Competency-based approach to human resources management

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Abstract: The paper deals with the competency approach to human resources management. The approach is seen as one of the possibilities to effectively manage work performance. The paper focuses on defining the term competency, components of competency, types of competencies, and on identification of competencies. The paper also focuses on the competency models, their types, approaches to them, and the procedures of their creation. Finally, the paper summarizes the possibilities of the use of the competency approach in various spheres of management of human resources, and it describes the connection of the competency approach with the strategic management.

Key words: competencies, competency models, creation, identification, measuring

The issue of human resources, and especially of their proper management, is becoming increasingly important. The knowledge and skills of employees are becoming the essential assets of the organisation. The level of knowledge and skills of employees are considered the competitive factor, the comparative advantage, the key area where changes should take place. It is understood as a determining factor of success and prosperity of the organisation (Stýblo 2001). The realization of the potential of human resources then depends on management, i.e. on the quality of managers.

It is understandable that each organisation wants to have the most competent employees and the most capable managers. It is because the organisation’s potential success in the market depends on them. The point is to have the right people at the right time at the right place. This is doubly true when speaking about managers. Many organisations realize that there is an urgent need to find new ways how to manage people. The burning questions especially are the search for good employees (detecting their potential), education of employees, motivation towards a higher performance, and managing the employees’ careers. Also the questions of evaluation and remuneration, together with the issue of the maximum reduction in the employee turnover which prevents wasting the financial (and time) resources, i.e. it prevents the unnecessary costs. The competency approach to human resources management may represent one of the ways how to achieve this effectiveness and many organisations try to apply it with a greater or lesser success.

The aim of the paper is to review the issue of competencies and the competency approach to the management of an organisation. It will be based on the available literature resources. The authors seek the homeostasis (and the effectiveness) between the competencies of managers and the external and internal environment of organisations.

MATERIAL AND METHODS

The review of the competency approach to human resources management will be based on the diagnostics and the subsequent comparison of 48 professional and scientific literary sources from the years 1954–2012. The authors sought answers to these questions: What are competencies? How do various authors understand them? What is the difference between various definitions of competency? What are the components of a competency? What are the types of competencies? What types of competency models do we know and what are the differences between them? What approaches can be used when creating a competency model? What is the procedure to create a model? What are the methods of measuring the level of competency? And finally, what are the differences between the competency approach and the conventional approach to human resources management and when the competency approach can be used?

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RESULTS AND DISCUSSION

In Czech, the term competency has two meanings: to have power (to be authorized) or to be able to perform some activity (the capacity, ability). Therefore, in the first case it is something given from the outside (usually by an external authority), while in the second case the competency means a person’s intrinsic quality, his/her human capital. This second meaning is being associated with managerial competencies and it is the meaning the professional and scientific literature works with. English uses two terms with different meanings: “competence” and “competency” (Teodorescu 2006). "Competence" means the general ability to work well, or the authorization to do a certain job; “competency” means the ability to perform the tasks required in the job (skills, qualification). In the first case, it is about the effectiveness and entitlement, in the second case, it is rather the capacity, qualifications, potential (Armstrong 1999). In other words, “competence” refers to an activity, “competency” to a person. Many authors distinguish between the meanings of these two terms when translating them into Czech (Koubek 2003; Urban 2004). However, the definition of the difference varies, which makes the understanding to these concepts difficult. Kressová (2008) points out that a more suitable term to use in the Czech language is “capacity”. Also from a legal point of view, this term is more appropriate because a manager who has the competency has also a legal power and responsibility. This conception would cause the superiority of the term competency over the term competence because it also includes the legal power and responsibility.

Competencies started to be an issue in the 1950s as a reaction to the inadequacy of the intelligence tests-based staff recruitment (Flanagan 1954; White 1959). At that time, experts recommended employers to focus on testing and evaluation of the capacity of the prospective employees, i.e. on their capabilities to use knowledge, skills, abilities, and personal characteristics when fulfilling job tasks instead of testing their intelligence (McClelland 1973; Lucia and Lepsinger 1999). Competency was defined by many authors (Boyatzis 1982; Woodruff 1992; Spencer and Spencer 1993; Prokopenko et al. 1996; Bedrnová 2000; Veber et al. 2000; Tureckiová 2004; Plamínek and Fišer 2005; Hroník 2008 and others). A summary can be found for example in Koubek’s publication (2003): “Competency is the ability of a person to behave in the manner that is consistent with the requirements of hi/hers work (job) according to the parameters defined by the environment of the organisation, and thus to produce the required results. Competencies are the dimensions of behaviour that affect job performance, the essential skills and talents that are necessary for a proper work performance, all the work-related personal characteristics, knowledge, skills, and personal values that encourage individuals to do their jobs well. Competency means those basic characteristics of human beings that cause their effective or outstanding performance”.

The competency is therefore a behaviour that brings the required result. When the employee is competent (i.e. he/she does his/her job well or excellently) it means that three conditions have been met (Kubeš et al. 2004):

1. The employee has the appropriate personal characteristics, abilities, knowledge, skills, and experience,
2. He/she is motivated to work well; he/she sees the value of this and is willing to spend his/her energy on his/her job performance.
3. The environment enables his/her good performance.

To become competent for his/her job, the manager has to meet all these three conditions simultaneously. The absence of any of them makes the competent performance impossible.

A competency consists of several components; experts usually name some of these: motives, attitudes, values, skills, talent, intelligence, abilities, knowledge, know-how, experience, social roles, self-image, personal characteristics (Spencer and Spencer 1993; Prokopenko et al. 1996; Lucia and Lepsinger 1999; Bedrnová 2000; Hay Group 2003, Kubeš et al. 2004). The components form a hierarchical pyramid (Lucia and Lepsinger 1999), concentric circles (Spencer and Spencer 1993; Bedrnová 2000), or are further divided into visible (skills, knowledge) and hidden ones (motives, personal characteristics, self-image, social role) (Hay Group 2003). In any case, the components always lead to a visible behaviour, which then indicates the presence of the competency (Lucia and Lepsinger 1999).

The expert opinions concerning differences existing between types of competencies and on the importance of these individual types diverge more than in the case of determination of the components. One of the basic classifications divides competencies into (1) threshold (basic) competencies and (2) distinguishing (high performance) competencies (Boyatzis 1982; Schroder 1989; Spencer and Spencer 1993). The difference between them lies in the chosen criterion of performance (required result). Threshold competencies encompass the minimum requirements for a job; distinguishing competencies enable to differentiate between the average and the outstanding performance.
and for that reason, they represent an extension to threshold competencies. Schroder (1989) identified 11 high performance competencies and divided them into 4 groups: cognitive, motivational, directional and performance competencies.

Another classification is the division of competencies into (1) *hard* (functional) and (2) *soft* (personality) ones, either in various terminological variations, or as a part of a further breakdown (Prokopenko et al. 1996; Carroll and McCrackin 1997; Donnel et al. 1997; Hroník 1999; Bedrnová 2000). Hard competencies are also referred to as technical, functional, or professional competencies. They include technical knowledge and skills that relate to a specific position or a specialized work, i.e. they actually represent qualification or education in a specific branch. With a certain simplification, we can say that these are the basic (threshold) competencies. Soft competencies are referred to as behavioural, social, interpersonal, or human competencies, i.e. their essence are the interpersonal relationships. They include all the components that relate to the work with people, such as the ability to lead, to communicate effectively, or to motivate. Besides this basic classification some authors also distinguish *managerial* competencies (Hroník 1999), *team* competencies (Carroll and McCrackin 1997), *emotional* competencies (Goleman 2000), or key competencies (Belz and Siegrist 2001):

- Managerial competencies – consisting of skills and abilities that contribute to the outstanding performance of managers (Tyron 2003, cit. Kubeš et al. 2004).
- Team competencies – relating to groups that are mutually interdependent and project-oriented, some of these competencies are the same as the individual ones, and some are specific because they define actions concerning the group/team.
- Emotional competencies – consisting of skills related to the emotional intelligence (EQ) such as self-awareness, social awareness, self-management, or management of relationships. Goleman (2000) considers this group the most important one because, according to his research, it is these competencies that enable an excellent professional performance. The other competencies (technical and cognitive) are considered the threshold ones that cannot ensure an excellent performance by themselves.
- Key competencies – i.e. either the competencies that are important for all employees of the organisation (Carroll and McCrackin 1997) or the competencies that transcend the individual branches and can be applied in various fields (Belz and Siegrist 2001).

The effort to unify the terminology brought another classification of competencies (Klemen 1998): (1) *practices*, i.e. the things the people do in their work to achieve the required result (e.g. focus on the customer, motivating subordinates, etc.), and (2) *characteristics*, i.e. the knowledge, skills and other characteristics that allow people to fulfil their tasks (such as the strategic thinking, proactivity, etc.). There were also other authors who tried to sort and clarify the diverse classifications of competencies (Armstrong 1999; Hroník 2006; Švec et al. 2008, 2009).

Finally, we distinguish between (1) *individual* competencies and (2) *competencies of organisations*. Among the authors dealing with competencies of organisations, there are for example Prahalad and Hamel (1990), Spencer and Spencer (1993), Gallon et al. (1995), Coyne et al. (1997), Ulrich and Lake (1997) and others. In general, their approaches can be summarized as follows: competencies of an organisation consist of the competencies of employees, or competencies of an organisation consist of the competencies of individuals and the competencies of teams, and if both these groups of competencies are complementary, then together they create a synergistic effect that leads to the key competency of the organisation. This key competency distinguishes the organisation from its competitors.

We can see that many competencies have their own “life cycle” that is contingent on the dynamics of the business environment – the competencies emerge, their importance grows, and as the circumstances change, they recede or completely disappear (Kubeš et al. 2004). In other words, the competencies that are extremely important to maintain the competitiveness in one period may not be enough in another period, so they lose their importance in favour of other competencies. According to Kovács (2009), the life cycle of all competencies does not end in the same way; however, we can basically distinguish between these situations: decline, preservation, expansion, or creation of a competency.

**Identification of competencies**

When applying the competency approach in the management of human resources, the key step is the identification of competencies. Experts have repeatedly paid an increased attention to this step in their publications (Hay Group 2003; Königová and Hron 2012). In order to create a competency model that the organisation could use for their training and development programs, improving staff recruitment procedures, and other HR activities, the first necessary step is to identify the behaviour that distinguishes
the successful managers from the average and below average ones.

There are many methods and techniques for analysing jobs, job roles, and for the subsequent defining of competencies. Gael (1989) summarizes them in his extensive work; he enumerates up to 40 methods and techniques. Yet the projects aimed at identifying competencies show that there are some common fundamental phases that allow us to divide the process of the identification of competencies into several stages: (1) the preparatory phase, (2) data collection, (3) analysis and classification of information, (4) description and creation of the competency model, (5) verification and validation of the model.

Various projects can emphasize different phases, yet none of the phases should be missing. According to Kubeš et al. (2004), the above mentioned sequence does not apply to big, extensive research projects whose aim is to identify the generic (universal, general) managerial competencies. It applies to projects that are focused on identifying: (1) specific competencies, or the competencies that are “tailored” to a particular organisation or job, or (2) the competencies that constitute prerequisites for a high performance – projects that are focused on this type make up the vast majority.

Typical methods for obtaining data for the identification of competencies are structured interview, specifically the BEI (behavioural events interview), expert panel, and questionnaire survey (Hay Group 2003). The methods that are appropriate for the validation of the created model include 360-degree feedback, role playing, direct observations, development centres, tests of skills, questionnaires, and competency-based interviews (Königová and Hron 2012).

Competency models

Although competency tells us HOW should we do WHAT we do (and what is our responsibility) to achieve the required performance, it is not about creating a standard that would be the only possible. On the contrary, the competency allows the variability of behaviour. The essence of the competency model (as well as the essence of the individual competencies) is the fact that the same thing can be done in various ways, and we can still achieve approximately the same results. “A competency model does not mean creating of any standard; it is the way how to manage the diversity and performance” (Hroník 2007). If two managers in the same position achieve an excellent performance, even though they have different methods and competencies, the situation is in order and enables to achieve an even higher performance so that we can suggest a different development program for each manager.

As regards the applicability of competency models, we distinguish between (1) the key competency models, (2) the specific competency models, and (3) the generic competency models, where the specific competencies refer to all employees of the organisation, regardless of their position. The specific models are created for a specific position in a specific organisation; the generic models concern a specific position too, but across various organisations. (Kubeš et al. 2004). Hroník’s (2005) basic classification distinguishes only between (1) the universal models and (2) the key competency models.

Procedure of creation of a competency model

Creation of a competency model follows the identification of competencies. However, there are some other questions that need to be answered – what will be the extent of the model, what procedure will be used, how to achieve the efficiency of the model, etc. (McLagan 1980; Marelli et al. 2005; Mansfield 2012). Creation of a competency model should include the following activities (Kubeš et al. 2004):

– Determination of the goal of the project – the organisation must decide what should be achieved by using the new model (for example, improving the quality of customer services), so that the model can be aimed at those competencies that will lead to the achievement of the goal.

– Scope of the project and the target group – this activity is based on the determination of the goal of the project. Depending on the goal, we identify groups of employees whose jobs will be affected by the model.

– Selection of approach – the choice of the modelling approach depends on various factors, such as the aim of the project and its position in the organisation’s strategy, key objectives of the organisation, its goals and aims concerning human resources, the level of development of the organisation, external conditions, etc. The easiest way is to use an existing model (so-called “borrowed” model), a more difficult way is to modify an existing project, and the most laborious way is to create a completely new model that is “tailored” to the target group.

– Assembling the project team – the members of the project team should be: project leader whose task is to explain and advocate the project procedures and to gain support within the organisation, employees responsible for implementation and application of
the model, and key managers in the departments that will be affected by the model.

- Identification of the levels of performance in a given position – a competency model is based on the search for the answer to the question: What do successful managers do? To answer this question, it is necessary to define the criteria of an effective performance. Using these criteria, we are able to distinguish between the above average, average, and below average employees.

- Data collection and analysis – this step concerns an actual identification of competencies. The result is a preliminary competency model.

- Validation of the competency model – this means that after the creation of the model, it is necessary to verify its functionality, i.e. whether it really describes the behaviour through which the managers achieve the above average results. The most common method of model validation is to transform the description of behaviour into questionnaire questions and the subsequent use of the 360-degree feedback technique. The follow-up analysis shows very quickly if the questionnaire put the managers into “correct” categories and with what degree of accuracy.

- Preparation of the competency model for a practical use – this means the preparation of methodological materials and setting up processes related to the area of the use of the model: (1) selection of employees, (2) training and development, (3) evaluation, and (4) management of their careers.

Hroník et al. (2008) points out that the most important element when creating a competency model is to involve as many employees who will work with the resulting model as possible. He distinguishes between two groups of employees that are engaged in the creation of a model: decision-makers (those who have the right to make decisions) and opinion-makers (those who are not in a decision-making position. However, they have a natural authority)

There are several principles that according to Hroník (2007) need to be adhered to in order to achieve effectiveness of the competency model and to ensure that the model will be useful instead of rather causing complications. A functional competency model must be: (1) connecting, (2) user-friendly, (3) cohesive, (4) widely applicable, and (5) shared.

There are many approaches to the creation of competency models. Rothwell and Lindholm (1999) distinguish between: (1) a borrowed approach, (2) a tailored approach, (3) a combined approach. Mansfield (1996) speaks about (1) the single-job competency model and (2) the one-size-fits-all model; Lucia and

Lepsinger (1999) refer to (1) starting from scratch, or (2) starting with a validated competency model. Hroník (2007) divides the approaches according to the initial perspective into: (1) the socio-psychological approach (creation of the “bottom up” model, i.e. from individual employees to the entire organisation) and (2) the organisational (strategic) approach (creation of the “down from top” model, i.e. from the organisation as a whole to individual employees).

Measuring level of competency

Once the competencies are defined, it is necessary to measure their level, i.e. to find out to what degree the competencies in question are developed in the individual employees. Therefore, we are trying to identify the difference between the optimum and the actual state. Our further activities depend on this identification – they are aimed at the development of competencies and the elimination, or reduction of the identified difference. The essential question is the reliability of the chosen method. To be truly effective, a method must meet certain criteria, among which the most important are: (1) objectivity, (2) reliability, (3) standardization and (4) validity (Evangelu 2009). Besides, it is necessary to combine several of them.

The basic classification distinguishes between (1) methods based on a direct observation of the manifested behaviour (behavioural approach) and (2) other methods. The behavioural methods include the so-called analogue methods that examine the immediate behaviour following a certain stimulus. These include: group exercises, incoming mail method, role-playing, presentations, case studies, model behaviour, critical incident method (Kubeš et al. 2004; Kovács 2005). Analytical methods, on the other hand, try to isolate (and then measure) the essence of competencies in the sphere of the general human qualities. These methods are based on the assumption that there is a common group of personality characteristics and competencies that are universally required and useful. Stimulus situations (in contradistinction to analogue methods) do not have to match or resemble the reality in the organisation. This group of methods includes tests of mental abilities, questionnaires for identification of temperament, motivational tests, tests focused on the styles of leadership and management, and other, mainly psychometric techniques (Kubeš et al. 2004).

Other frequently used indirect methods include the competency based interview, the 360-degree feedback evaluation, or the self-evaluation. Because it is useful to combine several methods, we can sometimes use the assessment or development centres.
Competency approach to human resources management

Human resources management (HRM) can be conceptually understood as a strategic and sophisticated, logical approach to management of the organisation’s most valuable assets – people who work there and who individually and collectively contribute to achieving the organisation’s economic goals (Armstrong 1999). Technology represents only a short-term competitive advantage, the only sustainable competitive advantage are the employees who resonate with their organisation. (Hroník 2005).

A prerequisite for achieving an effective job performance is the harmonization of the following three essential factors: *individual competencies, job’s demands, and organisational environment* (Figure 1). By the effective job performance, we mean the achievement of concrete results that are required for a given position. These results are achieved through a specific behaviour which is consistent with the policies, procedures and conditions in the organisation (Boyatzis 1982). This specific form of behaviour of employees is based on their personal characteristics and abilities that can be called competencies.

Competencies are only relevant when speaking about a particular work activity. If we know the activity and its demands, we are able to identify the required competencies and we can subsequently measure them, or work with them (Kubeš et al. 2004).

The existence of a competency system in the organisation may provide an invaluable foundation for integrating the key individual activities and for using a coherent approach to managing people (Armstrong 1999). The integration of the elements of human resources management into the system of competencies is shown in Figure 2. According to the competency approach to human resources management, the selection and recruitment of employees focuses on the performance rather than on the content of the work. It means that each job has to have defined its profile of competencies and performance criteria. The candidates for the job have to prove that they have these competencies, or that they have already demonstrated them somehow, or that their personal competencies are likely to lead to a proper job performance. The performance management is a process of evaluating and improving the job performance. It concerns not only the job outputs, but also the behaviour that leads to these outputs. Evaluation shows us what needs to be done to rectify the behaviour and to improve the performance. The easiest way to evaluate the behaviour is to have some agreed dimensions of competency and to use them. According to the competency approach, the development of employees means in particular the development of competencies that are necessary to perform a particular job, or to hold a higher post (in preparation for the candidate’s promotion), etc. The bases for the evaluation are the defined, specific dimensions of competency (whether for the job or for the organisation as a whole). The assessment centres are used for the identification of needs concerning development and the development centres for increasing competencies. Remuneration based on competencies is characterized by the fact that the wage depends on the achievement of the defined level of competency. This approach is used in the performance-based evaluation and remuneration systems (Armstrong 1999).

Kubeš et al. (2004) also claim that the competency approach, thanks to its wide applicability, represents a foundation for an integrated system of human resources management in an organisation. Competencies then become the linking element of all activities. They may help to clarify what behaviour should be encouraged, remunerated, and developed. They clearly define the performance requirements, responsibilities, and career management. Competencies also reflect the organisation’s values and mission; they are a part of the organisation’s culture. In Figure 3, Kubeš et al. (2004) showed the possibilities of the use of competencies in the processes of human resources management. Unlike Armstrong (1999), they emphasize the connection between competencies and the organisation’s values, mission, and culture. This connection stems from the fact that competencies arise, or a competency model is created, in collaboration with the organisation’s management, and therefore they reflect these aspects. These authors also emphasize the importance of the software support which enables managers to work with large amounts of data and helps them in making some decisions.

![Figure 1. Model of an effective job performance (Boyatzis 1982)](image-url)
Such an integrated system represents a good base for long-term fulfilment of the organisation’s strategic objectives in changing economic conditions. Due to the competency-oriented approach to management, the organisation can:
- choose competent employees and place them into right positions,
- use more objective and fairer remuneration systems,
- assess own readiness to achieve the strategic goals,
- systemically ensure development of employees and make it consistent with the organisation’s strategic objectives,
- train managers to fulfil future aims and plans,
- optimize the career growth of employees (Kubeš et al. 2004)

Plamínek and Fišer (2005) also claim that there is a connection between all the successes and failures of an organisation and competencies of its employees. For this reason all problems can be resolved through competencies (so-called competency rule). These authors deal with leadership and management of organisations that is based on competencies (Management by Competencies, MBC). The essence of this approach is the harmony between the world of “human resources” (the potential to performance) which defines the organisation’s possibilities and the world of “human work” (the real performance) which is based on performance requirements.

Hroník (2007) suggests that the competency model needs to be linked to the business strategy and the HR strategy as well as to the individual HR activities. When the competency model is connected with the business strategy and the HR strategy then, in terms of strategic management, we speak about the vertical integration. The situation when the individual HRM activities are interconnected by the competency model is called the horizontal integration. When the competency model represents the connection between the business strategy and the HRM strategy it becomes a practical tool for vertical integration. However, many organisations have competency models that lack integration, especially on the vertical level.

There are several reasons why the competency approach has the potential to surpass the other approaches:
- it orients on behaviour – it focuses on the behaviour of managers, on the things they really do instead of those they should do or they say they do,
- it follows the Pareto principle (i.e. the 80/20 rule)
- it concentrates on the essential activities that lead to the success of the organisation,
- it is connected not only with the efficiency of individuals, but with the efficiency of the whole department or the entire organisation (Kubeš et al. 2004).

CONCLUSIONS

After comparing 48 scientific literature sources, we can conclude that the quality of managers significantly affects not only the existence and development of organisations but consequently also the whole economy. An organisation can be effective only if it is managed by experienced and capable managers (Dytrt 2004). Requirements concerning managers must be based
on the idea of the environment in which these people will operate (Souček 2001). Yet, the search for the ideal characteristics of human capital of a manager, the so-called personality approach, did not prove to be effective. Experts have agreed only on a minimum of these characteristics. Kuběš et al. (2004) claim that it is not more than 10%; and even if we find a manager who has such characteristics, it does not necessarily mean that he/she will be successful. He/she only has the potential (the best inputs).

The alternative, then, is the competency approach. It focuses on the “ability of a manager to behave in a manner that is consistent with the requirements of his/her job in the given environment and thus to achieve the required results” (Boyatzis 1982), i.e. it deals with managerial competencies. By its definition, the competency approach focuses on influencing behaviour (outputs), or the utilization of human capital by the appropriate motivation. The required personal development of managers (in this case it means increasing the current competencies and acquiring new ones) can be understood as an effort to increase the level of the managerial performance so that it gets closer to the level of the performance required by the organisation.

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