

## **Building a Job Competency Database: What the Leaders Do**

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Perhaps the most important trend in the people management field right now is the definition of job competencies. When defined properly, job competency information can relate together many discrete human resource activities--training course design, performance consulting, career development, performance measurement, assessment, employee selection/promotion, and even compensation practices. We will be discussing just a few of these activities in this article.

First it must be mentioned that there are many models of job competencies. We track activity in this area at more than 300 organizations, including 253 of the *Fortune* 500. The majority of the organizations we track have some sort of competency data. Yet less than 20% of the organizations use a model and process that enables them to link together many HR activities. The others have a list of competencies on a sheet of paper but are not doing anything exciting with them.

The competency definition and model presented here reflects a consensus of what the leading companies and consultants in the field are talking about when they use the term "competency." Be aware that others may define the term differently. We cannot emphasize enough the importance of properly defining job competencies. The failure to do this may cause performance consulting, career development, and other activities to fall considerably short of what could be done.

Historically, the human resources function has conducted unrelated activity to generate lists of job dimensions. An example is the narrative job description, usually done by compensation. Most job descriptions are rarely used for anything but to justify a job as being correctly slotted into a certain salary grade. Training people typically feel these job descriptions are useless for training activity. The typical job description does not contain a list of job competencies, though some might contain a list of basic skills, knowledges, or job activities.

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Similarly, the training function at an organization may have carried out a needs assessment. In many cases, these are nothing more than holding conversations with managers to find out what sort of training they want for their employees. No job analysis is ever done. No competencies are defined. The employment or compensation functions of the company have little interest or use in such needs assessments.

The employment function may have developed lists of job dimensions that they deemed useful for selection or promotion purposes. In most cases these are job "specs" such as the type of experience or education needed for the job and a list of the key responsibilities. In a few cases basic skills or traits are flushed out for use in conducting interviews or assessment centers. Compensation and training professionals rarely use the data.

The above situation is very common in corporate America today. The training staff and other HR functions have gone their separate ways in analyzing jobs and determining what is important. And line operating departments may run off on their own and try to define job competencies. The net result of all of these separate, independent efforts? The human resources/training group is not seen as having its act together, and the line organization is thoroughly confused by all of the different dimensions that the HR area creates and how to relate them together. Employees are appraised on one set of dimensions, trained on another, selected on another, and evaluated on still another as part of 360 degree reviews.

There is a better way. At the leading companies job competencies are a single database of information used by all HR disciplines and all line managers. There is only one job analysis being done. Its results are used by all and there exists a single set of competencies that serve as a common language throughout the organization. Whether managers are conducting performance reviews, doing 360 degree evaluations, selecting employees, or determining the training that someone needs, they are always talking about the same job competencies. To explain how this is done, we first need to define what a job competency is, then show how it can be used for many different purposes.

## What is a Job Competency?

Dictionary definitions often fall short in describing a concept. But the leading companies might describe a job competency as "a series of behaviors or actions that make up a portion of a job." Notice the emphasis on behavior and doing rather than passive knowledge of a subject. Also notice that a competency is not an entire job--usually there are several competencies for each position. A competency is what a successful employee must be able to do to accomplish desired results on a job.

Competencies are built up over time and are not innate. It typically takes experience on the job to build competencies. Knowledge, skills and abilities (KSAs), by contrast, might be brought into the job by entry-level employees. For example, an entry-level accountant who has just completed college might know the IRS Tax Code and basic accounting principles. Yet it is unlikely that this person would be competent at filing a corporate tax return. This is another way of saying that the employee has the KSAs which underlie the job but has not yet developed the job competencies. Development and experience are needed to become competent.

Personality traits are also different from job competencies. Employees bring certain traits into the workplace such as being "flexible" or being "independent." These traits are not learned on the job. While traits may underlie competencies just as KSAs might underlie competencies, they are not the actual competencies.

Why bother with this distinction? If you try to design a training course on KSAs, you may find that many of your employees already have these KSAs. For example, conduct a training class on basic accounting concepts for your entry-level accountants and they will probably feel they already know this. Similarly, the entry-level accountant may possess the correct traits as well (good luck at changing someone's personality in a two-day training class).

<b>Knowledge, Skills, Abilities (KSAs) or Personality Traits</b>	<b>Job Competencies</b>
More basic fundamentals	More advanced--require multiple KSAs or traits
Might be possessed by new hires	Usually developed by time on the job
Prerequisite for developing job competencies	Outcome of synthesizing several KSAs and traits
Valued for entry-level jobs	Needed to perform more advanced jobs
What organizations often pay for	What organizations <u>should</u> pay for
Difficult to measure as performance outcomes	Easy to measure as performance outcomes

Table 1. The difference between KSAs and job competencies.

What employees more commonly lack are the job competencies. Conduct a behaviorally-based training class on how to file a corporate tax return and you are building competencies that employees in tax accounting need. This is how you "hit a home run" in training--have courses that build needed competencies and do not conduct courses on unneeded areas. It all starts out with the job analysis and what you call competencies.

Job competencies are most likely to be confused with KSAs and personality traits. Table 1 contrasts the two.

Presented next is an example of how KSAs might combine into a competency--namely the competency of playing golf. In this example, we will consider playing golf to be one competency and not many (i.e., putting, driving, etc.). We could choose to break this single competency into several--it is merely an issue of how specific or general we want to define competencies. However, for this example we will regard golfing as one competency. The KSAs for golf are followed by a possible competency definition:

### **KSAs Required to Play Golf**

- Knowledge of the proper grip
- Knowledge of the proper stance
- Knowledge of which clubs to select
- General hand-arm dexterity
- General locomotor skills--walking, twisting, swinging

### **Golf Competency Definition**

Scores less than 100 on a regular basis through proper use of woods, irons, and putter. Plays a wide variety of shots with skill. Can adapt to different conditions on a given course and play effectively on different types of courses. Demonstrates the proper technique, form and club selection.

Now consider a competency from the treasury function at a corporation--making trades in the financial markets. The KSAs and a sample definition for this are as follows:

### **KSAs for Formulating Trades**

- Knowledge of currency exchange procedures
- Knowledge of financial markets
- Ability to do financial analysis
- Ability to add, subtract, multiply and divide
- Ability to use spreadsheet software

### **Formulate Trade Recommendation**

Examines various financial information to determine relevant trade actions. Studies several computer models for currency trends, listens and evaluates the opinions of banking personnel, and gathers other information from written and other sources. Using various quantitative techniques (eg., implied forward analysis, economic break even), determines the financial impact of certain trades. Recommends specific trades and when to make them, in some cases writing this up as a formal report. Presents recommendations and persuades others to follow a strategic course of action.

Note in the above two examples that the KSAs are prerequisites for developing the competency--you cannot be a competent golfer if you do not know how to grip the club or know which club to use. Yet having the KSAs does not ensure that someone has the competency. An individual might be a "student of the game" of golf yet not be able to hit a golf ball twenty feet. The same is true with the financial trading example.

Organizations should be measuring, developing and rewarding competencies, not KSAs or personality traits. You want employees who can make money generating financial trades and not merely have a knowledge of finance. It is what is done with the underlying knowledge which is critical. As a consequence of focusing on competencies, the organization will become more competent and successful. But it is only by defining, developing and rewarding the competencies that this is all possible.

There is no harm in defining KSAs or traits in addition to job competencies. Several companies have done this after their competencies were defined. They basically determine, for each job competency, what types of KSAs or traits are prerequisites for mastering the competency. This is desirable information to have. It can help in career development coaching if the employee lacks the prerequisites for building a job competency. However, when only KSAs are known, there is greater difficulty in implementing the various HR programs described earlier.

Table 2 helps distinguish between the different types of "competencies" that are in existence. Bear in mind that merely calling something a competency does not make it a competency. Most of the factors organizations label as competencies would be better described by the terms in the left-hand column.

<b>Factor</b>	<b>Brief Definition</b>	<b>Example</b>
Skills, abilities	Basic prerequisite for a job competency. Employees typically process upon hire.	Judgment Decision making Math Reading
Knowledge	Passive information about a subject. Typically possessed by new hires.	Accounting Finance Computers Operations
Personality traits	General pre-disposition to behave in a certain way. Learned early in life.	Flexibility Adaptability Introversion Independence
Tasks	Activities done on the job. More detailed than competency.	Answers the phone Staple pages together Read the mail Adjust your chair

Table 2. Factors erroneously called "competencies."

Presented next are additional competencies from a large corporation. Like the preceding example on financial trading, these are technical competencies pertaining to jobs in the treasury function of the company. Notice that each competency is very behavioral, specific, and makes up a portion of the job. No one job requires all of these competencies, which are from a set of twenty-five. In addition to technical competencies, leadership and business competencies are also needed for jobs in the treasury area.

### **Technical Competencies--Treasury**

#### **Synthesize Financial Market Data**

Collects financial market data from a variety of sources including on-line computerized information services, banks, and newsletters. Analyzes the individual pieces of information to separate the important from the less important. Synthesizes all of the information collected to develop a new view of the market. Must sort out different opinions of experts who interpret the same data in different ways. With the new view of the market in hand, presents this information to others and influences their perception of the market. Recommends strategies that will take advantage of changing market conditions.

#### **Assess Political Events**

Studies social, political and economic events that occur throughout the World. Particularly notes major trends which are taking place such as rising unemployment, the election of a new president with a different economic agenda, etc. Determines how these events might impact the corporation and its financial status. Makes recommendations on actions to take which will reduce risk to the company's financial status from various world events.

The preceding competencies are all learned by experience on the job coupled with certain development experiences. These competencies can easily be turned into training courses. You know precisely what behaviors to build. The competencies can also be turned into performance measurement tools, 360 degree evaluations, and many other things. But it is this type of competency data, not KSAS, traits, or other things that makes it all possible. The proper definition of competencies is critical for subsequent activity to be on target.

### **The New Vision: Competencies as the Hub of a Database**

The leading company vision of job competencies sees competencies as the hub of a wheel. The competencies are a job database to link together various HR activities. Instead of conducting independent studies in compensation, training, employment, etc. to determine the "job dimensions," one single database is developed for multiple purposes. This is depicted in Figure 1.

This database is used over and over again for developing training courses and curricula, establishing performance measures, establishing career development systems, developing selection tools, and so on. You do not have to build out all of the activities around the wheel, but should you choose to do so, the database is in place for doing this.

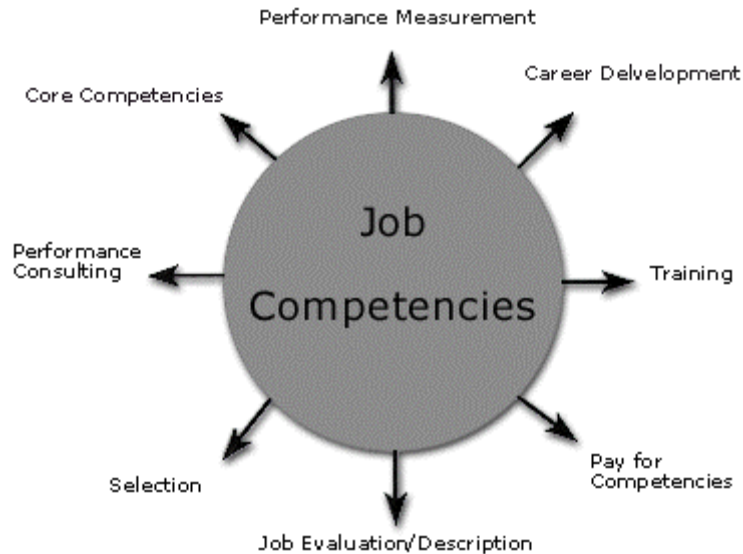


Figure 1. HR activities that can be linked to a job competency database.

By drawing upon a single database, a company can save tremendous amounts of money over conducting separate studies in each HR area. And present to the organization a single database versus having different job dimensions for each HR discipline. HR will appear to the rest of the organization as a unified group with a clear vision of where it is going. Management throughout the organization will also become much more familiar with competencies since they will be using them for appraisals, career development, selection, etc. A common language and framework will develop throughout the organization.

***Competencies are a job database to link together various HR activities.***

Not personally responsible for selection or compensation? At least take the leadership role in moving the organization toward a common vision. That is, after all, what leadership is all about.

**Uses of the Competency Database**

Next will be described how the leading companies use the competency database for the activities shown on the diagram.

**Performance Measurement**

This is the first and most likely use of the competency database. Competencies are ideal for performance measurement since they are specific and behavioral. This means they are easier to observe and measure. The Supreme Court, in more than one case, has stated that job relatedness is essential for a company's performance measures to be legally defensible. It would certainly be easier to defend the technical competencies presented earlier than things like "judgment" or "flexibility." Which would you rather defend?

Competency measurement can be all-or-none or scalar. When all-or-none, the evaluator merely determines whether the individual demonstrates the series of behaviors on a typical day. When scalar, perhaps a five-point scale is created ranging from "learning the competency" to "highly competent."

Under these labels would be placed specific behaviors that demonstrate each level of the competency. While measurement can be done on as many points as desired, the behaviors are typically developed for just the low, mid-point and high end of the scale.

Manager's ratings of their employees and employee self-ratings correlate very highly since the behaviors are so specific. Debates over what is "good judgment" go away. Further, development is easy since the exact behaviors desired are already described in the competency scale. It is a matter of getting the employee to training events that build the right behaviors.

## **Career Development**

For career planning to be effective, employees need job information. While merely stating the desired education and experience for a job is helpful, it does not tell the employee what they will do on the job--what they need to be competent at. Since competencies are very behavioral, self-assessment is easy. The employee merely asks, "Do I have these competencies? Would I want to do them on a regular basis?" By answering such questions, employees can steer their development in the right direction.

The leading companies link their training activity to their job competencies. If employees know which competencies are in need of development, they can see internal and external resources available to build needed competencies. Competencies form the backbone of any career development system for employees cannot develop their careers if there is limited or vague job data.

Some organizations also track employee competencies. When job vacancies or project team assignments become available, the organization goes to its database and generates a list of all employees with the desired competencies. They can then contact the employees to determine their interest in the job or project.

## **Training**

When designing training courses, designers first ask, "What do employees need to be competent at to do this job?" Having the competency database tells the designer precisely what desired behaviors are needed. This makes it very easy to determine what the course content should be.

### ***What the leading organizations have done is craft entirely new compensation systems.***

If the training director knows the competency levels of the workforce, competencies can be rank-ordered from those in greatest need of development to those in least need of development. This determines what the training priorities are.

Some training directors merely buy off-the-shelf courses on the latest fad. They never ask, "What competencies does this course build? Does my workforce need these competencies?" With competency data, it can be ensured that only needed competencies are being built. This saves resources. While it sounds simple that an organization should build the competencies that it needs and not build the competencies that it doesn't need, the majority of organizations in our database are not doing this.

The competency performance measures described earlier can also be used to conduct "Level 3" measures of training effectiveness. Nothing new needs to be created. You merely use the same scale to measure before and after competence for individuals who attend the training class. What could be easier and more effective?

When a small number of employees need a particular competency, it is not practical to conduct internal training. What is done is to show, for each competency, outside seminars, books, articles and on-the-job activities that the employee can pursue. In this way employees can still obtain any needed development. This development information is typically stored on software linked to each job competency.

## **Pay for Competencies**

Merit pay increase systems have been around for nearly fifty years and are extremely common. These systems have accumulated error in them. As a consequence, it is unlikely that the highest paid individual in a given job is the most competent. These inequities can take many years to straighten out if they are ever straightened out. Many merit increase systems are nothing more than cost-of-living systems since in times of low inflation a highly competent employee's increase is perhaps one percent more than someone less competent.

What the leading organizations have done is craft entirely new compensation systems based on competencies. Though there are many variations, the general idea is that the more competent the individual, the higher the pay. With the previously mentioned performance measurement and development systems in place, the essential ingredients for such a compensation system are available.

As an example, say that the salary range for a job is from \$50,000 to \$70,000 per year. Assume the job has ten competencies which are equally important. An employee having all ten competencies to the highest degree would be paid the maximum. An

employee with none of the competencies would be paid the minimum. With varying degrees of competence, the salary would be somewhere between minimum and maximum.

This is a true pay-for-performance compensation system. It is quite different from a merit system where base pay reflects prior salary adjustments, what type of company someone once worked for, starting salaries out of college, and many other factors that may not be relevant today. This new way of determining base salaries is perceived more positively by employees than a merit increase system. Bonuses or profit sharing continue to be offered and reflect how the individual or company did on goals for the year.

### **Job Evaluation/Description**

Automated job descriptions are created by merely printing out the competencies for a particular job. Since competencies are behavioral and very specific, they lend themselves very easily to describing the job. With each competency being approximately a paragraph in length, ten of them printed back to back form an excellent job description.

Managers and HR professionals can save writing job descriptions over and over again for each new job. Oftentimes a new job requires merely a different mix of existing competencies. The manager can pick from a list, add any that are missing, and that is all there is to the job description process.

### **Selection**

Job interview questions can be developed for each competency. These can be placed in a guide for use when hiring. The questions can be used to assess the competence level of the job candidate.

Job simulations could also be developed for each job competency. Simulations are structured exercises that simulate a portion of the job, usually measuring 1-3 competencies at a time. Both interview guides and job simulations are objective, job-related ways to determine competence.

### **Performance Consulting**

Performance consultants are often called upon to intervene in department performance improvement situations. They often have to separate training issues from other people management issues. When a job competency database is already in existence, much time is saved. The consultant knows what the current competence levels of the workforce are, and what gaps exist.

***The leading companies have one integrated set of competencies for the entire organization.***

With this type of information available, the consultant can quickly sort out what the key issues are, and the next steps. Training will not be tossed at every problem but used when needed.

### **Core Competencies**

When the competencies of an entire organization are looked at collectively, it can be determined what the organization does well (is competent at). This information can be used to expand the business in concert with its core competencies. As before, no special studies or consultants are needed. The organization uses the competency database for still yet another purpose. When HR/training is involved in strategic issues like how to expand the business, the importance of the function will increase.

### **Defining Job Competencies**

How do you define job competencies? The most effective technique used by the leading organizations is to interview job incumbents and their bosses (only samples needed for high volume jobs) to determine what they do and what underlies success on the job. By asking a number of open-ended questions pertaining to job responsibilities and activities, the competencies can be determined. Critical incidents for success and failure are also very helpful. Direct questioning can reveal perhaps 60% of all job competencies. The remaining 40% must be inferred from gathering other information, talking to supervisors, etc. This is perhaps the more difficult part (defining job competencies is a competency itself).

The leading companies have one integrated set of competencies for the entire organization rather than separate sets for each department. This avoids reinventing the wheel in each department. Instead the organization looks for as much commonality as

possible. Usually 6-20 leadership competencies are defined and a like number of business competencies (see next section for a discussion of leadership, business and technical competencies). The technical competencies are much larger in number since they are unique for individual jobs and departments.

Competencies are usually written as a paragraph in length, though a couple of sentences might suffice. The reason it typically takes a paragraph is that competencies are a series of behaviors. You cannot describe a series of behaviors in a phrase or single sentence. The paragraph is laden with action verbs. The focus is on doing and performing and not merely passive knowledge about something.

The leading companies have defined their own competencies rather than use an off-the-shelf approach. KSAs or personality traits have the potential to carry over from company to company. Job competencies usually do not carry over. This is because each organization has unique jobs and functions. The competencies that underlie being a bank teller are quite different from that of a software designer. Each organization must analyze its own unique jobs to determine what competencies are needed.

Also, each organization may have unique initiatives that do not carry over to other organizations. For example, one organization may be trying to become more entrepreneurial, another changing its management style to be more participative. These initiatives require unique competencies. They must be defined for just that organization. When done, the training staff can hit a home run with subsequent activities such as having training courses that are on target to build these needed competencies.

### **Categorizing Job Competencies**

Job competencies are generally classified by the leading companies into three categories. The names may be different, but the general scheme is relatively the same. These categories are as follows:

**Technical**--competencies that are, for the most part, unique to each discipline (business unit) in the company. For example, there are technical finance competencies needed by the employees in finance (e.g., financial analysis, setting up accounting systems), and technical information systems competencies needed by IS employees (e.g., programming, systems analysis), etc. There may be some overlap of technical competencies across business units.

**Leadership**--the competencies that pertain to leading and managing others, mainly for those in supervisory positions except for companies with self-managed teams.

**Business**--competencies that include areas like communications and teamwork. These competencies are quite common throughout an organization.

The leadership and business competencies will cut across many organizational units. They will also cut across various job levels in the organization. The technical competencies have great "differentiating power." They can separate jobs from one another very easily.

For example, the jobs of accountant and engineer may require the same business and leadership competencies, but would have very different technical competencies. An employee switching from the job of accountant to engineer needs to know what the technical competencies are which underlie that position. Not knowing this would make it difficult to evaluate the career move or prepare for it. And it is these technical competencies that differentiate between the two jobs.

### **What to Watch Out For**

When many are racing out to define competencies, it can be assured that some will take shortcuts. There are probably more negative benchmarks than positive ones. Here are some things to watch out for:

**1. Beware of off-the-shelf job competencies.** Some vendors do not know how to define job competencies or do not want to take the time to do this. So why not put competencies in a can and sell them to everyone? But where are the technical competencies for a bank teller, software designer, or surgeon in this canned list? If you do not have technical competencies for your jobs, you cannot do the things described previously.

**2. Beware of quick-and-dirty job analysis techniques.** Some consultants realize that companies will not spend a fortune for a canned product. So they go through the motions of defining job competencies. They pull your managers into a conference room and ask them what the competencies are for their area? Does the manager have job analysis data to work with? No, so

managers merely speculate and guess. The laundry list of "competencies" developed usually contains basic skills or personality traits.

**3. Beware of consultants who say technical competencies are not important.** Since there are many technical job competencies and much work is needed in defining them, some consultants tell you they are not important at all. They say you should just focus on the leadership and business competencies, something the consultant just happens to have canned. But could you imagine hiring an engineer without assessing their technical engineering competence? Or training a heart surgeon on only leadership and business competencies while disregarding technical competencies? Clearly, technical competencies are a very important part of the solution and need to be included in the database.

**4. Beware of those who talk a good game but have not delivered.** Ask any consultant to give you a vision of competencies. See if that vision includes linking the database to a variety of HR activities. Ask the consultant to show you specific selection tools, training curricula, compensation systems, or other systems they have set up from a competency database. If they have none or say they cannot show them to you, you are not going to get a competency database from the individual. In all likelihood, your competency initiative will begin and end with words on a piece of paper.

Defining job competencies is an important and valuable activity for an organization to carry out. When properly done, the job competency database can be used to link together training, career development, performance measurement, selection, performance consulting and still yet other activities. All of these systems will be more effective than without the database. The time and money spent on defining competencies are clearly worth the gains in performance which will result.