

Competence Management

at the Heart of Your HRM Policies

Off to a flying start!



From Individual
Performance to
Company Bottom Line

Competences vs. skills

A Competence Library is Crucial This white paper explains why there's only one spot for competence management – at the heart of your HRM policies.

Your workforce's performance directly affects your bottom line and hence your organization's objectives. High performance levels can only be attained by managing skills centrally.

We'll be explaining in clear terms why we believe this to be the case and how competence management relates to the five cornerstones of HRM policy.

We'll also be sharing several important considerations and practical tips for those of your venturing into the world of competence management.

Enjoy!



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Introduction

Few if any people will dispute that your staff's day-to-day performance is an important – if not the most important – factor determining your company's success. Nevertheless, you'll often come across organizations that still don't give skills and competence management a sufficiently prominent position in their HRM policies.

By doing so, they're failing to capitalize on the benefits that competence management can provide to their HRM strategy.

Looking at the figure below, you'll see in a glance the logic behind placing competence management centrally – at least from an HRM perspective.



Underlying this logic are the five cornerstones of human resource management:

- Recruitment & Selection
- Training & Development
- Career Planning
- Performance Management
- Remuneration Management

With competence management at the heart of your HRM strategy and improved staff performance, there are numerous benefits to be gained across the board – from company strategy to bottom line.

It sounds promising, but why is this actually the case? And what's involved in making the transition to a competence-based HRM strategy?



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Competence-Based HRM Strategy

Looking at the companies that capitalize fully on competence management within their HRM strategy, we've gained two basic, yet major insights:

- 1 Dare to place competence management at the very heart of your HRM strategy. And by 'at the very heart', we mean competence policies should be the driving force behind most, if not all your HRM activities.
- 2 Use multi-level competences. Perhaps this sounds self-evident, but it's essential if you're serious about wanting to set up a competence management system. Levels create opportunities for growth and development, and form the basis for a competence-based HRM strategy.



Why even bother with competence management?

Because it really works.

Studies have revealed that companies with competence management at the heart of their HRM strategy have lower staff turnover rates because they're more motivated and committed. And as a consequence, they generate higher turnovers and profits.

• Because it acts as a great motivator.

Competences can have an extremely positive effect on individual performance. Staff understand better what is expected of them, what areas they could or should improve, and what steps they need to take to move forward.

Because it provides clarity.

Competences ensure that the entire organization – from shop floor to boardroom – speaks the same language. Not only does this make life easier, it makes expectations and objectives clearer for everyone concerned.

The Driving Force behind HRM

Once multi-level competences have been defined and made accessible to everyone, they then form the basis for the cornerstones of your HRM strategy.

We'll explain this in the following sections in which we'll also introduce the concept of the competence library. But first, allow us to take a closer look at the difference between skills and competences. These terms are often used interchangeably, but is it necessarily correct to do so?

Competences vs. Skills

It's perhaps not so surprising that the terms 'competence' and 'skill' are used interchangeably. The most commonly heard explanation is that a skill only refers to operations, often technical or manual in nature, and that competences refer more to behavioral traits. How you apply your skills and knowledge determines whether you're competent at something or not. Both should be quantifiable and objective.

Let's look at examples of a multi-level competence and a multi-level skill below to show that how we deal with both is in essence the same:

Competence: TEAMWORK

A willingness and an ability to work as part of team towards achieving a common goal, even when this goal is not an immediate personal goal.

- Level 1 Working with and informing others.
- Level 2 Working with others towards achieving common goals of one's own accord.
- Level 3 Encouraging teamwork.

Skill: PRODUCTION LINE MAINTENANCE

Maintaining the production line in accordance with the supplier's specifications and instructions.

- Trainee Performs maintenance under supervision.
- Advanced Performs maintenance independently.
- Expert Improves maintenance procedures.
- Trainer Trains others to maintain production line.

No major differences, right? Behavior levels for a skill are literal proficiency levels.

What to use?

It's good that you can use both interchangeably without causing any major conflicts. In manufacturing companies for example, you'll generally find jobs where only 'hard' skills need to be safeguarded, but of course management functions, too.



Combinations of both also exist. For example, it's often important to include a competence, such as 'teamwork', in a job profile alongside 'hard' skills, because it's an essential part of being able to do your job or fulfill a certain role.

In other words, don't be afraid to mix the two. In practice, they generally work very well together.

Competence Management at the Heart of Your HRM Policies

With a competence-based HRM strategy in place, managing skills and competences then forms the basis of HRM's five cornerstones.

However, an important prerequisite is that these skills and competences be clearly defined and made accessible to everyone. This combination is crucial. We come across many companies where competences have been perfectly defined, but remain a mere 'paper exercise'. This is often a reason why they're not supported and used by the entire organization.

Ideally, everyone in the company should be able to access and view the most recent and detailed multi-level skills and competences – anytime and anywhere. In other words, the company has a virtual competence library.

More and more companies are using such libraries to great effect. We'll be looking at competence libraries in more detail later on.

First, let's examine the five cornerstones of HRM and how these are affected by the skills and competences defined in this library. The library acts as a definitive source or reference, providing direction and guidance for these cornerstones.











Recruitment & Selection

The entire recruitment & selection process can be made far more efficient and objective using multi-level competence-based profiles.

It paints a clearer picture for interviewers of what the ideal candidate looks like. Instead of interviewing candidates based on vague qualifications, such as 'must be a team player', it's possible to ask questions about specific traits relevant to 'teamwork' as a competence.

It also becomes far easier to ask candidates to explain how they dealt with specific issues in previous employment, and then evaluate their answers.

Consequently, interviews are often better structured and comparisons more objective.

Organizations that have already implemented this approach claim that they not only spend less time and money on recruitment & selection processes, but also achieve better results hiring the right staff.

GOAL > To recruit and select the right staff

- Clearer picture of what the ideal candidate looks like.
- Structured interview and objective evaluation.
- Less time spent on recruitment & selection process.











Training & Development

Continuing professional education (CPE) and development (CPD) are major challenges for most organizations. Multi-level skills and competences are an excellent means to determining learning requirements and how these can be best developed. They also allow you to answer the following basic, yet crucial questions:

- What skills and competences do my staff need? (Required)
- What skills and competences do my staff already have? (Actual)
- Are my staff sufficiently competent? (Skill Gap)
- If a gap exists, how and where can we acquire or develop missing skills and competences? And at what level?
- How and where can new skills and competences be formally demonstrated?

Insights into skill gaps provide both staff and managers with important information about which skills and competences could or should be developed further, and at what level. These insights can be used to plan learning paths for staff's continuing professional development.

This approach to training and development helps make the staff as individuals and the organization as a whole far more resilient and professional. If staff and teams continue to develop and improve the right skills and competences, then individual, team, and organizational quality and performance levels will start to improve.

Consequently, this also results in an improved bottom line and creates an inspirational and challenging environment in which to continue working as an up-and-coming, talented individual.

GOAL > To improve staff quality

- Staff and managers have keener insights into which skills and competences could or should be improved, i.e. skill gaps.
- Insights can then be used to plan learning paths.
- Quality levels continually improve from an individual level through a team level to an organizational level.

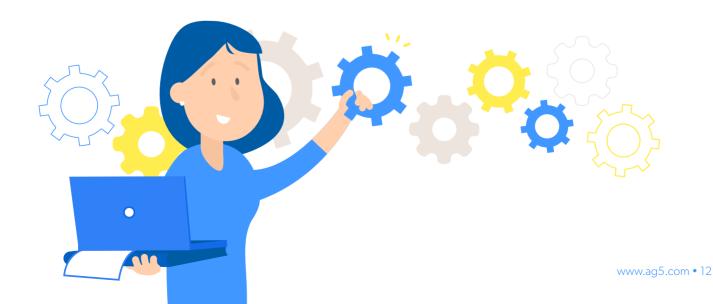


Career Planning

Multi-level skills and competences provide staff with the tools to plan their personal and professional goals. They can visualize their own plan and identify their next step. Because staff are actively involved in their own career planning, they remain more highly motivated and committed. If the company or organization pro-actively helps them with their training and development plans, this shows staff the appreciation they often seek and helps build mutual trust. This directly explains why companies that work with their staff in this way have relatively high retention and motivation levels.

GOAL > To plan your career

- Staff have access to the tools that allow them to identify the skills and competences they need in order to achieve their personal and professional goals.
- Staff remain motivated and committed to taking the next step along their career path.
- Motivated and talented staff members generally want to continue working for a company that provides them with personal and professional development opportunities.





Performance Management

Performance Management is an essential element of HRM. It's also a particularly sensitive and challenging area because it addresses how individuals perform within an organization.

If multi-level skills and competences have been clearly and objectively defined, i.e. what is expected of them in each job or role, and at what level, then these will help improve mutual communication tremendously.



Managers can spot shortcomings sooner and provide concrete pointers about how to make the necessary improvements. Similarly, it also pinpoints performance above and beyond expected levels.

Staff also get a better picture of what is expected of them in a particular job or role, and at what level.de betreffende functie/rol en niveau.

GOAL > To objectively assess staff performance

- Managers can identify, qualify, and quantify both shortcomings and excellence sooner and more objectively.
- Staff have a better picture of what is expected of them in a particular job or role, and at what level.



Remuneration Management

Competence management is also a useful tool with which to tackle the issue of remuneration. It makes it far easier to provide clarity and transparency about the steps required to earn a particular form of remuneration. It allows organizations to base remuneration more closely on development.

For instance, staff members can increase their remuneration level by developing higher-level competences in their current position or in a new role matching their competence profile.

It also provides an opportunity to stimulate development across the board, e.g. by rewarding the acquisition and development of new skills and competences at the same level, but in a different line of work.

This last example also forms a basis for creating a more flexible workforce, which shares knowledge and boosts motivation and commitment.

Competence-based remuneration is also quantifiable, as it reflects the competence gained by a staff member over a given period of time.

GOAL > To encourage personal and professional development Benefits of multi-level competences:

- Staff are more highly motivated because they understand better what they have to do to earn higher remuneration.
- Organizations can also use forms of remuneration as a means to directing and managing future workforce skills and competences.

4

Off to a Flying Start with Competence Management

The Competence Library

If you've decided to take the plunge and implement competence management principles, where and how should you begin?

First and foremost, you'll have to take inventory of the skills and competences your organization actually needs. This is the sum total of all existing jobs and/or roles. Of course, these include generic competences that are common to many companies and organizations. Conversely, your company probably also requires many specific skills and competences.

Next, you'll have to create your organization's competence library.

This library will then form a basis for defining the various jobs and roles. We'll come back to this point later. It's even possible to associate skills and competences to a specific piece of machinery instead of a job or role. We even encounter examples where project team members need a specific set of 'temporary' competences for a given project. A competence library provides your organization with a solid, yet flexible basis.



The next crucial step in compiling your competence library is specifying and defining proficiency levels. An important aspect to achieving this is clearly defining behavioral indicators or assessment criteria.

We've included an example below to clarify this step for 'Production Line Maintenance' at a manufacturing company.



Name and describe the skill.

Calibrating Measuring Equipment

Calibrating measuring equipment for its intended use.

Determine the number of associated proficiency levels. In this example, this was set at four – Trainee, Advanced, Expert, and Trainer. Note the symbol next to each level, which will be used next in the skills matrix. Describe each proficiency level clearly and concisely.

Calibrating Measuring Equipment

Calibrating measuring equipment for its intended use.

1. Trainee

Performs

maintenance

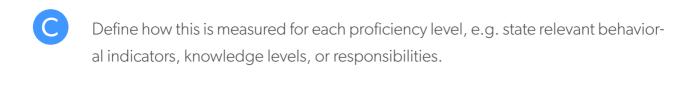
under supervision

B

- Performs
 maintenance
 independently
- 3. Expert Improves maintenance
- 4. Trainer

 Trains others to

equipment



4. Trainer

Calibrating Measuring Equipment

1. Trainee

Calibrating measuring equipment for its intended use.

3. Expert 2. Advanced **Performs Performs** B Improves Trains others to maintenance maintenance maintain measuring maintenance under supervision independently procedures Doesn't really know Knows and performs Supervises others Creates new training where or how to standard calibration performing procedures for begin procedures calibrations calibrating equipment Doesn't know the Has sufficient know-Can calculate power Teaches others the difference between ledge of voltage, output from voltage, principles of electricity voltage, current and current and resistance current and resistance resistance readings

You've now clearly defined this skill. Once you've specified the various proficiency levels and defined their associated behavioral indicators/assessment criteria, you'll be in a position to evaluate and assess each proficiency level easily and objectively.

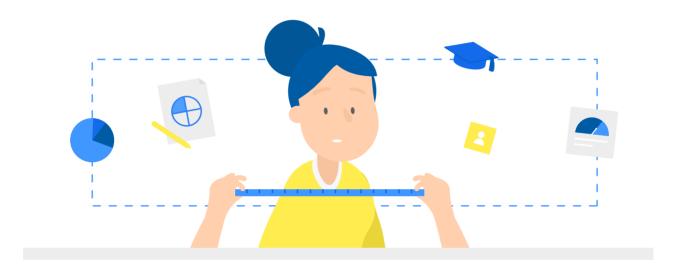
Once you've done this for all skills and competences, your company's competence library will be rock solid. Solid enough in fact to extend competence management principles to other areas of your HRM strategy.

Perhaps you're thinking that this will take a lot of time and effort. Depending on the size and complexity of your company, this could indeed be a sizable project. However, on the upside, it's an exercise you'll theoretically only ever have to do once. Thereafter, you'll only have to make necessary amendments. But it's definitely worth the time and effort! Once you've passed this milestone, it will be highly beneficial to your organization.

And to get off to a quicker start, you'll find plenty of sector- or industry-specific skill/competence lists online. You really don't have to reinvent the wheel, especially for generic skills and competences.

We know of many companies that have gotten their competence management systems up and running extremely quickly and successfully by adopting this 'lean' approach. So don't let this be an obstacle.

Let's now examine how you make the practical transition from competence library to job or role profiles.



Linking Competences to Jobs or Roles

Once you've defined your organization's skills and competences, and housed these in a competence library, you'll be able to use these to draft job and role profiles. You can do this in one of two ways. You could either supplement existing job descriptions or migrate entirely to skill- and competence-based jobs or roles. Note: These two options are not mutually exclusive.

When creating a new profile, select the relevant skills and/or competences and their corresponding proficiency levels.

Job Title Work Planner (Measuring Equipment)

Job Description Plans work for co-workers performing measurements.

Competences:

TEAMWORK

A willingness and an ability to work as part of team towards achieving a common goal, even when this goal is not an immediate personal goal.

Level 2 - Working with others towards achieving common goals of one's own accord.

- Provides assistance, when asked to do so or otherwise, and also requests assistance when needed.
- Makes clear and quantifiable agreements.
- Shares knowledge, information, and ideas with coworkers of one's own accord to achieve a common goal.

Skills:

CALIBRATING MEASURING EQUIPMENT

Calibrating measuring equipment for its intended use.

Trainer - Trains others to maintain measuring equipment.

- Creates new training procedures for calibrating measuring equipment.
- Teaches others the principles of electricity.

You can now see which skills and competences are required for this job profile. Specifically, the **TEAMWORK** competence (**level 2**) and the **CALIBRATING MEASURING EQUIPMENT** skill (*trainer*).

Organizational Visualization

Once you've defined job and role profiles with their corresponding skills and competences, it's then possible to assign individual staff members. A skills matrix helps you visualize who has which skills and competences, and at what level. You can also see at a glance which steps someone needs to take to attain the required or a next level.

Department	Department Unit A		Certification			
Team	Shift B	1	2	3		
Trainee Expert	Advanced Trainer	SOS-SCC	CERT	Forklift Truck		
Reg No.	Name					
38872	John Harrison	~	~	~		
39258	Steve Jefferson		~			
42382	Maureen Alberts	~				
46322	Arthur Davies	~	~			
48944	Fran Williams		~			
42630	George Sanders			~		

Technical Skills & Tasks						
4	5	6	7	8	9	
Calibrating measuring equip.	Replacing actuators	Side Panel operation	Allan Bradley PLC	Indramat servo motors	Attaching measuring posts	
	lacksquare			—		
—	•	•	•	—	—	
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A wide variety of skills matrices are available for use. If you'd like to find out more about skills matrices and which type is the best for your organization, please read our white paper titled *'The Numerous Benefits of Skills Matrices'*.

Three Cop-Outs: Why You Haven't Introduced Competence Management Yet

Below are the three most common cop-outs for why we believe you or your senior management are reluctant to introduce competence management.

1. Competence management is something for really big companies

Reality: This was perhaps true twenty-five years ago because this is where competence management started out. Nowadays, it's being introduced into companies of all sizes and across all sectors. It can prove incredibly effective in companies with only fifteen employees.

2. Competence management is time consuming

Reality: The initial set-up can indeed take a lot of time, but once implemented it actually saves you time. It streamlines internal processes, saving time on recruitment & selection, training & development, career planning, performance management, and remuneration management.

But nowadays, there are more and more sector- or industry-specific skill and competence lists available online to help you get off to a flying start.

3. Competence management is costly

Reality: Costs depend heavily on how much you can do yourself and how much you need to subcontract. There are countless organizations that have set up their own competence libraries and implemented competence management systems entirely themselves. And as previously mentioned, a lot is already available online, free of charge. Of course, you could also decide to hire in an external agency to do it all for you.

6 Practicalities!

If you'd like to find out how other organizations have put competence management into practice, please take a look at the three in-depth business cases that we've selected for you, which explain everything from A through to Z.

- How did they tackle this?
- What challenges did they face?
- What were their most important conclusions?

Here are the companies selected for the case studies:

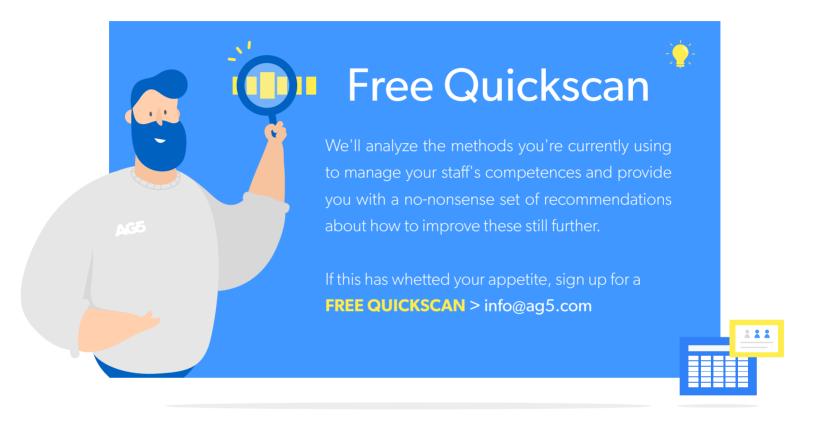
Industry	Company
IT	Proact
Food production	Intersnack
Aviation / Cargo	KLM Cargo

Read about these case studies here:



We hope this white paper has whetted your appetite for the benefits that can be gained by placing competence management at the heart of your HRM strategy.

If you have any questions, comments, or suggestions, we'd love to hear from you. Or even better still, sign up for a **FREE QUICKSCAN**.



With AG5 Skills Intelligence Software you can create clear cross-company skills matrices and dashboards within a centralised skills hub, integrating data from other HR and learning tools. Moving away from unmanageable spreadsheets, AG5 provides clear, concise, and audit-proof skills matrices that make workforce management easy and convenient.

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