

# Competency Based Management in an Organization: The Drive towards Success

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## Abstract

'Human Resource' is one of the very important assets for any organization and in this competitive and global environment it has actually become imperative for any organization to retain competent employee for survival of the business. Organization success depends not only on how it makes the most of human competences, but also how it stimulates commitment to an organization. Competency based management approach concentrates on increasing the potential of employee and to have the competitive edge over other organizations in today's time. Employee's commitment, in concert with a competent workforce is significant for the organization to be able to compete in quality and to go along with global changes. The framework is now being applied in the different practices of human resource management i.e. recruitment and selection, training and development, career development, compensation and benefits etc. Various Researchers and scholars have reported that competency based management has a positive outcome on the performance of organization as well as of the employees. The concept is now being used as a tool for the success of the organization. This paper is an attempt to through light on the concept as well as it reviews the available literature of competency based management and its importance from the perspective of the organization as well as of the employees.

**Key Words:** competency based management, organizational performance, Employee Performance

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## Introduction

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). The competency based management is not a novel concept in human resource practices. The early Romans practiced a form of competency profiling in attempts to detail the attributes of a "good Roman

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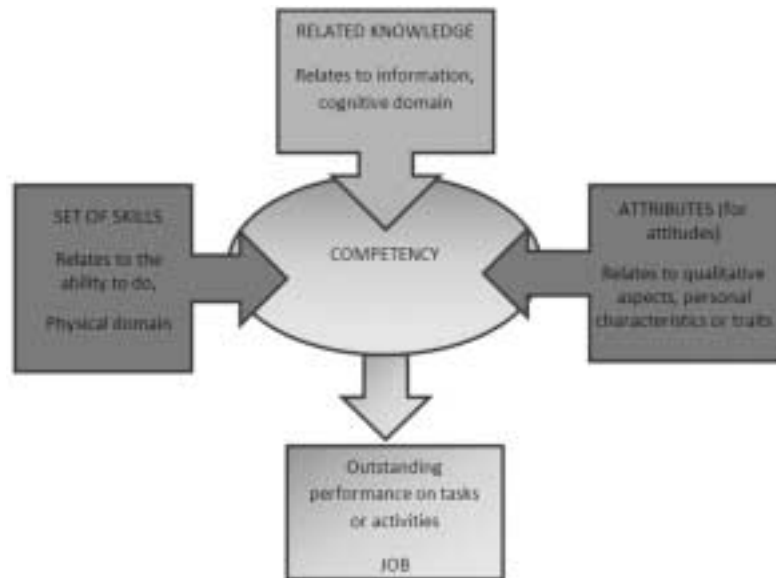
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soldier" (Draganidis and Mentzas, 2006). McClelland (1976) described "competency" as the characteristics underlying superior performance. The credit of introducing the idea of "competency" into the human resource literature goes to him; in his efforts to assist the United States Information Agency improve its selection. The framework of KSA is very popular in defining the concept of competency. A competency is defines as a set of skills, related knowledge and attributes that allow an individual to successfully perform a task or an activity within a specific function or job. (UNIDO, 2002)

## Types of Competency

*Managerial Competency (Soft Competency)* - The competency relates to the ability to manage job and develop the interaction with other persons. For example: problem solving, communication, leadership, etc.



**Fig. 1: Showing the concept of KSA framework of competency**

**Functional Competency (Hard Competency)** - this type of capacity relates to the functional capacity of the work. It primarily deals with the technical aspect of the job. For example: market research, financial analysis, etc.

**Core Competencies** – it include the key competencies that all the employees in the organization must possess to accomplish its vision. These competencies are generally being described in terms of behaviour which is desirable by an individual.

**Career Stream Competencies** – the behavioural competencies that are common to all the jobs, and combined are with the organization wide (core) competencies, make up the suite of behavioural competencies necessary for the success.

**Technical / Professional Competencies** – the competencies which are specific to occupational areas, roles and / or jobs within the Career Stream, and include the specific skills and knowledge (know-how) to perform effectively within the jobs of the Stream (e.g. ability to use particular software; knowledge in particular professional areas such as finance, biochemistry; etc.). These competencies could be generic to the Career Stream as whole, or be specific to roles, levels or jobs within the group. The

combination of these three types of competencies will make up the competency model for each of the Career Streams.

### Competency Based Management

The *Competency-Based Approach* is a research-supported approach based on the primary goal of defining the critical *behaviours* needed for effective performance of individuals as well as of the organization. It is an approach that recognizes the way of working in the industry. It aims at attaining an optimal performance in the long term with the help of developing the skills and competencies of the employees on a continuous basis. To some extent, if employers treat or consider their employees as valued contributors, they tend to remain in the organization. To this end, organizations train, offer competitive compensation plans and increase benefits to secure their employee loyalty. CBM supports the integration of human resource planning with business planning by allowing organizations to measure the current human resource capacity based on their competencies against the capacity needed to achieve the vision, mission and business objectives of the organization. Targeted human resource strategies, plans and programs to address gaps (e.g., hiring and staffing;



learning; career planning & development; succession management; etc.) are then designed, developed and implemented to close the gaps. Other practices which are crucial for competency based management system are defined as follow (Draganidis and Mentzas, 2006):

- **Competency identification.** The process of determining what competencies are necessary for effective and efficient 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 with competency model.
- **Competency-based management.** Application of a set of competencies for managing human resources so that performance contributes in achieving the organization's objective efficiently and effectively to organizational results.
- **Competency standard.** Identifies the essential skills and knowledge workers must have, and defines the performance levels they must achieve, to demonstrate competency in a specific work function.

- **Competency profile.** The Document that describes the set of competencies specific to a position/ job/ occupational group/functional community.

### Advantages of Competency Based Management

Effective competency management requires the participation of employees, operational managers, the executive team and HR, and therefore all parties will get a benefit from utilization of a competency management approach:

For the employees, the importance of using a competency-based approach are that they are provided with:

- A clarity of the competencies they require to succeed in their job;
- A clear view of the gap of what competency and competency gaps they currently have;
- A learning and development plan that takes into account competencies for their role;
- A record of their learning and development achievements;
- Recognition of their competencies and opportunities to utilize them on other assignments.

### **Tactical Benefits**

Through competency-based Talent Management, managers have access to:

- A clear picture of the competency requirements of their direct reports;
- An understanding of the strengths and weaknesses of their direct reports;
- An informed basis for career development planning discussions with their direct reports;
- The ability to develop prescriptive learning and development plans for their direct reports;
- A facility to identify subject matter experts for assignment-based work.

The HR function benefits through:

- Standardized skill-based job profiles;
- Effective staff deployment;
- Succession planning;
- Identification of 'real' learning requirements;
- Effective use of learning and development solutions.

### **Strategic Benefits**

Executives need to know that their organization has the competencies to fulfil business strategy. A well-implemented competency-based Talent Management approach provides:

- A view of the capability of the organization;
- Proof that the organization is meeting regulatory requirements;
- Learning and development plans aligned with business strategy.

### **Driving Forces for Using Competency Based Management**

It has been derived from the various researchers that the most frequently used reason for the introduction of using competencies for the management of human resource are to improve organizational performance, increase the ability to be competitive, support cultural change, enhance training and development effectiveness, improve processes associated with

recruitment and selection, reduce turnover, clarify managerial roles and specialist roles, increase emphasis on business objectives, aid in career and succession planning, analyze skills and able to identify the current and projected deficiencies in skills, improve workforce flexibility, support the integration of overall HR strategies and provide a basis for compensation and reward programs (Pickett,1998). The additional business needs can be addressed through the use of competency models: providing clarification for both job and work expectations, assisting in creating effective hiring practices, enhancing productivity, creating effective processes for 360-degree feedback, providing a tool that can assist in meeting today's needs as well as assist with changing needs, and aligning behaviors with strategies of the organization and its values. The few main reasons why competency-based approach has been undertaken by companies or business organizations: it provides identification of skills, knowledge, behaviors and capabilities needed to meet certain criterions which are aligned with the organizational strategies and priorities and also it focuses in eliminating competency gaps among individuals and groups in a project, job role or enterprise strategy been selected.

### **Application of Competency in 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 and can be applied in the following employee management applications:

**Selection-** competency based selection was first used by David McClelland for hiring purpose Competencies are used in order to compare the abilities of the candidate with the requirements of the position; once the best candidate is identified, competency gaps form the basis for an initial new-hire learning plan. The purpose/idea is to establish the "behaviours" needed in a particular job and the extent to which these are possessed by different candidates. Matching employee competencies and job requirements is claimed to improve employee and organizational performance, as well as lead to increased satisfaction.

**Training and Development-** Competency gap analysis can identify the required competencies; these competencies then can be linked with the equivalent learning matters. For example, Ford Financial uses a skill and competency based learning program that affords employee an opportunity to view information such as the skills and competencies needed for positions.

**Performance Management** – In this competitive environment performance is not only seen as “what” i.e. (objectives) an employee achieves but also viewed as “how” i.e. 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.

**Compensation Management-** Competency based compensation can help the organizations to determine compensation based on actual performance levels through the process measuring the actual competencies exhibited by the individuals while performing their respective jobs. Competency based management can also help in designing a fair system through an objective evaluation of competencies which contributes in an individual’s performance. American Compensation Association have identified competency based management as the least common application of competency model among all HRM practices (Ozcelik & Ferman, 2006).

**Career Planning-** 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). 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)

### **Competency Based Human Resource Management and its Outcomes**

The use of competency based HR management produce significant benefits to organizations and their

employees. Sparrow (1995) has observed that the competency literature includes a huge range of claimed benefits specific to HR processes in organizations. In Brief, these are:

Better recruitment and selection practices through an emphasis on required competencies; improved individual, organizational and career development programs; improved performance management processes due to improved assessment; and finally improved/better communication on strategic and HR issues through a common language. Cooper, Lawrence, Kierstead, Lynch, and Luce (1998) through light on the positive outcomes produced by valid and reliable competency based HR management models. These include linking individual competencies directly to the organization’s strategies and goals; developing profiles for positions or roles and matching individuals to the task sets and responsibilities; affording the opportunity to continuously monitor and refine competency profiles; facilitating the selection and evaluation of employees as well as the training and development; assisting with the hiring of individuals with unique competencies that are costly and not easily developed; assisting organizations in the ranking of competencies for both compensation and performance management. Cook and Bernthal (1998) did a survey in HR Benchmark Group, Development Dimension International and the results suggested that improved organizational performance and improvements to the bottom line can occur when competencies support even a few HR systems.

It has been observed that the Indian companies have realized the importance of human assets and have started using competency approach towards the human resource management to improve the quality human resources, generating trust & learning, result oriented, empowering employees, analysing training & development needs, rating the employees, increased satisfaction, increased productivity and strengthening employee engagements has started among the employees and employers.

### **Conclusion**

It is noticeable from the review of the literature that competency based management is emerging as a new

approach for making employees more capable in their work so that organizations can achieve the edge over their competitors and thrive in this competitive era. Competency based management have become an effective tool for HR to improve the performance of the organization as well of employees. Competency based approach is not something new as it is there in practice from past 30 years for managing the human capital of the organization effectively. However, this concept has not been explored much in the Indian Scenario. As environment of the business is changing frequently because of the various developments in the technical, social and economic

environment the role of organizations using competency framework for human resource management should be taken into consideration for retaining the employees and to increase the commitment of the employee towards the organization as having a competent pool of employees have turned out to be a crucial part of any organizations. Effect of implementing competency based management in the different organizations need to be further explored as it will help in improving and gaining insight of the concept which in turn will help the organization in enhancing their performance as well as that of employee.

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