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**THE COMPETENCY CONUNDRUM:
THE CHALLENGE FOR
LEADERSHIP DEVELOPMENT**

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The Competency Conundrum:

The Challenge for Leadership Development

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What do the Bank of America, General Electric, IBM, Luthansa, Pepsico, Pfizer, Royal Dutch Shell, and RBC Financial Group share in common when it comes to leadership development? Each and every one of them uses competency frameworks to develop their managerial talent. Given that such prominent firms are using competencies, they must be the right thing to do? This conventional wisdom, however, may not necessarily be the case. While competency frameworks offer attractive benefits, there are a set of key drawbacks that have been largely overlooked. In this article, we explore why organizations are drawn to their use as a developmental tool, but outline their critical shortcomings. We conclude by describing how organizations can harness their advantages while effectively addressing their limitations.

The Origins and Evolution of Leadership Competency Models

At the foundation of most leadership development initiatives today is a framework of leadership capabilities called a competency model. Typically built around a set of behavioral dimensions, these models form the basis for professional development in many organizations. They set the standards for how leadership should be demonstrated by a firm's managers and executives. Their popularity has been so significant that they have migrated beyond developmental initiatives into performance measurement, career management, high potential identification processes, and succession management systems where they are used as baseline criteria for selection, promotion, and compensation.

The roots to the competency models of today can be traced back to the traditional functions performed by "personnel departments" of companies, when the role of the personnel director was to match a person's skills to the key ingredients of a well defined job description. Such efforts helped management identify the appropriate employees for each position while simultaneously informing employees (or potential employees) about the skills and behaviors that were prerequisites for the position.

The acceptance and subsequent growth of competencies was further reinforced by the work of Harvard psychology professor David McClelland

who drew attention to their value in the early 1970s. In an article entitled “Testing for Competence Rather than ‘Intelligence’”, McClelland pointed out that intelligence tests were poor predictors of job success¹. He argued that another set of factors – competences – were better at explaining success. It was, however, the publication in 1982 of a book entitled *The Competent Manager* by McClelland’s protégé Richard Boyatzis that sparked even greater interest in competency modeling². In his book, Boyatzis defined a competency as “an underlying characteristic of a person – a motive, trait, skill, aspect of one’s self image or social role, or a body of knowledge which he or she uses.” By the late 1980s, companies began to develop “competency models” for the selection and assessment of their managerial ranks and not just technical specialist positions. Widely admired organizations such as General Electric were early adopters of these models and were soon emulated. As interest in leadership and leadership development grew in the 1990s, the use of competency models gained greater momentum. After all, organizations needed clear definitions of what they wanted in leadership behavior. In recent years, these models have expanded further to incorporate in their ‘leadership competences’ dimensions such as corporate values, learning capabilities and derailment

¹ McClelland, D. C. (1973) “Testing for Competence Rather Than for Intelligence”. *American Psychologist*, January, 1-14.

² Boyatzis, R. (1982) *The Competent Manager*. New York, Wiley.

behaviors. With the dramatic rise in the popularity of the developmental tool of 360-degree feedback (surveys built entirely around competencies), the position of competency models as essential to the leadership development and assessment fields has now been cemented. For example, a study conducted during the U.S. Leadership Development Conference in June of 2001 found that competency modeling was used by almost 75 percent of all companies as a tool for leadership development.³ The same study showed that 69 percent of the development initiatives of mid-level managers were using competency models as a basis for developing training initiatives. A study conducted by Arthur Andersen Worldwide also found that the majority of companies had applied competency models in the area of training and development⁴.

The Benefits That Competency Models Offer

The popularity of competency models is easy to explain. They offer at least three critical benefits: clarity, consistency, and connectivity. Most obvious is the clarity advantage. They help organizations set clear expectations about the types of behaviors, capabilities, mindsets, and values

³ Jessica Sweeney-Platt, Corporate Leadership Council Research Studies, Washington, DC, December, 2001.

⁴ Rodriguez, Donna;Patel, Rita;Bright, Andrea;Gregory, Donna;Gowing, Marilyn K.. "DEVELOPING COMPETENCY MODELS TO PROMOTE INTEGRATED HUMAN RESOURCE PRACTICES." Human Resource Management, Sep 01, 2002, Vol. 41, Issue 3, p 309.

that are important to those in leadership roles. In a simple format, they send a tangible message about the most highly valued leadership capabilities. For those in the organization who aspire to become leaders in the future, they offer tangible developmental targets. Whether one is a manager in Newark, New Jersey or in Singapore, they have a better chance of knowing what behaviors and mindsets are needed to develop in order to move ahead as a leader in the company. Since competencies are embedded in feedback tools, managers can easily and quickly ascertain where their strengths and development needs lie simply by scanning a set of numerical scales produced by the feedback survey.

These frameworks also offer a consistency advantage. By establishing a single model for an organization's management ranks, they provide a common framework and language for discussing how to implement and communicate leadership development strategies. For example, thanks to competency frameworks, the top team of an organization can hold focused dialogues to identify the leadership behaviors that are most valued in the context of their organization. Most competency models are built around feedback processes which quantify the extent to which a manager or executive effectively demonstrates a specific competency in their actions. Quantifiable data allows for *uniform* measurement across managers in an

organization. In this sense, the organization can more precisely ascertain where its managers stand on specific competencies and track development progress over time.

The third advantage is connectivity to other HR processes. The organization's competency framework provides foundational metrics for many of the human resources processes. The same competencies are used in the performance management and feedback processes, high potential identification, succession management, and reward schemes. (Doug, could you elaborate on this section.)

Given such advantages of competency models, few have questioned their utility. As a byproduct, they have become so pervasive that their role has gone largely unchallenged. We believe it is time to step back and take a hard look at these models and their role in leadership development. Our aim in this article is to spark debate about this foundational element of so many leadership initiatives in organizations today. Leadership development practitioners may have gone too far in their enthusiasm for these models.

⁵ McClelland, D. C. (1973) "Testing for Competence Rather Than for Intelligence". *American Psychologist*, January, 1-14.

⁶ Boyatzis, R. (1982) *The Competent Manager*. New York, Wiley.

⁷ Jessica Sweeney-Platt, Corporate Leadership Council Research Studies, Washington, DC, December, 2001.

The Limits to Leadership Competency Models

There are at least three characteristics of competency frameworks that pose dilemmas for practitioner: they are complicated, conceptual, and built around current realities. Because many of the models are based upon research on a wide range of managerial and leadership behaviors, there is a tendency for them to be complicated – in other words to contain many dimensions. For example, it is not uncommon for some competency frameworks to contain between thirty to fifty or more different behaviors. Yet it is far from clear whether managers can focus developmentally on more than a few behaviors at a given time. Certain coaching experts argue that managers can and should focus on only one to two behaviors at most.⁹ So while multiple competencies capture a complex reality, they dilute not only attention but a sense of which competencies are priorities for the individual's current role or situation.

From the organization's standpoint, a large number of competences may similarly lessen an appreciation for the real priorities. In a recent biography, Louis Gerstner Jr., who was chairman and CEO of IBM from 1993 until 2002, describes his experience with his firm's use of a

⁸ Rodriguez, Donna;Patel, Rita;Bright, Andrea;Gregory, Donna;Gowing, Marilyn K.. "DEVELOPING COMPETENCY MODELS TO PROMOTE INTEGRATED HUMAN RESOURCE PRACTICES." Human Resource Management, Sep 01, 2002, Vol. 41, Issue 3, p 309.

⁹ Goldsmith, M. (2003) Helping Successful People Get Even Better. Business Strategy Review, vol. 14, no. 1, 9-16.

competency model to drive changes in leadership behavior within the company. Using a set of eleven competencies (customer insight, breakthrough thinking, drive to achieve, team leadership, straight talk, teamwork, decisiveness, building organizational capability, coaching, personal dedication, and passion for the business), training and evaluation was designed to reinforce these behaviors with the aim of producing a new culture at IBM. While Gerstner did indeed witness changes in behavior and focus as an outcome, he concluded there were simply too many competencies. In the end, they were clustered into three categories – win, execute, and team. So while competencies played a role in developing a new generation of leaders at IBM, the model was simplified. That said, Gerstner did find that they created a common language, a sense of consistency and a basis for performance management and rewards.

The second limitation is that competency models are based upon an idealized concept of leadership – in other words, the concept of a universal best-in-class leader capable of functioning in all situations. Few managers are outstanding exemplars in the full range of leadership behaviors that these models promote. As a result, they reinforce the notion of a ‘perfect’ leader, and such individuals rarely exist in reality. Moreover, to ensure the

¹⁰ Gerstner, L. V. (2002) *Who Says Elephants Can't Dance? Inside IBM's Historic Turnaround*. New York: HarperCollins Publishers, page 210.

advantage of consistency, organizations have moved towards universal competency models – a single model for the entire management ranks. While this has allowed for ease of administration and consistency in comparing data across the organization, a ‘universal’ model fails to recognize that leadership requirements vary by level and by situation. For example, leadership skills at the executive level are often significantly different from those at the mid-ranks. Different functions and operating units may also demand different leadership capabilities given their unique requirements.

Most importantly, the underlying assumption behind the conceptualization of competency models of leadership is that an effective leader is the sum of a set of competencies. This does not reflect the reality of the manager’s world. The logic of these models follows that if we develop each competency to the point of mastery one after the other, a manager will emerge as a successful leader. Morgan McCall and George Hollenbeck, two experts on leadership development, argue that there are a myriad of ways of accomplishing a leader’s job especially at the executive level: “No two CEOs do the same things much less in the same ways, or have the same competencies. This conclusion is not only obvious on its face, it is evident when we observe outstanding leaders, whether military officers, heads of

states, or CEOs – one cannot but be struck by the differences rather than the similarities in their makeup.”¹¹ In other words, to argue that the jobs of executive level leaders can be universally defined around seven or nine or eleven behavioral dimensions is grossly over-simplifying a very complex role. The very complexity of an executive position allows for multiple ways of doing the job and multiple forms of talents. For example, a person may compensate for a lack of some skills (e.g. make up for a lack of knowledge in finance by drawing effectively on the knowledge of others), acquire missing skills (e.g. learn enough finance to get by), substitute something else for the skill (e.g. outsource), or change the job so that the skills are not so crucial (e.g. split off the financial component)”¹². So at best, there is a ‘loose coupling’ between the results an executive achieves along with the means to those results and any specific set of behaviors and competences.

McCall and Hollenbeck argue that the focus of developmental needs must move away from behavioral models to ‘strategic demands’. Organizations need their senior leaders to define the strategy of the business and from there identify the leadership challenges implied by these objectives. Experiences could then be identified which provided sufficient

¹¹ Hollenbeck, G. P. and McCall, M.W. (2002) “Competence, Not Competencies: Making Global Executive Development Work”, Working Paper, Center for Effective Organizations, University of Southern California, pages 8-9.

¹² Ibid. page 17.

preparation for managers to meet such strategic challenges. Succession management processes would begin by focusing on the essential question: what types of jobs, special assignments, bosses, and education are needed to build the leadership capability to successfully achieve our business strategy? These 'experiences' would be identified and safeguarded by the senior team as essential to the succession management process.