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**KEY PEOPLE**

**Identifying Top Performers with  
Competency Benchmarking:  
A Best Practice Discussion**

Achieve remarkable performance, retention and bottom line results by selecting the right person for the right job.

Companies that hire managers and executives for their credentials, technical skills and experience get disappointed more often than not.

A Harvard Business Review article reports that it is not skills, but other characteristics—competencies-- that predispose a person to success in one particular endeavor or another.

"Competencies are to performance what DNA is to people." They determine a person's match with the job and the culture.

Organizations that use empirical competency benchmarking to select and develop individuals for key roles experience competitive advantages and enhanced performance. They also reduce the potential liabilities associated with a bad hire.

"So how do CEOs blow it? More than any other way, by failure to put the right people in the right jobs." Fortune, June 1999.

*Musings on a best practice model for employee selection, retention, development and succession across all industries and sectors, from health care and hospitality to retail, manufacturing and financial services.*

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*A best practice model for  
employee selection, retention  
and development efforts across  
all industries and sectors, a  
model that supports lean, quality  
and balanced scorecard  
approaches.*

*A systems approach to Human  
Capital Management*

*Larry Bossidy, CEO of  
Allied Signal and  
Honeywell, says CEOs  
need to spend 40% of  
their focus on people and  
to be sure they match their  
jobs.*

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**Big Job  
Big Man  
Big Money  
  
Big Mistake**

**"A government agency that makes a bad hire is stuck with low performance for 20 years!"**

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**"He looked good on paper. But within six months we knew we had made a big mistake."**

Sound familiar? It happens all the time. Two seemingly suitable individuals with similar education, experience and skills get hired or promoted into new roles. One fits the culture and becomes a star performer, achieving remarkable results right away. The other struggles for middling performance and disappoints both (her) himself and others.

Why would one be so much more successful than the other?

*This question challenges organizations of all sizes across the country and around the world. If the most credentialed and the most experienced do not always succeed in the workplace, what can an organization do to identify its potential star performers?*

The first thing would be to focus on what really matters. Most companies hire for skills and credentials, but fire for "fit" or performance. They rely on IQ tests, aptitude tests and other proxies that measure intellect, but do not in fact predict job performance at all. Studies indicate that examination results, references and other traditional hiring measures are rather poor at predicting success on the job. Management guru Peter Drucker insists that 66% of any given company's hiring decisions are wrong! Marcus Buckingham, author of Now Discover Your Strengths, thinks that as many as 80% of America's workforce is in jobs that do not align with their strengths!

The simple answer is to identify, select and retain people whose competencies –their "DNA," as Larry Bossidy calls it—match the job or match other top performers. In a seminal article, Harvard psychologist David McClelland defined competency as "an underlying characteristic of a person which enables them to deliver superior performance in a given job, role or situation." The task, then, is to identify those competencies that are associated with success in a particular job.

**You can make a good hire 75% of the time instead of the usual 33%!**

**"A competency is an underlying characteristic which enables a person to deliver a superior performance in a given job, role or situation."**

**Skills  
Experience  
Credentials**  
→  
**Thinking Style**  
  
**Occupational  
Interests**  
  
**Behavioral Traits**

### *Empirical Competency Benchmarking*

By studying two distinct groups, Top Performers and Bottom Performers, it is possible to identify those specific competencies that differentiate performance and characterize successful performers. Once the benchmark (success profile) is determined, it is possible to hire, promote, deploy and train to the benchmark. This method has proved to be highly reliable in predicting the future success of individuals, achieving good hires 3 times out of 4,\* more than 100% improvement over what Drucker says is the normal experience (as stated above).

### **What Are Total Person Competencies?**

People are like icebergs. Most often, hiring authorities and panels end up making the decision on too little of the wrong kind of information—what sits above the waterline—mostly focusing on skills and experience. They lack an objective, reliable and systematic way of discovering those critical aspects that lie beneath the surface and are harder to detect.



*The task-related top levels are easier to train and develop. The more complex the job or role, the best performance is driven by the characteristics found at the lower levels of the iceberg.*

*Selecting on the basis of skills and experience does not help choose top performers. The research indicates that only 1 of 6 skills-qualified candidates actually matches the job. Not very good odds.*

More critical to success are the aspects of job-related competency that are not so visible.

\*Robert T. Tett, Douglas N. Jackson and Mitchell Rothstein, "Personality Measures as Predictors of Job Performance: A Meta-Analytical Review," *Personnel Psychology*, Winter 1991.

**Create a  
breakthrough  
system to help  
“clone” top  
performers.**

**How many times  
do you have to  
kiss a frog  
before he turns  
into a prince?**

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The ability to assign metrics to these characteristics of the “Total Person” represent a significant breakthrough to help identify, select, retain and manage top performers throughout the organization. These can be viewed in three categories:

1. Thinking Style (*“Does this person have the ‘head’ to do the job?”*).

Learning Ability, Verbal Skill, Verbal Reasoning, Numerical Skill, Numerical Reasoning. A person who scores high in Learning Ability tends to process information rapidly and can be viewed as a “quick study.” Verbal and Numerical skill levels measure tactical, “ground-level” capabilities. In contrast, Verbal and Numerical Reasoning measures more abstract, strategic and conceptual capabilities.

2. Occupational Interests (*“Will this person be fully engaged with the work and derive satisfaction from good performance? Or, will he merely put in the time and go sing in the choir for satisfaction?”*). Johns Hopkins’ Holland identifies them as Enterprising, Financial/Administrative, Technical, People Service, Mechanical and Creative. This is especially important because a person not engaged in the work will never be as productive as someone who derives great satisfaction from doing great at this job.

3. Behavioral Traits (*“How will the person do the job? Do his/her deep-seated natural behaviors match the top performers and the company culture?”*). Measures include Energy Level, Assertiveness, Sociability, Manageability, Attitude, Decisiveness, Accommodating, Independence and Objective Judgment. Everyone possesses these traits to one degree or another. The ability to identify a person with the right combination of traits is critical in achieving top performance in an organization.

If a company doesn’t start with the right person, nothing else it does will work out well. Training resources are wasted. Managers get frustrated. Productivity remains low, jobs turnover and the employee is never happy. A bad hire or a mis-deployment never works out for anybody.

- **Data**
- **Information**
- **Intelligence**
- **Wisdom**

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## **Success Patterns Provide Remarkable Intelligence**

Assessing Top Performers in a position allows us to construct a success pattern of competencies for that position. This pattern constitutes an empirical benchmark—a standard for hiring, promoting, training, career pathing and succession planning. Assessing Bottom Performers allows us to identify the “differentiating competencies” that are critical to success. As stated earlier, this method has proved to be highly reliable in predicting the future success of individuals, achieving good hires 3 times out of 4. Now it is possible to assess candidates relative to the benchmarks and determine the degree to which they match the benchmark.

## **Intelligent System Produces Value**

Once the position benchmarks are constructed, the dramatic value implications of this “systems” approach become clearer:

**An intelligent systems approach directly enhances the bottom line**

- With benchmarks constructed for critical positions, a company can “profile” its High Potential talent pool and make intelligent career pathing decisions that compel retention.
- The company can gain dramatic clarity of its succession planning and talent management needs and put the right person in the right job.
- Training and other resources can be allocated with increased awareness of their probable return on investment.
- Workforce planning can be better related to business objectives.
- Lean manufacturing, quality programs and balanced scorecard efforts are directly supported.
- HR can demonstrate how a systems approach to human capital management moves money directly to the bottom line.
- Low performing individuals can be re-deployed to positions that capitalize on their strengths.
- Turnover declines, productivity increases.
- People align with business objectives of the company.

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**Consistent  
Processes  
Produce  
Consistent  
Results**

This Competency Benchmarking process helps organizations consistently identify, hire, retain and manage the best possible employees. The ability to do this again and again helps put people in place who can execute the organizational strategies and develop competitive advantages that result from having top performers throughout the organization.

**"Bulletproof"**

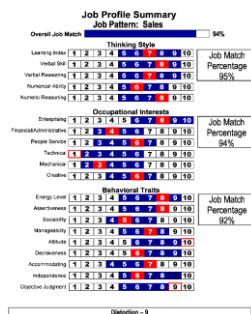
A well-documented and thoroughgoing Competency Benchmarking system helps organizations meet legal requirements for fair hiring practices. Hiring and promotion decisions are supported by objective metrics and rigorous performance criteria. Pre-employment reports present objective job-related information about a candidate's competencies as they relate to the benchmark. Interviewers are provided with behavioral event questions, which have been normalized against ADA, EEO and DOL concerns—a structured interview best practice that becomes adopted automatically by hiring managers.

### **Constructing a Competency Benchmark**

The more rigorous the process, the better the benchmark. In the past, constructing a benchmark was a major research effort. Technological advances have enabled the development of a position benchmark in 5 steps:

1. Establish performance criteria for the position
  2. Identify sample of Top and Bottom performers
  3. Assess sample performers
  4. Analyze data and construct Competency Benchmark
  5. Plan applications
- 
1. Performance Criteria—Rigorous criteria that clearly differentiate top performance are necessary. Performance data should be objective and consistently observable to multiple raters.
  
  2. Performer Sample—5 Top and 5 Bottom performers are sufficient for the initial construct. They are chosen against the Performance Criteria.

3. Assess Sample Performers—Using a Total Person instrument, profile the incumbents to determine their competency patterns. The Top Performers' scores inform the benchmark. The Bottom Performers' scores help clarify the characteristics that differentiate performance.



4. Analyze Data & Construct Benchmark—The benchmark is an empirically derived description of a pattern of competencies of Top Performers, not a theoretical construct. The reliability inheres in the assessment instrument and the rigor of the performance data. Scores are plotted against a normal distribution curve. Benchmarks may be tweaked over time to support continuous improvement.

5. Plan Applications—The Benchmark can be used to support hiring decisions, career pathing efforts, training and resource allocation decisions, as well as succession and workforce planning programs. For performance management, managers can coach to the benchmark and link appropriate competencies with business objectives and deliverables. HR managers use it for job analysis and descriptions.

## Other Applications

While empirical benchmarking is preferred, often it is desirable to construct benchmarks for positions that either have no top performing incumbents or do not yet exist. Other methods are available to construct usable benchmarks. Inputs from the U. S. Department of Labor's Standard Occupational Classifications or from internal job analysis surveys can be used to construct benchmarks for positions of the future or for jobs planned to execute specific strategies of the company. Competency benchmarking can also support the valuation of human capital often required in Mergers and Acquisitions (M&A). Culture clash is the single most important cause of M&A failure. Competency benchmarking can provide the data for cultural analyses that identify important impediments to successful mergers.

**“You may be able to teach a turkey to climb a tree, but you would be better off hiring a squirrel.”**



**The right people  
on the bus.**

**The right people  
in the right  
seats.**

**Very Predictive**

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## Conclusion

In his best selling Good to Great, Jim Collins insists that the most critical driver for a great company is the ability to hire and retain the right people. "The right people on the bus and the right people in the right seats" is how he puts it.

There is no better way to achieve Collins' dictum than to implement a competency benchmarking system as described here. It is clear that skills and experience is only the first screen. Integrity, reliability and work ethic is next. Most important is matching new hires against an empirically determined benchmark that assures a high probability of high performance in the new position.

A competency benchmark-based hiring process is the single most effective system to help a company get the right people in place to execute against mission, to gain and maintain competitive advantage and to increase profits consistently over time.

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*"There is no other way to get maximum productivity and bottom-line results from people than to have them in positions that capitalize on their strengths."*

*Donald Clifton, Soar With Your Strengths.*

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*"As someone in an industry challenged by escalating costs, coupled with 68% of the operating budget tied up in people, it is imperative that we select and retain the right people."*

*"We have used the Profiles family of assessments for 5 years, reducing our turnover rate by one third. I highly recommend that you give them the opportunity to improve your bottom line at your company."*

John Porretto, Executive VP, Chief Operating Officer,  
University of Texas Health Sciences Center (Houston)

## POLARIS PROFILES

### HUMAN CAPITAL DEVELOPMENT

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## About POLARIS HUMAN CAPITAL DEVELOPMENT

**Polaris Profiles** is a professional services consultancy that provides precision tools and processes to help companies identify, hire, retain and manage top performers throughout the organization. POLARIS specializes in web-based multi-lingual psychometrics that provide metrics to support a systems approach to human capital development.

Areas of expertise include:

- Employee selection and retention strategies & process
- Performance enhancement
- Psychometric assessment
- People solutions for turnover, absenteeism, work ethic, etc.
- Leadership development and retention
- Key people strategies
- 360-degree Feedback

We prefer metrics-driven analysis and interventions that support continuous improvement, total quality, lean and balanced scorecard approaches. We maintain that people create most of the value in most of the organizations. We help document how value is created and sustained to enhance shareholder value and grow the bottom line.

## Suggested Reading

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6. Good to Great, Jim Collins
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10. "Using Competencies to Identify High Performers: An Overview of the Basics," Hay Group Working Paper, 2003.
11. Testing and Assessment: An Employer's Guide to Good Practices, US Department of Labor (ETA), 1999
12. Smart Staffing, Wayne Outlaw, 2002
13. Hire With Your Head, Lou Adler, 2003
14. Straight From the Gut, Jack Welch, 2001