Taking on the Competition with Core Competencies

By David A. Bratton

The North American credit union movement is on the frontier of sweeping changes in the delivery of financial services. Large financial institutions are growing by leaps and bounds. This growth is happening through both mergers and acquisitions as recent events have shown.

Larger financial institutions means more competition for the consumer's dollar. It also means more products, more technology and more aggressive pursuit of customers. Savings and Loans companies have had their share of problems; the insurance sector has been subjected to significant change and the boundaries between what used to be called the four pillars (Banking, Savings & Loans, Stockbroking and Insurance) have blurred beyond recognition.

Consumers are interested in dealing with a financial institution providing the widest possible range of financial options. Credit Unions are positioned to take advantage of the changing marketplace. With nearly twelve thousand credit unions and seventy-seven million members in the U.S. and Canada, the credit union movement has the resources of a diverse, decentralized system to give the other financial institutions a run for their money.

Therefore, it is important for every credit union to understand the special expertise that they have to master the marketplace. Things like providing the proper training to staff, emphasizing customer service and community focus and putting members first are some of the USP's (Unique Selling Propositions) that they enjoy and that differentiates a credit union from other financial institutions.

Core Competencies for Key Positions

Therefore, developing a core competencies framework for key positions within the credit union can deliver value far exceeding the cost of doing so. For example, knowing what constitutes superior performance in delivering outstanding customer service can lead to actually being able to provide that kind of service. The key is having a team of employees that are capable of doing the job; are willing to do the job and have the right 'fit' with the value system of the credit union. To build such a team you first must understand the core competencies that will create the conditions for superior performance.

Core Competencies – An Integrated Approach

The following diagram demonstrates how identifying and understanding the core competencies of key positions links to everything an organization does. A core competency is defined as any knowledge, skill, trait, motive, attitude, value or other
personal characteristic that is essential to perform the job and that differentiates good from superior performance.

**Competencies and Recruitment and Selection**

Selection researchers, trying to identify what makes an excellent employee have supported the idea that competencies-based interviews are particularly good at identifying persistently high performers. This is hardly an earth-shattering discovery in itself. But by acting upon it, a credit union can save thousands of dollars in the cost of poor recruitment and selection and the resulting poor performance.

This is only one example of how well-designed competencies frameworks can deliver real value to any business. Credit unions competing in a fiercely competitive arena can benefit in particular from designing better selection systems based on the core competencies needed for superior performance.

Competencies are a way to identify what really makes a difference in job performance. They are the characteristics that drive performance. When people can identify more clearly what is expected in terms of behavior on the job, then they can do their job much better. Similarly, credit union managers, directors and CEO's can be more objective and provide the appropriate coaching to help employees to develop their skills and abilities and, most importantly, their attitudes toward customers!

This is very important to all of us. We all want to do well in our jobs and to be appreciated by our customers. This is the way that we can continue to be focused on service in an effective and efficient manner.

As an example, a good approach to selection is to attach to every individual and every job particular attributes or competencies drawn from a list that is relevant to the credit union business and its activities. The two can be compared and contrasted so that
individuals can be matched to jobs and missing competencies worked on.

Introduction of new competencies or new emphasis on old competencies also provides a steering mechanism for a sound education and development strategy.

**Credit Unions As Knowledge-Based Organizations**
Credit unions are knowledge-based organizations like no other, and rely heavily on the expertise of their people. Without excellent customer service representatives, financial planners and so on, performing in a superior manner, clients will leave and cross the street to a competitor who will offer superior service.

As another example, without a superb Information Technology staff, business comes to a halt. So understanding IT competencies and selecting staff accordingly, becomes an effective business strategy!
Competencies are what are paid for in salary and bonuses. So it makes sense to know what competencies are needed and which presently reside within the company. Too often employers do not "get what they pay for." The costs, in lost business, mistakes and poor service can be directly attributable to poor selection practices.

A well-developed competency framework also provides tangible, up-to-date information to help credit unions assess their true capability to deliver strategic plans. By matching the staff competencies to what is required behavior will identify the gaps in competencies. Then a strategy can be implemented to focus on the competencies essential to delivering on the strategic plan.

As the diagram shows, a competency framework also provides a vehicle for linking that strategy to all HR processes.

As the same data is used for all HR processes, consistency can be achieved across the entire range of processes, from recruitment through to performance management, coaching and, if need be, outplacement.
A competency framework also improves a credit union manager's ability to manage by bringing together activities and people. If performance is falling, managers can easily identify whether one of the reasons is the capability of people, and do something about it.

Competency frameworks also create value for organizations by reinforcing corporate change. For example, a credit union that wants to increase its capability to manage change can write this ability into every employee's profile, assessing (and paying) them on their achievements.

**What is a Competency Framework?**
A competency framework is a set of individual competencies or characteristics that is developed for a specific job or job family. Each position has a competency model
developed for it that includes the behavioral competencies that differentiate ordinary from superior performance for that position.

Many organizations use a three-dimensional model for competencies that does not fall into the trap of focusing too narrowly on job competencies while overlooking important organization-related competencies. The three separate aspects looked at are core, general and technical or functional competencies; organizational needs; and an integrated model of competencies.

Core competencies are made up of those things that drive the business strategy, reinforce credit union values and differentiate the credit union from its competitors. They are competencies that everyone in the organization should have, at least to a minimum level.

General competencies are those things that the organization wants done consistently whenever and wherever required. When they are relevant, they can be added to a job profile.

Technical or functional competencies are the attributes that differentiate one job from another - the things that make a customer service representative different from a systems analyst or human resources manager. If core and general competencies have been described first, it is a relatively simple task to identify the most significant functional competencies.

The focus of performance in many credit unions is moving to the team, and for some, organizational capability is a real issue. Credit unions must understand where the organization is going and then identify the most critical organizational and other competencies needed to get there. If the future is in teams, the focus of a competency framework should be the collective capability of a team. If the business believes it needs to transform its culture, then a new organizational competency needs to be identified.

A good competency model or framework will encompass a mixture of "can do," "will do," and "fit," characteristics. I believe that to catch the essence of the whole job it is necessary to use a mixture of attitude, skills, and knowledge, behavior and output competencies to produce an integrated competency framework.

For example, the `selling' competencies required of a financial advisor might include:

- Demonstrates understanding of clients and their needs
- Provides clients with relevant and timely information
- Develops and implements financial plans for clients.

Summary and Conclusion
Developing a competency framework that adds real value by describing every person's and every job's competency profile, as well as itself acting as a driver of strategy, need not be that time consuming or expensive. It can typically be done within six months to a year. The pay off is a set of competencies, integrated closely (see diagram) with all HR processes.

The real payoff lies in the ability to take on the competition with a committed, competent work force, dedicated to providing superior customer service while demonstrating the core values of the credit union. Now that's a real value-added thought!

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