



COMPETENCY BASED MANAGEMENT IN ORGANIZATIONAL CONTEXT

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Abstract:

In today's competitive and global environment it has become crucial for every organization to retain competent employee for survival. The success of an organization depends not only on how the organization makes the most of human competences, but also how it stimulates commitment to an organization. Employee commitment, together with a competent workforce, seems to be of decisive importance for an organization to be able to compete in quality and to go along with changes. This paper reviews the available literature on competency based management and its uses in the organizational sector. Very little research has been done in this area in the Indian organizations. This paper defines the concept of competency based management, the driving force behind the use of competency based management and its uses in the organization as well as the future prospect of research in this area specifically in the Indian organization context. Organizations are using competency based management as a tool for the success of the organization. Studies have shown that competency approach to human resource management is not new. Competency framework is used by the organizations today in different HR practices like recruitment and selection, training and development, performance management, career development, compensation and pay etc. to improve the performance of the organization as well as of employees. Competency based management approach focuses on increasing the potential of employee to have the competitive edge over other organizations in today's time. Researchers and scholars have reported that competency based management has a positive effect on the performance of organization and on employee's performance also.

Keywords: competency based management, organizational performance, Competencies, India, Human Resource Management

Introduction:

Contemporary organizations are essentially people driven. Termed as *human resources* in HR parlance, the contribution of people towards success is established. Organizational environment is characterized by competition and performance, thus making traditional human resource practices in managing people redundant. Creating new forms of competitive advantage has thus become a major area of concern for organizations. It gets all the more complex in the Contemporary knowledge based industry with the knowledge workers contributing to the organization in the form of human capital. The search for newer forms of competitive advantage in organizations are being seen in the name of *competencies* at the individual level and creating value to the human resource management. The role of human resource management (HRM) in organizations has changed from measuring individual productivity among the employees towards strategic management of the human resources, focusing on competence development, human learning management, knowledge management and learning organizations. Strategic competence management is increasingly important for innovative organizations, and may be critical to uphold strategic advantage. Increasing globalization implies tougher competition and more dynamic markets, but also offers the possibility for increasing the competence potential of an organization through utilizing

competence from different geographical locations in the global workforce. Strategic competence management should thus be highly prioritized among managers. For more than a decade human resources management has aspired to be a business-partner to general management. Fulmer (1990) characterized the new role as the "right hand to strategy implementation." Galbraith (1992) has argued for the need to "reposition" the function, much as one would reposition a company to make it more competitive. In Galbraith's view, a collection of businesses are more valuable together as business group because of the integrating capability the human resources organization provides (in leveraging key talent, for example). The HRM literature and corporate rhetoric alike make the business-focused HR contribution a strategic imperative. But strategy and practice remain miles apart.

Background:

For over 30 years, business and industry has utilized competency models to select employees. But the trend to use competency - based approaches in education and training, assessment, and development of workers has experienced a more recent emergence. The competency movement has been in use in business through the groundbreaking work of David McClelland (1973), Richard Boyatzis (1982), Spencer and Spencer (1993), and many others in the field (Ozcelik and Ferman, 2006). Competency is a

combination of tacit and explicit knowledge, behavior and skills that gives someone the potential for effectiveness in task performance. Using of competency models in HRM Integrate HR activities. In fact, Competencies are the common link among the majority of human resource subsystems. By linking human resources processes to desired competencies, organizations can shape the capabilities of its workforce and achieve better results and it may be possible for an organization to build ongoing snapshots of the overall knowledge capital and skills portfolio of its work force. Further, organizations may be able to utilize this information to perform individual and organizational analysis, reduce education costs, improve hiring practices, improve retention, improve human resources performance and developmental planning processes, and deploy its human capital more effectively. Competency has its origins in the Latin word 'competentia' which means "is authorized to judge" as we ll as

"has the right to speak". The competency approach to human resources management is not new. The early Romans practiced a form of competency profiling in attempts to detail the attributes of a "good Roman soldier". McClelland (1976) described "competency" as the characteristics underlying superior performance. He is credited with introducing the idea of "competency" into the human resource literature; in his efforts to assist the United States Information Agency improve its selection procedures. Boyatzis (1982) defined competency as underlying characteristics of an individual, which are, casually (change in one variable cause change in another) related to effective performance. The KSA framework of competency is very popular in defining the competency concept. A competency is 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.

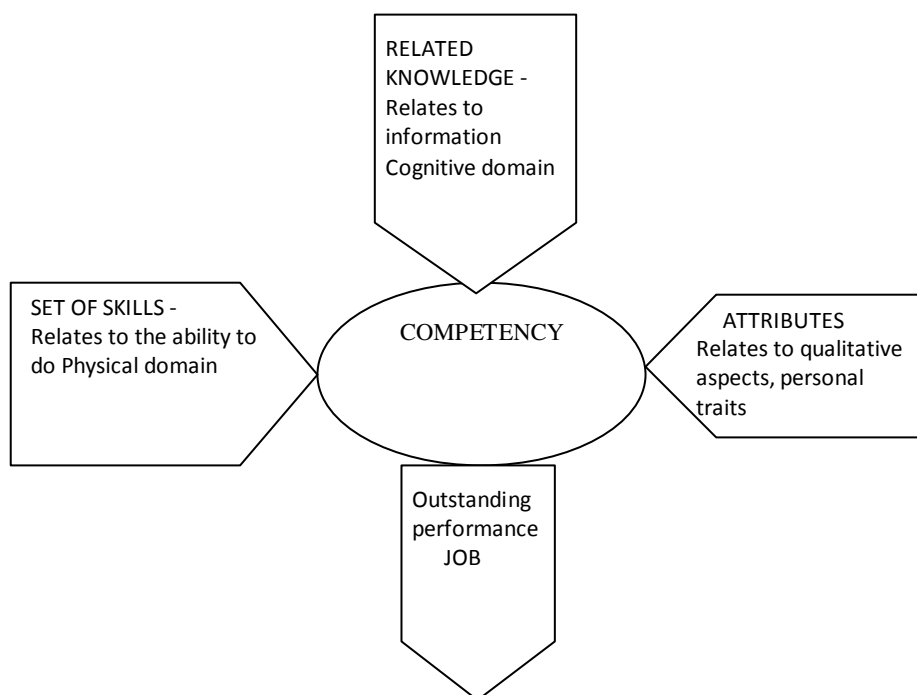


Figure.1 Showing the concept of KSA framework of competency

Importance of HRM

The HRM function in organizations has gained increasing strategic emphasis, and the importance of aligning HRM strategy and business strategy is well acknowledged. Effective HRM is vital for being able to meet market demands with well qualified employees at all times. Competence management is an important part of HRM practice where the aim is to generate competencies that provide the organization with the right mix of talent to meet

existing and future needs. The HRM function in organizations has gained increasing strategic emphasis, and the importance of aligning HRM strategy and business strategy is well acknowledged. Further, the core competencies of the organization should provide guidelines for the competence management process to increase sustainable competitiveness. In a competence-based organization, the description, stimulation and development of the individual competencies of the employees are highlighted,

rather than focusing on job descriptions and duties. Organizations wanting to establish long term employment need to focus on career development and long term goals for their employees. The idea that human resources can become a source of competitive advantage for the organization is not new. It is generally accepted that firms can create a competitive advantage from human resources and their management practices. Effective human resource management will generate a higher capacity to attract and hold employees who are qualified and motivated for good performance, and also the benefits from having adequate and qualified employees are numerous. Some examples are higher profitability, less rotation, higher product quality, lower costs in manufacturing and a faster acceptance and implementation of the organizational strategy. Organizational resources lead to a sustained competitive advantage when they are valuable, rare, inimitable and have no substitute. The first four criteria create a potential for competitive advantage, but if the firm wants to obtain this advantage over its rivals, then it will have to be organized to use these resources. "It is important to manage employees, their knowledge and competences in such a way that the organization can build a long-term competitive advantage." In the present business environment of cut throat competition and globalization, competency based practices have gained much of an attention from the contemporary organizations. Globalization, individualization, digitalization and increasing competition are changing the face of the industry as we know it. They aim at achieving an optimum performance in the long term by developing the skills and competencies of the employees on a continuous basis. Literature and best practices indicate that, to some extent, if employers treat 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.

Types of Competency

- **Managerial Competency (Soft Competency)** - This type of competency relates to the Ability to manage job and develop interaction with other persons. For example: problem solving, communication, leadership etc.
- **Functional Competency (Hard Competency)** - This type of capacity relates to the functional capacity of the work. It mainly

deals with the technical aspect of the job. For example: market research, financial analysis.

- **Competency based Management (CBM)** – CBM supports the integration of human resource planning with business planning by allowing organizations to assess the current human resource capacity based on their competencies against the capacity needed to achieve the vision, mission and business goals of the organization. Targeted human resource strategies, plans and programs to address gaps (e.g., hiring and staffing; learning; career development; succession management; etc.) are then designed, developed and implemented to close the gaps.

Other processes which are essential for competency based management system are defined as follows (Draganidis and Mentzas, 2006):

- **Competency identification:** The process of discovering what competencies are necessary for exemplary or fully successful 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 to those of a competency model.
- **Competency based management:** Application of a set of competencies for managing human resources so that performance contributes 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 segment or function.
- **Competency profile:** Document that describes the set of competencies particular to a position/ job/ occupational group/functional community.

Driving Forces for Using Competency Based Management Researchers have given the most frequently used reason for the introduction of using competencies for managing human resource are to improve to 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). Lucia and Lepsinger (1999) mentioned these additional business needs that 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.

Draganidis and Mentzas (2009) describes few main reasons why competency-based approach has been undertaken by companies or business organizations: (1) it provides identification of skills, knowledge, behaviors and capabilities needed to meet certain criterions which are aligned with the organizational strategies and priorities; (2) it focuses in eliminating competency gaps among individuals and groups in a project , job, role or enterprise strategy been selected.

The 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 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 capabilities of the candidate with the requirements of the offered position; once the best candidate is identified, competency gaps form the basis for an initial new – hire learning plan. The purpose is to establish the "behaviors" 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 needed competencies; these competencies can be linked with the equivalent learning objects.

Greengard (2001) offered a discussion on the competency based practice done by organizations, 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- Today , performance is not only seen as "what" (objectives) an employee achieves but also viewed as "how" (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. According to Darganidis and Mentzas (2006) Worker performance is evaluated against job competency requirements as well as objectives.
- Compensation Management- Competency based compensation can help the organizations to determine compensation on the basis of actual performance levels through the process measuring the actual competencies exhibited by the individuals while performing their jobs. Competency based system can also help in designing a fair and equitable system through an objective evaluation of competencies which contributes for an individual's performance. American compensation Association have identified competency based management as the least common application of competency model mong all HRM practices.
- Career Planning - According to McLagan, 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. 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.

Competency Based Management/ Competency Based HR 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 summary, these are: Improved recruitment and selection practices through a focus on required competencies; improved individual, organizational and career development programs; improved performance management processes due to improved assessment; and lastly improved communication on strategic and HR issues through a common language. Cooper, Lawrence, Kierstead, Lynch, and Luce (1998) noted some of 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. According to Kumari and Sita (2010) 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, analyzing training & development needs, rating the employees, increased satisfaction, increased productivity and strengthening employee engagements has started among the employees and employers.

Conclusion:

It is visible from the literature review that competency based management is a fast emerging as a new approach for making employees more proficient in their work so that organizations can achieve the competitive edge over their competitors and thrive in today's time. Competency based management have turned out to be an effective tool for HR to improve the organizational performance. Integration of

competency model with the HR function has enhanced the performance of individual as well as organization. Future Directions Competency approach has been in practice from past 30 years for managing the human capital of any organization, it shows that it's not something new. However, this concept has not been explored much in the Indian Context. As the business environment is changing frequently due to various developments in the technical, social and economic environment the role of organizations using competency framework for human resource management should be studied 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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