COMPETENCIES REPLACING JOBS AS THE COMPENSATION/HR FOUNDATION

Patricia K. Zingheim and Jay R. Schuster


If prevailing practice is what most organizations do and if best practice provides some proven advantage to an organization and workforce, what is it when 20 organizations defy conventional wisdom and move in a direction that is both innovative and proves to be successful? Certainly this is not a trend but an event worth watching—and perhaps a classic benchmarking outcome. This study and paper focus on 20 large publicly traded, private, nonprofit and government organizations that replaced jobs with people's competencies and skills as the foundation for HR practices.

The paper shares what they did, why and how it worked in the words of senior leadership team members. As competencies and the people who possess them became the center of their HR programs, the study organizations reported a significant improvement in their ability to engage, communicate with, develop, provide career growth for and reward their workforce. All but one of the 20 study organizations use a scorecard to evaluate an individual's competencies, and all but two organizations use competencies to determine pay.

No study organization made the change to competencies as the centerpiece of HR programs merely to pay for competencies. Although paying for competencies was not their endgame in moving from jobs to competencies, the study organizations believe it is important as a communication message to leaders and workforce members that "you get what you pay for." They wanted to pay for what people know and do rather than only the jobs to which they are assigned.

STUDY DESIGN

This study is based on structured interviews with CEOs, COOs, CFOs, senior line leaders and HR vice presidents in organizations that have made the journey to HR solutions and programs based on the competencies people need to do the work rather than the jobs they perform. The 20 organizations in this study provided the interviewers with access to talk directly with senior executive leaders for an extended period of time, and the interviewees provided complete answers to the questions in the structured interview process. The structured interviews were conducted using the interview guide, which is provided in the Appendix section on page 12.

The study participants did not come from a random sample of organizations as they have previously developed competency-based HR solutions. The organizations were selected as a convenience sample from the publicly available client lists of large vendors of competency products and services that are provided in the vendor Web sites and promotional materials. The study organizations had purchased one
or more competency products or services from a vendor. The authors of this paper do not list any of these organizations as clients and are not advisers to any of the vendors.

The study organizations represent a variety of industries: four provide business services (marketing solutions, maintenance services, legal advice, food service); three provide consumer products; two provide federal government agencies; two provide large retail chains; two provide health-care services; two provide manufacturers of large nondurable products; one provides defense electronics; one provides biotechnology; one provides transportation; one provides agribusiness commodity products; and one provides a nonprofit organization serving federal government employees.

SURVEY RESULTS

Study organizations had a common concept for competencies but different specific definitions. A compilation of their competency definitions includes “individual knowledge, skill, capabilities, behaviors, abilities, aptitudes and judgment applied to perform required or essential work to meet the organization’s performance goals, to address business challenges, to accomplish the organization’s mission and to make the organization more successful and help people be successful at the same time.”

Why Move to Competencies?

The organizations made the change to competencies to communicate with the workforce about work requirements, to apply the organization’s mission and values to how people work, to change from filling jobs to an HR strategy of creating a competency-based workforce, and to fight excessively bureaucratic structures and the continued creation of unnecessary organizational levels and layers. Figure 1 summarizes the reasons the organizations gave for making this change. Often the move to competencies was undertaken as an element of some other change initiative sponsored by executive leadership.

<table>
<thead>
<tr>
<th>Why Move to Competencies?</th>
<th>Percent of Organizations Mentioning Reason (N=20)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communicate key needs of organization to workforce</td>
<td>65</td>
</tr>
<tr>
<td>Apply mission/vision to how people work</td>
<td>55</td>
</tr>
<tr>
<td>Change from filling jobs to most competent workforce</td>
<td>45</td>
</tr>
<tr>
<td>Fight excessive structure and levels and layers</td>
<td>40</td>
</tr>
<tr>
<td>Tie together all HR programs</td>
<td>20</td>
</tr>
<tr>
<td>Create high-performance organization</td>
<td>15</td>
</tr>
<tr>
<td>Stay union free</td>
<td>10</td>
</tr>
</tbody>
</table>

A powerful theme from the leaders about the reasons for the change is the belief that they needed a new foundation for performance management, training and development, career growth, compensation, staffing and other HR programs. The universal goal of executives interviewed was to develop a workforce with the necessary competencies to effectively perform, and they all believed that jobs did not fill this bill for the following reasons:

- **People do work; jobs do not:** With all the talk about the importance of people to organizational success, these leaders had realized that their HR programs were designed to focus on jobs, not the people who do work. For example, they mentioned that training was specifically job training and should instead be concentrated on improving needed skills and competencies. Also pay was centered entirely on the job, and the value of jobs was traditionally evaluated more than people were evaluated. And most of all, recruitment, selection and succession were too focused on filling jobs rather than looking for talent with the competencies and skills required by the organization.
One comment included: “Our HR programs were focused on jobs and not people. They were focused on jobs, not the work process. With constant budget pressures, we needed to get programs close to where the work is actually done and people do work.”

- **Jobs may create bureaucracy:** “Jobs pile up like fire logs, and you only take logs off the top,” said one executive, meaning that the people in his organization were getting lost in the structure and bureaucracy of a formalized job structure. The executives interviewed believe that the levels and layers were not based on the value growth of the organization’s people but on the semantic differentials that described jobs and job titles that created unnecessary hierarchy and layers through which communication was difficult and agility was challenging. They believe a job-based approach creates unnecessary hierarchies that are wasteful and inconsistent with creating a high-performance workforce and organization.

- **Maximize performance per individual:** During times of cost pressures, organizations want fewer jobs and stronger performance from each individual. Common comments and themes included: “If you have a vacant job in your organization, it gets filled whether it is essential or not” and “Job descriptions do not communicate what is necessary to be a success in the organization; competency, skill and performance do.” And the more effective people are in acquiring and applying the competencies and skills they need to do required work, the better they will perform and the more likely it is that organizational goals can be achieved.

- **Job descriptions are often rigid/obsolete:** Agility and flexibility are important to the executives interviewed for this study. They want people to learn, grow and acquire contemporary competencies and skills throughout their careers so they are not saddled with a potentially obsolete workforce from a capabilities standpoint. Where people learn from a message of competencies and skills, they do not learn from job descriptions that are centered on experience and education and not what the employee knows or can do, reported the executives interviewed. Acquiring and applying competencies and skills are more important than sustaining a system of jobs and job descriptions that executives believe are often obsolete and unrelated to how people work and apply what they know.

- **Competencies/skills define the value of talent:** Jobs have not evolved to describe competencies and skills. So these executives believe they are best served to describe the competencies and skills directly and include them in performance management, pay systems, training and development and all HR elements. “Development and coaching can best be designed around competencies and skills to be acquired and applied to get results.”

- **Competencies relate better to business commitments:** Effective business strategies that people understand and respond to are commonly built upon concepts and commitments such as customer, quality, results, collaboration, teamwork, work knowledge and technology applications. These are workforce competencies and skills. Never are business strategies built upon the foundation of jobs that focus on reporting relationships, years of experience, educational background or functional relationships. For the executives interviewed, competencies better capture what makes a business successful than do jobs.

- **Competencies and skills come first:** Jobs and tasks can only be performed if an individual has the competencies and skills to perform the work and then applies them to the job.

One CEO summed it up, “We were in a system of jobs. The problem was that we could not evaluate performance effectively and develop an HR strategy based on jobs. So we moved to what the organization needs done by people and this was not necessarily connected to jobs. We did this in large part to combat bureaucracy and proliferating job titles. As organizations grow, they create titles and levels and never lessen the level-building process. And nobody wants to leave jobs unfilled. So competencies work for us.”

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Going against the prevailing practice of jobs was likened to rowing a small boat against a strong river current. Yet these organizations embarked on the journey and report satisfaction with the result. The momentum to remain an organization of jobs is powerful. Nearly every organization is structured around organization charts with boxes inside that are jobs with titles and functional descriptions. For decades, people have been offered jobs and job promotions. When asked what people do, most describe their job and provide their job title rather than describe the competencies and skills they have and the work they are doing. Changing this paradigm is a formidable task.

These study organizations, however, moved to competencies as they view people as the source of organizational success rather than inanimate jobs and believe that jobs do not communicate the most desired way to do work. People matter the most as success rests with people acquiring and applying contemporary competencies and skills to the work process.

Where Competencies Come From

The source of the competencies for the study organizations included the following:

- Core competencies of the business
- Organization’s mission/vision
- Work analysis based on the work the organization needs done
- Key competencies of the most successful people.

The logic is to communicate the most essential capabilities that are critical to success and come from the organization’s value system. Competencies are typically selected by the leadership team rather than through employee participation. Every study organization reviews and periodically updates competencies; one organization indicated that it continually updates and reviews competencies.

What Competencies Are Used?

A combination of competencies in the categories of work (technical expertise), customer, teamwork, ethics and results are the most common competencies used by the study organizations as shown in Figure 2. In 1996, the authors studied 10 other organizations, and the results of their competency usage are described in Figure 3 (Zingheim, Ledford and Schuster 1996). Four of the five most frequently used competencies in this 2009 study are common to the 1996 study although in different ordering. Ethics, safety/security and environment did not appear in the 1996 competency study but are important competencies for 65 percent, 40 percent and 35 percent of the organizations, respectively, in this study due to changing business challenges.

All study organizations use work competencies or technical expertise—e.g., biotechnology, law—that are close to the organization’s core competencies. Career progression based on work competencies keeps these competencies updated and contemporary to continue to add value. Career tracks often progress from less complex to more complex work and describe work in the context of whatever products or services the organization provides. For example, computer-based work described how computer technologies are applied to get desired business results.

The competency of results communicates that merely applying a work or behavioral competency is not enough. Instead the application of competencies must translate into measurable goal achievement and outcomes that add to business value. Combined with results, ethics communicates that how work is performed is as essential as what is achieved. The selection of competencies is important as it communicates the focus for work and the workforce.
### FIGURE 2

Competencies Used by 20 Study Organizations

<table>
<thead>
<tr>
<th>Competencies from This Study</th>
<th>Frequency of Use: Percent of Organizations (N=20)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work¹</td>
<td>100</td>
</tr>
<tr>
<td>Customer²</td>
<td>70</td>
</tr>
<tr>
<td>Teamwork and collaboration</td>
<td>65</td>
</tr>
<tr>
<td>Ethics³</td>
<td>65</td>
</tr>
<tr>
<td>Results⁴</td>
<td>60</td>
</tr>
<tr>
<td>Safety/security</td>
<td>40</td>
</tr>
<tr>
<td>Environment</td>
<td>35</td>
</tr>
<tr>
<td>Business⁵</td>
<td>35</td>
</tr>
<tr>
<td>Quality⁶</td>
<td>30</td>
</tr>
<tr>
<td>Leadership</td>
<td>25</td>
</tr>
<tr>
<td>Training/development, continuous learning, continuous growth</td>
<td>15</td>
</tr>
<tr>
<td>Other (mentioned by one study organization: communication, professional contribution, stewardship of assets/resources, treatment of others, new knowledge and behavior, work rules)</td>
<td>—</td>
</tr>
</tbody>
</table>

¹ Also called work knowledge, work skills, technical knowledge, professional knowledge and excellence, work performance, core work competencies, core competencies, work success and capabilities knowledge, work knowledge of science.

² Also called customer care, customer first, customer service, customer responsiveness.

³ Also called truth and honesty, ideals and honor, personal and business ethics, ethics and professionalism, ethics and honor, ethics/value-driven.

⁴ Also called goal performance, goal direction, goal orientation, goal accomplishment, measurable results, ability to get results, meet goal commitments, results and best performance, goal performance/success.

⁵ Also called business knowledge, business acumen, product/service knowledge.

⁶ Also called accuracy, quality with speed, quality continuous improvement, quality, reliability and consistency, accuracy and diligence.

### FIGURE 3

Competencies Identified in 10-Company Sample from 1996
(Zingheim, Ledford and Schuster 1996)

<table>
<thead>
<tr>
<th>Competencies from 1996 Study</th>
<th>Frequency of Use: Percent of Organizations (N=10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer focus</td>
<td>80</td>
</tr>
<tr>
<td>Communication</td>
<td>70</td>
</tr>
<tr>
<td>Team orientation</td>
<td>60</td>
</tr>
<tr>
<td>Technical expertise</td>
<td>60</td>
</tr>
<tr>
<td>Results orientation</td>
<td>60</td>
</tr>
<tr>
<td>Leadership</td>
<td>60</td>
</tr>
<tr>
<td>Adaptability</td>
<td>50</td>
</tr>
<tr>
<td>Innovation</td>
<td>50</td>
</tr>
</tbody>
</table>
Types of Workforce That Participate in Competency-Based HR Programs

Although all study organizations have organization-wide competencies, only one-fourth have their entire workforce participate in their competency-based HR programs. The most common approach, used by 30 percent of the organizations, is participation of only the core professionals—the exempt professionals possessing and applying the organization’s core competencies to perform work and meet goals. However, 47 percent of the organizations with partial workforce participation would like to have their entire workforce participate in their competency-based HR programs and view this as a primary area for improvement. What is holding them back is maximizing the business value-added for the investment of resources and time. For example, all study organizations use a work competency that must be defined and specified for each type of work and then updated and managed. Figure 4 shows the types of workforce that participate in the competency-based HR programs.

### FIGURE 4

<table>
<thead>
<tr>
<th>Type of Workforce Participating in Competency-Based HR Programs</th>
<th>Percent of Organizations (N=20)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only core professionals</td>
<td>30</td>
</tr>
<tr>
<td>Entire workforce</td>
<td>25</td>
</tr>
<tr>
<td>Specific workforce roles/competencies participate (not only core professionals)</td>
<td>25</td>
</tr>
<tr>
<td>All professionals (excluding nonexempt)</td>
<td>20</td>
</tr>
</tbody>
</table>

Performance/Competency Management

Keeping score is a first step to making competencies real for the workforce. “If we cannot apply competencies and skills to work and people, they have no value,” said one executive. After selecting and defining competencies, 19 of the 20 study organizations developed and deployed a scorecard to evaluate the individual on the competencies or the skill/competency inventory, communicate the assessment to the individual and use the results in their competency-based HR programs.

Performance/competency management was most frequently cited as the first application for competencies as it:

- Introduces the change to competencies by educating people about how a competency-based organization works in contrast to a job-based organization.
- Makes competencies real for individuals by personalizing the competency process.
- Focuses initially on identifying not only competency strengths but also training and development needs based on areas for improvement.

"Unless competencies are focused directly on the individual, many will believe ‘this too will pass,’ and we are serious about this change,” one CFO said during the interview.

Some study organizations no longer use the term "performance management” but have renamed the process, for example, to “competency management,” “growth coaching” or “work management.” The scorecard meaningfully connects the competencies to the individuals in the workforce. "It is the measuring cup," one executive said, “to determine where the individual stands.” The rating tool translates the competencies into observable and measurable behavior. Once current competencies are assessed, the tool can be used to communicate directions and the extent to which competency development is needed. Scorecards typically provide scores on individual competencies, an overall score and thereby a value of the individual for use in all other HR programs using competencies. The reviewers vary from manager only, multi-raters, peer raters and multi-management raters, but the shared objective is to assess individual progress on the competencies in the competency model.
For example, one company’s evaluation of people using a talent inventory is called “growth coaching” and has three overall scores of “red” (about 10 percent of the workforce who do not meet standards and expectations and do not earn a base-pay adjustment), “blue” (meeting standards and expectations, resulting in an “all go” situation for promotions, pay adjustments, etc.) and “gold” (top 15 percent of the workforce who are on the fast track for promotions, transfers, etc.). Another company’s performance-management process is called “work management” and evaluates not only competencies and science/technology but also performance and results. An individual’s overall weighted score translates into one of three bands of success: “needs assistance”; “excellent” (midscore for most people); and “beyond excellent” (the top 10 percent of the workforce). This company decided to move the focus to workforce management with competencies rather than typical performance management where most people believe they are above-average performers and then receive a meets-expectations evaluation.

Competency-based performance assessment subsequently is the foundation for other HR programs: compensation, training and development, career growth and progression, recruitment and selection, and communication. It is part of the coaching and feedback process, ensuring continuous improvement.

Competency-Based HR Programs

Only five of the study organizations use the term “talent management” to describe the process and tools used to provide a high-performance workforce. Most used other terms such as “workforce management,” “career management,” “career growth” and “growth coaching.”

As Figures 5 and 6 show, the most common usage for competencies is “training and development” (100 percent of the organizations). This is followed by “career growth” and “communication” about what the organization values and performance management (95 percent of the organizations use competencies for these three applications). Base-pay adjustments are next, with 90 percent of the organizations using competencies in determining adjustments. Figures 5 and 6 describe additional practices in applying competencies to HR and compensation programs.

“Unless you pay for competencies and skills rather than jobs, the program will have little direct meaning to the workforce,” one CEO commented during the interviews. All but one of the study organizations that use competencies for performance/competency management also use them for base-pay adjustments. Of the two organizations not using competencies for base-pay adjustments, one company only rewards actual results, so it has significant incentives based on results and its major competency application is training and development. In the future, it plans to link competencies to performance management and pay. The other organization also views training and development as the major focus for competencies and uses the federal government’s general schedule (GS) system to determine base pay.

Most study organizations use a blend of competencies and labor market to develop their career tracks, bands or broad ranges and subsequently use the scores from the performance/competency management tool to manage base-pay progression. The most significant challenge was translating competitive practice from job-based compensation surveys to competencies. The study organizations believe they likely have some error in the translation of survey data, but the result is close enough to be reasonably competitive. Although the market serves as a foundation, “Paying for competence is more important than paying competitively” was a comment made by several executives interviewed.

As an example of integrating market and competencies, the bottom and the top of a career track are priced in the labor market, and points in between are estimated based on the assumed or estimated value of competencies. Alternatively, career tracks, bands or broad ranges are developed based on job-based market pricing and then a translation is made of the competencies expected at various levels or zones within those career tracks, bands or broad ranges.
## FIGURE 5

**Competency Applications Not Related to Compensation**

<table>
<thead>
<tr>
<th>Application Not Related to Compensation</th>
<th>Percent of Organizations (N=20)</th>
<th>Practice</th>
</tr>
</thead>
</table>
| Training and development                | 100                            | - Competencies define and determine training and are used to evaluate the results of training.  
- Competencies form the basis for feedback and coaching.  
- Gap analyses are used to determine training and development needs. |
| Career growth                           | 95                             | - 70% have directly integrated competencies into decisions about promotion, transfer and rotation.  
- 50% use competencies to make decisions about movement in career tracks, career ladders or career channels.  
- Organizations typically describe this competency application as "career growth" or "career planning" rather than "succession planning." |
| Communication                          | 95                             | - Competencies are a major tool to communicate to the workforce what is important, how to be successful and new expectations in terms of adding value to the organization.  
- A few organizations mentioned using competencies to brand their organization. |
| Recruitment/selection                   | 80                             | - Stronger application is profiling and rating candidates against competencies.  
- Weaker application is using the competency model and competencies to communicate what it is like to work for the organization. |
| Workforce reduction/termination         | 20                             | - Competencies are used not only for rewards but also to make decisions about terminations and workforce reductions. |

A common competency pay system has a career track associated with salary bands and the individual’s scorecard result is reflected in the size of any base-pay adjustment granted. Scores, position in the band, and other factors influence the size of any base-pay adjustment granted. A few organizations have a point system. One biotechnology company, for example, has a competency/skill point system in which people cash in the points for raises and the points’ value depends on the individual’s market position—the further below the individual’s base pay is from the market, the more a point is worth.

**Vendor Usage**

The study organizations used a vendor as part of their process. In their early migration to competencies as the centerpiece of their HR strategy, some purchased assistance in identifying competencies, others wanted help with competency/performance evaluation tools, others targeted Web technology support, and still others used other elements of the vendor’s offerings. The study organizations used a vendor as they wanted to jump start the implementation process, avoid obvious mistakes and take advantage of the experiences of organizations that had done this before. The study organizations built an internal infrastructure to support their transition from jobs to competencies and staffed themselves with talent to self-manage the programs within the first two years following the transition. Sixty-five percent of the organizations mentioned their Web-based system as important for effectively managing and administering their competency-based HR programs.
### FIGURE 6

<table>
<thead>
<tr>
<th>Compensation-Related Application</th>
<th>Percent of Organizations (N=20)</th>
<th>Practice</th>
</tr>
</thead>
</table>
| Performance management           | 95                             | • All organizations using competencies for performance management have scorecard, ratings and/or scores.  
• Organizations vary in how they evaluate results, i.e., results are incorporated into the evaluation of specific competencies, the organization has a separate competency called “results/goal orientation,” and/or performance management also includes additional business goals for evaluating results. |
| Base-pay adjustments             | 90                             | • All but one organization that use competencies for performance management use them to determine base-pay adjustments.  
• 45% of the organizations use bands and 15% use broad ranges for the competency based salary structure.  
• Integrating job-based compensation survey data into a competency based salary structure is challenging and requires translation and estimation. |
| Incentive                        | 20                             | • Few organizations use competencies to help determine incentive awards. Incentive metrics focus on results, goal achievement, quantitative metrics and/or broader organizational results.  
• One organization provides a bonus to the top 10% based on the competency evaluation that determines base-pay adjustments. |
| Recognition                      | 5                              | • The only organization that uses competencies to directly recognize employees does not use competencies to determine base-pay adjustments.  
• Indirectly competencies provide recognition through career growth, training/development, etc. |
| Stock options/equity grants      | 0                              | • None of the organizations use competencies for determining stock option or equity grants (four organizations are nonprofit). |

### Strengths and Areas for Improvement

In contrast to a job-based approach, many study organizations mentioned the major strength of their competency-based HR programs is that it makes people think about the actual work and what needs to be done to succeed. Executives said a result of competencies is that they are better able to connect people with the organization and the work to be done. Study organizations also mentioned that it makes people part of the solution rather than part of the problem, ties all of HR together, completely aligns people and the organization, and is a real business tool for success rather than just a cost. Several executives mentioned the power of pairing people’s growth and the company’s success.

Consistent with the concept of continuous improvement, the study organizations identified areas for improvement in their competencies and competency based HR programs. The most common are shown in Figure 7.

### LESSONS LEARNED

Lessons were learned by the study organizations that made what they describe as a successful transition to HR programs based on competencies and not jobs. Some of their key learnings include:
• **It was important to do.** Leadership made it a priority and consistently championed and sponsored the change process. And these organizations universally advised understanding that while competencies may be a better HR solution than jobs, the journey is replete with challenges as well as opportunities.

• **Not “just an HR initiative.”** Sponsorship came from the CEO and other senior-leadership team members. These changes were driven by senior line and staff executives, and the programs in every instance reflected the culture and character the leaders were trying to instill in the organization.

• **Keep the end in mind.** Executives concentrated on the powerful benefits the organization and talent pool would gain from the change to competencies as the centerpiece of their HR programs and were not deterred along the way to success. They viewed the end result as essential and continued to follow through to ensure effective implementation of the change.

• **Not one-size-fits-all.** While the vendor products and services clearly got the transition in motion, it was the senior-executive team who made the migration to competencies successful. By the time the program was implemented, it had been strongly customized to meet the requirements of the organization using it.

### FIGURE 7

**Improvement Areas for Competencies and Competency Based HR Programs**

<table>
<thead>
<tr>
<th>Improvement Area</th>
<th>Percent of Organizations (N=20)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price competencies better to improve relationship of pay to value</td>
<td>50</td>
</tr>
<tr>
<td>Include entire workforce in competency based HR programs</td>
<td>35</td>
</tr>
<tr>
<td>Simplify the competencies and the competency based HR programs</td>
<td>20</td>
</tr>
<tr>
<td>Refine, continuously improve the competencies and the competency based HR programs</td>
<td>15</td>
</tr>
<tr>
<td>Define the competencies more practically, clearly, concretely and understandably</td>
<td>10</td>
</tr>
<tr>
<td>Improve communications</td>
<td>10</td>
</tr>
</tbody>
</table>

**ADVICE TO OTHERS**

In addition to senior-leadership involvement, organizations have some additional advice to those considering replacing jobs with a HR solution focused on the people themselves and the competencies they apply to produce results.

• **Select organization-specific competencies.** Choose competencies that best reflect the organization’s business and workforce strategies. Do not worry about what other organizations do, define the competencies that are closest to what makes your organization successful. Select competencies that align with the organization’s overall direction and where it is going. Define competencies in practical, concrete terms.

• **Start with essential talent.** Identify the people possessing the essential competencies that the organization cannot do without and that are needed to thrive. In a technology organization, for example, start with technical and scientific people and sales and marketing talent. In a healthcare organization, start with nursing and physician talent.

• **Keep it (relatively) simple.** “If you cannot explain it, it does not work,” said one executive. Most organizations use five or six competencies and view complexity and verbosity as negatives. A
work competency can be organized clearly in terms of several descriptive career tracks, and other competencies can be defined to apply to key areas and levels. Complexity has been a major factor in contributing to the termination of a number of programs. The authors remember being asked to rescue a people-based pay system that required numerous manuals to describe. The competency program was too complex to save.

- **Keep the customer in mind.** Most organizations have a competency related to customers as they want to be proud enough of their competencies to communicate them to their customers. If customers do not see a win-win between their needs and the workforce’s capabilities, a possible dislocation can occur. So the advice is that an organization should use only HR program features it would be pleased to share with its customers.

- **Administer online.** When skills and competencies initially were included in HR programs in the 1990s, Web and computer-administration tools were not as available as today. The most popular purchase from vendors is an application allowing organizations to manage, communicate and update the program online. These automated systems often support whatever the program design is, and senior executives believe these solutions are essential to administration.

- **Communicate extensively.** Changing to something new becomes a significant test of the willingness and ability to communicate through two-way communications. “To use the term ‘over-communicate’ is an understatement. Constant and changing communication and information exchange are critical,” one HR executive said. And communicating using all available media, including electronic and face-to-face, is important as different people respond differently to the communication media.

Instituting a competency based people strategy and HR programs takes time. Clearly, this is not a light-hearted change effort. Every study organization, however, viewed the change as worthwhile. It is not for the fainthearted as legacy job-based HR programs are hard to change. The journey was “well worth it,” many executives said.

**CONCLUSIONS**

This study’s objective was to understand why and how 20 organizations moved to an HR solution based on workforce competencies rather than jobs. This study does not document prevailing practice as organizations in general continue to focus on describing jobs and building organizational initiatives by creating organization charts that are job-based. This study, however, provides evidence that competencies as the center of the HR universe work in 20 organizations, and it can be a benchmark. The study results show that competencies are a proven foundation for people-management not only by integrating HR programs into a unified concentration and direction but also by communicating how the workforce can best add value and be successful. The study results can help organizations wanting to move to competencies learn from others and facilitate implementing an effective program.

**REFERENCES**


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APPENDIX

Focused Interview Guide for Study of Competencies Replacing Jobs for Compensation/HR Foundation

Schuster-Zingheim and Associates Inc. is exploring strategies, practice and evaluative experiences and comments regarding using competencies to replace jobs as the compensation/HR foundation. We have selected a sample of large organizations for this study. We are studying why these organizations moved to a people-based and competency based HR solution, what the journey was like, and how this impacts specific HR programs such as training and development, career growth, performance management, pay and rewards, and recruitment and selection.

Our objective, if you are willing, is to gain insight into your practices, what the results are, and what you have learned as a result of changing to a focus on competencies. The organizations studied will not be listed, and individual input will not be attributed to you in any way.

Schuster-Zingheim and Associates Inc. would like to understand how your organization does the following:

1. Does your organization use behavioral competencies or other types of competencies (technical competencies, skills, aptitudes) as part of any HR plans, programs, strategies, or tactics? If no, end the conversation.

2. How do you define competencies (e.g., knowledge, skills, behaviors, aptitudes, organization’s core competencies)?

3. Please share your general competency model.

4. Are these organization-wide competencies, or does your organization define and use competencies specific to a job family or job?

5. Where did your organization’s competencies come from? How do they relate to your organization’s goals/objectives? How do they relate to your organization’s business plan or strategies?

6. What does your organization do with this competency model? Please describe the applications your organization uses for competencies:
   - Talent management
   - Performance management
   - Compensation
   - Recruitment and selection
   - Succession planning
   - Training and development
   - Other? What other?

7. Please describe in some detail each application for competencies? How does it work? What works best? What would you do different?
   - Talent management
   - Performance management
   - Compensation
   - Recruitment and selection
   - Succession planning
   - Training and development
   - Other? What other?

8. How do you use competency in compensation? Please describe:
   - Salary ranges or bands
   - Determining market value
   - Base salary increases
   - Adding strategic value to job market value, individual’s market value or worth
   - Variable pay or incentives
   - Stock options or grants
   - Recognition

9. Please give me the benefit of your ideas on the following:
   - How do you market value all your jobs in your organization?
   - How do you analyze competencies, values, culture, and the nature of jobs in your organization?
   - How do you add strategic value to the market value of your jobs?
   - How do you value jobs in your organization that represent both market value and strategic value?

10. What encouraged your organization to deploy HR programs based on competencies? What did your organization do before it used competencies as the basis for HR programs? How did your organization make this transition?

11. What are the major strengths of your organization’s competency program?

12. What are the most important areas or opportunities for improvement of your organization’s competency program?

13. What advice or suggestions do you have to others who may be on the cusp of considering competencies as the foundation of its HR programs?

14. What additional comments and suggestions do you have about deploying competencies?
HR programs rely on one key assumption - that the majority of employees feel that they are being fairly compensated in relation to the performance results they have achieve. In the end, if a lot of employees feel that their compensation is not fair or equitable, the benefits of various HR programs, such as on-boarding, recruitment, engagement, leadership, management training and skills developments, are likely to be greatly diminished. Any compensation plan, whether it is for salary or bonus administration, strives to be fair while paying for performance. Being fair means that the compensation amount was impartially and honestly determined in an objective manner based on merit without any favor or prejudice. Using activities or jobs as the foundation for work design is increasingly out of touch with the competitive needs of organizations. In contrast, competency-based HR management can focus attention on discovering, applying, and making use of the differences between exemplary and fully successful performers. That can possibly lead to quantum leaps in productivity improvement. Our approach is based on the principle that organizations should match people to work rather than vice versa. Managers who plan to reinvent their HR functions on a competency-based foundation have their work cut out for them. There are no text-books to guide HR practitioners in using such an approach. And it may fly in the face of common and familiar business practices. Through our research, we found that the reason the HR profession is not viewed with the same level of confidence compared to some other functions is that many HR professionals have a strong understanding of the technical perspectives of HR, but lack the business competencies that could help them be effective business partners in the boardroom. We also need to look at the business community to ensure that HR professionals get on-job exposure beyond their HR role. It’s fairly common nowadays that companies bring someone from the operational role to fill senior HR roles. Well, we are now using our competency model as the framework for capability building and professional development. Contents 1. Human Resource best practices 2. Seven HR Best Practices 2.1 Providing security to employees 2.2 Selective hiring: Hiring the right people 2.3 Self-managed and effective teams 2.4 Fair and performance-based compensation 2.5 Training in relevant skills 2.6 Creating a flat and egalitarian organization 2.7 Making information easily accessible to those who need. The first one is the best fit, the second is best practices. The best fit school states that to add value, human resource policies should align with business strategy. This means that HR should focus on both the needs of the organization and the ones of its employees. The best practice school argues that there is a set of universal HR processes that lead to superior business performance. Home » Human Resource Management » Competency Based Compensation System. Competency Based Compensation System. Competency models can serve as a way to integrate human resource practices under the Compensation Management System. Agencies that elect to use Competency Models need to consider exactly how they are used to support the agency’s mission and desired strategic outcomes, and determine the extent to which Competency Models will impact and affect the agency’s human resource practices. The compensation was based on comparing the jobs to one another and assigning internally equitable pay rates for each job. Thus, the pay rate for job principally depends on job itself, not on who is doing it.