Using Competencies as the Building Blocks for a Successful PFM Workforce

“The organization is, above all, social. It is people.”

- Peter Drucker
Purpose

• The concept of competencies is widely used in government and business but not in a consistent way.
• We will demonstrate the importance of understanding and leveraging competencies to building an effective workforce.
• We will also present some practical ideas about how to begin putting competencies to work for you.

Effective organizations put people in jobs in which they can do the most good. They place people – and allow people to place themselves – according to their strengths.  

*Peter Drucker*
Survey Questions

• How does your organization get its financial management expertise?
  – Hire
  – Develop
  – Outsource

• What tools does your organization use for these processes?
  – Job descriptions
  – Interviews
  – Recruiters
  – Performance tests

• How successful are you in terms of?
  – Low turnover
  – High productivity
  – Strong culture

A comprehensive application of competencies can help you meet your business goals
What is a Competency?

- Competencies represent a collection of knowledge, skills, and abilities that have been identified as key to effective performance.

- The power of competencies lies in the way they are defined, measured and used by an organization.

- Organizations are composed of people, and the more effective those people, the stronger the organization.

- Steven Covey author of “The Seven Habits of Highly Effective People”
Why are Competencies Useful?

Competencies can support the entire human resource life-cycle

- **PLAN**
  - Human Capital Strategy and Workforce Plan

- **ACQUIRE**
  - Position Descriptions
  - Hiring Plan
  - Selection Criteria

- **DEVELOP**
  - Training plans
  - Training materials
  - Career Paths

- **RETAIN**
  - Succession Planning
  - Compensation Analysis

- **EVALUATE**
  - Performance Assessment
  - Performance Management

Competencies
Making Effective Use of Competencies

• An effective Competency Framework must be
  – Aligned with business goals and objectives
  – Future Focused
  – Developed as a collaborative effort to gain buy-in
  – Translate abstract concepts into measureable behaviors
  – Detailed enough to capture key aspects of a job but…
  – Not so detailed as to become cumbersome to use
# LMI Competency Approach

<table>
<thead>
<tr>
<th>Process Steps</th>
<th>Process Overview</th>
<th>Process Outcomes</th>
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<tbody>
<tr>
<td>Competency Framework</td>
<td>Design a competency framework that</td>
<td>Integrated Human Capital Management</td>
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<tr>
<td></td>
<td>• Addresses the full range of the organization’s human capital needs</td>
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<td>• Leverages existing competency models, tools and systems</td>
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<td>• Is consistent with OPM HCAF principles and industry best practices</td>
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<td>• Provides employees and managers with meaningful tools and processes</td>
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<tr>
<td>Competency Models</td>
<td>Develop competency models</td>
<td>Competency Dictionary</td>
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<td></td>
<td>• Based on reliable and valid SME input</td>
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<td></td>
<td>• Provide behaviorally-based distinctions between developmental and performance levels</td>
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<td>• Have empirically-derived performance standards</td>
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<tr>
<td>Competency Assessment</td>
<td>Conduct competency assessments that yield reliable data on</td>
<td>Gap Assessment</td>
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<td>• Current competency levels in the workforce</td>
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<td>• Future competency needs based on SME-defined requirements</td>
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<td>• Competency gaps for key occupations and component organizations that will inform the meaningful human capital planning and solutions</td>
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<tr>
<td>Competency Application</td>
<td>Provide empirical findings to support competency-based</td>
<td>Human Capital Management Solutions</td>
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<tr>
<td></td>
<td>• Training development</td>
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<td></td>
<td>• Job descriptions</td>
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<td>• Career paths</td>
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<td></td>
<td>• Succession planning</td>
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<td>• Performance assessment</td>
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<tr>
<td></td>
<td>• Hiring plans</td>
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<tr>
<td>Competency Integration</td>
<td>Integrate the competency-based approaches into the organizational culture</td>
<td>Mission Ready Workforce</td>
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<td>• Develop competency policy</td>
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<td></td>
<td>• Integrate competency-based tools</td>
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<td></td>
<td>• Develop change strategies</td>
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<td>• Conduct training events</td>
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Step 1: Define your Competency Framework

• A competency framework describes how you will use competences

• What products or outcomes are you trying to achieve?
  – Descriptive (Job Descriptions, Career Paths)
  – Developmental (Skills Training)
  – Performance (Certification, Promotion)

• What are the types of skills to be covered by the competency?
  – Technical
  – Leadership
  – Interpersonal

• Who is the target audience?
  – Comprehensive? (Entire workforce, so more generic)
  – Defined job or work types? (e.g., financial analysts)

• Once you have defined what you want from competencies you need to determine if you are developing your own model or adopting/adapting an existing model
Example Competency Frameworks

- These competency frameworks show how the individual competency models fit together.
Step 2: Building Competency Models

Identify Organization’s Critical Roles and Occupations
- Program Manager
- Financial Analyst
- Supervisor

Specify Experience Levels
- Senior FA
- Mid Level FA
- Entry Level FA

Identify Key Tasks Associated with each Role/Occupation
- Analyzes financial data
  - Provides financial advice
  - Conducts audits

Identify Knowledge, Skills and Abilities to Perform Each Task
- Understands relevant budget regulations
- Ability to perform complex calculations

Specify Experience Levels
- Senior FA
- Mid Level FA
- Entry Level FA

Outcome Competency Model(s)
- Develops detailed multi-year budgets
- Monitors and verifies budget information on a regular basis

Identify Behaviors Associated with Experience Levels
## A Completed Financial Competency Model (creating an example)

<table>
<thead>
<tr>
<th>Model Component</th>
<th>Example</th>
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<tbody>
<tr>
<td>Competency Name</td>
<td>Financial Management</td>
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<tr>
<td>Competency Definition</td>
<td>Possesses the knowledge and skills necessary to develop and manage budgets according to applicable agency and government regulations and conduct analyses of financial risks and benefits of decisions.</td>
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</tbody>
</table>
| Knowledge, Skills, Abilities| • Understands federal budget processes and regulations  
                              • Capable of performing sophisticated calculations to verify budget information, conduct risk/benefit analyses and determine earned value |
| Behaviors                   | • Develops detailed multi-year budgets  
                              • Monitors and verifies budget information on a regular basis  
                              • Maintains accurate records to support project expenditures |
| Skill Level                 | Expert                                                                  |
| Target Proficiency Level    | 4: Exceeds performance standards                                       |
Step 3: Assessing Your Workforce

- Assessment is a necessary step whether you develop or adopt competencies, in order to evaluate effectiveness of workforce.
- Design an assessment with most straightforward solution to your needs

<table>
<thead>
<tr>
<th>Assessment Type</th>
<th>Description</th>
<th>Example Uses</th>
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<tbody>
<tr>
<td>Descriptive</td>
<td>A measure describing the proficiency for a specific level</td>
<td>Job Descriptions, Career Paths</td>
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<tr>
<td>Developmental</td>
<td>A measure showing the “gap” that exists between where a person is and where they desire to be</td>
<td>Training and development</td>
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<tr>
<td>Performance</td>
<td>An objective measure that clearly specifies where a person is relative to a reliable and valid benchmark</td>
<td>Certification</td>
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Setting the Performance Measures

In order to perform an assessment, you need to:

• Establish Competency Rating Scale
  – Typically 5 point scale

• Establish Proficiency Levels
  – Subject Matter Experts provide judgments
  – Each competency is assigned a target proficiency
    • Entry 2; Mid Level 3; Expert 4

• Assess Individuals/Groups and Determine Competency Gaps
  – Self-Ratings to Target Proficiency
  – Supervisor Ratings of Employee to Target Proficiency
**Step 4: Determine Gaps in Competency**

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<tr>
<th>Measure</th>
<th>Description</th>
<th>Use</th>
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<tbody>
<tr>
<td>Target Proficiency</td>
<td>The competency level that represents a successful employee</td>
<td>Establish rating targets for candidate selection</td>
</tr>
<tr>
<td>Individual Competency Gap</td>
<td>The difference between where an employee is and the target proficiency</td>
<td>Quantify individual training and development needs</td>
</tr>
<tr>
<td>Group Competency Gap</td>
<td>The difference between where a group of employees are and the target proficiency</td>
<td>Quantify group training and development needs</td>
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<td>Statistically validated Gaps</td>
<td>Requires rigorous processes for defining and measuring competencies</td>
<td>Certification and promotions</td>
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Putting Competencies to Work

Competencies become the building blocks for your PFM workforce

**PLAN**
- **Human Capital Strategy and Workforce Plan**

**ACQUIRE**
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- Hiring Plan
- Selection Criteria

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- Competency Gaps reflect organizational strengths and weaknesses
- Inform strategic growth needs

- Competencies strengthen position descriptions
- Target proficiencies help establish selection criteria

- Competencies gaps define training needs
- Competency models support strong learning objectives

- Competency gaps identify organizational development needs
- Validated competency ratings and gaps support personnel decisions
<table>
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<tr>
<th>Speaker</th>
<th>Brief Bio</th>
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<tr>
<td>Donald Smith, PhD</td>
<td>Dr. Donald A. Smith has more than 25 years of experience conducting, managing and evaluating projects focused on improving the effectiveness of individuals and organizations. His areas of expertise include human capital planning, program evaluation, management and leadership development, strategic planning, instructional design and development, organizational assessment, problem solving and thinking skills, and the analysis of quantitative and qualitative data. Dr. Smith has a Ph.D. in Cognitive Psychology from the University of Pittsburgh and a master’s degree in Psychology from California State University Fullerton. He is a certified Project Management Professional.</td>
</tr>
<tr>
<td>LMI Program Manager</td>
<td></td>
</tr>
<tr>
<td><a href="mailto:dsmith@lmi.org">dsmith@lmi.org</a></td>
<td></td>
</tr>
<tr>
<td>(703) 917-7211</td>
<td></td>
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<tr>
<td>Caroline Nelson, CPA, CGFM, PMP</td>
<td>Ms. Caroline Nelson leads LMI’s grants and financial management, and compliance, controls and auditability practice. She has more than 20 years’ experience with financial and project management and financial operations evaluation. She has focused integrating financial operations with programs to improve operations, data and reporting that meet external auditing requirements but also support resource management and decision-making. She has performed, planned, managed, designed and assessed financial management and accounting operations and systems in the private sector and public sectors. She has a Master’s degree in accounting from the University of North Texas.</td>
</tr>
<tr>
<td>LMI Program Manager</td>
<td></td>
</tr>
<tr>
<td><a href="mailto:cnelson@lmi.org">cnelson@lmi.org</a></td>
<td></td>
</tr>
<tr>
<td>(703) 917-7508</td>
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