



LEADERSHIP DEVELOPMENT

Creating a Competency Model that Works

The good, the bad, and the ugly

A clear perspective on what can be done to make a competency model not only more memorable, but also incredibly useful to an organization.

by **Joe Folkman**

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Several years ago I was in a meeting with a Fortune 500 company. The CEO was addressing a group of 55 senior leaders and he asked, “Can anyone here remember our last competency model?” No hands went up. Perhaps if you are one of those responsible for creating and maintaining a competency model in your organization, you are surprised and disappointed by this; but the sad truth is a typical leader in a typical organization has a hard time remembering the company’s competency model.

After 30 years of creating, reviewing, and revising hundreds of different competency models, we have seen the good, the bad, and the ugly ones. Experience gives us a very clear perspective on what can be done to make a competency model not only more memorable, but also incredibly useful to an organization. In this paper we will share the key features that are critical when creating a great competency model.

WHAT IS THE PURPOSE OF A COMPETENCY MODEL?

The value of a competency model is its ability to identify key competencies, skills, and behaviors that will leverage the success of an organization. By focusing on a limited set of competencies, organizations can help individuals identify areas for personal development. They can evaluate all employees around that same set of competencies. If the behaviors in the competency model do not directly link to key outcomes that define the organization’s success, then the competency model is little more than a random set of behaviors that someone likes. Some people will say that the linkage is obvious, but unless this is tested and validated it may not be accurate for two reasons. 1. Either the competencies are not the right ones (e.g., employees cannot see the linkage between the competency model and the strategy of the organization), or 2. They are not being accurately measured (e.g., there is no correlation between high performance on the competencies and key organizational outcomes).

HOW ARE COMPETENCY MODELS CREATED?

Competency models are created in a variety of ways.

1. A senior executive defines the competencies based on his/her observations of the organization. Depending on the current situation and needs, they will unilaterally write out a set of competencies. This process is extremely efficient. But these models are based on impressions, biases, and personal preferences rather than any research or analytics.

We would scoff at an executive in a Drug Company sitting down and writing out a prescription for curing cancer based on his or her impressions, biases, and personal preferences. Interestingly, many senior executives feel it is both their right and duty to define competencies for their organization.

The results of these efforts vary from insightful and useful, to obtuse and confusing. What seems consistent in all these efforts, however, is that once written, the organization assumes that these competencies are chiseled in stone and never questioned until a new chief executive takes over.

2. A group of executives sorts cards using a forced distribution technique. These cards contain a list of competencies that the group then uses to determine the right set of competencies that fit their specific organization. This is a better approach because the leaders start with a researched set of competencies. But again, the selection process is basically based on impressions, biases, and personal preferences of this group. It is hard to conclude that simply because a group of people got together and sorted some cards, that this constitutes good research on competencies. Having watched various groups do this, I’ve discovered that there is little consistency in their impressions.

3. Executives identify a group of high performing leaders and compare them with another group of average performers. A detailed “Behavioral Event Interview” is conducted with the high and average performers. Sometimes their managers are also interviewed. The interviewer asks each participant to describe situations where they were successful, challenged, overcame obstacles, or experienced a setback. The interviews are carefully analyzed to identify behaviors that high performers utilized that average performers did not. From these interviews the behaviors are clustered together to form competencies.

4. Senior leaders use research and data to identify competencies. Several years ago, my partner Jack Zenger and I utilized this approach. We gathered over 200,000 assessments on over 20,000 leaders. These assessments were all based on a variety of different competency models that had been created. Over 1,900 different behavioral statements were examined.

The question that we wanted to answer was, “Which behaviors are best at differentiating great leaders from poor leaders?” Some items showed no difference, some a small difference and others a huge difference. By clustering the behaviors that showed a huge difference together, we identified 16 differentiating competencies. This competency model was based on the items that were most effective at separating great leaders from their poor counterparts. Using the Behavioral Event Interview method, people are able to identify unique competencies but are not able to evaluate if the measurement of that competency differentiated between leaders. Since our initial research, our organization, Zenger Folkman has utilized this same research-based approach to create customized competency models for a variety of clients.

HOW DID OUR RESEARCH CHANGE THE WAY WE THOUGHT ABOUT COMPETENCY MODELS?

Positive Correlation to Business Outcomes

The fundamental logic that every competency model is based on starts with the assumption that certain behaviors impact organizational outcomes, which in turn drive business success. For most competency models, the evidence that a linkage exists is usually very weak and intuitive. For example, “We know that customers are very important to our business success so we created a competency titled ‘Customer Focus’ which should help leaders improve their customer satisfaction rating.”

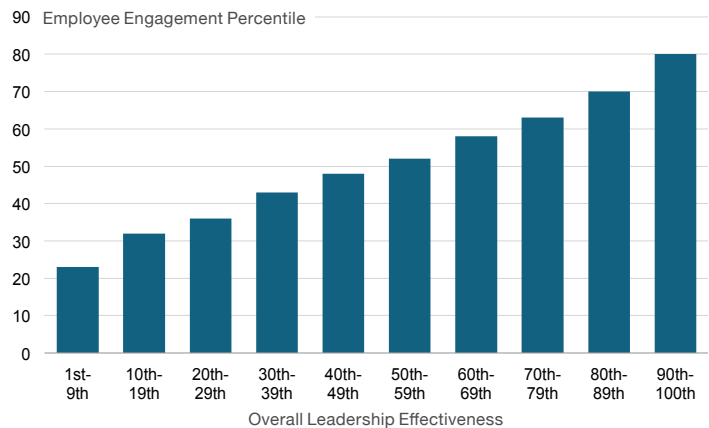
Real evidence would be able to show that the measure of customer focus for individual leaders was, in fact, significantly correlated to customer satisfaction ratings. Providing such evidence does two things. First, it validates the competency model and second, it provides proof to individuals that their efforts to improve a particular competency will positively impact

their organizational success. Leaders have many priorities. Often, introduction to or focus on a competency model is viewed as a passing fancy and a temporary distraction to managers and employees. Showing a clear correlation of the competencies to business results will increase the leaders’ focus on the competencies and their importance.

Early in our research we found that by utilizing differentiating competencies we could accurately predict a variety of key organizational outcomes. The graph below shows the relationship between a leader’s overall effectiveness as measured by the 16 differentiating competencies and the level of engagement of the leader’s direct reports.

This study is based on a global sample of 29,906 leaders. The chart demonstrates that poor leaders create disengagement (e.g., 20th percentile), good leaders have employees who score at the 50th percentile, but great leaders have employees who score over the 80th percentile in their engagement. There is strong evidence that highly engaged employees are more productive, efficient, and effective.

Leadership Effectiveness vs. Employee Engagement



Additional studies have demonstrated that we can accurately predict a variety of key organizational outcomes including:

- Turnover
- Percentage of employees who think about quitting
- Customer satisfaction
- Profitability
- Sales
- Quality
- Safety
- Percentage of highly committed employees

The Importance of Focusing on Strengths

For most organizations, competency models have not been utilized with individuals as a way to acknowledge areas of strength. Rather, they point out weaknesses that need to be improved. Most organizations believe that if people continue to work on their weaknesses, they will eventually become an exceptional leader. In our original research we discovered that it was the presence of strengths that made leaders great. If a leader was highly effective at just three competencies, their average overall leadership effectiveness rating was at the 81st percentile. What a surprise! The new research proved that it was the presence of strengths that made leaders great, not the absence of weakness. Over the last 10 years we have been implementing this approach in our clients' organizations. Our clients have discovered that using this strength-building approach results in greater interest and commitment in the competency model, and in personal development.

The Illusion of Perfection

Many organizations are searching for the perfect leader. Our research reinforced that the most highly competent leaders possessed a few strengths, but they were not perfect. Leaders will be more competent and passionate about certain skills than others. Most leaders have strengths in a few key competencies. Organizations which have a narrow set of competencies and attempt to fit every leader into the same mold will inevitably find effective leaders who do not fit because their strengths lie outside the narrow set of competencies. Organizations who have a diverse group of leaders with different strengths, have leaders that complement each other by leveraging their skills together. Competency models need to be broad enough to encompass the diverse collective capabilities people can utilize to make the organization successful.

Correcting Fatal Flaws

Our research taught us that while 70% to 80% of leaders are better off working on their strengths, 20% to 30% of leaders have something called a "fatal flaw." Most people have weakness. However, fatal flaws are significant weaknesses that have a very negative impact on a person's career and effectiveness. We tested an individual's ability to predict their strengths and weaknesses. The research revealed that any other rater besides yourself (i.e., manager, peers, direct reports, or others), is twice as accurate at predicting a person's capability. Since individuals are not very effective at predicting their own strengths or weaknesses, it's essential that organizations have an assessment method to identify which competencies are fatal flaws and which are profound strengths.

Cross Training to Build Strengths

One promising way to develop strengths is through non-linear development. Rather than people being satisfied with good performance on a given competency, we found in our research that being highly effective at a competency had a profoundly positive effect. Most people know how to fix a weakness. They improve through continual linear development. If a person is incompetent in their technical skills and expertise, the process to improve is to take classes, get personal coaching, work closely with a highly skilled colleague, and read books. The linear process moves people from incompetence to competence. Once people reach that level, continued linear development provides little additional value.

Taking a class that you have already taken or reading content you have already read and understand will not help people move from good to great. The process to move from good to great is enhanced by a non-linear approach, or cross training. To understand the process we looked at data from thousands of leaders. What we found was that leaders who were great, utilized what we call companion behaviors to help them build a profound strength. For example, people who were viewed as having great technical expertise were also viewed as highly competent at solving problems. Technical expertise is knowledge but problem solvers take that knowledge to find solutions to issues in the organization. Leaders who were viewed as problem solvers were able to use their expertise to create value for the organization. We also found that the leaders who were perceived as having the highest level of technical expertise, were effective at communicating powerfully. What's better than a person with great expertise? A person who can communicate that expertise and knowledge with others. We find that for each competency there are between eight and twelve companion behaviors.

Leaders with a strength in one area can integrate a few companion competencies to create a profound strength in a specific competency. Several years ago I worked with an organization where the CEO said, "I only want five competencies in our competency model." When asked why, he indicated that he wanted the competency model to be simple and not complicated. If an organization starts with the assumption that they only want to measure a narrow, specific set of competencies; a potential problem is created. To be excellent at one competency requires skill in several other competencies which are not part of that narrow set. When competency models are too narrow, they fail to provide leaders with a sufficient understanding of performance on a variety of competencies. They provide a narrow snapshot rather than a panoramic view. It's absolutely clear that a competency model can be too complex with 20 or more competencies, but they can also be too narrow.

WHAT ARE THE CHARACTERISTICS OF A GREAT COMPETENCY MODEL?

Simple and Memorable

In order for a competency model to be useful it needs to be simple and straightforward. Some organizations have created competency models where they assign different competencies for each level in the organization. While this may look elegant and sophisticated to some, the reality is that it will become complex and difficult to understand for most leaders. Another way to proceed is by using the same set of competencies for all levels but define them differently depending on the level. This is simpler. Once again, as we began this article with the question from the CEO, “Who can remember our last competency model?” The key to having people remember and utilize the model is keeping it simple.

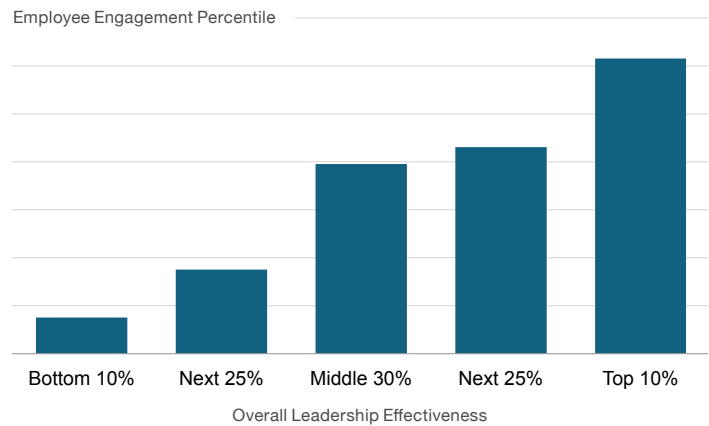
Thorough

Some organizations embrace the simplicity notion so much that they attempt to reduce the number of competencies to a mere handful of behaviors. We recently reviewed a competency model which had just five competencies. As previously mentioned, the CEO was determined to only have five competencies in order to keep the model simple. But because that is an over simplification of the skills that are necessary to achieve success, each competency became a bundle of two or three unrelated behaviors that no one really understood, and ultimately created enormous complexity. An effective competency model needs to be thorough enough to cover the fundamental behaviors that will yield organizational success and also leverage the differences between people. Our research has taught us that great leaders have a few profound strengths, but those strengths differ widely. An over simplified competency model will not provide the bandwidth necessary for all leaders to excel.

Tested and Proven

Once a competency model has been created and an accurate approach has been developed to measure each competency, the model needs to be tested to prove that behaviors are accurately being measured. Plus, it needs to verify that the way they are measured accurately predicts organizational outcomes. Using a recently customized assessment, we gathered data from 127 leaders in the organization. We were able to analyze the relationship between Leadership Effectiveness and Employee Commitment. Several of the leaders in this organization had seen our generic studies, but once we created the study for their organization, that became significantly more powerful at demonstrating the validity of their tool and competencies.

Leadership Effectiveness vs. Employee Engagement

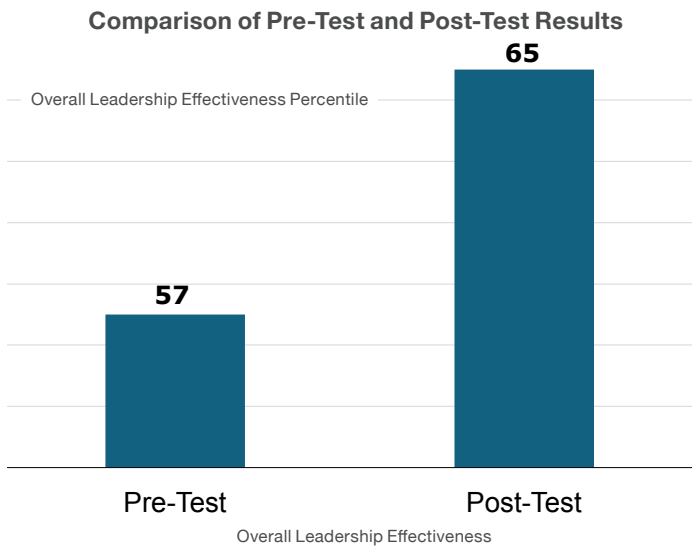


Developmental and Evaluative

If a competency model is only used for development, then some people start to ask the question “what’s the point of improvement if it never has any impact on pay, promotion, or bonuses.” On the other hand, if the competency model is only evaluative, people do whatever they can to game the system. A competency model that is extremely evaluative makes people assume that if they are ineffective at a competency, there is no hope. They have failed the test. Having a strong development focus that is backed up with evidence—showing that people can in fact improve—provides hope and gives people a way to move forward in their career. When people in the organization see others being promoted who are highly effective at competencies in the model, they then see the payoff for development.

We have found that by utilizing the strength-building approach and our new development technology of non-linear development, significant improvement can be achieved. In one case study we looked at 80 leaders from a large financial services company. Data was collected on leadership competencies in a pre-test. Each participant attended a workshop where they were given instruction on the strength-building approach and insights for selecting a developmental issue to improve. Each person completed an action plan which was shared with their manager. After two years, a follow-up post survey was conducted. The graph below shows the significant level of improvement for the group.

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The overall leadership effectiveness ratings on the pre-post data was highly significant for this group of 80 leaders. The key to this successful change started with valid, reliable data from the 360 assessment. But just as critical was the encouragement leaders received for creating an action plan. Continued follow up on the progress of each person was also important.

In our research, we have found a highly significant correlation between our 360 assessment results and “9 box placement data.” 9 box placement data is a rating that looks at high, medium, and low ratings of performance and potential. A high rating would indicate high performance and high potential. Typically the rating shows a consensus from a group of leaders or others within the organization. When competency models are developed correctly and the measurement tools are predictive of organizational outcomes, then these assessments will predict the high performance and the potential of leaders in the organization.

Provide a Shared Language

Another characteristic of effective competency models is that they provide a common, shared language around key behaviors and what high performance looks like. It's interesting for many people to watch athletic competitions such as high platform diving. At first glance, it's always impressive to see anyone dive off a 10 meter platform into the water. Every dive may look exceptional, but then you see the judges' ratings. What you thought was great, others see as full of errors. Over time, careful observation allows you to notice the small differences that separate the good from the great performers. A very similar thing happens in organizations. With no competency framework, everyone looks like a good leader. But as competencies are defined and measured, people start to understand the difference between poor, good, and great performance. This common language spreads throughout the organization from individual contributors

to executives. With continued feedback, the level of leadership performance improves.

Embedded in all the Human Resources Systems

We have observed that when the organization begins to use the competency model for purposes of recruitment, selection, promotion, and compensation; then everyone becomes familiar with it and it has an ever-increasing impact on the organization's people management systems.

CONCLUSION

An effective competency model can provide an excellent map for organizations who desire to push forward on performance improvement initiatives. Effective measurement tools provide each individual with their particular GPS coordinates for where they are on that performance journey. The combination of straightforward competencies and accurate measurement can be an exceptional asset in raising the level of performance in an organization. The best organizations utilize their competency models for continual assessment and development over a person's career. Having a clearly defined competency model provides every person with a picture of which competencies can help the organization to be more successful and what they can do personally to have a satisfying career. Implementing continuous development in the organization encourages each person to have an active development plan and engage in personal improvement. Employees in every organization are not a fixed asset, but rather they are a variable asset that can either be enhanced or stifled.

An ineffective competency model is a map that does not match up with what people experience at work day to day. In an effort to reduce the number of competencies, many organizations start to group several different behaviors together and label them as one competency. This is similar to looking at a map and labeling a single town with three different names. Leaders will have no clarity about their final destination.

Assessments using ineffective competency models provide confusing messages that feel arbitrary and unrelated to performance. Organizations that have and use these kinds of competency models are creating more damage in the organization than good. In addition, their leaders are unclear how to improve their performance and effectiveness. Organizations that take the time to create a clear set of competencies and are able to accurately assess behaviors that positively impact their organizational results, will have a clear competitive advantage in building great leaders.



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Joe Folkman, is a frequent keynote speaker and conference presenter, a consultant to some of the world's most successful organizations, and the author or co-author of eight books. His research has been published in Harvard Business Review, Wall Street Journal, Chief Learning Officer, Forbes.com, CNN, Fox News, CBS News, NPR, and more. He was recognized by ISA as the 2014 Thought Leader.

ZENGER FOLKMAN

Zenger Folkman helps organizations flourish by increasing the effectiveness of leaders at all levels. Our unique, strengths-based development methodology enables leaders to move faster and higher. Each offering is solidly grounded in research, utilizing our extensive empirical database. The end results are statistically significant improvements in how leaders lead, how their employees engage and how their companies profit; allowing both leaders and organizations to soar to new heights.

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