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Framework

Define. Distill. Deploy.

Adopting twenty-first century competencies for high-impact talent

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As they strive to build a dynamic workforce that can activate strategy, organizations are demanding more sophisticated and powerful competency frameworks. Updated models offering more precision, easy implementation, and a focus on the needs of today's businesses can unlock significantly more value from talent management.

Job descriptions should come stamped with expiration dates. Given the speed of business, any standard list of duties and responsibilities will go stale much faster than a box of cereal.

That's why organizations rely on competencies, or the measurable skills and attributes that lead people to succeed at their work, as a better way of describing and cataloging talent needs. But major forces—globalization, economic shifts, opportunities presented by technology, flattening corporate structures—are revealing that not even competency frameworks have an infinite shelf life.

Organizations are asking for competencies that are more aligned to their current pain points and future needs. They also need frameworks that can flex to meet volatile business conditions or specific industries. Human resources leaders evaluating their current systems are asking:

- Can we distill which behaviors are core to the entire organization, and which are salient to specific functions, roles, or business strategies?
- Can we easily distinguish which competencies are associated with effective leaders at progressive levels of management?
- Do we know which competencies are rare enough that it's preferable to seek a capable outside hire?
- Are we able to anticipate talent shortfalls that might trip up an individual or even derail a whole strategic initiative?

To build the kind of dynamic workforce that holds its value even when deluged by new challenges, organizations need a twenty-first century competency framework.

The promise of competency frameworks renewed

Competency frameworks have significant benefits, and the evolution of research-based competencies offers any organization an opportunity to quickly catch up on best practices in talent management.

Competencies are deliberately defined in a broad way (McClelland 1973), each representing a cluster of related behaviors rather than specific technical skills (Bowen and Ostroff 2004). That gives them maximum applicability, so that an individual hired for one role likely will fit a variety of other roles as business demands change. Still, new needs do emerge, such as a global mindset or technology savvy, that spur the addition of new competencies. At the same time, scrutiny of performance data reveal which competencies no longer have enough impact on success to warrant keeping them in the library.

62% to 70% of high-performing organizations were found to be updating their competencies every two to three years.

Recent research found that updating competencies has a beneficial effect across the business (Loew and Garr 2011). The study examined high performing companies on a series of metrics, including high levels of leader retention, employee engagement, talent bench strength, accelerated change, and improved business results; 62 percent to 70 percent of these high-performing organizations were updating their competencies every two to three years.

A second advantage is that competencies provide a common language of talent across an organization so that it can purposefully recruit new hires, develop talent, select high-potential leaders, measure job performance, and manage promotions and job assignments. This type of strategic approach to talent has become increasingly important, not least because growth businesses are pressed to give individuals larger roles earlier in their careers, and the cost of recruiting talent continues to rise.

Third, a robust competency framework has tremendous value as a long-term strategic planning tool, enabling companies to accumulate individual abilities into the organizational capacity needed to compete. Rather than simply react, organizations that update their competency framework can anticipate the talent they will need, identify rich talent communities, and develop the talent they know they'll require. In essence, a company's competency framework spells out how its strategy will be activated with talent—and thus should be updated in tandem with the business strategy.

Frameworks that zoom in or out

Best in class companies demand competency frameworks that are increasingly sophisticated, providing a detailed specificity, flexible structure, and scientific validation. Competency lists that began as the best guesses of organizational psychologists now are statistically analyzed against psychometric assessments and job performance scores so that overlapping items can be combined, less important ones retired. Other competencies evolve with business. For instance, today the speed of decision making is less a differentiator; frankly, most decisions have time pressure. But the ability to wrestle complex information to the ground is more determinate of high-quality decisions.

This process results in a more pure competency list, one that distills the most high-impact behaviors, skills, and attributes.

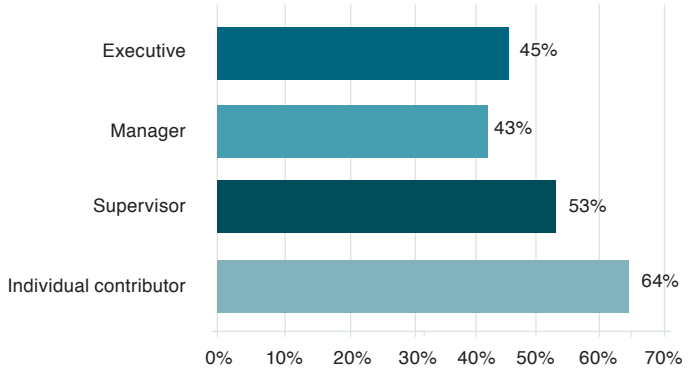
Organizations need a competency framework to operate robustly at both the micro and macro levels. They also require that it be customizable to their industry—financial services and industrial manufacturing, for instance, likely emphasize different competencies—or unique circumstances. Equally important, they need it to zoom in to diagnose what behaviors indicate about a salesperson's readiness to move into a supervisor's role, or zoom out to anticipate the leadership gaps likely to face a company expanding onto a new continent. It's worth noting that even though certain competencies may be in higher or lower supply in different parts of the world, they are as a measurement tool both globally neutral and globally relevant.

Korn Ferry Leadership Architect competencies account for between 43% and 64% of total job performance.

Figure 1

Korn Ferry Leadership Architect isolates what matters

An analysis of multi-rater assessment scores found that competency proficiency accounts for between 43 percent and 64 percent of the total variation of job performance

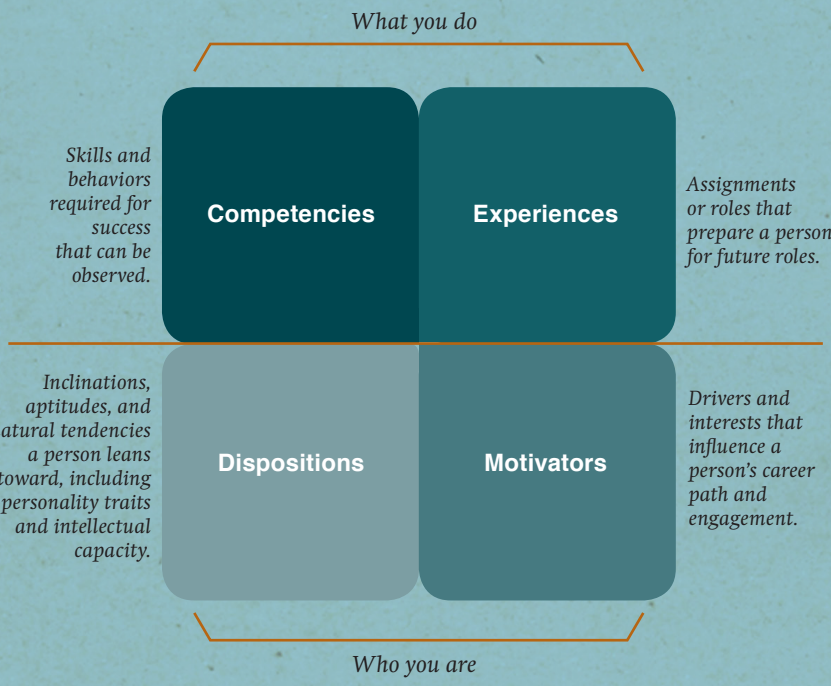


Modernized competency frameworks can take much of the guesswork out of putting the right talent in the right role at the right time. An analysis of the new Korn Ferry Leadership Architect™ and job performance ratings found that this library of competencies accounts for between 43 percent and 64 percent of total job performance (see Figure 1). (Competencies explain less of the differences in performance at higher management levels, in part because accumulated career experiences carry more weight as one rises toward executive leadership. See sidebar, "Four dimensions of leadership and talent.") Equipped with such information, organizations can make critical talent decisions with more confidence.

Four dimensions of leadership and talent

Korn Ferry Leadership Architect™ represents a contemporary view of what skills and behaviors drive success in the twenty-first century. But competencies are not the whole picture on individual ability.

Competencies are one of four dimensions that Korn Ferry uses to define requirements for success, and then assess individuals for hiring, promotion, development, or coaching. The other three dimensions are Experiences, Motivators, and Dispositions. Competencies are the observable manifestation of an individual's dispositions and the actionable lessons from an individual's cumulative experiences.



Building blocks of integrated talent systems

One of the reasons competency frameworks continue to grow in relevance is that they provide talent building blocks that can be rearranged to suit changing business strategies.

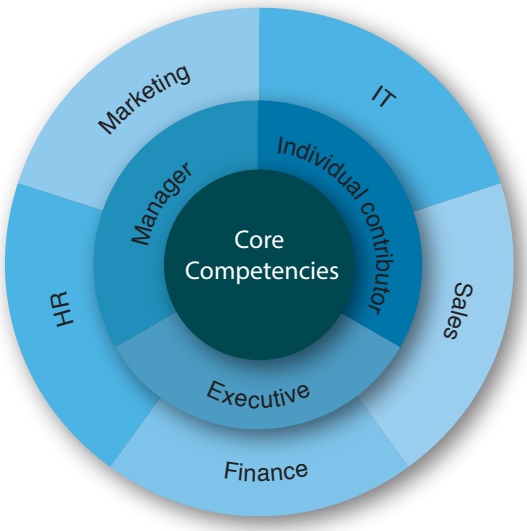
Most frequently, competencies are arranged into specific models that link individual competencies to the broader goals of the organization (Schippmann et al. 2000), filtered through the business context and competitive strategy. These might be further refined for function or management level. Once that's done, an organization is prepared to assess, develop, and expand its whole talent capacity to gain measurable competitive advantage (Porter 1985).

An updated and well-constructed competency framework improves all of the following efforts:

Define what is required for success. A competency model can build in multiple layers and specify competencies that are core to the whole organization, management level, and business function (see Figure 2). A state-of-the-art profile for a vice president of finance could include the core leadership competencies, executive level leadership competencies, and the leadership competencies for the finance department.

Figure 2

A model that specifies core, management level, and business function competencies



Select and hire the right candidate. Structured, competency-based, behavioral interviews can yield tremendous insight into whether a candidate will be immediately effective and have the ability to grow into future roles (Hallenbeck and Eichinger 2006). Additionally, situational judgment tests and simulation assessments can measure a candidate's proficiency level against a detailed competency model. These methods provide a valid and legally defensible data point for external hiring and internal promotion decisions.

Assess job performance and improve feedback. Competencies that are precisely defined by their observable behaviors are easier for managers (or participants in a 360° feedback program) to assess. The value of 360° feedback—to the individual and the organization—is much reduced when respondents aren't working from a consistent set of globally applied competencies (Bowen and Ostroff 2004). Competency models also help managers discuss how specific behaviors contributed to the person's effectiveness at his or her job. This not only defuses tension, but focuses coaching or development conversations on concrete actions that will improve performance.

Align talent strategy to business strategy. A competency framework is the red thread that connects all talent management practices, so keeping it updated is essential to provide the horsepower to drive the strategy. A competency framework and related models express an organization's purpose, values, and culture—even if the details of job tasks change radically from year to year.

Figure 3

Individual competencies support performance, strategy, values, and culture



Competencies in the twenty-first century context

Companies also need competency frameworks in order to leverage new, advanced focus models tailored to contemporary business leadership needs. For example, companies might use competencies to define, develop, and deploy:

Global leaders. To successfully operate across boundaries, lead a heterogeneous talent pool, and meet diverse customer needs these leaders must recognize that they cannot do it all themselves, and be comfortable depending on capable, self-directed teams. So in addition to global perspective and cultural agility, they would need personal characteristics such as self-awareness, openness, and flexibility.

Innovation leaders. To start, these leaders have to anticipate and adjust to the impact of digital media and other forms of quick technological change. But it takes more than creativity to cultivate innovation. They need strategic agility, the ability to harness key data insights, and the ability to work around resource constraints and optimize processes.

Change leaders. To pivot the organization in response to—or in anticipation of—market shifts, these leaders require foresight and adaptability, followed quickly by the ability to inspire and motivate people around a common purpose. They also should have the courage to plow forward into uncharted territory.

Growth leaders. These leaders drive results in new, complex, and crowded business environments. Their openness to diverse points of view and their ability to get to the essence of a problem are two qualities that help them discover, claim, or create new markets. They also need the skills to operate under difficult circumstances, including tight resources, fierce competition, or razor-thin margins.

Talent leaders. Developing people is an opportunity to create sustainable competitive advantage for their organization and talent leaders know this. They assemble high-performing teams, develop individuals into leaders, and provide coaching as a core part of their job, not an extracurricular activity.

Conclusion: using competencies for impact

The core purpose of talent management is not simply to identify, develop, and deploy people but to do it in such a way that an organization achieves its strategic objectives.

Modernizing a competency framework empowers organizations to measure the impact of their talent strategy, examining which competencies correlate with outcomes that matter: productivity, profitability, increased revenues, customer satisfaction, or employee engagement. A competency impact analysis can help organizations that are asking:

- Which new competencies, or combination of competencies, differentiate "A" players from average or low performers?
- Which behaviors measurably affect customer service, sales, or employee engagement?
- Where should we focus to quickly make someone ready for a promotion?
- Which business initiatives may be at risk due to talent constraints?

Competencies provide a foundation for all aspects of talent management—selection, onboarding, assessment, leadership development, succession management, and deployment. But it is crucial that everyone has an up-to-date glossary. When they do, the result is a holistic, self-reinforcing system, one that unambiguously communicates to employees the strategic importance of certain competencies and contributes to a high-performance culture and work systems (Bowen and Ostroff 2004).

Competencies underpin a holistic, self-reinforcing talent system that contributes to a high-performance culture.

A number of researchers have measured the return on investment of competency frameworks in other ways. Among the empirical findings that Korn Ferry companies and other researchers have calculated:

- Additional $3 million in annual profit per top-level executive candidate selected using a new competency model (Russell 2001).
- Increased net profits when sales and marketing vice presidents improved on key competencies (Pluzdrak 2007).
- Reduced turnover costs of $580,000 per executive when key competencies that drive performance were developed (Clark and Weitzman 2008).

Although each finding is quite positive, it's worth noting that each examined the effect of using competencies on just one portion of a talent management system, such as hiring. Future research will likely investigate how competency-based integrated talent management systems improve business outcomes. It would be expected to produce a compounding benefit, as the talent capacity of the entire organization grows to support the strategy with future needs in mind, and missteps are reduced.

What leads to success for individuals and organizations is—and always will be—a moving target. Times change and so do talents. But talent analytics allow organizations to stay up to speed on which competencies matter most in what settings, which drive high performance, and which combinations are crucial to today's volatile and complex business environment. Leveraging a competency framework suited for the twenty-first century—including regularly updated definitions, clusters, profiles, focus models—will make managing talent a more efficient, precise, and predictive endeavor.

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About The Korn Ferry Institute

The Korn Ferry Institute generates forward-thinking research and viewpoints that illuminate how talent advances business strategy. Since its founding in 2008, the Institute has published scores of articles, studies and books that explore global best practices in organizational leadership and human capital development.

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