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EXECUTIVE

Solid Foundations

Some companies are building a competency framework across all areas of HR, creating strategies to give employees the performance tools they truly need.

BY FRANK JOSSI



Two years ago, Lifetouch, a Minneapolis-based photography company, began creating a broad-based competency program, encompassing everyone from executives to mid-level managers. With more than 17,000 employees and 800 managers, Lifetouch had grown enormously

over the past decade through acquisitions, leaving its five divisions operating in several different ways.

Helping drive the move to a competency-based program was Lifetouch's centralizing of divisions into a single building, where

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managers overseeing different departments work closely together and often transfer between them. HR, led by Ted Koenecky, vice president of administration, wanted a consistent set of requirements across all divisions and a way to better gauge performance management, organizational development and succession planning. In short, he wanted an equitable framework of competencies and opportunities across the company.

"For us it was a matter of identifying how we could grow and develop people by creating a foundation," Koenecky says. "This is the first year we're all in the same building, and we need to send a message that we have a consistency in our [HR] philosophy."

Played out at the employee level, the average manager will have a better understanding of his or her job, contends Koenecky, and of where improvement is needed. A guide will exist to lead managers to training and development options.

At the corporate level, upper level management will have a clearer idea of what to look for in the personalities and resumes of mid-level and territorial managers. And compensation will eventually be based on competency.

"We'll be able to give managers a comprehensive understanding of competence and the characteristics required of their position," he says. "We'll be able to help them develop more effectively and give them a road map to get there. They should, through this process, develop a better perspective of their own jobs."

The Frame

The project for the \$600 million company, which will be completed in the next year and a half, has been largely designed by Minneapolis-based Consulting Psychologists Inc. Over the past few years, CPI has managed to design competency programs which link several HR components together for other large companies such as Valspar Inc. and Kellogg's. Valspar's program, in particular, gained national exposure after being featured at a New York HR conference and from a well-distributed story in the *Star Tribune*.

CPI's president, Tim Follick, believes competency isn't just about selection, performance improvement or compensation anymore, nor is it about identifying the soft skills employees should have before joining a company. It should be global to re-

ally matter.

"It's a technology, not a singular path," he says. "Eager to build competitive advantage, organizations are increasingly demanding these competency systems that are integrated and linked and that meet a variety of purposes."

Follick, a veteran of 15 years in human resource consulting, sees a need to tie together all the disparate functions of HR ranging from succession planning and performance management to compensation and training. The strategy is to design a competency architecture for judging the performance of employees and identifying ways they can improve, as well as dumping those who don't measure up.

Call it the grand unified theory of competency.

Too often, he argues, a company starts determining competencies with nebulous ideals and cloudy descriptions tailored in nontechnical language. What traits does a person need to successfully work in a particular job? A simple question but difficult to describe in words. The descriptions are "generic, impression-driven requirements with some academic requirements" usually failing to list the technical competencies a job requires, he argues.

The key to CPI's strategy is ongoing development and the refinement of tools such as competency-based development guides, hiring strategies and documents that capture complex differences in technical requirements and the creation of technical career ladders. "We are entering an era where the technology around competency-based HR systems is becoming quite complex," he says. "As with any technology, we need to start leveraging ongoing learning rather than having every company reinvent the wheel."

A job description, Follick points out, is "useless" when determining a development plan. A training program is pointless unless employees receive the education they need.

A company without clear information on career ladders and succession leaves employees baffled. A compensation system fails at influencing fairness in the workplace without strong ties to an employee's key responsibilities—among them technical and managerial skills. Rewarding numerical gains in production or sales isn't the only measure of competency, he says.

Follick's belief that a full-press com-

petency-based program encompassing all of a company's business units is in the vanguard of a growing movement, according to Michael Campion, professor of management at Purdue University in West Lafayette, Ind., and past president of the Society of Industrial and Organizational Psychologists. Many consultants and companies have gone into a competency model by paying greater attention to job requirements and the underlying competencies necessary to succeed in a position.

A consultant who helps formulate competency programs in addition to being a professor, Campion says these programs help break down fiefdoms within a firm, give employees and managers "a common language" and "pull together organizations behind a common way of thinking." Just as importantly, this type of competency provides workers with a clear idea of the skills they need to achieve the next level and where they can get them, he contends.

Watching it Snowball

Minneapolis-based Valspar Corp. made a big splash in competency circles earlier this year when one of the company's executives, Gary Gardner, filled a ballroom in New York at the American Management Association convention while discussing the paint manufacturer's competency framework. Subsequently, the CIA and other government and Fortune 500 companies contacted him about the program. A story about it in the *Star Tribune* prompted another 150 calls, leaving Gardner exhausted by the attention and exposure.

Yet it reinforced for him the program's uniqueness and influence.

What Valspar instituted is a worker competency program tying together pre-employment screening with performance reviews and salary increases over the past four years, says Gardner, vice president of human resources and public affairs. The initial strategy was to hire better manufacturing workers—many who spoke and wrote little English—to reduce turnover and increase productivity, he says, but the program quickly snowballed into a corporate initiative.

Many plant managers first balked at the program, arguing they had a great deal of trouble simply getting bodies to apply, much less work. If they raised the bar and demanded certain skills up front, they

claimed, they would have a great deal of trouble hiring anyone.

But Gardner and Follick put together a list of core competencies required of shop-floor workers and used the information to design and validate a pre-employment testing program to screen applicants for pre-requisite skills and abilities.

In addition, they gave managers a set of competency-based interview questions they could use to get at the softer skills that applicants possessed. The result left managers working harder during the hiring process to find qualified applicants and comprehending, like never before, just what they were looking for.

In the past, the company put an advertisement in the paper on Sunday, interviewed three people who showed up Monday morning and had one of them "on the floor by Monday afternoon screwing up our product," Gardner says with a chuckle.

Now, managers routinely ask 10 to 15 people to take the aptitude test, figuring two or three will have high enough scores to be considered for employment. If no one passes—a common problem—a Valspar manager will simply continue testing and interviewing applicants, with 45 to 50 people taking the test for one job not that unlikely an occurrence.

Based on the screening tests, applicants are placed in one of three categories. Managers who previously decided to hire low-scoring employees in the second-level range or those that scored lower on aptitude tests have lived to regret it, says Gardner, who has heard their confessions and laments.

But the only market where the aptitude tests had to be adjusted, or lowered, was Dallas, where managers found the test "screened out everyone who was applying." The standards were decreased to allow the hiring of employees who would not have made the cut at the company's 25 other locations.

Core Roles

Once the program's success was established, other Valspar divisions came to Gardner for advice. However, he hit a barrier after discovering Valspar had 2,500 employees (now numbering 3,500) who had more than 1,000 job titles. The solution? Identify core roles. Gardner grouped the titles under 12 job families and constructed competency measures for each group.

Although the challenge was "complicated," he says, it became clear as they did research that many jobs had common responsibilities and competencies, even across divisions. An administrative professional in any of the company's divisions, for instance, does the same work, has the same core responsibilities and requires "the same fundamental skills" even though they operate in different sections of Valspar.

In the 12 categories, the human resource department further atomized competencies by grouping them into the areas such as "job skill categories" and "development dimensions," involving interpersonal skills, influencing, people development, communication, judgment and decision making, administrative skills, attitude and customer service when applicable.

This helps managers define what they need to look for in job candidates, and on what basis they should measure employees by identifying areas of strength and weaknesses in performance reviews. The two other components of the Valspar program involve giving employees the tools to improve performance. After assessing an employee, a manager focuses on development needs in formulating a performance improvement plan.

Valspar created what it calls a "Guide For Performance Development," a book containing suggestions and resources for developing competencies. The book, for example, describes strategic thinking and provides a game plan for mastering it before suggesting employees take a course, join a community group or use a self-directed interactive training program the company created.

Such tools should be the centerpiece of all companywide competency programs, adds Follick, because they, more than anything else, offer employees the kind of guidance they need to improve their performance and potentially move up to another position. The other "tools," as Gardner calls them, are the finely honed job descriptions written at a level of detail far beyond past efforts.

The descriptions help employees understand precisely what they need to do to fulfill the requirements of their positions and give managers a scorecard on their performance. They help managers identify people who could have skills suited to other areas of the company—a chemist with excellent presentation

skills and problem-solving talent may receive a gentle nudge from a manager to investigate the technical sales side of Valspar.

"Someone who has good technical and analytical skills might learn they need work on making presentations, interpersonal skills, problem solving and assertiveness," says Gardner. "Employees like the program because they know what they're judged against. It also gives employees and bosses words to use in performance reviews. Instead of a manager saying you have lousy people skills, they can get more specific by saying you're not good at resolving conflict."

But the program is not just about managers judging employees. In a nice twist, employees have a list of competencies their bosses are supposed to have and they offer their assessments in annual opinion surveys. The program doesn't have much room for cover for managers, either, since they are given clear guidelines on pre-employment screening, their own roles and those of employees, as well as training and information resources.

"There's no place for a manager to hide," says Gardner. "If you can't manage with those tools, maybe you can't manage."

While the company determines salary increases based on a matrix developed out of the competency program, the idea of basing an entire program on compensation is "fatally flawed," Gardner says. A good competency program needs employee buy-in and involvement at a level other than a do-this-and-you'll-get-more-money philosophy by having employees become active participants in the performance management process and reaching for higher goals.

The next step for Valspar is moving competency tools to an electronic format on a corporate intranet and to CD-ROM for immediate access by all employees.

For the time being, though, Gardner is considering the results of what became an enormous commitment of time and effort. "It was a big project and an incredibly satisfying one," he says. "It's unique in that I have not seen people who have this kind of program ... and our costs are dropping and, our quality's improving." □

