

Building a Competency Model

Screening job candidates for desired competencies pays off in higher sales and lower turnover.

By Carol Spicer

Competencies are sets of skills, knowledge, abilities and attributes - characteristics - that enable people to successfully perform jobs.

In 1995, I was part of a team of human resource and training and development professionals who set out to build a common set of competencies for Luxottica Retail, a group of eyewear stores. Our goal was to define and build business drivers that managers could use to hire, measure performance and train against. If we hired and developed associates based on these skills, they could apply the skills to a variety of jobs for today and the future.

We built our competency model to support our associate life cycle—selection, performance management, training and succession planning. All of our tools—pre-hire selection assessments for field and store positions, performance management criteria, succession planning programs for top talent, and training and development curricula—would be anchored in these competencies.

All of this sounds so easy, but it takes effort to make a competency model stand the test of time. Here's how we did it.

Worldwide Applications

In 1995, Luxottica Retail of Mason, Ohio, a wholly-owned subsidiary of Luxottica Group in Milan, Italy, consisted only of one retail brand—LensCrafters. We have learned, 14 years and multiple brands later, that properly validated common competencies can extend to a much larger, more complex organization comprising many brands, business units, associate levels and global adoption.

Today, we see competencies shared in some of our retail brands, including Sunglass Hut, Pearle Vision, Sears Optical, Target Optical and EyeMed, at facilities throughout North America. The shared competencies became evident as we developed the same tools for each brand over time.

A major step in building our competency-based program was partnering with our brand operations teams. We started by

meeting with the operations teams to understand their strategies for current and future business trends. It continues to be critical for our brand teams to own and support the competencies.

Once each brand team identifies key performance indicators (KPIs) that drive its business, HR and training and development professionals recruit and train associates who can be promoted to leadership positions. Some examples of KPIs include the ability to make sales, grow a business unit and engage customers.

Working with a Vendor

At this point in 1995, we selected a consultant who led us through the following steps:

1. Developing questionnaires focusing on business drivers. A custom questionnaire was developed for each position.
2. Administering questionnaires to a significant number of associates, their managers and their managers' managers. We started by administering questionnaires to workers in retail jobs, such as regional and zone managers, store managers and assistant managers, and sales associates, and continued on to corporate office staff.
3. Holding focus groups with associates to confirm findings.
4. Meeting with executive teams on current and future brand strategies, making sure that everyone agreed on the skills needed for each job.
5. Summarizing the results of the questionnaires, focus groups and executive meetings.

Once we received the results of the questionnaires, we identified important behavior dimensions and divided them into three themes: leadership, functional and foundational competencies. These categories continue as our solid platform, and have helped us simplify the model and develop performance metrics to support each competency. In fact, after 10 years, we revalidated the competencies for LensCrafters and found only two changes. We added two competencies, diversity and innovation, as part of our foundational theme.

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We will continue to revalidate the competency-based programs for all of our brands using the steps outlined above for retail, manufacturing and corporate operations every four to five years, or whenever a major change in job structures or skills sets takes place. As our businesses change and mature, we have found that job competencies do not change. There are, however, brand characteristics or culture shifts that require attention.

Partnering with Operations

Once we identify competencies, we share findings with our operations leaders. Operations team members take the lead in deciding on the most important competencies for their brands' recruiting, performance management and training. To guide them, we pose these questions:

Recruiting.

What skills do individuals need upon hire?

Performance management.

What KPIs drive business results? How do managers weigh leadership, functional and foundational competencies as they measure performance?

Training.

What competencies are most important to train for upon hire? These may include leadership, brand-selling techniques and product knowledge.

Succession planning.

What competencies do associates require to move to the next level?

Competency-Based Tools

With these questions answered, competency-based tools are then developed.

For example, pre-hire assessments help managers identify candidates' skills during recruiting. The assessments measure components such as customer service, sales, problem-solving, leadership and verbal reasoning.

The cost of the pre-hire assessment continues to drop as technology has improved from paper to an interactive voice-response system to an online system in 2008. An assessment now costs less than \$10.

We calculate the return on investment (ROI) of these competencies for our sales associates and field managers. In fact, ROI metrics for one of our brands show how an associate who scores high on the sales component of the assessment sells on average \$13 more per hour than someone who scores low. Given a sales force of 6,000 to 8,000, raising the bar during recruiting significantly impacts the bottom line.

We can now calculate ROI for all retail competency-based positions. And as we build metrics to measure results deeper within the organization, we plan to develop scorecards for many other areas.

One of our biggest challenges has been ensuring validation of competencies for all positions. During high-growth periods, the managers of our brands have been anxious to implement pre-hire assessments prior to validation. Warning: The HR professional must hold his or her ground to ensure that all such assessments are legally defensible. In fact, we have carefully repeated these steps with each brand that joined Luxottica Retail. Even though a company's business units may be similar, competencies for each job in each unit or brand must be validated separately. To validate a test, a company or vendor must present evidence and keep it on file to support assessment development and confirm that people in protected categories who take the assessments will not be adversely affected in the scoring. (For further discussion of test validation, see "How to Screen for Cultural Fit" in the February 2009 issue of HR Magazine.)

Next to be developed were performance measurement tools focusing on competency drivers. Our operations teams identified leadership, functional and foundational competencies that drive their businesses. We continually review the weighting of each competency: What percentage of the performance review is applied to functional skills such as selling? Debates continue on what percentage is critical.

We have found, for the most part, that our leadership and foundational competencies mirror each other across brands. The functional competencies differ based on business initiatives and ROI measurements.

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Luxottica Retail's Competency Model

Luxottica assesses for the following competencies in pre-hire assessments. Various combinations of these qualities are used to continue evaluating associates' performance in performance management, training and development, and succession planning.

Leadership and Managerial	Foundational
Leadership	Critical thinking
Coach and develop others	Foster open communication
Motivate others	Build relationship and interpersonal skills
Foster teamwork	Develop and manage oneself
Think strategically	Adaptability and flexibility
	Act with integrity
Customer focus	Diversity and multiculturalism
Functional	Drive and commitment
Global perspective	
Financial acumen	
Business key performance indicators	

Building "Behaviorally Anchored Rating Scales" proves most helpful. Our performance ratings are 1 to 5, with 5 being "far exceeds expectations." It takes HR, training and development, and operations teams working together to define what each competency looks like when demonstrated by a "meets expectations" vs. an "exceeds expectations" employee. This agreement provides the greatest consistency when measuring performance across all brands.

Training programs also were developed to support most competencies. We've developed instructor-led classes, coaching sessions and e-learning programs to drive business results. While most competencies are similar, the brand and business-unit cultures vary. Our training and development team constantly looks for ways to support the changes within multiple brands.

Adhering to Principles

To ensure that our competency-based programs remain valid, we abide by several principles:

All competencies are validated. Each brand goes through its own process of questionnaires, focus groups and so forth. Once complete, tools are developed to support the brand.

ROI measurements support the value of competencies within an organization.

Every quarter, lawyers evaluate pre-hire selection tools for adverse impact. The process ensures that we are not biased in any areas and allows us the opportunity to raise the bar in performance measures as appropriate.

Our competency-based models continue to drive performance within and across our brands and has stood the test of time through many acquisitions and validations. Other HR professionals should consider how they can build a competency model that raises the bar and helps drive business now and into the future.

Luxottica Retail

Products and services: Retailer of eyewear.

Ownership: Milan, Italy-based Luxottica Group, S.p.A. (NYSE: LUX). Brands include Ray-Ban and license brands Bvlgari, Burberry, Chanel, Dolce & Gabbana and others.

Top manager: President Kerry Bradley.

Locations: Stores in 130 countries; 5,500 sites in North America. 2008 net sales: Luxottica Group S.p.A., 5.2 billion euros.

Employees: 35,000 in North America.

Connections: www.luxotticaretail.com or www.luxottica.com

The author is vice president of human resources and administration at Luxottica Retail in Mason, Ohio.