



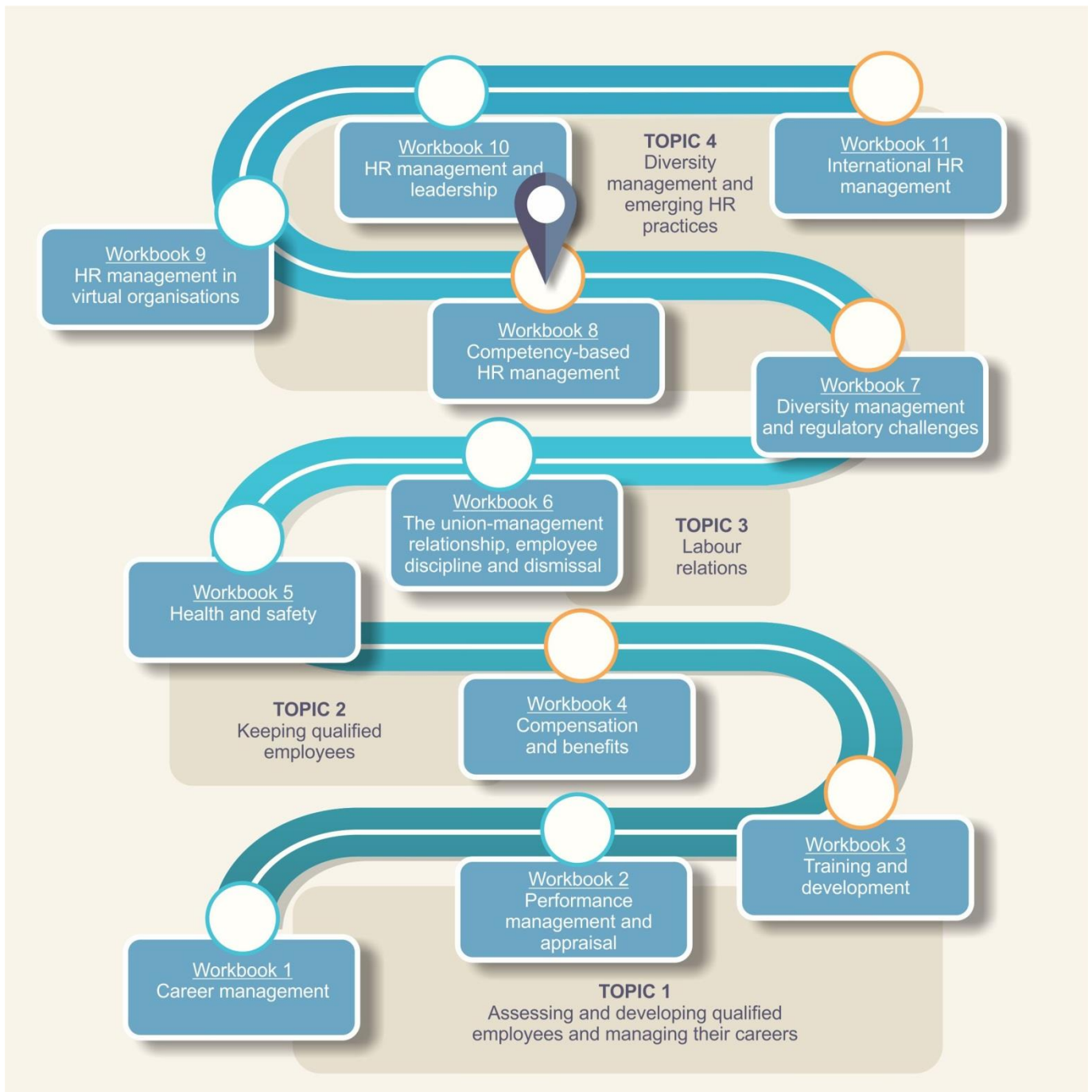
WORKBOOK 08

Competency-based HR management

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Have a look at the mind map to see where you are in the process of working through the study material.



8.1 LEARNING OUTCOMES



Read through the outcomes before you continue. This will give you an overall picture of what we will discuss in this workbook.

After studying this workbook, you should be able to

- define the concepts of competency and competency-based HRM
- discuss the relevance and importance of competency-based HRM
- identify the components of a total performance solution
- describe a competency-based HR transformation
- summarise the process of identifying competencies for the organisation

- explain competency-based HR planning
- discuss competency-based employee recruitment and selection
- outline competency-based training and development
- describe competency-based performance appraisal
- discuss key aspects relating to competency-based employee rewards

8.2 KEY CONCEPTS



A number of key concepts are listed at the end of chapter 14 of your prescribed book. Please read through them before you continue. Then you will be familiar with the different concepts that we will refer to in this workbook.

Some of the important key concepts in this workbook are:

- Competency
- Capability
- Core competencies
- General competencies
- Capabilities audit
- Basic competencies

8.3 INTRODUCTION

Have you ever thought about what HR management contributes to employee performance? Businesses continuously attempt to improve their performance because they want to be more profitable. Over the years, various methods have been utilised to help businesses with this – strategic planning, quality management and changing organisational cultures are examples of some of the management interventions that have been applied. Unfortunately, not all of these methods have lived up to expectations. The new focus now is on people and their contribution to organisational success.

Employees' competencies and the role of the HR management department in building and utilising competencies are the focus of this workbook.

8.4 COMPETENCIES AND PERFORMANCE – AN INTEGRATED APPROACH

Organisational performance is the total of the contributions of individual parts of the system, that is, values, purpose, goals, rewards, competencies or leadership development. These contribute to the health of the organisation (see section 14.2, figure 14.1 of the prescribed book). As you can see from figure 14.1, competencies play an important role in the organisation's performance. Now let's look at what competencies are and how they fit into the total performance of the organisation.



Study sections 14.1 to 14.3 in chapter 14 of the prescribed book.



Activity 8.1: Competencies for success

Learning outcomes:

- Be able to define the concept of competencies

- Be able to discuss the relevance and importance of competency-based HRM
- Be able to identify and discuss three types of competencies

Why do you think that competencies play a critical role in every organisation? Watch the following video and identify the basic competencies for success in any position or job. Reflect on the competencies and share your thoughts and understanding of these basic competencies – do this online. Refer to the [Discussion Forums](#) tool on the HRM2602 myUnisa module site and select [Forums 10: Workbook 08 Activities](#).

Competencies – basic skills

<https://www.youtube.com/watch?v=-ShKlwLRuzA>

- Do you think you possess the basic skills – competencies – mentioned in the video?
- How do you think these competencies contribute to your performance in your studies?
- In your opinion, what are three of the most important competencies an employer would look for in an employee?
- What is the difference between capability and individual-based competency?
- What is the value of competency-based HRM in organisations?



A competency is viewed as any characteristic that we possess and use in appropriate and consistent ways to achieve desired performance. More specifically, a competency defines a behaviour, knowledge, skill or capacity that describes how well the individual excels in specific job positions and responsibilities in a particular work context.

Capability refers to distinctive strengths at the collective or organisational level of analysis that help to differentiate an organisation strategically. Individual-based competency is behaviour, knowledge, skill or abilities that underlie effective or successful job performance, that are observable and measurable and that distinguish superior from average performance.

Basic skills – reading, writing and arithmetic – are key to success on the job. An accountant requires arithmetic skills at a higher level to balance books, whereas a baker will require arithmetic to measure ingredients correctly, otherwise the bread will flop or not taste as good. A student will require additional skills, for example motivation, discipline, good concentration, time management, the ability to work under pressure and the ability to memorise large amounts of information, in order to succeed in his/her studies. The ability to apply theory to practical situations will be another competency that can help students to achieve success in their studies. Depending on the job or position, an employer would most probably look for competencies such as interpersonal, communication, listening, thinking, information usage or technology skills.

The point is that we have different kinds of competencies. A distinction is made in section 14.3 in the prescribed book between individual and organisational competencies. These are further divided into technical and non-technical/social competencies. When competencies are appropriately developed, they are the standards of success that support the strategic business plans, values, purpose, goals and thus the total performance of the organisation.

Competency-based HRM is a critical lever to produce performance excellence within an organisation, because competencies

- provide direction for employees at all levels to produce positive results
- are measurable and therefore enable organisations to evaluate the extent to which their employees demonstrate the behaviour believed to be critical for success
- can be learnt; consequently, an organisation enhances its success by helping to develop the capability of its personnel to demonstrate these competencies on the job

- can differentiate one organisation from another
- can integrate management practices throughout the organisation

The focus of the next section is the methods used to identify employee competencies.

8.5 COMPETENCY IDENTIFICATION FOR THE ORGANISATION

Once the HR department gains recognition through the transformation process, it focuses on developing a competency framework for the entire organisation. This process cannot take place in isolation, but must involve the line function as well.



Study section 14.4 in chapter 14 of the prescribed book.



Activity 8.2

- Which of the methods described in the prescribed book would you use to identify employee competencies? Substantiate your answer.
- A capabilities audit gauges how well the organisation is delivering on its required capabilities. Find out if your organisation does a capabilities audit. If so, is your organisation delivering on its required capabilities? Ask a friend or family member if you are not working yet.
- Complete figure 8.1 on the process of identifying competencies for the organisation.

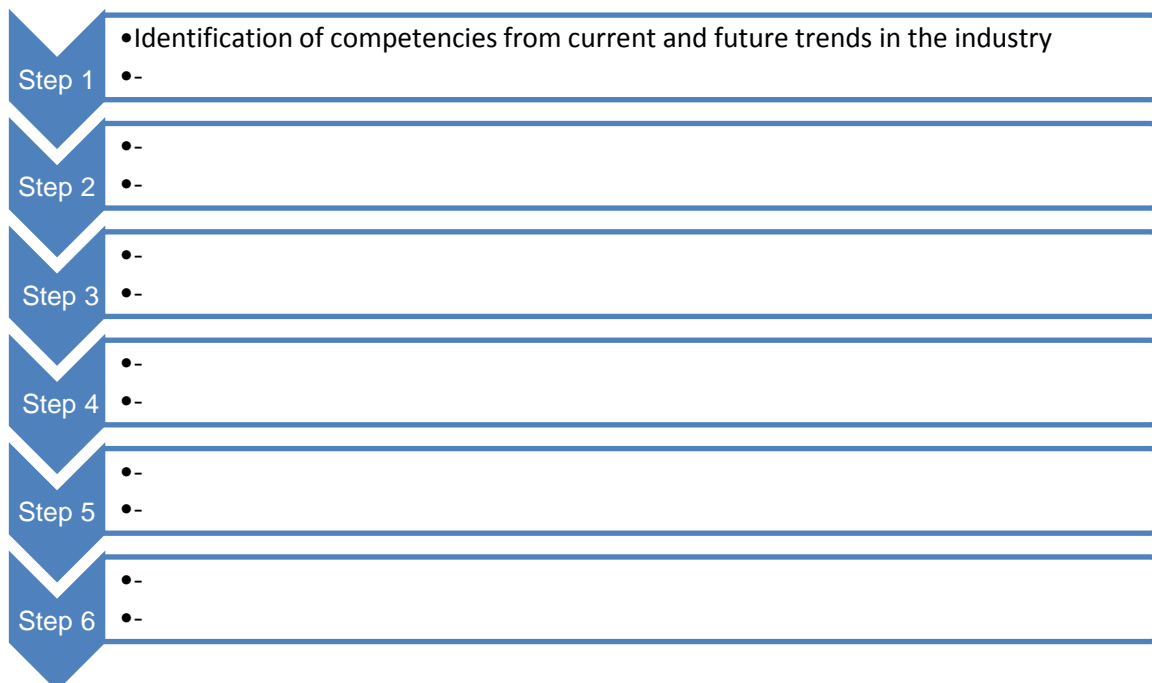


Figure 8.1: The process of identifying competencies for the organisation



When the organisation knows what should be done to ensure success, it needs to find out what competencies will ensure success in the different jobs. Different methods can be used to identify competencies (see the competency model in figure 14.2 in the prescribed book, the job competencies assessment method (JCAM), the competency menu method and the modified DACUM). These methods have advantages and disadvantages and the one that an organisation uses must be chosen with care.

Did you find it interesting to see how healthy the capabilities of your organisation are? The result of a capabilities audit provides information on how well the organisation is delivering on the required capabilities and areas that need improvement.

The process of identifying competencies for the organisation is outlined in section 14.4 in the prescribed textbook. Figure 14.3 is an example of competencies identified for different groupings of employees within an organisation.

We now focus on how HR practices utilise the identified competencies of each job to create a high-performance organisation.

8.6 COMPETENCY-BASED HR MANAGEMENT

The success of an organisation centres on high-performing employees who are much more productive in achieving work results or outputs than the successful performers who only meet job standards. Maintaining a dynamic culture with employees that strive for achievement requires HR professionals to identify the most effective means to recruit, select and retain employees with core competencies that give the organisation a sustained competitive advantage. HR issues are central to understanding and developing dynamic capabilities. Each value combination is in turn supported and integrated by some of the basic HR functions and processes as illustrated in figure 8.2.

In working through this section and section 14.5 in the prescribed book, we will focus on the highlighted HR functions and processes (figure 8.2) and their implications for competency-based HRM.

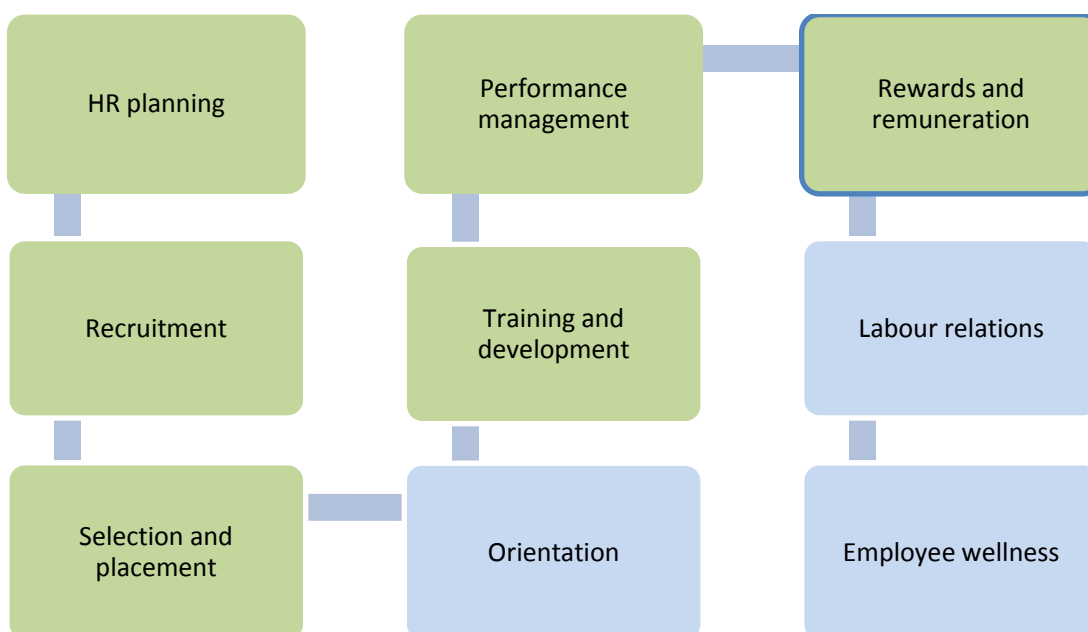


Figure 8.2: A basic HR value chain



Study section 14.5 in chapter 14 of the prescribed book.



Activity 8.3

- What is the role of HR in competency-based HRM?
- Explain how a focus on competencies will influence HR management practices and activities. Use this table to answer this question.

Competency-based	Influence on HR management practices and activities
HR planning	
Recruitment and selection	
T&D	
Performance appraisal	
Employee compensation (rewards)	



Feedback

The role of HR in competency-based HRM is as follows:

- HR influences an employee's skills and behaviour (human and social capital) by incorporating the skills and behaviour into the broader organisational processes and systems (organisational capital), resulting ultimately in competencies.
- HR involvement through people management systems ensures that the competencies remain within the organisation as specific employees leave and new employees are brought in to replace them.
- HR is responsible for ensuring that there is an inventory of employee skills within the organisation at any given time (human capital pool).
- It is through people management systems that the organisation influences the human capital pool and elicits desired employee behaviour.
- As competencies are not static, HR needs to continually develop new capabilities and competencies in response to environmental/market change. Therefore, organisations may require new skills sets, necessitating the recruitment of employees with the desired organisational core competencies.

A competency-based approach creates an HR management department that is aligned with the strategic objectives of the company and that is more responsive to the needs of the organisation. Changes in the approach to HR management will be significant; for example, in HR planning, the focus will be on creating a competency inventory instead of the traditional skills inventory. Where T&D is concerned, the focus of the needs analysis process must be wider and highly individualised, also including identifying future competencies to ensure individual development. Performance appraisal will be more complicated and open to manipulation because competencies are not observable and measurable. To prevent this, the process of changing to a competency-based approach must incorporate a mechanism for assessing competencies. The approach to compensation is to link compensation directly to individual contributions that make a difference to the company. This ultimately helps organisations to maintain highly competent employees.

So, a competency-based approach recreates the HR department and its functions, making it more organisationally responsive to and aligned with its strategic objectives. It uses the strengths of its individuals and unleashes their potential in ways that are less likely to occur in a traditional work-based system. Therefore the approach focuses on discovering, applying and using differences between good and excellent performers, leading to great leaps in productivity improvement. This is, of course, an essential requirement for the high-performing organisation.

It is at this stage that we look at how to transform a traditional approach to managing HR to a competency-based HR.

8.7 COMPETENCY-BASED HR TRANSFORMATION

Competency-based HR transformation looks at the people who do the work, and not at the work the people do, that is, the boxes on the HR organisational chart. We consider three major phases to make a shift from a traditional approach of managing HR to a competency-based HR focus.



Study section 14.6 in chapter 14 of the prescribed book.



Activity 8.4

If you were approached by the managers of an organisation to assist them in moving from a work-based to a competency-based approach to HR, what are the steps you would advise them to take?

Use this diagram to answer the question.

<p>Step 1 Planning and discovery</p>	<ul style="list-style-type: none"> ● ●
<p>Step 2 _____</p>	<ul style="list-style-type: none"> ● ●
<p>Step 3 _____</p>	<ul style="list-style-type: none"> ● ●



Feedback

The focus in HR management should shift from looking at the work people do to the people who do the work. In practice, this means that the HR department should firstly plan for the change and investigate present and past competencies, as well as the competencies that will be necessary in the future to ensure continued organisational success. In the second phase of the process competencies must be prioritised and decisions made about organisational structure and the people who will do the work. The last phase comprises getting management's buy-in, implementing the changes, managing and monitoring the process, providing continuous communication about the changes and managing the transition.

Once adequately defined, a competency-based approach can have far-reaching implications across all functional aspects of HR. It can provide a firm foundation on which to build fully integrated HR systems to drive performance excellence.

Having gained recognition within the organisation, the HR department can now focus on the competency framework for the entire organisation.

8.8 SUMMARY

A competency-based approach to HR management will create an HR department that is more flexible. This should help to release the human potential in the organisation by utilising employees' strengths. This will in turn create a high-performance organisation that is able to take on the challenges it faces in

the new business environment.

8.9 SELF-ASSESSMENT



The self-assessment questions consist of multiple-choice and written questions. To access the multiple-choice questions, visit the self-assessment workbook 08 tab on [Additional Resources](#) and begin your assessment.

Question 1

"Employee competencies are the solution to organisational performance problems." Critically evaluate this statement.

Question 2

Briefly describe the concept of competency and briefly explain the four different kinds of competencies found in organisations.

Question 3

You are the HR manager of a well-established retail food store and you are aware of the advantages of competency-based HR management. How would you go about making the shift in your organisation to a competency-based HR focus? Refer to the three major phases that need to be followed to achieve this goal.

Question 4

How does competency-based HR planning differ from traditional HR planning and strategic HR planning?



Feedback

Question 1

You will find the answer to this question in "Competencies and performance – An integrated approach" in chapter 14 of the prescribed book.

Explain that improving performance is always a goal of organisations that want to survive in the business environment. There have been various trends in the past (briefly list the trends), but none of them have lived up to the expectations of providing a permanent solution. No best solution may exist, but there are certain characteristics of organisational performance that we must take cognisance of (list these six points). It is clear that organisational performance is a complex issue and a single formula will not be applicable to all organisations and situations. Performance is determined by six elements, of which competencies form a vital part, but they are not the only solution. The six elements are interrelated and influence one another.

Question 2

You can find the answer to this question in "Competencies in context" in chapter 14 in the prescribed book.

Competencies are characteristics that individuals possess and use in appropriate and consistent ways to achieve the desired performance. These include skills, knowledge, traits, thought patterns and ways of

thinking, feeling and acting. The four different kinds of competencies are individual/technical, individual/social, organisational/technical and organisational/social. Briefly describe these competencies.

Question 3

The answer to this question is in "A competency-based HR transformation" in chapter 14 in the prescribed book.

In your answer you need to refer to the following phases in the shift to competency-based HR management:

- Phase 1: planning and discovery – which include determining the business case, past/present and future competencies, competency categories and sponsorship
- Phase 2: strategic architecture – which entails prioritising the strengths
- Phase 3: implementation – this includes gaining leadership approval, transitional management, monitoring for results, communication and implementing changes

You have to discuss and explain each step in your own words.

Question 4

The answer to this question is in "Competency-based HR management" in chapter 14 in the prescribed book.

HR planning is tied to the company's strategic business plan which attempts to forecast the number and types of employees needed for future requirements. Competency HR planning goes beyond the old style of skills inventory. It becomes a competency inventory that records and enables easy access to what people can do and the results they can achieve. It therefore does not, for example, concentrate on employees' educational qualifications, as many skill inventories do, but rather on personal functional competencies such as interpersonal functioning or team leadership.



REFLECTION ACTIVITY

Reflect on your learning while working through this unit. Complete the following self-assessment checklist to determine your understanding of this unit and whether you have mastered the learning outcomes:

Learning outcomes	Yes	No
Can I define the concepts of competency and competency-based HRM?		
Am I able to discuss the relevance and importance of competency-based HRM?		
Am I able to identify the components of a total performance solution?		
Can I describe a competency-based HR transformation?		
Can I summarise the process of identifying competencies for the organisation?		
Can I explain competency-based HR planning?		
Can I discuss competency-based employee recruitment and selection?		
Am I able to outline competency-based training and development?		
Can I describe competency-based performance appraisal?		

Am I able to list key aspects relating to competency-based employee rewards?		
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GUIDELINES FOR COMPLETING THE REFLECTION ACTIVITY

- If you answered yes to all of the questions in the checklist, you are now ready to move on to the next workbook.
- If you answered no to any of the questions in the checklist, work through the specific sections again.

It is very important that you achieve all the learning outcomes of this module, as they guide your learning process in this module.



CARRY ON

Now that you have successfully completed Workbook 08 and all the activities, you can go on to Workbook 09.

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