

# COMPETENCE-BASED HUMAN RESOURCE STRATEGY

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## Why competence-based HR strategy ?

*Existing job-based human resource management is showing its limits, such as excessive specialization, rigid work allocation and inefficient job rotations.*

New communications, relationships, organizational structures and work styles are spreading due to rapid environmental changes, technological progress, and globalization. These changes can be summarized by keywords such as flexibility, multi-function, quick learning, and frequent job changes. In addition, existing job-based human resource management is showing its limits, such as excessive specialization, rigid work allocation and inefficient job rotations. Thus, there is a growing need for an alternative human resource strategy.

*Competence is the ability to produce superior performance beyond expectations.*

In this context, competence is emerging as a critical concept in human resource strategy, and it seems destined to become another management trend. Competence is the ability to produce superior performance beyond expectations. It is composed of an individual's motivation, abilities, knowledge, and skill to ensure excellent performance in a certain situation or job. Competence-based human resource strategy is important because the competence of an employee - which is shown in his job, role, and behavior - is a crucial factor for his career development. If he has basic competence, the employee will produce plain results, and if he has high competence, the employee will produce excellent results.

## What is competence-based human resource strategy ?

Competence-based human resource strategy puts top priority on competence in the HR process. In particular, it is a strategy that identifies the core competence needed for the organization and job, and uses it as a guideline for employee selection, appraisal, compensation and development.

Competence-based HR strategy has led companies to focus on the competence that they need, the people who can accomplish various jobs, and performance. However, the strategy also has problems such as the ambiguity of terms and

**Table 1. Changing Human Resource Strategy**

Process	Existing HR Strategy	Competence-based HR Strategy
<b>Selection</b>	educational background,	job competence or job-based
<b>Allocation</b>	personal network	
<b>Appraisal</b>	personal and subjective criteria	competence and performance-based
<b>Compensation</b>	seniority-based	competence/performance-based
<b>Development</b>	generalist	expert

definition and lack of a standard or model.

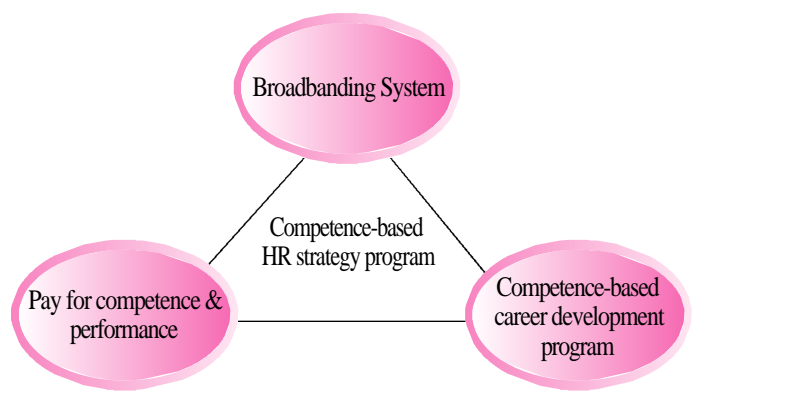
For successful implementation of a competence-based HR strategy, it is necessary to make a “competence dictionary”. This should include definitions and levels of required competence and outline the specific behavior needed for each competence. Competence-based HR programs specifically aim for the knowledge, skill, ability that is necessary for desirable results in an employee’s role, function and performance.

Generally, competence-based HR strategy consists of a broadbanding system, pay for competence/performance and a competence-based career development program. The broadbanding system puts employee competence on the criteria of determining his value and compensation, and narrows the range in or organizational hierarchy while widening compensation range within the same grade. Under this system, the value of an employee is determined by not his grade in the hierarchy but by his competence. In short, a company may differentiate an employee’s compensation according to his competence. Therefore, this system runs against the old practices of job seniority and bureaucratic organization.

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**Figure 1. Competence-based Human Resource Program**



Pay for competence/performance is a system based on the employee's competence and performance. In the past, under the job grade system, each grade had an upper and lower limit of compensation. The job grade was determined by job evaluations. In the near future however, competence-based compensation will spread widely. As competence-based compensation is not easy to apply practically, it is likely that the competence/performance pay system will be more widespread.

*Some companies have been integrating competence-based career development programs with the broadbanding system.*

A competence-based career development program is meaningful for employees. In the past, it was difficult for an employee to acquire competence in a specific job during his career because he was transferred from one job to another depending on the company's need. To develop competence, it is crucial to design an employee's career path and support his will to learn. In this process, the company could train the employee as an expert by motivating his desire for self-improvement. Recently, some companies have been integrating competence-based career development programs with the broadbanding system. The company uses a competence model that is not oriented to promotion in the organization, but to enhance individual competence.

#### Major cases in Korea

LG-Caltex Oil has installed a competence-based HR System (CBHRS). This system helps develop the competence needed for all employees and runs on a core job competence model. The company has established a competence-based training and education system. The competence of each performance group is already used in the performance evaluation criteria. This means that competence-based compensation is applied in the human resource system. LG-Caltex Oil is going to set up a system that integrates competence with performance management in the near future. In other words, the company will establish competence development systems on both the individual and team level. It is also developing recruitment and evaluation tools

Table 2. Major Competence-based HR Strategy Cases

Company	Characteristics
<b>LG-Caltex Oil</b>	The Competence-based HR System (CBHRS) defines the job competence needed for all employees, outlines a core job competence model, and establishes a competence-based training and education system
<b>Cheil Jedang Corporation</b>	The Competence Development Support System (CJ-CDSS) is a major factor in evaluating employees' abilities
<b>SK Telecom</b>	The SK competence-based human resource development provides a curriculum for each career field to support systematic career development

based on competence, competence track, and career path for the career development of selected employees.

Cheil Jedang Corporation has applied a Competence Development Support System (CJ-CDSS) to enhance employee competence. There are three competence groups including basic competence, job competence, and strategic competence, as well as eleven specific competencies. The company defines four behavioral levels in an individual's role and responsibility, including learning, application, guiding, and shaping. Competence is used as a basic framework of human resource development by defining the competence level needed for each role and job.

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SK Telecom has also tried a competence-based human resource development method that applies training and education. The competence structure consists of basic competence, job competence, and management competence. The company provides a curriculum based on competence for each career field which is designed to support systematic career development.

### Prospects and Implications

Competence-based HR strategy has several implications for Korean companies. First, companies in Korea should identify competence and develop measurement techniques for successful competence-based HR strategies. Competence might be differentiated from other concepts such as ability, capability, qualification, potential, and performance for precise evaluation.

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Second, competence-based HR strategy will be successful if the employee's competence fits his job requirements and the organizational environment. In this definition, individual competence consists of the proper behavior needed by the company. The job requirement consists of what the employee is expected to do. The organizational environment is the combination of business strategy, culture, practice, and procedure. When these three factors are integrated, the company will achieve desirable results.

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Third, competence-based HR strategy should be integrated with business strategy. For this, companies should identify the competence needed for implementing business strategy and focus on such aspects. In addition, a company would have to create an effective program for developing competence. **VIP**