



COMPETENCY MANAGEMENT

~ A Practitioner's Guide ~

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Section One:

Understanding Competencies

CHAPTER 1

This chapter introduces the term competency. The discussion will cover the following aspects.

- The meaning of the term 'competency.'
- The confusion between the terms 'competence' and 'competency.'
- SMR's stand on the use of these terms.
- Levels of competency.
- Types of competency: behavioural, functional, core, and role competencies.
- Relevance of competency framework to organisations and individuals.
- Linkage between competency and performance.
- The various approaches in competency management.
- The SMR experience.

Introduction

1.What are competencies?

The terms 'competencies,' 'competence,' and 'competent' refer to a state or quality of being able and fit. The English dictionary describes the word 'competence' as the state of being suitable, sufficient, or fit. The workplace definition of 'competency' refers to a person's fitness with reference to his or her job. In the work context, however, competence has two variations that differ in their meaning, depending on organisational frames of reference.

2.Two terms

The two terms arise from different streams of thought on the concept of fitness at work. They are:

- 1.'Competency' which is a description of behaviour, and
- 2.'Competence' which is a description of work tasks or job outputs.

Despite the generally accepted distinction in meaning as given above, the terms are still interchangeably used causing them to mean different things to different people. There are also many who wonder if there is any difference between the two terms.

3.Confusion

People using these terms shape their meaning to fit their own convenience. Ronald Zemke's comments on these terms in 1982 remain valid even today:

'Competency, competencies, competency models and competency-based training are Humpty Dumpty words meaning only what the definer wants them to mean. The problem comes not from malice, stupidity, or marketing avarice, but instead from some basic procedural and philosophical differences among those racing to define and develop the concept and to set the model for the way the rest of us will use competencies in our day-to-day effort.'

4. Clarification

Let us now review the terms as they are commonly used in practice today.

4.1 Competency

Competency refers to underlying behavioural characteristics that describe motives, traits, self-concept, values, knowledge or skills that a superior performer brings to the workplace.

According to this definition, competencies are made up of different types of characteristics, which drive behaviour. These underlying characteristics are evidenced in the way an individual behaves at the workplace. Competencies are about what people *are and can do*, not what *they do*. These competencies are observed in people who may be classified as effective or superior performers. Superior performance refers to performance that is above average. This is usually attributed to the top ten percent of employees. For example, a salesperson with higher achievement orientation sets challenging goals and achieves them, this results in gains for the sales person and the organisation. To take another instance, an interpersonal competency will be demonstrated in how effectively a person gets along with other members of the team at the workplace.

The purpose of this approach was to use the characteristics of superior performers as templates for employee selection and development. This builds the business case for using competencies because better hiring and deployment decisions are possible when we know what characteristics lead to superior performance.

The concept of competencies originated from David McClelland's groundbreaking article, *Testing for Competence Rather than Intelligence*. The article launched the competency movement in industrial psychology. He concluded, on the basis of review of studies that traditional academic aptitude and knowledge content tests, as well as school grades and credentials:

1. Did not predict success either in job/life and
2. Were generally biased against the lower socio-economic sections of society.

This led McClelland to ask what predicted success, if not intelligence? He started to look for research methods that would identify competency variables, which would predict job performance and were not influenced by factors such as socioeconomic factors or race. He used criterion samples, a method that compares successful people with the less successful in order to identify characteristics associated with success. These characteristics or competencies, when present and demonstrated, consistently led to successful job outcomes.

This led to varying definitions of competency of which the most acceptable is the

following one:

'A competency can be defined as an ***underlying characteristic*** of an individual that is ***causally related*** to ***criterion referenced*** effective and/or superior performance in a job or situation.'

Competencies are underlying characteristics of people that indicate ways of behaving or thinking, which generalise across a wide range of situations and endure for long periods of time. There are at least five terms within this definition that require understanding. Figure 1 describes the five types of characteristics using an 'iceberg model' of a competency.

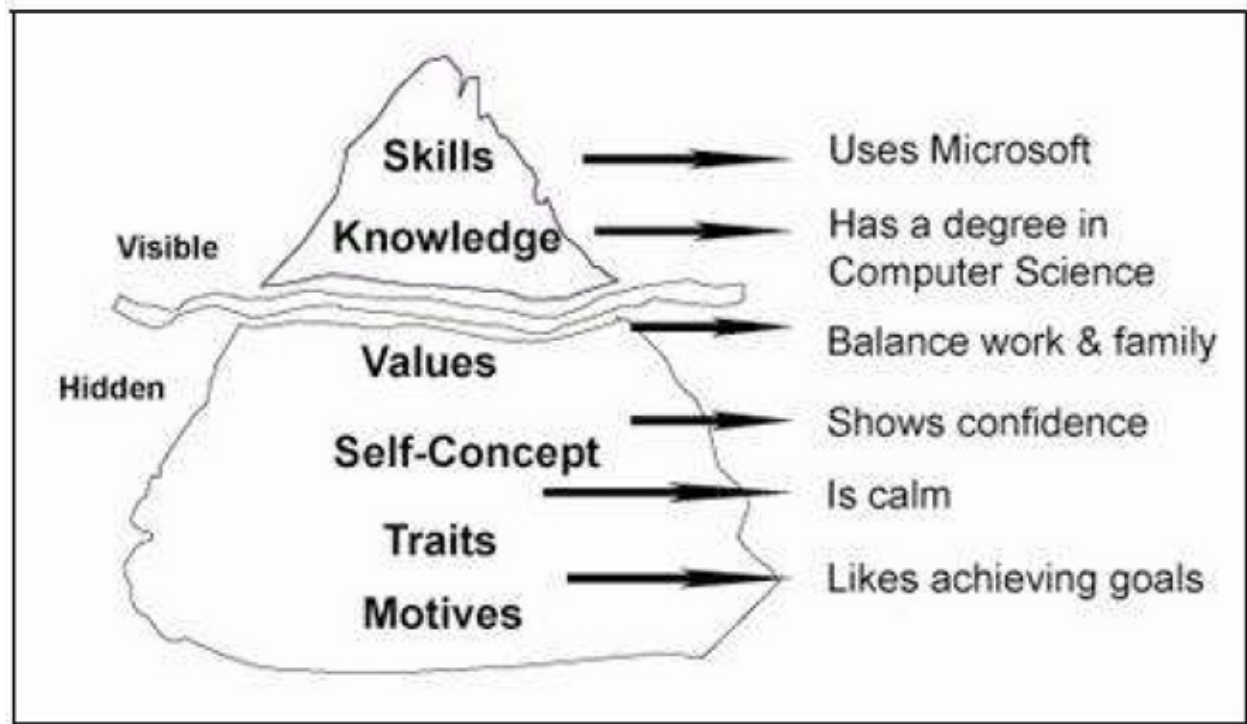


Figure 1 Iceberg Model describing the competencies required of a programmer

4.1.1 Five types of competency characteristics

1. Knowledge

This refers to information and learning resting in a person, such as a surgeon's knowledge of the human anatomy.

2. Skill

This refers to a person's ability to perform a certain task, such as a surgeon's skill to perform a surgery.

3. Self concept and values

This refers to a person's attitudes, values, or self-image. An example is self- confidence, a person's belief that he or she can be successful in a given situation, such as a surgeon's self confidence in carrying out a complex surgery.

4. Traits

Traits refer to the physical characteristics and consistent responses to situations or information. Good eyesight is a necessary trait for surgeons, as is self-control, the ability to remain calm under stress.

5. Motives

Motives are emotions, desires, physiological needs, or similar impulses that prompt action. For example, surgeons with high interpersonal orientation take personal responsibility for working well with other members of the operating team.

Motives and traits may be termed as initiators that predict what people will do on the job without close supervision.

4.1.2 Five key terms in the definition

With an understanding of the five types of characteristics that make up competencies, we can now explore the five terms within the definition of a competency.

1. An underlying characteristic means the character referred to forms a fairly deep and enduring part of a person's personality. In this definition, it refers to motives, traits, self-concept, and values.

2. Criterion-referenced means that the competency can be measured on a specific criteria or standard. A criterion sample of superior, average, and poor performers are systematically observed and studied to understand what constitutes superior, average, and poor performance. In this context, it means the demonstration of a competency actually predicts if a person can do something well or poorly, as measured on a specific criterion or standard. An example of a criterion is the sales figure for a salesperson.

Criterion reference is critical to the definition of a behavioural competency. A characteristic is not a competency unless it predicts something meaningful, and results in performance. If it does not, it is not a competency and should not be used to evaluate people. This prompted psychologist William James to comment, 'a difference which makes no difference, is no difference.'

3. Causal relationships indicate that the presence of a competency and its demonstration predicts or causes superior performance. Motives, traits, and self-concept competencies predict skill and actions. These, in turn, predict job performance outcomes. Competencies always include intent. It is the motive that causes an action (behaviour) to lead to outcomes. For example, knowledge and skill competencies always are driven by motive, trait, or self-concept competencies. This can be explained using the example of 'management by walking about.' Unless we know the intent of a manager, i.e., why a manager is walking about, we cannot know if a competency is being demonstrated. The manager could be walking around to monitor the quality of work, out of a desire to coach and lead, or just because of leg cramps.

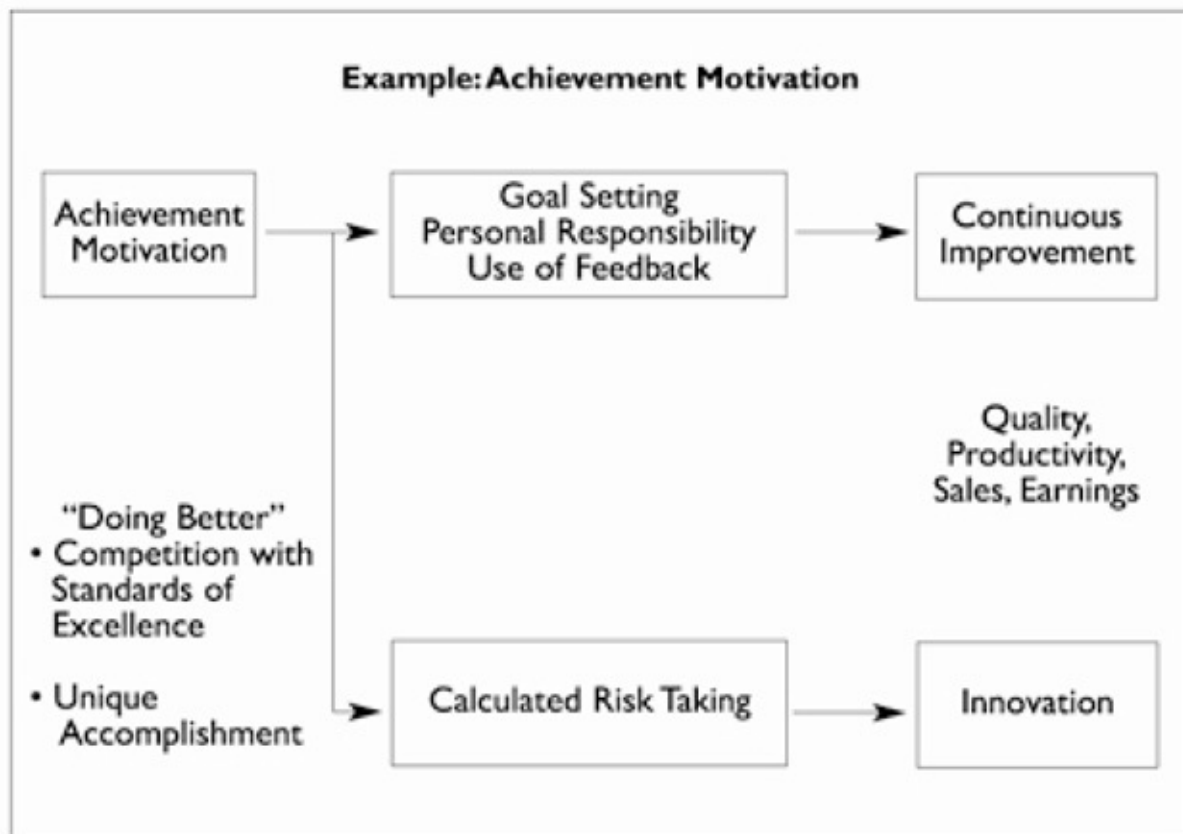


Figure 2 Competency causal flow model

Adapted from *Competence at Work* by Lyle M. Spencer & Signe. M. Spencer

Causal flow models can be used to analyse risks. For example, if the organisation does not engage in the acquisition or development of a competency such as initiative in its employees, it can expect more supervision, rework, and costs to ensure quality of service.

4. Superior performance indicates the level of achievement of roughly the top ten percent in a given work situation.

5. Effective performance refers to a minimum acceptable level of work. This is usually a cut off point below which an employee is not considered competent to do the job.

4.1.3 Threshold and differentiating competencies

This resulted in the categorisation of competencies into two:

- **Threshold competencies:** These are essential characteristics such as knowledge and skills that one needs to meet the minimum required levels in a job. Threshold competencies, however, do not differentiate superior from average performers.
- **Differentiating competencies:** These refer to factors such as motives, traits, self concept, and values that distinguish superior from average performers.

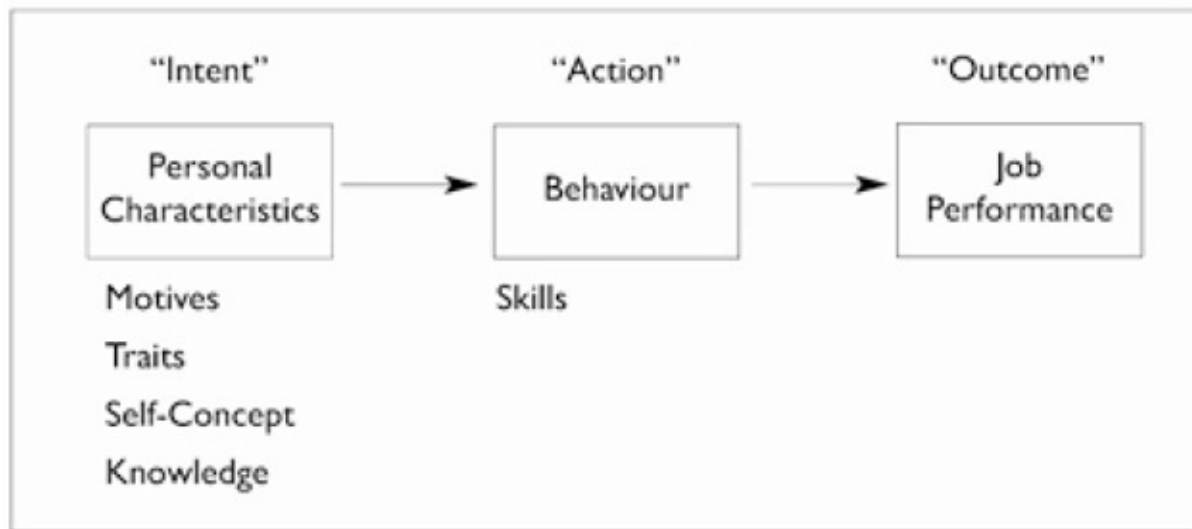


Figure 3 Definition of competency

Adapted from *Competence at Work* by Lyle M. Spencer & Signe M. Spencer.

McClelland's work has now resulted in the development of generic competency models, mainly for managerial roles. Many international consulting organisations have developed competency models for use in organisations.

4.1.4 Acquiring or developing competency

What the iceberg model implies to HR management is this: competencies differ in the extent to which they can be taught. Skills and knowledge are usually denoted as surface competencies that are visible. These are relatively easy to develop and it is cost effective to train employees to secure these abilities.

Self concept, traits, and motive competencies are hidden and therefore more difficult to develop or assess. While changing motives and traits is possible, the process is lengthy, difficult, and expensive. A cost effective way is to select for these characteristics. This prompted a human resource practitioner to say, 'You can teach a turkey to climb a tree, but is often easier to hire a squirrel.'

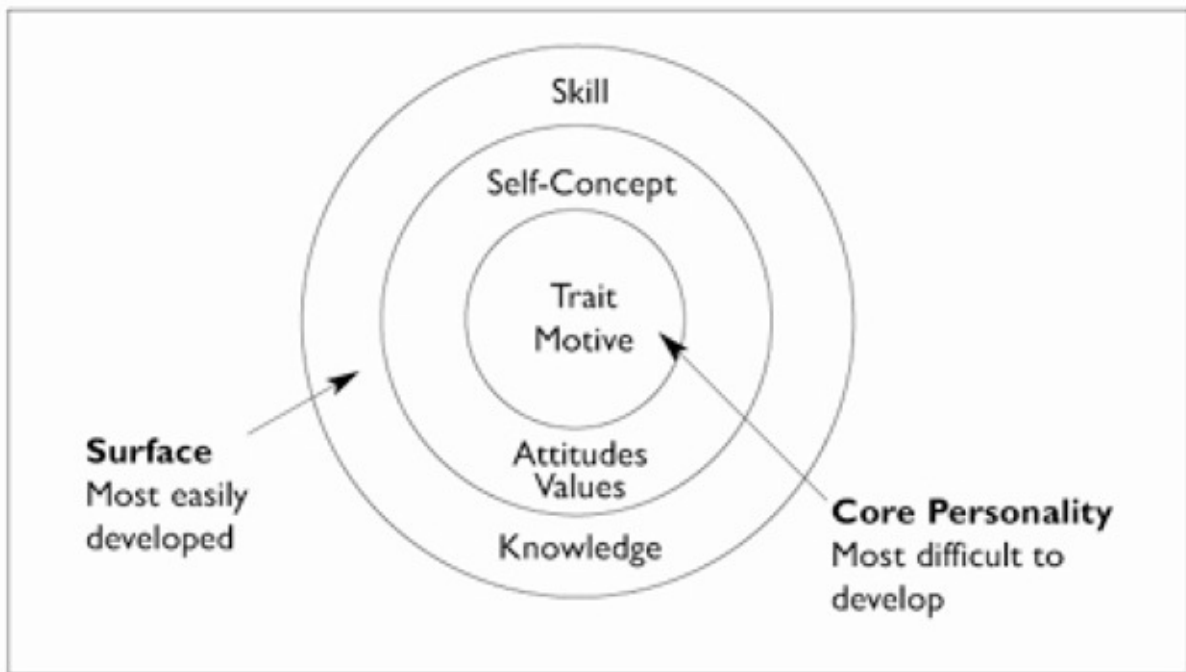


Figure 4 Central and surface competencies. (Adapted from *Competence at Work* by Lyle M. Spencer and Signe M. Spencer)

4.2 Competence

Now, let us look at the other word that is being used: competence. It is a description of work tasks. The term has its origins in the Management Charter Initiative, UK, established in 1988.

4.2.1 Performance to industry standards

Competence is defined as an individual's ability to demonstrate knowledge and skills to provide a product or service to the required standards, in a given context; and the ability to transfer the knowledge and skills to a new and differing context. Put more simply, competence refers to the skill, knowledge, and attitudes necessary to perform a particular work to a standard required within industry.

To understand competence, we need to appreciate these standards carefully. These occupational standards are endorsed either by the national industry body or the organisation. They explain what jobholders *need to do*, what they *need to know* and how best *to achieve standards* that are nationally recognised. They specify the knowledge, understanding, and skills that are essential for effective performance.

Job related competences are also called threshold competencies since they refer to the surface competencies of knowledge and skills. While these knowledge and skills are essential for minimum required performance, it does not predict superior performance that demonstrate underlying behavioural characteristics, such as achievement orientation. Unlike competencies, which centre on the behaviour of the top 10% in an organisation, competences refer to knowledge and skills that meet basic standards set for various jobs. Competence refers to what individuals *do in their jobs*, not what they are in terms of what drives them.

For example, the competence expected of a salesperson is the ability to write a sales

report. Possessing this competence ensures that the salesperson is able to prepare the report to the required standard. Superior performance can be said to occur in this case only if the salesperson demonstrates underlying behavioural characteristics such as achievement orientation.

4.2.2 Recognition of prior learning

Since competence is based on industry standards, possession of a vocational qualification certifies a person to be competent. The Management Charter Initiative launched occupational standards that accredited prior learning. This sought to address the issue of a large number of employees without formal education. On acquiring the minimum acceptable level of competence, individuals were awarded vocational qualifications based on nationally recognised standards.

In most instances, a person would already have been working for several years when a job competence approach is implemented in the company. In such instances, the employee does not have to undergo any further training if the assessor is convinced that the prior learning of the employee meets occupational standards. There are no examinations involved as in formal educational assessment.

This led to various industries, for example, construction, hotel, aviation, aged care, and mining industries developing their own occupational standards.

4.2.3 Vocational qualifications

National Vocational Qualifications (NVQs) form a framework of nationally endorsed standards developed for each industry to focus on the skills and knowledge used in jobs. They are based on the following aspects of a job:

- Level of complexity
- Responsibility
- Autonomy

These are awarded at five levels of increasing complexity from Level 1 to 5. Level 3 is equated to a certificate, 4 to a diploma, and 5 to a degree level.

Other awarding bodies are the City & Guilds; the Malaysian National Vocational Qualification Authority, and the Australian National Training Authority.

Even in non-technical areas such as training and human resources management, vocational qualifications are available that recognise prior learning or provide opportunities for gaining a qualification. For example, the Chartered Institute of Personnel & Development in the United Kingdom gained recognition for their certificates in training practice and personnel practice from the Qualifications and Curriculum Authority (QCA). With this recognition, training or personnel practitioners are now able to gain qualifications that are nationally recognised and competence based.

Many countries have adopted national vocational qualification framework that use a competence approach. The level of sophistication differs from country to country. In Spain, the appropriate statutory authorities certify the level of competence with an award of a vocational qualification. This assures customers of a certain quality of work. The

European Centre for Development of Vocational Training ensures consistency of national standards among the various countries in Europe.

4.3 Two more terms

Let us now review two other terms commonly used as they originated and their relevance to the world of work: core competency and role competency.

4.3.1 Core competency

This refers to the organisational properties, usually a bundle of skills and technologies, that collectively gives the organisation a competitive advantage.

Core competency gained prominence with the work on strategy by Professors C.K. Prahalad and Gary Hamel. They introduced core competency as a concept in their book *Competing for the Future*. They defined core competency as a bundle of skills and technologies that enable a company to provide a disproportionately high value to customers. Their work was more in the area of strategy rather than competency. Their idea of competency starts with defining the vision, strategy, and objectives of the organisation.

For a competency to be considered 'core', it must meet three tests:

- 1.Customer value:** Does it provide a disproportionate value to the customer?
- 2.Competitor differentiation:** Does it differentiate the organisation from competition and make it more competitive?
- 3.Extendability:** Can the core competency be used to drive the organisation's success in the future?

Prahalad and Hamel cite the examples of Sony and FedEx. At Sony, the value to the customer is pocketability, and the core competency attributed to delivering this benefit is miniaturisation. At FedEx, the value to the customer is on-time delivery, and the core competency is logistics management. FedEx was the first of the courier companies to manage their own fleet of planes to transport consignments in and around the United States of America. At NOKIA, the core competency is digital signal processing and global customer service. The core competencies of Sony, FedEx, and NOKIA help them remain competitive and achieve market leadership.

Core competency can be stated as more of an organisational property and it is very unlikely to reside in a single individual or a small team. If a company wishes to manage their core competency, it must disaggregate core competency into their knowledge and skill components.

Usually, a core competency is applicable to all jobs within an organisation and hence are generic. They are mostly written in a behavioural framework, which reflect expected behaviours. They are generic in that they apply to all jobs. But the behaviour reflecting core competencies varies with the nature of work and associated responsibilities.

According to Prahalad and Hamel, to benefit from core competencies, management should:

1. Identify existing core competency of the organisation through focus group

discussions, usually with senior management.

2. Establish a core competency acquisition agenda.

3. Build core competency through continuous training.

4. Deploy core competency to maximise competitive advantage.

5. Protect and defend core competency leadership through proactive business plans.

4.3.2 Role competency

Role competencies are those associated with contributors to a team effort, in roles such as team leaders and members; and may include managers, and supervisors. Role competencies manifest themselves in the following areas:

- Managing people
- Managing resources
- Managing information
- Managing activities

They are role based in that the levels of competency expected of a senior manager is higher than those expected of a middle manager.

4.4 The SMR perspective

We have so far seen how the terms competency and competence differ in their meanings. Therefore, before moving on to discussing competency management and its implications on organisational and individual performance, we need to resolve this issue:

- Which term do we use in this book and what do we mean by it?

4.4.1 The confusion and the SMR response

With an understanding of the terms such as competency, competence, core competency, and role competence, we at SMR use the following terms and meanings as given here:

- **Competent:** A person is said to be competent when his or her level of competence (suitability/ability) is recognised and verified by a community of practitioners.
- **Competency:** Refers to overt (visible) characteristics like knowledge and skills and underlying (hidden) characteristics such as attitudes, motives, traits, self-concept, and values that drive performance to pre-determined standards.

The purpose of defining these terms is to adopt a practical approach rather than engage in a theoretical debate. This stand enables us to either focus on threshold competencies (knowledge and skills) or the underlying characteristics causally related to superior performance, depending on the organisational needs and culture.

4.4.2 Levels of competency

Competencies relate to various levels in the organisation:

- Organisational level

- Positional level
- Individual level

4.4.3 Types of competency

Further to our definition of competencies, SMR follows the following classification:

- 1.Core competencies:** They correspond to the organisational level. We follow the same definition as the one provided by Hamel and Prahalad.
- 2.Functional competencies:** They describe the work tasks and outputs, i.e., knowledge and skills needed to perform a job. They correspond to positional level.
- 3.Behavioural competencies:** They refer to the underlying characteristics needed to perform a job and correspond to the individual level.
- 4.Role competencies:** They correspond to the positional level and refer to the roles performed by team contributors.

5. Why competencies?

We need competent people to achieve results efficiently and effectively. In a world that is dominated by the service sector, the importance of human capital cannot be overlooked. We depend on the competency of people to generate a return on investment on the use of physical and technological resources. To a large extent, human capital defined as the skill, dexterity, and knowledge of the population, has become the critical input in determining economic growth today. Organisations need to systematically pursue competency acquisition and development.

The following issues strengthen the case for organisations to focus on competencies:

5.1 Organisational issues

- World economy is marked by rapid changes and technical innovation. Organisations need to continually upgrade their employee competencies to perform and succeed. There is an intense focus on performance which can only be achieved by investing in a competent workforce. Everyone desires performance. What Bill Gates has remarked on Microsoft's need to perform consistently to remain successful and relevant in the new economy, applies equally to other organisations.
- Organisational aspirations at the market place can only be realised by a workforce that is multi-skilled, mobile across jobs, and high on self-esteem.
- Dissatisfaction with the quality of education has led industry to take up education and training to maintain a work-ready workforce.
- Having a uniform understanding of competencies in the organisation allows for a common language for describing effectiveness.
- Flowing from the point discussed above, organisations can benefit from a high level of consistency when assessing employee performance, since assessment is based on commonly held and referable competencies.
- Last, but not the least, the quality movement requires organisations to ensure their employees are competent. For most industries, insurance companies are demanding

evidence of competency, the absence of which results in dramatically increased premiums. One of our customers was faced with the unfortunate position of having a major accident attributed to the incompetence of its staff. The insurance companies immediately raised the premiums.

- Competencies also support a strategic intent on the part of organisations and nations. The example of Singapore trying to build core competency in the financial services is a case in point. The country embarked upon a systematic acquisition of competence by encouraging competent financial services personnel from various countries to migrate to Singapore. The government also put in place a systematic development plan to develop core competency in the financial services field. Similarly, Malaysia implemented the Multimedia Super Corridor to develop competency in the information technology field.

5.2 Employee issues

Developing competencies is not only in the interest of organisations. Changes affecting the world of work shows that it holds significance for employees as well.

- In a highly unpredictable world, organisations are experiencing major challenges. Huge losses of jobs have taken place, much more than the new jobs created, resulting in unemployment. The concept of employment itself is undergoing change; employment is no longer for a lifetime: it is only for as long as one's skills are relevant to the business environment. To remain employable, people need to be skilled not only in one area of specialisation, but many. This requires what is being now called as multiskilling or multitasking. In branch banking, tellers are trained to do multiple tasks. In the aviation industry, pilots are trained to fly different types of aircrafts. Competency in just one area becomes irrelevant with changing circumstances such as growth or change in a work process.
- If employees are unable to remain relevant by learning and performing, they will experience the 'Peter Principle' in operation. The principle put forward by Dr. Laurence Peter and Raymond Hull satirised promotion to the level of incompetence in their book *The Peter Principle*. I have had the experience of witnessing this in many organisations. In an insurance company, a very successful sales person was promoted to a managerial position. After the promotion, the organisation found that the new sales manager was not able to perform to expectations. The characteristics that made the person an effective salesperson were not the characteristics needed to be an effective sales manager in the insurance company. We promote people on the basis of their past results rather than the competencies required in the new positions. This results in expensive mistakes such as frustrated employees, high turnovers, and poor decision-making. One can cite numerous examples in industry, government, non-profit organisations, and universities.

Though the economic face of the competency movement focusing on performance and employability suggests that it is a new thing, it is not. It has not been long since the concept of competencies came to the fore in the business world. But the concept of competencies has been woven into the Asian social fabric for centuries.

5.3 The linkage between competency and performance

Today, there is general consensus on the importance of competencies. The question then is, 'Is Competency enough for Performance?' Though some give the impression that competency of an individual will result in performance by stating simply that $C = P$, the SMR position is that though competency is essential for performance, it is not by itself adequate for effective performance in a job.

Performance is more than a function of motivation and ability. It is influenced by the organisational environment, that includes processes and systems. This conclusion is based on the fact that individual knowledge, skill, and motivation, by themselves, do not lead to superior performance. At best, it only leads to effective (minimal requirement) performance. The lack of ability is usually addressed by developmental interventions, while the issue of motivation is managed by attending to the environment in which work is carried out. Organisations provide employees with supportive leadership, development opportunities, adequate autonomy, and well-designed incentives to provide an environment that will create and sustain employee motivation.

Unless the world's best engineer is motivated, he or she is not going to perform to world-class standards. The possession of a functional competency such as engineering expertise ensures a person is able to do the job, but there is no guarantee that this will result in superior performance. A supportive organisational environment is equally significant in ensuring that a person who is inherently motivated and driven to achievement can fully leverage these underlying strengths. Often, it is not the absence of competency, but the inability to use it that limits performance. The inability could be due to job demands beyond employee capability, lack of motivation, or an organisational environment that is not supportive.

6. Competency management

Organisations who understand the thought processes behind the different types of competency approaches develop a business case for implementing competencies. Competency management maybe described as the capturing, assessing, and reporting the competency levels of employees to ensure that the business has the human resources to implement strategy.

There are three main approaches in competency management:

- **Competency acquisition:** The organisation makes a conscious and deliberate effort to acquire the competencies needed for business growth and expansion.
- **Competency development:** Competency level of existing employees is raised through sustained development programmes.
- **Competency deployment:** Employees are deployed to various positions in the organisation based on best person-position fit.

7. The SMR experience

I describe the SMR experience using four timebands: 1978 to 1993, 1993 to 1998, 1998 to 2000 and 2000 to present. Each timeband led to significant learning experiences that helped us formulate our own approach towards competency management. While we

learned, there were changes happening on the organisational front.

From 1978 to 1993

Our experience in human resource development, particularly training, extends way back to 1978. Our competency adventure started only in 1993, twenty years after McClelland published his article *Testing for Competence Rather than Intelligence* which set off the competency movement. Despite my personal background in industrial psychology, I was not initially taken up with the competencies framework. My colleagues and I used to debate on the merits of the behavioural approach which focused on underlying characteristics that resulted in superior performance.

This was mainly because I considered the Asian context as very different from the American situation where 'employers of choice' had the option of a huge pool of talent that already possessed the minimum required qualification. But the Asian situation was one of enabling the school leavers to be work ready. The educational infrastructure was very different from the American or European situation. Industry in Asia had to prepare people to be ready for work, rather than set targets for superior performance. Towards this, they were involved not only in training, but in some cases even building up basic literacy levels and numeric skills. Asia needed the basic skills first before embarking upon drives to engineer superior performance.

While we were focusing on skills development, an opportunity presented itself at the 1993 conference of Asian Regional Training and Development Organisation (ARTDO) in Jakarta, where I was presenting a paper. There, I had the opportunity of previewing an outstanding functional competency software. It was based on occupational standards, which linked to our efforts on skills development. It sparked off an idea to distribute the software.

1994 to 1998

We contracted to distribute the competency software in South East Asia. The software installations helped us gain a first hand knowledge of what organisations were doing around the Asian region. Our links with the Institute of Training & Development, United Kingdom, gave us an opportunity to study the developments in the field of competency in the UK as applied in training as well as other fields.

Around this time, there was much confusion among practitioners. Are competencies behaviour based or task based? The debate on 'what competencies are' resulted in the purpose of competency implementation or the business case for competencies being forgotten.

Our interests initially were dovetailed with the UK competence movement which focused on developing a workforce that could meet minimum required work standards. We were taken up by the functional framework due to our own emphasis on development of knowledge and skills through our training programmes. The software enabled us to record and report the level of functional competency effectively.

Even at this point, many of the Asian governments were only keen on equipping the workforce with vocational qualifications due to a large number of young people who were either uninterested in or unable to pursue a college education.

1999 to 2000

As the Asian economies progressed rapidly in the early part of the 1990s, the issue of high performing organisations dominated the organisational scene. The focus now was not just having technically competent people but also a superior performing workforce. We realised the importance of building integrated competency models.

At this time, two important developments influenced us to focus more on competency frameworks and models. One was the release of the book focusing on core competence indicating competencies can also be developed at the organisational level. Second was our decision to develop our own software that could accommodate integrated competency models, which is covered in detail in the implementation chapter. Initially, we developed the software in Australia to tap into the huge knowledge repository available there. The huge costs of development there forced us to move to India and then to Malaysia. Eventually, we developed HRDPower — in our opinion a state of the art competency software — which helps accelerate the implementation of competencies in organisations.

During this period, we finetuned our competency approach based on our consulting experiences with many organisations. We will share the SMR framework and our experiences in detail in the chapter on implementation.

2001 to present

During the last three years, we have had the opportunity of working with as many as 35 organisations from sophisticated to novice users. Each experience was a very valuable one. However we must highlight the following organisations for the experience we gained:

- Matsushita Air Conditioning
- National Drilling Corporation
- Malaysian Shipyard Engineering
- Tenaga Nasional Berhad Generation
- University Malaya Medical Centre
- Tenaga Nasional Berhad Engineering
- Pan Pacific Hotels Worldwide

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