Using Competencies to Identify High Performers: An Overview of the Basics

Outstanding performance can be achieved by selecting the right people for key roles

Selecting managers and executives on the basis of their technical skills or experience alone often yields poor results.

Competencies are to performance what DNA is to people. The underlying elements of competencies are less visible but largely direct and control “surface behavior.”

Organizations that apply competencies to select and develop individuals for key roles reduce the potential of the collateral damage associated with a bad hire.
Using Competencies to Identify High Performers: An Overview of the Basics

Organizations can achieve outstanding performance by selecting the right people for key roles

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McClelland confirmed that traditional predictors of performance such as aptitude tests, examination results, and references did not in fact predict job performance.

We've all seen it happen: Two motivated individuals with similar education, experience, and skills are promoted into new roles. One quickly turns into a star performer, achieving outstanding results with apparent ease. The other struggles just to achieve the minimal level of success, frustrating both him and others.

Why, we ask, was one so much more successful than the other?

It's a good question, one that continues to challenge organizations today. If the brightest and even most experienced do not always succeed in the workplace, then what can businesses do to identify their potential star performers?

They can begin by throwing out the IQ tests and other proxies that measure intellect. Renowned Harvard University Psychologist David McClelland confirmed this in an article he published in 1973 entitled “Testing for competence rather than for intelligence." McClelland summarized a number of studies that showed that aptitude tests, which had traditionally been used by psychologists to predict performance, did not in-fact predict job performance. Additionally, the tests were often culturally based and therefore prone to bias. He also discovered that other traditional measures used in the hiring process, such as examination results and references, were equally poor at predicting success on the job.

McClelland set out to find an alternative to the traditional aptitude and intelligence testing, which yielded a deeper measure that he labeled “competencies.” A competency is defined as an underlying characteristic of a person which enables them to deliver superior performance in a given job, role, or situation.

In the process of his research on competencies, McClelland established two key tools—criterion samples and behavioral event interviews—to help enable his approach.

**Criterion Samples**

By studying two distinct (criterion) groups—star and average performers—McClelland sought to understand what really differentiated performance and created success in a job. This method, which proved to be highly successful in predicting the future success of individuals, formed the foundation for Hay Group's approach to assessment, selection, and development. It is elegant in its conceptual simplicity and application.
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**Behavioral Event Interviews (BEI)**

To understand what makes the best people successful, McClelland sought to understand not just what they do, but the thoughts and feelings that generate their actions. The Behavioral Event Interview (BEI) is a highly structured interview that focuses on the characteristics of the person being interviewed rather than on the work content.

The BEI identifies the deep-rooted thoughts and behavior patterns of people who are successful in the jobs being studied. These reveal what would otherwise be hidden characteristics that significantly influence behavior which in turn drives excellent performance.

**What Is a Competency?**

As we mentioned earlier, a competency is an underlying characteristic of a person which enables them to deliver superior performance in a given job, role, or situation. The “iceberg” model, as shown in Figure 1, shows different levels of competency. The analogy within the illustration is deliberate: while some elements are readily identifiable and measurable above the surface, there are several that are more difficult to detect, yet which are—in most cases—more significant.

**Figure 1: The Iceberg Model of Managerial Competencies**

Managerial competencies are like an iceberg, with skill and knowledge forming the tip.

The underlying elements of competencies are less visible but they largely direct and control surface behavior. Social role and self-image exist at a conscious level; traits and motives exist further below the surface, lying closer to the person’s core.
It makes more sense to recruit or select for the deeply rooted competencies rather than to train people for them in the short term.

1. Skills are the things that people can do well, such as computer programming.
2. Knowledge is what a person knows about a specific topic, such as a computer language.
3. Social Role is the image that an individual displays in public; it represents what he or she thinks is important. It reflects the values of the person, such as being a diligent worker or a leader.
4. Self-image is the view people have of themselves. It reflects their identity, such as seeing oneself as an expert.
5. Traits are enduring characteristics of people. They reflect the way in which we tend to describe people (e.g., “she is reliable” or “he is adaptable”). These characteristics are habitual behaviors by which we recognize people.
6. Motives are unconscious thoughts and preferences, which drive behavior because the behaviors are a source of satisfaction (e.g., achievement drive and wanting to do better).

It is important to distinguish the different levels because they have significant implications for human resources planning. The top levels—skills and knowledge—are generally easier to train and develop, whereas those below the surface are more difficult. As a result, it makes more sense to recruit or select for these deeply rooted competencies rather than to train people for them in the short term. However, it is possible to develop them over a longer period by planning career paths and job changes for people that will give them the opportunity to develop characteristics which will be important in later, more senior roles.

In addition, the more complex the job or role, the more likely it is that the very best performance is driven by the characteristics found at the lower levels of the iceberg than task-related skills and knowledge at the top. Selecting on the basis of qualification or skills is therefore not going to help choose the very best performers in these jobs.

There are many stories about how companies promote their best salesperson or engineer into a managing role because they achieved the highest sales or designed a breakthrough product, only to see them fail miserably in their new position. It may seem obvious that the characteristics that delivered best performance as a salesperson or engineer do not necessarily make for great performance as a manager—and in fact those characteristics may even get in the way. For example, the drive to personally beat targets or produce the best designs will interfere with delivering group results through other people—
which a manager typically has to do. Despite this obvious mismatch, upward promotion is often seen as a just reward. The resulting failure is damaging to both the new manager and to their company.

Identifying deeply rooted competencies that can most accurately determine high-potential candidates requires expertise and organizational commitment. We have seen some organizations that undertake competency studies stop at the level of describing behavior. However, this does not give the full picture and can in fact be misleading. For behavior to be a true competency it needs to be associated with intent—the intentional use of behavior in delivering a performance outcome.

In defining competencies, it is important to distinguish between two major categories:

- **Threshold Competencies**, which are the characteristics that any jobholder needs to have to do that job effectively—but that do not distinguish the average from superior performer. For example, a good insurance salesperson must have an adequate knowledge of their products, but this is not necessarily sufficient to ensure outstanding performance.

- **Differentiating Competencies**, which are the characteristics that superior performers have but average performers lack. For example, an insurance salesperson that is customer-focused and empathetic, and can put themselves in the shoes of potential clients to really understand which products are important to them and which are not.

**Why Use a Competency-based Approach?**

A competency-based approach has as its frame of reference the performance of the very best people in the job. Organizations can improve their overall performance by hiring candidates with these competencies. They can also design highly targeted programs to develop the essential competencies that will help their average performers rise to the next level.

The cost of poor selection decisions can be substantial. Consider the hard costs that go into filling an open position, including advertising and recruitment costs, as well as candidate travel, lodging, and entertainment. Next consider the negative long-term cost implications of hiring the wrong person, including:
Characteristics of outstanding performers can provide a template for a number of human resources management processes.

- Dollars wasted in training and development.
- Low productivity and quality while a poor performer is in the role.
- Lost opportunities—sales that aren’t closed, processes that don’t improve, objectives that aren’t met.
- Poor morale as others struggle to pick up the slack.
- Dissatisfied customers who may not give you a second chance.

A competency-based selection process helps organizations avoid these costs by providing a framework to consistently hire, develop, and promote top performers. When you employ this process, turnover drops, individual and group performance improves, and your organization builds a strong and agile workforce that can solve problems, change with the times, and meet organization-wide goals.

A rigorous and documented competency-based selection process also helps organizations meet legal guidelines for fair employment practices. Interviewers are trained to gather only job-related (legal) information that reflects a candidate’s abilities and motivations. This eliminates inconsistent selection criteria; minimizes the impact of individual biases, assumptions, or preferences; and helps avoid areas of inquiry that might violate employment regulations.

The characteristics of these outstanding performers can also provide a template for a number of human resources management processes, such as selection, development, succession planning, performance management, promotion, and career pathing.

Incidentally, it is very important to have a clear understanding in advance of the business issues that the competency model is intended to solve because this has a direct influence on the degree of rigor needed for a successful solution. If the model is intended for selection or pay, the direct economic impact can be substantial, and we recommend a very rigorous approach.

**Stages of Competency Definition**

There are six stages in defining a competency model for a given job. The scope of each stage may vary depending on the depth of research required, but from our experience, skipping stages will usually yield substandard results. The stages are:
1. Establish the performance criteria.
2. Identify people for the criterion samples.
3. Collect data through behavioral event interviews (BEIs) or other assessment methods.
4. Analyze data and define the competencies.
5. Validate the model.
6. Design applications.

1. Performance Criteria

Establishing the performance criteria at the outset of the project is critical. It is normal to establish a steering group to manage the project, and its members should agree on the measures for superior performance in a job. The criteria should include hard data if possible (e.g., productivity figures), but other criteria such as managerial effectiveness as measured by direct reports or peer ratings may also be included. Avoid using a single measure.

2. Criterion Sample

The criterion sample consists of individuals from two distinct groups—star and average performers—to understand what really differentiates performance and creates success in a job. Three factors are important to consider when selecting people for the sample:

- The outstanding performers should be the absolute best—those who are rated high on all or most of the performance criteria.
- There needs to be a control or contrast group of fully acceptable performers.
- The samples should be large enough to allow for statistical analysis.

From our experience, a total sample that consists of 10% of the position of interest within organization should allow for proper statistical analysis. However, if the total population is small, a higher proportion will be needed. As a rule of thumb, it is advantageous to weigh samples more heavily toward superior performers—there is always a lot to learn from superstars.

It is important to note that if the competency model is being developed to change culture or aligning people behind a new strategy, then it might not
The results of a BEI also give rich data about the context in which the competencies are displayed and how they operate together. It is desirable to select those who were top performers under the old culture or strategy. Rather, a group that are already executing the new strategy or acting in accordance with the new culture would be selected as a comparator group.

If there are no “hard” measures, then a nomination approach can be employed by having direct reports, peers, coaches vote. Usually if 2/3 of people who you work with think your outstanding, then you probably are a top performer. Although performance ratings are good at identifying stars, they are notoriously poor at identifying average performers.

3. Data Collection

Data may be collected through BEIs or other assessment methods, the most common of which are expert panels or focus groups.

Behavioral Event Interviews

The BEI is the most effective assessment method. It is a structured interview similar to a critical incident interview, but focused on the individual and their competencies rather than the tasks. It is a process for indirectly collecting samples of behavior, which have led to success in the role the person has, as well as events where he or she has been frustrated in delivering what they wanted to do.

The interview requires a high-degree of rigor from the interviewer and—if done well—will reveal patterns of intentional behavior that deliver outstanding performance. The interview focuses on thoughts, feelings, behaviors, and outcomes. A comparison of all outstanding performers yields an excellent view of how they deliver against the performance criteria and, when contrasted with average performers, results in a template of excellent performance in that particular role or job and which is specific to the organization.

It is very important that BEI be a “double blind” process to remove any bias. That is, neither the interviewer nor the interviewee know if they are in the “outstanding” or the “more typical” samples.

The results of a BEI provide not only the competencies, but also give rich data about the context in which the competencies are displayed and how they operate together. This can reveal valuable information that can be used to help others
Data from the selection processes or performance reviews is important because jobs evolve as situations change, and the competency framework should also be adjusted to reflect new requirements.

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develop competencies. BEIs give the best results, and for key jobs or complex roles they are well worth the investment.

**Expert Panels**

Expert panels, or focus groups, use people who are knowledgeable about the job, such as outstanding performers, customers, HR specialists, and line managers. The panel brainstorms the competencies needed to achieve outstanding performance in the job. Expert support is required to prevent the panel from producing either over-generalized competencies (motherhood statements), or is overly influenced by any one group.

Panels typically do not generate the full range of competencies. In fact, they often miss some the most important, deeply rooted competencies. From our experience, panel data is are only about 50% as accurate as BEI data.

**Surveys**

Another method of collecting data is through surveys. While this is a quick way of generating data from a broad population, it is limited because it only provides responses to the questions asked. And, like expert panels, surveys often miss the hidden competencies that are unique to the job or the organization. Augmenting surveys with BEIs can improve the outcome, but still will not provide the richness of a model created from a larger number of BEIs.

4. **Data Analysis and Model Development**

Creating the models from BEIs is the most complex part of the process. The BEIs need to be analyzed thematically, i.e., in clusters according to themes related to patterns that are discernable in the interview. These will then generate hypotheses on what the competencies are and how they work together to produce outstanding performance.

The desired outcome is a comparison of what outstanding performers do differently from average performers. If the two groups have been chosen well, the differences often stand out very clearly. The data are usually analyzed both thematically from the interviews and statistically to test for real differences between the two groups.
Using competency models for performance management helps people understand how a lack of certain competencies impedes their overall performance, which can then become a focus for development.

The output may take the form of a “competency dictionary” that includes all the competencies, their definitions, and descriptions of the levels expressed as interval scales together with behavioral examples of the competency. The format depends on the nature of the applications for which the model will be used.

5. Validation

There are several ways to validate the model. Where there are large numbers of job-holders, it may be possible to create questionnaires based on the model and to administer them to a wider sample of jobholders. This includes both average and star performers. The analysis of this data will test the model and allow revisions and refinements to take place.

For new roles, it is helpful to benchmark the competency model against people who’s jobs are “close” to the new role and who are performing at a high level. This calibration can ensure the new model hasn’t set expectations that are too difficult to achieve and thus discourage and demotivating thise entering the role.

Data from the selection processes or performance reviews should be kept to validate and update the model in the future in case there are insufficient numbers for significant validation to occur. This data collection is important because jobs evolve as situations change, and the competency framework will also have to be adjusted to reflect the new requirements. Often the competencies themselves do not change because the underlying motivational aspects of the jobs and job holders remain constant. However, the way in which the behaviors reflect the underlying drivers may change.

6. Applications

Although this is final linear phase of the development of a competency, the application of the competency model should be built into the thinking at an earlier stage. The form that the competency model takes and the content of the dictionary depend on the intended use. Different applications may require different formats for the competencies and they can be rewritten in a variety of ways.
Organizations that apply competencies to select and develop individuals for key roles avoid the collateral damage associated with a bad hire.

For example, if the model is to be used for selection, then competencies that are difficult to develop can be distinguished from those that can more easily be developed. An organization will then know to take this into account when assessing and selecting candidates. Selectors also need to be aware of threshold competencies—those needed to achieve average performance—and the differentiator competencies required to achieve outstanding performance.

If an organization intends to use the competency models for performance management, then the competencies might be presented in a way that links them to specific deliverables. This powerful method helps people understand how a lack of a certain competencies impedes their overall performance, which can then become a focus for development.

**Innovative Applications of Competencies**

The approach described above works to define competencies for jobs that already exist in an organization. However, a slight modification is required for new or rapidly developing roles, or in organizations that simply do not have many star performers.

The best approach is to look for similar jobs elsewhere—if they exist. This does not have to be within the organization for which the competencies are being defined. It is possible to conduct interviews with outstanding performers in other organizations. In such studies, it is important to examine the deeper competencies such as the motives and the cognitive or thinking patterns of those in the study, rather than superficial behaviors.

This approach also works when managers do not believe they have star performers in their own organization. Selecting comparative organizations and job-incumbents needs to be done with great care to ensure that the performance criteria give a good match. This is especially critical because many companies use similar job titles, but the actual job content and accountabilities might vary enormously. A vice president of marketing at one company might be responsible for advertising and media relations, but be accountable for the entire top-line results at another. It is very important to match job content and accountabilities as opposed to job titles.
A second approach to applying competency models to new jobs is to define the separate elements of the job and to look for jobs that reflect those elements. Conducting BEIs and expert panels around those elements will provide a sound basis for a model when the elements are merged.

A third approach is to focus on the environment in which these jobs will be performed—what will be different, and the competencies that will be most important to success.

**Conclusion**

So, why are some people more successful than others? The answer is partially a function of the individual and partially a function of how they fit in a particular role.

As McClelland showed, it is necessary to look beyond basic skills and knowledge required to perform an adequate job and into the deeply rooted competencies—an individual’s social role, self-image, traits, and motives—that can most accurately determine high-potential candidates. In addition, an individual’s competencies must fit, or be able to fit through development, those required to achieve outstanding performance in a job.

When organizations make the effort to apply competencies to select and develop individuals for key roles, they avoid the collateral damage—recruiting costs, low morale, dissatisfied customers, missed opportunities—associated with a bad hire. And, most importantly, they greatly increase the odds that selected individuals will perform at a very high level and help drive the success of the company.
About Hay Group

Hay Group is a professional services firm that helps organizations worldwide get the most from their people by creating clarity, capability, and commitment. Founded in 1943 in Philadelphia, today we work from 72 offices in 37 countries.

Our areas of expertise include:

- Organizational effectiveness, role clarity, and work design
- Managerial and executive assessment, selection, and development
- Compensation, benefits, and performance management
- Executive remuneration and corporate governance
- Employee and customer opinion research

We pride ourselves on being an expertise-driven firm. All our work is supported by proven methodologies and global knowledge databases. And, we have 60 years of specific, documented evidence that people, not strategies, drive long-term competitive advantage.
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