

# **Competency Management: The Link Between Talent Management and Optimum Business Results**

August 2007

## Executive Summary

Competency management, the lynch pin to talent management, helps organizations identify and define the current and anticipated knowledge, skills and/or behaviors required for optimum success. This report is a compilation of survey responses from more than 370 organizations globally and provides a roadmap for companies that desire to improve the productivity and alignment of the workforce through Best-in-Class strategies and pursuits.

### Best-in-Class Performance

Aberdeen used three key performance criteria to distinguish Best-in-Class companies; their resulting metrics are as follows:

- **89%** increased Employee Performance
- **63%** increased Revenue per Employee
- **75%** decreased Employee Turnover

### Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics, such as:

- Best-in-Class organizations are nearly twice as likely as Laggard companies to already have competency models in place in their organization
- 68% of Best-in-Class organizations link workforce pay to performance – this is 58% more than Laggard companies
- Best-in-Class organizations are 90% more likely than Laggards to have identified specific knowledge gaps that can be resolved through learning

### Required Actions

In addition to the specific recommendations in Chapter 3 of this report, to achieve Best-in-Class performance, organizations must:

- Define organizational core competencies. Make it a top priority to identify the attributes that make for successful employees in particular job roles and in the work environment in general
- Link workforce pay to performance
- Integrate competency management with learning tools to empower workers to eliminate skills, knowledge and/or behavior gaps

“Because of technology, we have less need for administrative staff. Because technical skills have become so scarce, our best barometer for success within our organization is “fit”. Thus, our competency management strategy is focused somewhat on skills, but a lot on behaviors that fit best in our organization.”

~ Director of Learning,  
\$2B+ Insurance Company

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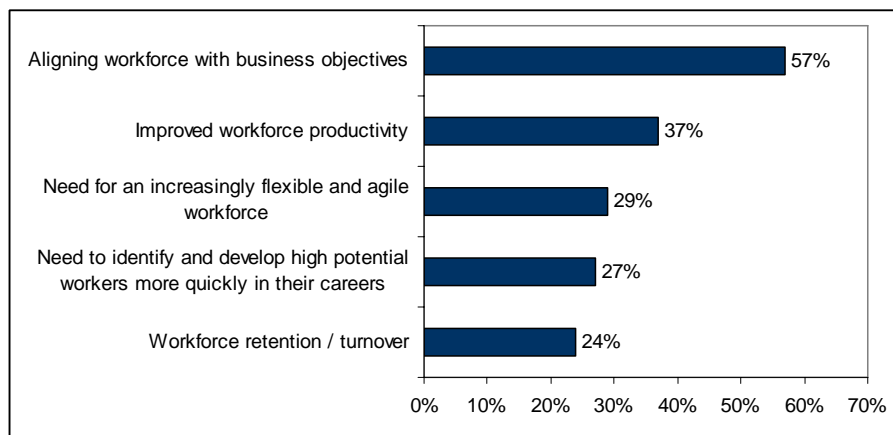
## Chapter One: Benchmarking the Best-in-Class

### Making the Case for Competency Management

As organizations face mounting pressures, they are clamoring for ways to attract, retain and develop top talent (See Figure 1). One common area of focus that links to each of these objectives is to understand where gaps exist (or will exist) in the workforce in terms of headcount, knowledge and/or skills. A critical ingredient to fill these gaps is an organization's ability to ascertain the traits, characteristics and core competencies of those who excel in their environment.

The connection between knowledge of workforce core competencies and a company's ability to achieve its objectives is supported in Aberdeen's latest research. The majority of all companies surveyed (57%) stated "aligning workforce with business objectives" is the top factor driving the focus of resources on competency management. Additionally, there is a strong association placed with competency management and an organization's ability to improve workforce productivity.

**Figure 1: Top Pressures Driving Competency Management**



Source: Aberdeen Group, August 2007

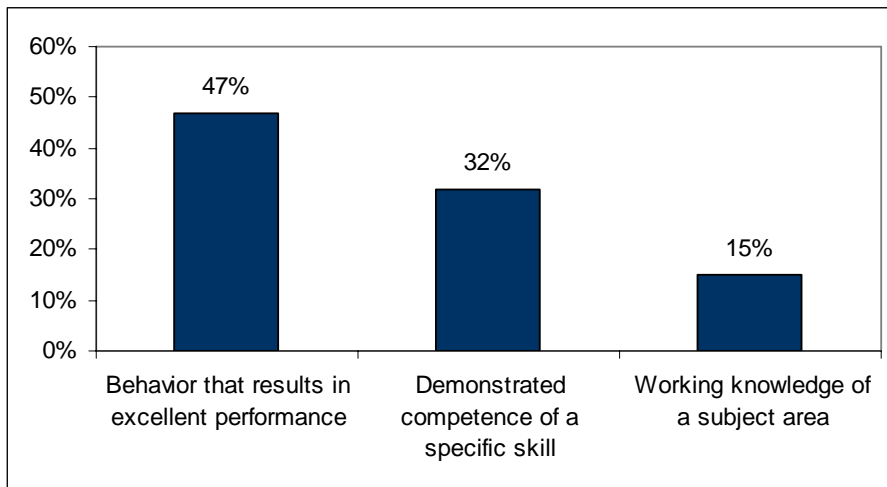
### The Organizational View

Although only 41% of all organizations have competency models in place (either organizationally or just for select positions or levels), an equal percent are either in the process of defining core competencies or are budgeted to begin this process within the next 12 months. However, the way organizations perceive a "competency" varies significantly (see Figure 2).

#### Fast Facts

- ✓ **82% of all organizations** surveyed have competency models in place, are in the process of defining core competencies, or are budgeted to start in 12 months.
- ✓ **Human Resources** departments lead the charge in competency management with 67% claiming ownership, however, the sphere of influence pertaining to competency management is also strong among **corporate management** (43%), **business unit management** (36%) and **department managers** (34%).

**Figure 2: How Organization’s Define “Competency”**



Source: Aberdeen Group, August 2007

### Maturity Class Framework

Aberdeen used three key performance criteria to distinguish Best-in-Class companies from Industry Average and Laggard organizations:

1. Increase in Employee Performance
2. Increase in Revenue per Employee
3. Decrease in Employee Turnover

**Table 1: Companies With Top Performance Earn “Best-in-Class” Status:**

Definition of Maturity Class	Mean Class Performance
<b>Best-in-Class:</b> Top 20% of aggregate performance scorers	<ul style="list-style-type: none"> <li>• 89% increased Employee Performance</li> <li>• 63% increased Revenue per Employee</li> <li>• 75% decreased Employee Turnover</li> </ul>
<b>Industry Average:</b> Middle 50% of aggregate performance scorers	<ul style="list-style-type: none"> <li>• 33% increased Employee Performance</li> <li>• 35% increased Revenue per Employee (13% decreased Revenue per Employee)</li> <li>• 13% decreased Employee Turnover</li> </ul>
<b>Laggard:</b> Bottom 30% of aggregate performance scorers	<ul style="list-style-type: none"> <li>• 0% increased Employee Performance</li> <li>• 0% increased Revenue per Employee (10% decreased Revenue per Employee)</li> <li>• 0% decreased Employee Turnover</li> </ul>

Source: Aberdeen Group, August 2007

## Best-in-Class PACE Model

To achieve Best-in-Class performance, as outlined in Table 1, requires a combination of strategic actions, organizational capabilities and enabling technologies that can be summarized as follows.

**Table 2: Best-in-Class PACE Framework**

Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> <li>Aligning workforce with business objectives</li> </ul>	<ul style="list-style-type: none"> <li>Ensure learning and development efforts and investments are aligned w/ organizational values &amp; vision</li> <li>Make the organization an attractive place where workers can see career growth and enjoyment</li> </ul>	<ul style="list-style-type: none"> <li>Link workforce pay to performance</li> <li>Identify specific knowledge gaps that can be resolved through learning</li> <li>Define common skills sets of top performers</li> <li>Define common knowledge base of top performers</li> <li>Establish criteria for the development of professional certifications or licensure</li> </ul>	<ul style="list-style-type: none"> <li>Live seminars or training courses</li> <li>Performance planning tools</li> <li>Assessment tools for skills, fit and attitude</li> <li>Integrated learning tools</li> <li>Tools that allow employees to collaborate and share knowledge</li> <li>Multi-rater (360 degree) assessments</li> <li>Competency model libraries</li> <li>Succession planning tools</li> </ul>

“Competency management helps us improve our effectiveness in three areas: recruiting/staffing; development of current employees; and succession planning. For pre-hire purposes, we utilize competency models to help us determine who we want to bring on board. For existing employees, we use competency models to aid in their development, and for succession planning, we use competency models to assess promotability. On an overall basis, we utilize these models to ensure we have the right person in the right job at the right time with the right skills - EVERY TIME”.

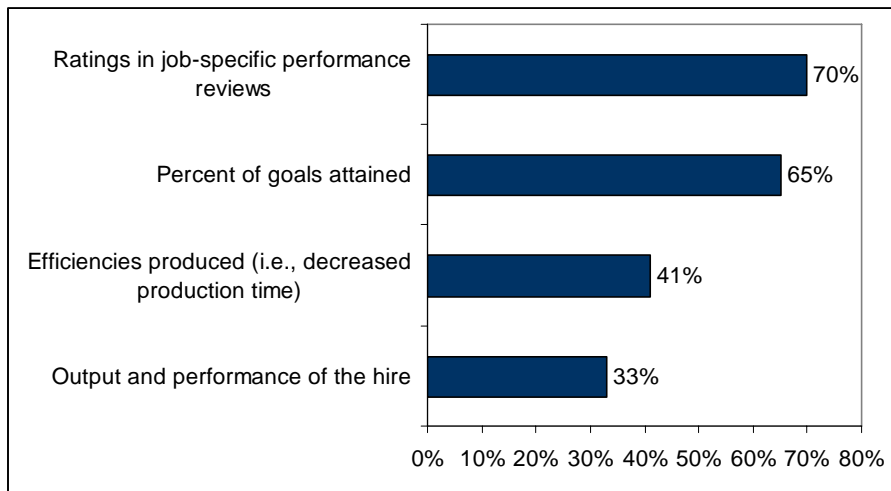
~ Sr. Director of Staffing and Organizational Development,  
2,000-employee Physician-run Group Practice

Source: Aberdeen Group, August 2007

## Key Measure of Competency Management: Employee Performance

The dominant metric that Best-in-Class organizations seek to impact with their competency management strategy is Employee Performance (measured by 68% of Best-in-Class). Although 70% of all companies surveyed measure Employee Performance, the ability to impact this metric varies significantly across Best-in-Class, Average and Laggard companies (see Table 1). When calculating Employee Performance, the Best-in-Class is most likely to focus on ratings in job-specific performance reviews and percent of goals attained (See Figure 3).

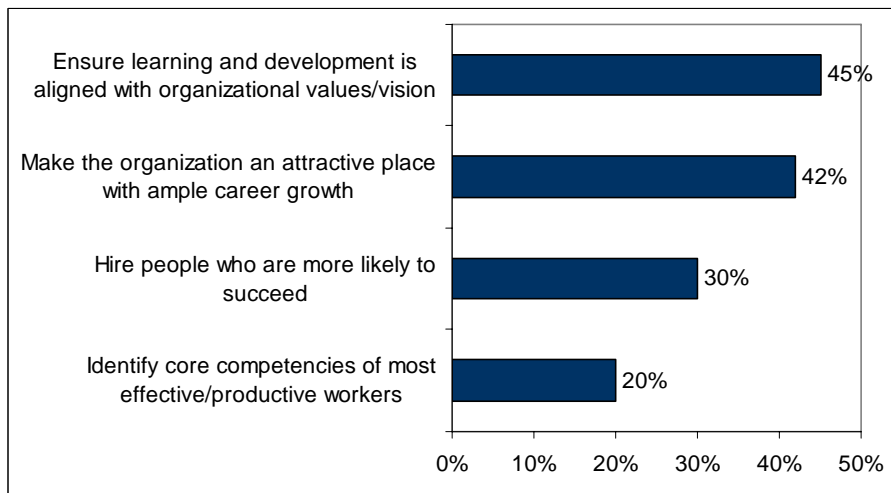
**Figure 3: How Best-in-Class Measures Employee Performance**



Source: Aberdeen Group, August 2007

The Best-in-Class actions in Table 2 show that top performing organizations place the most emphasis on leveraging the technology enablers as a means to an end and not an end of its own. Figure 4 illustrates how those organizations strategically approach the pressures outlined in Figure 1.

**Figure 4: Best-in-Class Strategic Actions Driving the Use of Competency Management**



Source: Aberdeen Group, August 2007

**Fast Facts: Impact on Metrics**

- ✓ Best in Class is **218% more likely** than Laggards to improve Employee Satisfaction
- ✓ Best-in-Class is **more than seven and one-half times** as likely as Laggards to improve Tenure of Hire
- ✓ Best-in-Class is **122% more likely** than Laggards to improve Time to Productivity
- ✓ Best-in-Class is nearly **two and one-half times as likely** to improve Management Bench Strength

### Aberdeen Insights – Strategy

Best-in-Class use of competency management links strategically to both pre- and post-hire initiatives:

**Recruiting** – 65% of Best-in-Class companies surveyed were able to improve Quality of Hire over the past year and 20% of Best-in-Class use Quality of Hire as a top metric to measure the impact of competency management. These organizations leverage knowledge of the qualities and characteristics of top performers to recruit and hire people with similar traits and make-up.

**Learning and Development** – As outlined in Figure 3, Best-in-Class measure employee performance primarily based on ratings in job-specific performance reviews and percent of goals attained. As highlighted in Figure 4, however, Best-in-Class also recognizes that aligning learning and development with organizational priorities is critical to aiding employees in their overall performance improvement.

The desire to integrate competency management with various elements of the recruit-to-retain lifecycle is reflected in the fact that 57% of all companies (52% of Best-in-Class) list “integration with other systems” a top quality when considering a competency management solutions provider.

In the next chapter, we will see what the top performers are doing to achieve these gains.

## Chapter Two: Benchmarking Requirements for Success

Competency management solutions have been helping businesses for many years. Organizations now see the application of competency management in both pre- and post-hire elements of business, and the results realized by Best-in-Class (as outlined previously in Table I of this report) offer validation of this. It is also important to highlight the premium that organizations now place on qualitative aspects of external and internal job candidates. These aspects focus on elements of “fit” and include characteristics and traits such as attitude and behaviors.

The following case study demonstrates how competency management can be utilized to influence behaviors and align the workforce with business objectives.

### Case Study: Capital District Physicians Health Plan

Capital District Physicians Health Plan (CDPHP) is a mid-sized, New York-based health plan that serves more than 350,000 people. With the mission to set the standard as a health value company and with the pledge to act with integrity and accountability at all times and in all situations, CEO Dr. William J. Cromie set out to create a culture built on engagement, innovation and process improvement.

In a collaborative fashion, by the end of 2005, the organization had defined CDPHP’s “Path to Excellence” (PTE) model that comprised of five core values that would drive management’s behavior: Innovation, Integrity, Excellence, Empowerment, and Accountability.

Competency management became a focal point in 2006. As part of this focus, CDPHP adopted a vendor-supplied competency model that outlined 12 leadership “behaviors” that reinforced and supported CDPHP’s five core values. What resulted is a core framework for how leaders demonstrate and exemplify the five core values and 12 leadership behaviors in all actions, communications and situations.

Organizational support for the competency model included:

- Individual and group leadership internal consulting – work group or department leadership team.
- Practice-based in-house courses – focused on areas of coaching, communication, interviewing and process improvement.
- Action-learning – based on assignments to key corporate initiatives and workgroups.
- Formal presentation series – external subject matter expert was brought in to reinforce the PTE model, specifically addressing the core values and identified leadership competencies.

“Perhaps the greatest impact we have seen to date from our competency management initiative is that leaders at all levels of the organization are now discussing the importance leadership has in their day-to-day work as opposed to seeing leadership development as part of a classroom experience”.

~ Stephen J. Russell

Director of Corporate  
Learning and Development,  
Capital District Physicians  
Health Plan

### Case Study: Capital District Physicians Health Plan

- Clear and timely feedback – at the individual and department level. Focused on a leaders' performance appraisals, employee engagement surveys, HR stats on retention, internal promotions and exit interviews.

It was CDPHP's objective to increase the retention of its high potential employees and decrease involuntary workforce turnover. CDPHP believed that if its leadership team could exemplify ideal behavior on the job that those behaviors would align business processes and be reinforced throughout the organization.

After just one year, the positive impact of CDPHP's competency management efforts has already been felt. For example, CDPHP has recorded the following improvements:

- 70% of direct reports who completed the company's second leadership survey recognized improvement in their direct manager's behaviors in the areas of empowerment, core values and supports change.
- 30% decrease in involuntary turnover among employees.
- 10% increase in the number of employees who believe that co-workers in their particular work unit consistently demonstrate the company's core values.
- 5% increase in the number of employees who state that they receive highly effective feedback (from their direct supervisor) that enables them to continuously improve performance.

### Competitive Assessment

The aggregated performance of surveyed companies determined whether they ranked as Best-in-Class, Industry Average or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (ability to detect and respond to changing conditions without placing additional burdens on the organization); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (selection or appropriate tools and intelligent deployment of those tools); and (5) **performance measurement** (ability of the organization to measure the benefits of technology deployment and use the results to improve key processes further). These characteristics (identified in the table below) serve as a guideline for best practices and correlate directly with Best-in-Class performance across the key metrics.

guideline for best practices and correlate directly with Best-in-Class performance across the key metrics.

**Table 3: Competitive Framework**

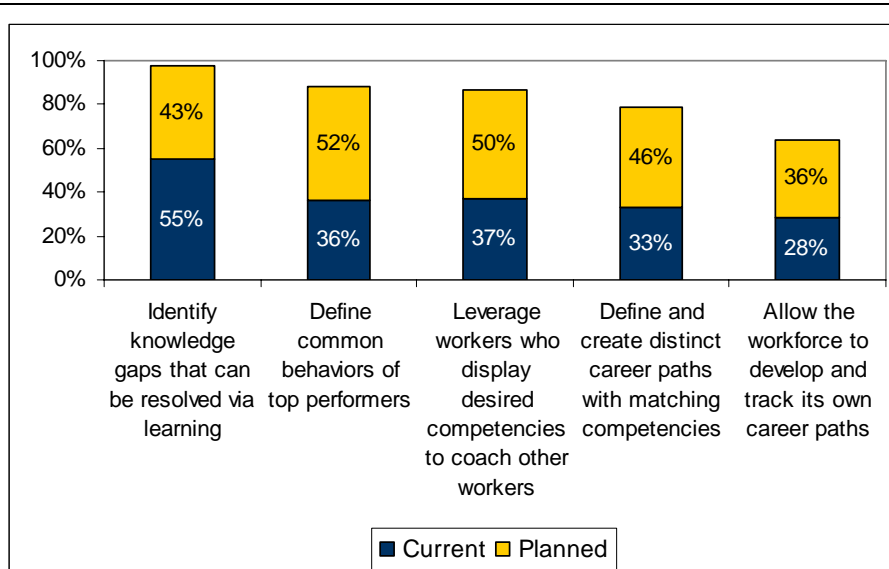
	Best-in-Class	Average	Laggards
<b>Process</b>	Link workforce pay to performance		
	<b>68%</b>	<b>49%</b>	<b>43%</b>
<b>Organization</b>	Leverage workers who display desired competencies to coach other workers		
	<b>37%</b>	<b>30%</b>	<b>27%</b>
<b>Knowledge</b>	Identify specific knowledge gaps that can be resolved through learning		
	<b>55%</b>	<b>39%</b>	<b>29%</b>
	Define common skill sets of top performers		
	<b>47%</b>	<b>37%</b>	<b>27%</b>
	Define common knowledge base of top performers		
	<b>45%</b>	<b>27%</b>	<b>18%</b>
<b>Technology</b>	Competency Management technology currently in use:		
	<ul style="list-style-type: none"> <li>• <b>49%</b> Performance planning tools</li> <li>• <b>48%</b> Assessment tools</li> <li>• <b>47%</b> Integrated learning tools</li> <li>• <b>47%</b> Tools that allow workers to collaborate &amp; share knowledge</li> <li>• <b>38%</b> Multi-rater (360 degree) assessments</li> <li>• <b>37%</b> Competency model libraries</li> </ul>	<ul style="list-style-type: none"> <li>• <b>42%</b> Performance planning tools</li> <li>• <b>37%</b> Assessment tools</li> <li>• <b>28%</b> Integrated learning tools</li> <li>• <b>32%</b> Tools that allow workers to collaborate &amp; share knowledge</li> <li>• <b>38%</b> Multi-rater (360 degree) assessments</li> <li>• <b>27%</b> Competency model libraries</li> </ul>	<ul style="list-style-type: none"> <li>• <b>34%</b> Performance planning tools</li> <li>• <b>22%</b> Assessment tools</li> <li>• <b>19%</b> Integrated learning tools</li> <li>• <b>24%</b> Tools that allow workers to collaborate &amp; share knowledge</li> <li>• <b>18%</b> Multi-rater (360 degree) assessments</li> <li>• <b>17%</b> Competency model libraries</li> </ul>
<b>Performance</b>	Review and/or assess competency management performance more than once annually:		
	• <b>41%</b>	• <b>31%</b>	• <b>27%</b>

Source: Aberdeen Group, August 2007

## The Evolution of Competency Management

The vast majority of all organizations surveyed (66%) currently utilize live seminars or training courses as part of their competency management efforts. However, as organizations seek to identify future gaps in personnel and knowledge, the ability to link competency data across other organizational elements and leverage web analytics will be imperative. Technology vendors (including talent management, learning management, assessment and competency management vendors) are stepping up their efforts by delivering solutions that can integrate with legacy platforms and offer interoperability among components. Figure 5 illustrates some of the top internal capabilities Best-in-Class are looking to implement to facilitate and support competency management efforts.

**Figure 5: Current and Planned Internal Capabilities of Best-in-Class**



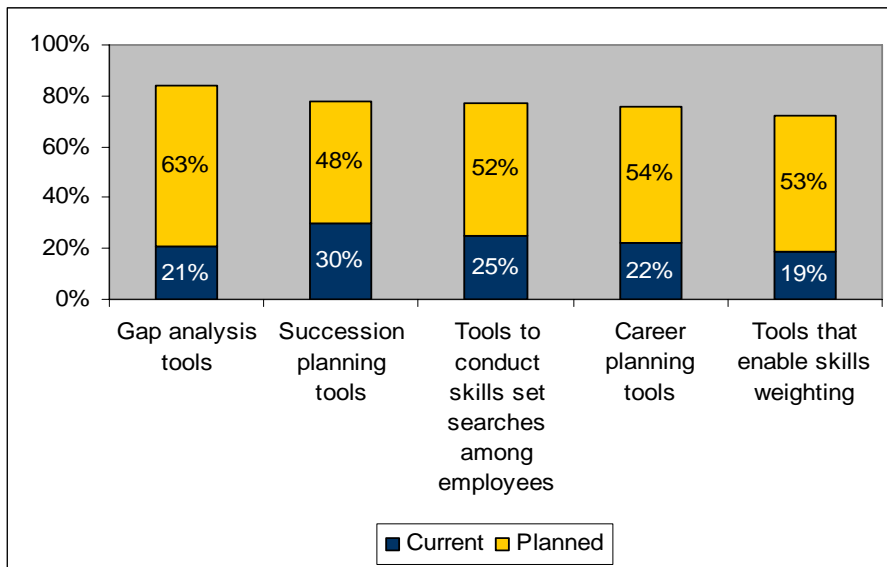
Source: Aberdeen Group, August 2007

Figure 6 (below) illustrates that although the adoption of several specific competency tools may be lagging today, deployment of these technology enablers will experience a 60% to 200% growth among Best-in-Class companies within the next 12 to 24 months.

### Fast Facts

- √ Over the past 12 months, Best-in-Class organizations were **86% more likely** than Laggard companies to have filled more than one-half of management positions with internal candidates.
- √ **Best-in-Class is 47% more likely** than Industry Average and **67% more likely** than Laggards to have increased the percent of the company's management positions filled by internal candidates.

**Figure 6: Current and Planned Use of Competency Management Tools by Best-in-Class**



Source: Aberdeen Group, August 2007

“I completed a project for a large national company where competency management played a pivotal role. The company had completed four mergers in five years, and required an objective means to differentiate talent in terms of who to keep and develop, and who to let go. Competency management allowed the new organization to better understand its talent portfolio and the impact on the organization on a moving forward basis.”

~ Nancy Heet

President

Workforce Management  
Strategies, LLC

## Organizational Capabilities and Technology Enablers

The essential ingredients of a well-designed competency management strategy include process, organizational knowledge, technology enablers and performance management that translate to competitive advantage via a more productive and focused workforce.

- **Process**

Best-in-Class are 64% more likely than Laggards to have competency models in place for all levels throughout the organization and are 67% more likely than Laggards to have competencies models in place for select levels or positions. See Figure 7 for the top competencies defined by Best-in-Class. By having these models in place, these organizations not only gain better insight into where gaps exist (or will exist) within their organizations, but also their workforces get a better understanding of what areas they need to improve or build towards in order to meet the expectations of their current position, and be qualified for a desired position.

- **Organization**

Best-in-Class companies utilize competency management to leverage and empower internal resources. This is represented in the fact that Best-in-Class is 65% more likely than Laggards to allow the workforce to develop and track personal career paths. Best-in-Class is also 37% more likely than Laggards to leverage workers who display desired competencies in order to coach co-workers.

Interestingly, although 61% of Best-in-Class replied that Human Resources owned or influenced competency management, Best-in-Class is also 39% more likely than Laggards to include corporate management as an owner or influencer. This organizational approach towards competency management facilitates organizational communication and collaboration, and has a direct impact on workforce retention and turnover rates.

- **Technology**

Best-in-Class currently utilizes specific technologies to achieve distinct advantage. Forty-nine percent (49%) of Best-in-Class utilize tools for performance planning and 48% of Best-in-Class utilize assessment tools; this is 48% and 118% (respectively) more than Laggard companies. These organizations use these tools to assess for “fit” within the organization or a prospective job role, as well as develop objective performance ratings, and career plans and paths. Additionally, 47% of Best-in-Class use integrated learning tools as well as tools that allow workers to collaborate and share knowledge. Coupling this current use of technology with the planned utilization of certain competency management tools demonstrates not only the importance these organizations place on leveraging internal knowledge, but also the desire among Best-in-Class performers to provide the necessary knowledge resources to address competency gaps.

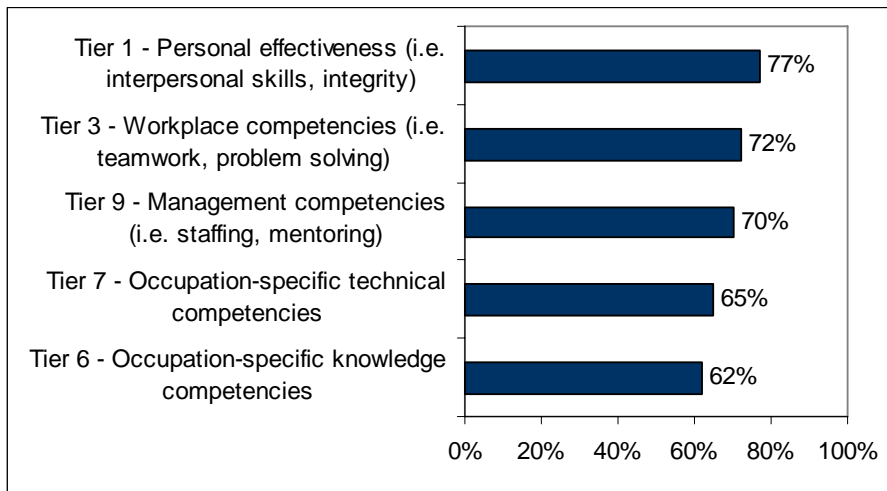
- **Performance Measurement**

Best-in-Class dominates Industry Average and Laggard companies in the ability to improve key metrics assigned to competency management. Although Best-in-Class is more apt to utilize technology enablers and critical organizational processes to improve competency management efforts, it is not surprising that these companies are also more than 50% likely as Laggard companies to review these metrics on a monthly or quarterly basis. The frequent focus and review of these metrics, coupled with the “organizational buy-in” (as reference above) allows these organizations to adjust and/or prescribe resources in a proactive rather than reactive manner.

#### Fast Facts

- √ **75%** of Best-in-Class organizations responded that their competency management strategy is part of their organizational human capital management strategy.
- √ **52% of Best-in-Class** increased organizational revenue more than 10%. This is 44% more than Average companies and 73% more than Laggards.
- √ Best-in-Class is **57% more likely** than Average and **89% more likely** than Laggards to increase organizational profit more than 10%.

**Figure 7: Top 5 Competencies That Best-in-Class Have Defined**



Source: Aberdeen Group, August 2007

### Aberdeen Insights — Technology

As highlighted in this report, Best-in-Class organizations seek to leverage competency management across the enterprise. Not surprisingly, Best-in-Class organizations are 50% more likely than Laggard companies to plan to acquire new or upgraded competency management software within the next two years. In addition to their ability to improve critical metrics such as employee performance and employee turnover, Best-in-Class links competency management to success with several other organizational metrics such as management bench strength, tenure of hire, employee satisfaction, incremental value-add, and time to productivity.

## Chapter Three: Required Actions

Whether a company is trying to move its performance in competency management usage from “Laggard” to “Industry Average,” or “Industry Average” to “Best-in-Class,” the following actions will help spur the necessary performance improvements:

### Laggard Steps to Success

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- **Define organizational core competencies**

Focus on developing competency models for key levels or positions. Best-in-Class is 65% more likely than Laggards to have competency models in place within the organization. Look internally to define the skills, knowledge and behaviors of your current top performers. Also, consider purchasing or licensing assessment tools and/or off-the-shelf competency models that you can augment to fit your company.

- **Focus on improving workforce turnover**

The #2 metric (behind Employee Performance) that Laggard companies assign to competency management is Employee Turnover. Despite this focus, no Laggards were able to improve that metric. Put in place a strategy to make the workplace a more attractive place to work; Best-in-Class are 45% more likely than Laggards to focus on this. Laggards should review the performance against this metric more than once annually; currently, only 27% of Laggards do so. Additionally, although 33% of Laggards have defined the requirements for employee success on the job, only 29% of Laggards have identified specific knowledge gaps that can be resolved through learning. By improving focus and resources in these areas, Laggards will be able to improve workforce turnover.

- **Link workforce pay to performance**

Sixty-eight percent (68%) of Best-in-Class organizations link workforce pay to performance; this is 58% more than Laggard organizations. Additionally, although 81% of Laggard companies measure Employee Performance, no Laggard companies are able to improve performance in this key metric. Processes and/or tools that enable Laggards to link and measure workforce compensation to goals attained, ratings in performance reviews and efficiencies produced should be considered. As with any metric, Laggard companies need to review these more than once per year.

#### Fast Facts

- Best-in-Class organizations are **39% more likely** than Laggards to include corporate management as an owner or influencer of competency management.
- **92% of Best-in-Class** organizations either link or plan to link workforce pay to performance.

## Industry Average Steps to Success

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- **Put in place a strategy that focuses on leveraging current top performers**

Industry Average companies need to focus their efforts on leveraging existing human capital resources. Roughly only 1/3<sup>rd</sup> of Industry Average companies have identified or defined the common skills sets, behaviors and knowledge of those who perform optimally. Because of this lack of knowledge, only 30% of Average companies are able to leverage workers who display desired competencies to coach other workers. As highlighted in Table I of this benchmark report, Industry Average companies are struggling to improve critical metrics such as Employee Performance, Employee Turnover and Revenue per Employee. Disturbingly, yet not surprisingly, Average companies are 50% less likely than Best-in-Class to have defined and created distinct career paths with matching competencies.

- **Place more emphasis on integrating learning with organizational objectives**

Although Best-in-Class is 68% more likely than Average companies to integrate learning tools into competency management efforts, they are only 18% more likely than Average companies to ensure learning and development efforts and investments are aligned with organizational values and vision. Defining competencies is a great first step, but the ability for workers to access or plan for learning in order to eliminate relevant skills, knowledge and/or behavior gaps must exist.

- **Review and assess competency management performance more frequently**

Best-in-Class organizations are more than three times as likely as Average companies to review and/or assess these metrics on a monthly basis. Average organizations achieve only a fraction of the success Best-in-Class is able to achieve. Organizational buy-in and consistent assessment against agreed-to metrics will be critical for Average to improve in any competency management metric.

## Best-in-Class Steps to Success

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- **Define competency models at every level in your organization**

It's the leaders who set strategy and direction for an organization. However, it's middle management who need to communicate and reinforce how these strategies apply at the business level and it's the workforce who need to follow-through at the task level. Although 59% of Best-in-Class companies responded that the top pressure to pursue competency management is the need to align the workforce with business objectives, only 18% of Best-in-Class

have competency models in place at every level in their organization. Organizational leaders must exemplify the behaviors and traits that others should emulate, but Best-in-Class must concomitantly equip and empower the rest of the organization to follow through with the vision with more insight and control over career growth.

- **Place more emphasis on integrating learning with organizational objectives**

Best-in-Class organizations that have defined core competencies, but have yet to integrate learning, need to make this a priority. Although much more prevalent than Industry Average and Laggard companies, only 47% of Best-in-Class currently integrate learning tools into competency management. For organizations that have already done so, consider implementing skills weighting tools to fine tune your approach and increase the ability to narrow-in on the skills, behaviors and/or knowledge that make a critical difference in a given level or job. Also, purchase and/or implement tools that define gaps and prescribe learning resources to eliminate those gaps.

- **Integrate competency management with other talent management initiatives**

Competency management can and should be leveraged across pre- and post-hire elements of talent management. Best-in-Class need to utilize competency models that have already been defined in order to target the “best” candidates in the recruiting process – currently only 30% of Best-in-Class seek to hire people more likely to succeed in their company’s environment. For current employees, utilize the organization’s insight into core competencies as well as competency models as the basis for retention and development, and empower employees to identify and pursue career paths of interest. In addition, make the performance review process more objective and collaborative by linking goals to competencies. Also, integrate learning so that employees can pursue programs to eliminate knowledge gaps as they pursue their ideal career path. Leverage this knowledge of competencies to impact succession planning; identify high potential employees earlier to strengthen management bench strength and gain understanding of the viability of current employees to fulfill future leadership needs. Finally, Best-in-Class organizations that do review competency management performance metrics more than once annually should do so. Organizations that limit the frequency of such reviews will be threatened by those that are more apt react in real-time and adapt for near-term needs.

### Aberdeen Insights – Summary

Competency management tools are not required to attain Best-in-Class status, but these tools have made it easier for nearly one-half of leading companies to achieve improved results. Competency management tools enable companies to gain deeper, more actionable insight into current and anticipated workforce needs, and can improve both pre- and post-hire operational metrics.

As organizations look to leverage data from competency management across the enterprise, automated competency management tools will be a critical enabler. A testimony to this is the fact that a majority of Best-in-Class organizations plan to implement several enabling competency management tools over the next 12 to 24 months. A solid competency management foundation consists of a collaborative, organizational approach that leverages existing top-performing employees, identifies ideal knowledge, behaviors and skills, enables employees to eliminate these gaps, and receives corporate support and reinforcement.

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## Appendix A: Research Methodology

Between July and August 2007, Aberdeen Group examined the use of Competency Management at more than 370 enterprises across the globe.

Respondents completed an online survey that included questions designed to determine the following:

- The degree to which competency management solutions are deployed in their organizations
- The structure and effectiveness of existing competency management implementations
- Current and planned use of competency management to aid operational and promotional activities
- The benefits, if any, that have been derived from competency management initiatives

Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on competency management strategies, experiences, and results.

The study aimed to identify emerging best practices for competency management usage in retail and provide a framework by which readers could assess their own management capabilities.

Responding enterprises included the following:

- **Job title:** The research sample included respondents with the following job titles: senior management (CEO, COO, CFO, president) (22%); vice president (11%); director (23%); manager (28%), staff (6%), consultant or other (10%).
- **Job Function:** Human resource professionals comprised 37% of the total sample. Other functions/roles represented include: strategic development (10%), sales & marketing (7%), operations (6%), information technology (6%), finance (5%) and training (4%).
- **Industry:** The research sample included respondents from a wide representation of industries. Some of the largest groupings include: hi-tech or computer product firms (24%); finance/banking/accounting (13%); consumer goods (13%); education (10%); Telecommunications (10%); healthcare (10%); public sector (9%).
- **Geography:** The majority of respondents (70%) were from North America. Remaining respondents were from EMEA (16%), Asia-Pacific (11%) and South/Central America and Caribbean (3%).
- **Company size:** 24% of respondents were from large enterprises (annual revenues above US\$1 billion); 30% were from midsize enterprises (annual revenues between \$50 million and \$1 billion);

and 45% of respondents were from small businesses (annual revenues of \$50 million or less).

Solution providers recognized as sponsors of this report were solicited after the fact and had no substantive influence on the direction of the Competency Management benchmark report. Their sponsorship has made it possible for Aberdeen Group to make these findings available to readers at no charge.

**Table 4: PACE Framework Key**

### Overview

Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:

**Pressures** — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)

**Actions** — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product/service strategy, target markets, financial strategy, go-to-market, and sales strategy)

**Capabilities** — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products/services, ecosystem partners, financing)

**Enablers** — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)

Source: Aberdeen Group, August 2007

**Table 5: Competitive Framework Key**

### Overview

The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance

**Best-in-Class (20%)** — Practices that are the best currently being employed and significantly superior to the Industry Average, and result in the top industry performance.

**Industry Average (50%)** — Practices that represent the average or norm, and result in average industry performance.

**Laggards (30%)** — Practices that are significantly behind the average of the industry, and result in below average performance

In the following categories:

**Process** — What is the scope of process standardization? What is the efficiency and effectiveness of this process?

**Organization** — How is your company currently organized to manage and optimize this particular process?

**Knowledge** — What visibility do you have into key data and intelligence required to manage this process?

**Technology** — What level of automation have you used to support this process? How is this automation integrated and aligned?

**Performance** — What do you measure? How frequently? What’s your actual performance?

Source: Aberdeen Group, August 2007

**Table 6: Relationship Between PACE and Competitive Framework**

**PACE and Competitive Framework How They Interact**

Aberdeen research indicates that companies that identify the most impactful pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute.

Source: Aberdeen Group, August 2007

## Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- [\*The Aberdeen Report: The State of the Market 2007\*](#)
- [\*The Global War for Talent: Getting What You Want Won't Be Easy\*](#) June 2007
- [\*Enhancing Operational Results with Employee Performance Management\*](#) June 2007
- [\*Incentive Compensation Management: Aligning Compensation with Business Goals\*](#) March 2007
- [\*Benefits Management Benchmark: Technology Automation and Employee Self-Service\*](#) January 2007
- [\*Measuring the Real Value of Wireless LAN Deployments\*](#) June 2007
- [\*Employee Performance Management in the Mid Market: Truly Stuck in the Middle\*](#) July 2007
- [\*HR vs. Non-HR Executives: Confusion Abounds in Terms of Talent Acquisition\*](#) July 2007

Information on these and any other Aberdeen publications can be found at [www.Aberdeen.com](http://www.Aberdeen.com).

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