

# Creating a Modern Competency Model

by Jack Zenger and Joe Folkman

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Replacing opinion with research.

Nearly every company that decides to actively embark on developing more effective leaders begins in the obvious way: by identifying the behaviors and characteristics they seek to develop in their leaders. The most common approach for doing so has been to create a competency model that guides their internal initiatives.

This procedure attempts to define and describe the specific behaviors, traits, and capabilities that in turn drive

important business outcomes, such as enhanced employee engagement, elevated customer satisfaction, greater efficiency, higher revenue gains, and profitability. There has been little disagreement with the value of developing such a model.

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1. Interview a group of executives regarding their perceptions of the typical behaviors of high and low performing executives and managers to find agreement on those behaviors, traits, and capabilities that typify the best versus the worst.
2. Create a set of cards, each one describing a specific behavior, trait, or capability. Groups of managers are then asked to sort these cards into piles that represent the most and least important capabilities. Then apply a simple statistical method of tracking and scoring how the cards were sorted to determine those behaviors that stand out.
3. Defer to one individual (usually the most senior executive) and accept that person's views regarding the important characteristics required of a leader in that organization.
4. Bring a more scientific, statistical approach to the process of creating the model. For example, Zenger

Folkman's approach to creating a competency model involved:

- Beginning with 2,000 descriptive behavioral statements that had been used in a variety of 360-degree or multi-rater assessments.
- Selecting those items that most powerfully differentiated between those who received the overall highest and lowest scores.
- Selecting those items that were most highly correlated with important business outcomes and had been shown to be predictive of future business outcomes.

The first three methods have the advantage of being quick, simple, and economical. They are based on the opinions and judgements of influential people and thus will not be unduly questioned. The card sorting technique is more time consuming, but brings a greater validity of having rigor.

What the first three methods don't accomplish is to ensure that the final

product is valid. It doesn't answer the question, "Do these traits, behaviors, and competencies truly separate our best from our worst performers?" After having created assessments for over four decades we have come to realize that the only way to determine if a new item is effective and differentiates performance is to test it with real data. To do so, we identified the best and worst leaders (those in the top and bottom 10 percent, respectively) and compared results for each individual item. We found that some produced a huge separation in the mean scores and the resulting t-values from a statistical test, many others had moderate differences, and some had small differences. Those items with the largest differences were the differentiating items. Changing those behaviors will have a profound impact on a leader's overall perceived effectiveness; changing a behavior with small difference may not be noticed. After testing enough items, clusters of behaviors emerged, and we discovered the most differentiating competencies.

### **Should competency models change over time?**

Our original research identified 16 competencies that best differentiated exceptional leaders. Each competency is measured with 3–4 items or questions per competency. Those 16 competencies are still valid and used by many organizations. However, recognizing that this research was done in 2002, we determined to revisit it. As society and business requirements evolve over time, so has the competency model. This new research revealed three new competencies:

1. Making Decisions
2. Taking Risks
3. Valuing Diversity

In addition, two other competencies received new names and an additional item. The revised competency Customer and External Focus had formerly been "Connects the Group to the Outside World." The revised competency Learning Agility was previously labeled "Practices Self-Development," and we added an additional behavioral item measuring how quickly a person adapts to a

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new situation. We believe these revised competency names better reflect today's business needs.

This model obviously provides more granularity to identify important competencies, which are all based on extensive empirical analysis. Yet the choice of this more precise and complete definition of leadership competencies sacrifices simplicity.

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### **Is there a place for a simpler competency model?**

There is one other choice, however, that must be made. Karl Weick, a professor at the University of Michigan, made an important observation about any mental model. The observation was that people want it to be:

- General
- Simple
- Accurate

He further observed that it could often meet two of the three qualities noted above—but never all three. That is, a model could be general and simple, but it would not be maximally accurate. It could be accurate and general, but in doing so, it would seldom be simple.

Applying this ideal to competency models helps to see the dilemma organizations face. We have encountered competency models that included 170 competencies for each of three levels in their management hierarchy. Their goal was obviously accuracy. They sacrificed simplicity and being general. We have seen organizations adopt a competency model with 6 competency areas. Obviously, they were striving for simplicity and being general, and recognized that they had to sacrifice some accuracy to do so.

### **Simple versus accurate**

Zenger Folkman offers a less complex competency model for those organizations striving for simplicity. This model was created by analyzing the items in our 360-degree assessment that pertain to the 19 competencies. We then applied

a statistical technique that allowed us to extract from the large pool of data a smaller number of items that most powerfully represent the larger body of data. The result was 6 competencies that were most powerful in representing the 19. (Note that the selection of 6 categories was arbitrarily made; we then applied the statistical process that reduced the 19 to 6.) The simpler competency model includes four broad behavioral areas.

- Acumen and Innovation were chosen as the most powerful indicators of “Personal Capability.”
- Execution represents the broader group of competencies known as “Drives for Results.”
- Inspiration and Relationships represent the broader category of “Interpersonal Skills.”
- Develops Strategic Perspective represents the broader category of “Leading Change.”

### **Choosing a model**

Which is the better competency model? One that has 6 competencies or one with 19? This question is like asking “Which is the better car color, black or white?”

Based on the number of black and white cars on the road, there is obviously no correct answer; it's a matter of personal taste. Each has its advantages and disadvantages. White cars are more visible and therefore involved in slightly fewer accidents. Some think black cars to be more aesthetically pleasing. Black is warmer in winter and white is cooler in summer. Many think white cars don't show dust and dirt as quickly as a black car. The choice depends on what's important to the owner.

The same is true of competency models. The best competency model is one that is empirically based and adopted and enthusiastically supported by the leadership team, regardless of its size. Some teams have a strong preference for simplicity. Others have a strong preference for greater accuracy and precision. Those who choose a model with eight or fewer areas to be assessed are using broader descriptors. These terms are of necessity more general and include under them behavioral statements that describe in greater specificity the important behaviors.

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## About Us

Zenger Folkman relentlessly seeks to rise above the inconsistent, and sometimes misleading, nature of popular leadership philosophies and beliefs brought on by opinion. The discipline of leadership and those who pursue it deserve better. Our most valuable asset is the expertise of combining hard data and statistical analysis with logical explanations and actionable application that help individual leaders thrive and organizations succeed.