation, creativity, and business sense as critical requirements for succeeding in almost any kind of job, thus driving the need for defining and developing new competencies. In this context, it is particularly important to grasp the dynamic nature of individual job-related competencies and recognizing the need for connecting competencies with changing business needs.
Translation of business strategy

In spite of the abundant concepts, frameworks and management publishing dealing with strategy, recent research shows that one of the most difficult managerial and leadership issues remains the translation of business strategy into the individual competencies needed for implementing and supporting that strategy at the operational level in organizations. Most often, employees must be provided with quite prescriptive job descriptions in order to be able to behave in a manner aligned with strategic objectives.

“There are a number of issues that need to be addressed in order to advance the approach to competency management.”

As a result of this prescriptive approach the competencies identified in many competency management projects are oriented toward the skills needed to continue doing what the organization already does. In that sense, few competency models differ from the traditional approach of selecting and retaining employees who can perform a set of well-defined tasks, usually focusing on technical knowledge and skills. In times of frequent change, or in project-oriented environments, however, such a view of competencies seriously limits the organization’s potential for dynamically adapting to an evolving strategy.

The most common approach to competency modelling involves images of what job holders do based on static job descriptions and identification of behaviours that distinguish outstanding from adequate performers. Then, the attributes, such as high performance competencies, which distinguish outstanding from average job performance, are identified and measured. Finally, statistical analysis of the frequency of these competencies leads to a “model” of competencies demonstrated by outstanding performers.

This approach to competency management, which is analogous to job analysis, focuses on competencies of successful individuals rather than on competencies that are needed to support an organization to meet its short- or long-term objectives. Moreover, the laborious procedures required in order to dig out, analyze, validate and then elaborate on job descriptions and other descriptive data related to the tasks and activities that compose jobs are time consuming and costly, especially in larger organizations.

Addressing the issues

In view of the above, there are a number of issues that need to be addressed in order to advance the approach to competency management if the objective is to find support in competencies for implementing strategy-driven change initiatives.

First, there is a need to shift toward a forward-looking and proactive approach to competency modelling. If competency modelling focuses on the analysis of gaps between current high and average performance, it ignores the skills required for long-term future success. As a result, the organization compensates and rewards behaviours that already from the outset may be obsolete and constitute obstacles to strategy implementation. As business needs are changing, business leaders are recognizing the value of employees who are not only highly skilled but, more importantly, can adapt to changes, learn quickly, commit themselves to continuous professional and personal development and communicate effectively.

Second, the laborious and time-consuming procedures of traditional approaches to competency modelling will be of little use for organizations with rapidly changing structures, processes and performance requirements. Finally, for companies that operate in continuously changing business environments there is a critical need to implement new business strategies quickly and effectively. Competencies, if generated from strategy, can be used as powerful communication tools in order to translate business strategy and changes in structure and processes into behavioural terms that people can understand and therefore, implement.

Competency management and integration of competencies into HR functions provide HR management with a toolkit for capturing and communicating strategic vision and objectives in clear behavioural terms that can be easily understood and applied.

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