

THE NEWEST DATA ON COMPETENCIES



Goal of the Report

The State of Competencies Report is the only of its kind to offer insights into the real-world impact of competencies on the global workforce. For decades, organizations have developed and managed competencies to drive business growth. As research on human behavior and psychology evolves, so must competency-based management. HRSG developed the State of Competencies Report to reveal and evaluate the latest trends in the industry. This report analyzes current practices and industry conditions to identify where organizations can improve their performance. Moving into 2024, organizations can use this report to inspect their current processes and elevate programs to maximize business growth.

Evaluating our survey results and real-world scenarios, HRSG found **four key insights**. This report examines each insight in depth and offers practical ideas to maximize organizational efforts in 2024.

Key Competency Insights for 2024

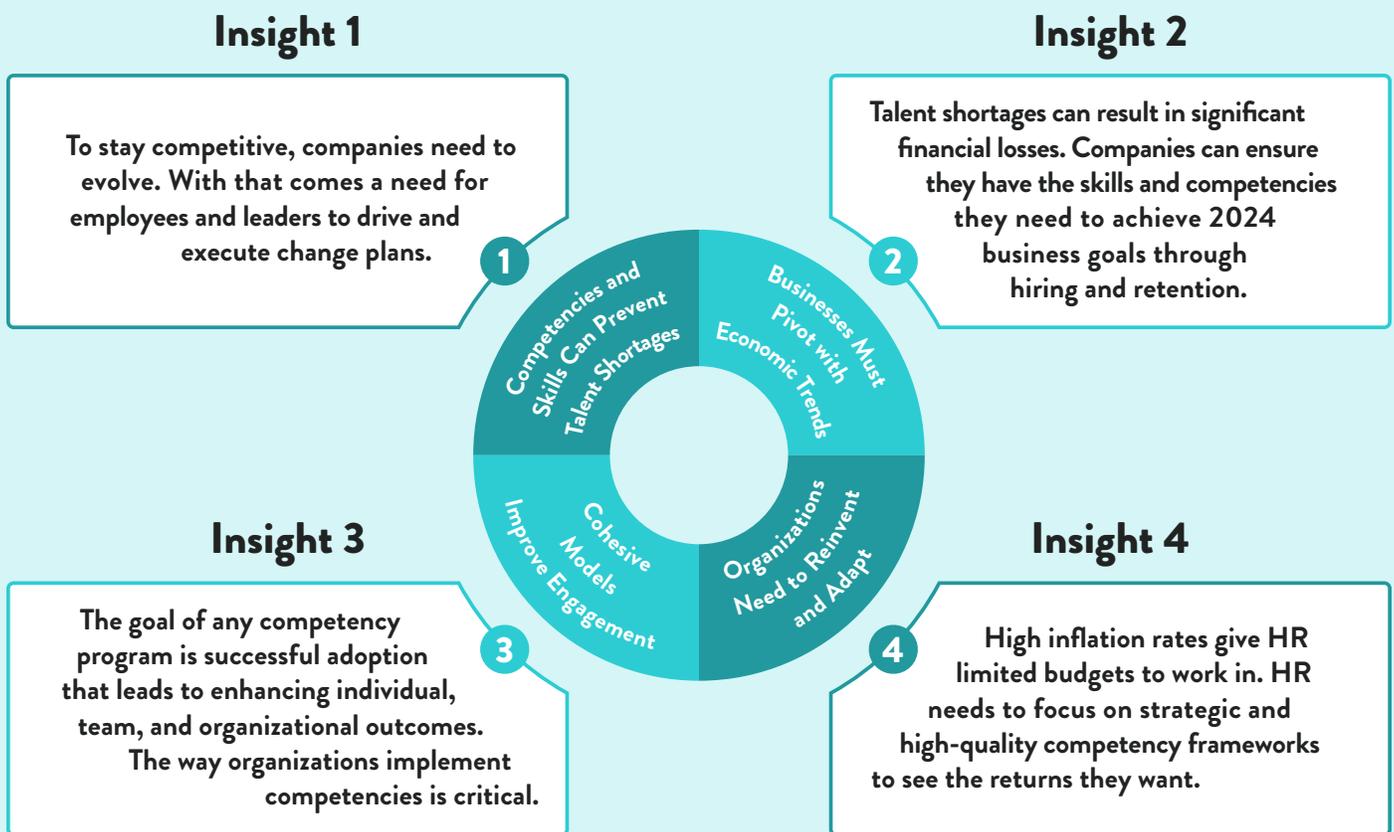


Table of Contents

- Goal of the Report 2
- Key Competency Insights for 2024 2
- What Are Competencies? 4
- Insight #1: Competencies and Skills Can Prevent Talent Shortages 6
- Insight #2: Businesses Must Pivot with Economic Trends 9
- Insight #3: Cohesive Models Improve Engagement 12
- Insight #4: Organizations Need to Reinvent and Adapt 14
- The Future of Competencies 16
- Competency-First Job Description Software 17
- Developing This Report 18
- Acknowledgements 19
- Sources 20

What are competencies?

Many of the people HRSG surveyed consider themselves competency experts. (Figure 1) Others can learn more about competencies to harness the full value of competency models.

Before we dive into the insights, let's define the terms we use throughout this report. You may have heard “skills” and “competencies” used interchangeably, which is misleading. While there is some overlap, there are also observable differences.

- Skills are the developed capabilities needed to perform a task or job.
- Competencies are the observable abilities, skills, knowledge, motivations, or traits defined in terms of the behaviors needed for successful job performance. They go beyond listing basic job requirements, which define *what* needs to be done. Instead, competencies define *how* to do a job, using measurable (multi-level) and observable behaviors.

There are three types of competencies:

- **Core competencies:** These define the specific, observable behaviors that demonstrate the values and mission of the organization in action.
- **Leadership competencies:** These describe the essence of effective leaders.
- **Functional competencies:** These are needed for success in specialized fields, and they may be technical (such as applied skills) or general (such as inherent traits).

Competency-based management is an HR management approach that standardizes and integrates all HR activities based on competencies that support organizational goals. Any organization can use competency-based management to define the steps needed to fill in the gap between where it is now and its goal state.

How well do you understand competencies?

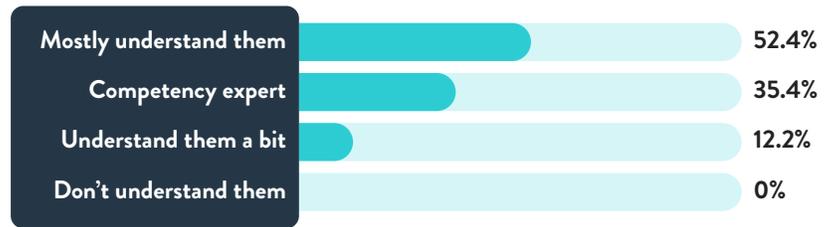


Figure 1 (Source: HRSG State of Competencies Survey)

**The current state
of competencies
and how to achieve
more in 2024**



Competencies and Skills Can Prevent Talent Shortages

A quarter (26%) of CEOs consider a talent shortage to be a top damaging factor to business outlook.ⁱ Workforces that lack essential skills and competencies may not be able to achieve future goals. As a result, they could suffer significant financial losses. To avoid a talent shortage, organizations need to acquire and retain essential skills and competencies.

Organizations Use Competencies to Improve Retention

Lack of career advancement opportunities is a leading reason employees quit.ⁱⁱ Most of the people HRSG surveyed who are using competencies use them in initiatives that support employee retention. The highest number of respondents use competencies in performance management and development. (Figure 2) Competencies help leaders objectively measure the performance of employees. If employees are not performing at the level they should be, leaders can use competencies to create targeted development plans.

Which parts of talent management do you use competencies for?

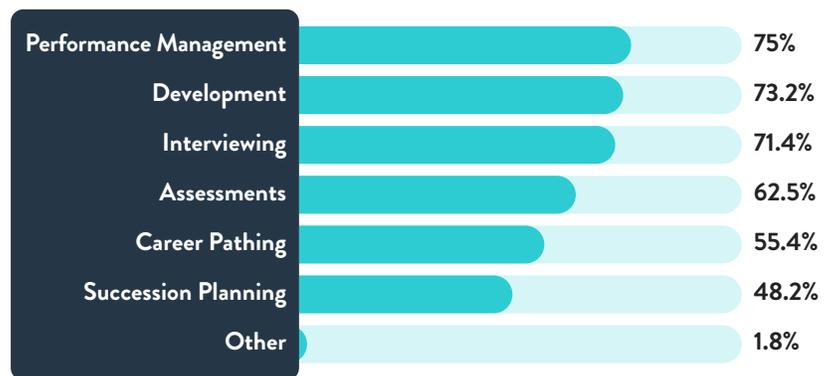


Figure 2 (Source: HRSG)

“Competencies provide a framework for organizations to align learning and training programs with specific skill requirements, ensuring targeted skill development. Compared to organizations without competencies in their talent programs, those incorporating competencies are better equipped to strategically address skill gaps, optimize training resources, and foster a more effective workforce.”

– **Tricia Corbie-Yeates**, Project Analyst at Republic Bank Limited

Insight #1

Leaders need competencies in job descriptions to execute effective talent management programs, like performance management and development. Over two thirds (68.4%) of the people HRSG surveyed use competencies in their job descriptions. (Figure 3)

Do the job descriptions at your organization have competencies attached to them?

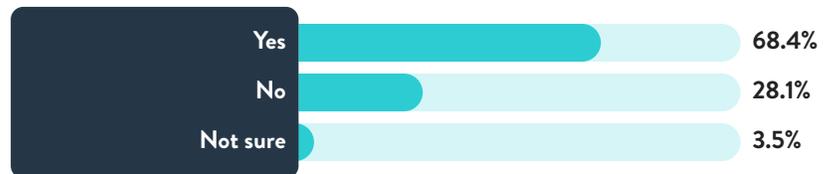


Figure 3 (Source: HRSG)

The Way Forward

Retention ensures organizations can keep and develop the skills and competencies they already have. To avoid a talent shortage, organizations will also need to make a concerted effort to add new skills and competencies through recruitment.

Hire Internally Through Career Pathing

A career path defines the specific behaviors needed to achieve a desired future position or goal. Organizations can prevent a talent shortage by prioritizing career pathing. As business and individual needs change, so will employee goals and career destinations. Use flexible career pathing and career lattices that show employees opportunities to grow, even as their needs, interests, and goals evolve.



“Retention is always a primary goal of HR, and one of the ways we can retain our team members is by offering them opportunities for development and career pathing. Using competencies to support team member development and career pathing will help our team members continue their journey to better understand strengths and opportunities, put together solid development plans, and invest in themselves.”

– Kinna Middlebrook, Learning Architect at Lake Trust Credit Union

Use Skills and Competencies in Recruitment

Recruiters need to assess both skills and competencies when hiring. By assessing both, you can build a workforce that has both the technical qualifications and intrinsic qualities needed to stay competitive.



“If companies care about making good hiring decisions, they need to use competencies. Period.”

– Lorraine McKay, Cofounder, Chief Revenue Officer at HRSG

Three quarters (73.7%) of the people HRSG surveyed use competencies in their hiring processes. (Figure 4) If you aren't already using competencies in your recruitment strategy, start small. Begin by defining three general functional competencies for the position for which you are hiring.

Do you use competencies in your hiring process?



Figure 4 (Source: HRSG)

Broaden Your Candidate Pool

Remove unnecessary barriers to acquire more and better-quality job applications. Job postings with too many prerequisites (such as degrees or certifications) discourage candidates from applying, turning away many potentially good candidates. Instead, consider the competencies and skills the candidate must have upon hiring—the ones they can't learn on the job—and not on how they acquired them.

Competencies in Action

Rocky Mountain Equipment faced a 35% turnover rate when they decided they had to make a change. Working with HRSG, Rocky Mountain Equipment developed a competency library and created profiles for key roles within the organization. With competencies, they were able to provide effective development programs, assess the potential for individuals to grow in the future, and critically assess what it would take for a candidate to perform well on the job. Since implementing competencies, Rocky Mountain Equipment significantly lowered their turnover rates to 10%.

Businesses Must Pivot with Economic Trends

In a shaky economy, businesses focus on improving or preserving profit margins. As a result, businesses often implement less expensive solutions quickly with a short-term strategy. Experts predict inflation rates will drop in 2024, which will give businesses more liberty to invest in long-term solutions.ⁱⁱⁱ

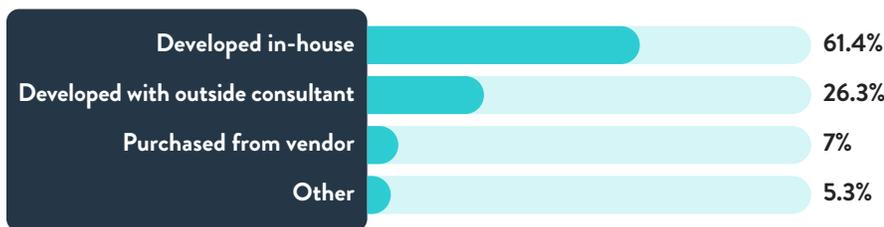
Organizations Are DIYing Their Own Competencies

HR professionals focused on maximizing value within budgetary constraints in 2023.^{iv} Unfortunately, limited budgets continue to be a concern for HR in 2024. Of the people HRSG surveyed, two fifths (38.9%) reported budgetary restraints to be a barrier to using competencies at work. (Figure 5)



Figure 5 (Source: HRSG)

How did your organization acquire its competencies?



As a less expensive alternative to using an out-of-box model, businesses are developing their own competency frameworks. (Figure 6)

Figure 6 (Source: HRSG)

Those that develop their own frameworks often spend more time and money on fixing faulty models, developing competencies from scratch, and poorly executing their strategies. As a result, they can spend double or triple the cost to implement an out-of-box model. This is especially true when leaders have limited competency knowledge.

The Way Forward

HR will continue to have to work within limited budgets in 2024. Leaders should work off trustworthy frameworks and consult experts to minimize their initial investments and gain higher returns, faster.

Measure Your Return on Investment

People leaders can measure the value of their competency programs by calculating ROI. The two top metrics to track in 2024 are:

- **Employee performance:** Use competencies to measure employee performance and track improvements, promotions, and job-based key performance indicators.
- **Turnover and retention:** Track tenure and turnover rates. People are more likely to stay in jobs where they are achieving the competencies needed for their jobs.

Maximize Efficiency with Technology

The right technology can help you develop competencies faster and with fewer inaccuracies. Most organizations rely on digital tools and systems now to manage competencies. (Figure 7)



Figure 7 (Source: HRSG)

Which type(s) of competencies do you use in your organization?

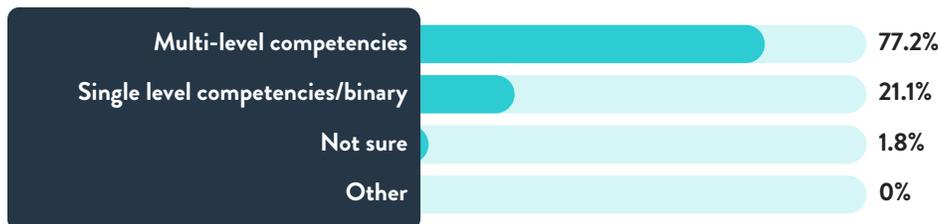


Figure 8 (Source: HRSG)

Most of the people HRSG surveyed (77.2%) use multi-level competencies. (Figure 8) These help leaders accurately define the level of performance needed through distinct levels of proficiency, illustrating how the employee needs to develop to perform at a higher level.

Insight #2

Modern talent technologies simplify processes. But not all are created equal. Some don't support competencies at all, or only single-level competencies. Ensure your solution:

- Has robust and easily accessible multi-level competencies;
- Automatically manages version control when you make changes; and
- Can measure the consistency of the language and content in your competency profiles.

Get It Right the First Time

Collaborate with consultants to get better results, faster with effective frameworks. The investment in expert consultation pays off. Well-implemented competencies require little maintenance. For example, it's not necessary to conduct competency reviews annually because they are robust and timeless. Our experts recommend reviewing competencies as needed (such as when a job evolves), or every three to four years. Many organizations are saving time by not having to review competencies annually. (Figure 9)

How often does your organization review its competencies?



Figure 9 (Source: HRSG)

Competencies in Action

Adaptavist knew the value of competencies to grow teams, create structure within those teams, and design career development programs. However, Adaptavist was also aware of how intensive the process of building a competency framework would be. Using pre-built, battle-tested competency content from HRSG products, Adaptavist developed their competency program at the rapid pace the company was growing. By using competencies, employees at Adaptavist had a clear idea of what their role was and what they were being asked to do. Competencies also gave leaders fuel to have constructive conversations with employees.

Cohesive Models Improve Engagement

Businesses want to rely on evidence-based approaches. Many choose competency frameworks based on the science supporting them. However, those that take shortcuts or rush processes won't experience the full value of their competency frameworks.

Fragmented Organizations Don't Share Information or Processes

People leaders are struggling with inconsistencies across their organization. In some cases, siloed departments form their own understandings, definitions, and applications of competencies that differ from other departments in the same organization.



“People implement competencies and don't really talk about them, and then people start to form their own definitions and understandings.”

– Vanessa Myers, Senior Consultant at HRSG

When this happens, departments can't easily share goals or strategies with one another. They may even give unequal treatment to teams because they measure each one against different benchmarks. Ill-defined and poorly executed competency programs often confuse workers. Some of the people HRSG surveyed aren't sure if or how they use competencies at all. (Figure 10)

Does your organization currently use competencies?

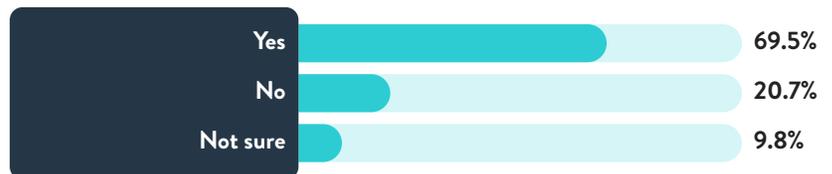


Figure 10 (Source: HRSG)

Complete Models Deliver the Most Value

Leaders can leverage the full value of competencies when they complete all profiles within their organization. Over half (54.4%) of the people HRSG surveyed reported they have completed all or most of the competency profiles in their organization. (Figure 11)

Have you built competency profiles for jobs in your organization?

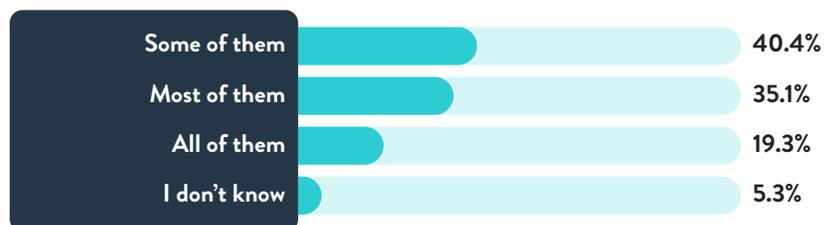


Figure 11 (Source: HRSG)

Insight #3

By completing all competency profiles, people leaders can hire, manage, and develop their people across the organization more effectively. Employees also understand what's expected of them and can visualize their growth within the company.



“For leaders to build competency profiles, we must first show them how doing so will result in high-performing teams. Once they understand why it’s important and how it benefits them, they are more likely to be receptive. Then, partner with leaders throughout the process, guiding and supporting them along the way.”

– **Jessie Conley**, Learning & Development Program Manager at Everbridge

The Way Forward

In 2024, organizations need to ensure every employee understands and uses the competency framework. Without cohesive programs, competencies can’t fully deliver what businesses need.

Use a Shared Competency Language

A shared competency language means using competencies consistently throughout your organization. Competencies themselves don’t work unless leaders implement them well into other talent programs. Leaders should drive competency conversations with employees through development, feedback, recognition, and engagement. Leaders should also use competencies in conversations around recruitment, performance management, and succession planning. Using competencies consistently ensures everyone in the organization is on the same page and understands expectations.



“Everything in talent comes to life—or doesn’t—in a conversation managers have with employees.”

– **Mark Coulter**, Vice President Talent Management Solutions at HRSG

Organizations Need to Reinvent and Adapt

HR continues to face novel challenges. In response to these challenges, organizations have transformed through layoffs, mergers, changes in leadership, and more. As organizations evolve, they must learn to become resilient through change by developing confident leaders and strengthening culture.

Core Competencies Guide Organizations Through Change

Core competencies inform employees how to demonstrate organizational values in any evolution it's in. Most of the people HRSG surveyed (82.5%) use core competencies. (Figure 12) Second to that, organizations are prioritizing leadership competencies to execute new business goals. (Figure 12)

Which type(s) of competencies does your organization actively use?



Figure 12 (Source: HRSG)



“In 2024, Adaptability stands as a critical leadership competency, given the rapidly changing business landscape. Leaders who embrace Adaptability can navigate uncertainties, capitalize on emerging opportunities, and guide their teams through transformational shifts.”

– **Christy Valledor**, Assistant Vice President of Talent Development at HawaiiUSA Federal Credit Union

Culture was HR’s second highest priority in 2023.^v Core competencies help define and improve an organization’s culture in any transformation. Continuous change can frustrate, disempower, and fatigue employees.^{vi} A healthy workplace culture carries organizations through times of change and motivates employees to push through obstacles.



“When you do that kind of transformational change, you really have to take a look at the culture and what everybody needs.”

– **Jemellee Seletaria**, Senior Consultant at HRSG

Insight #4

The Way Forward

Change is inevitable, but you can define *how* your organization will change. Use competencies to strengthen your workforce's resilience in turbulent times and develop effective leaders to execute new initiatives.

Reevaluate What's Needed to Change

Transformations give organizations an opportunity to redefine themselves. Ensure your workforce can support the transformation with its current available skills and competencies. If not, define how employees can develop and reskill to effectively execute change plans.

Equip Leaders to Drive Change

Nearly three quarters (73%) of HR respondents believe the leaders within their organizations are not equipped to drive change.^{vii} Since leaders are changemakers, it's critical that they possess strong Change Management and People Management competencies. These competencies are imperative in communicating to teams and individuals the expected competencies, how employees compare, and how they need to develop.

Competencies in Action

McKinstry was using company values to develop a solid foundation for success, but they wanted to provide employees at every level with more direction to support individual performance and career growth. With support from HRSG, McKinstry developed core and leadership competencies to outline the observable behaviors that demonstrate the company's values in action and the behaviors required of organizational leaders. These competencies have since helped McKinstry effectively assess, guide, and develop leaders and employees; build a learning curriculum; and assess talent.

[Learn More](#)

The Future of Competencies

2024 is expected to be an exciting time for businesses to develop competency frameworks and upgrade the ones they already have in place. Leaders can strengthen their workforces in the new year by uncovering what it means to be part of their organization. They can also define what skills and competencies will be needed to reach the next destination in the organization's journey.

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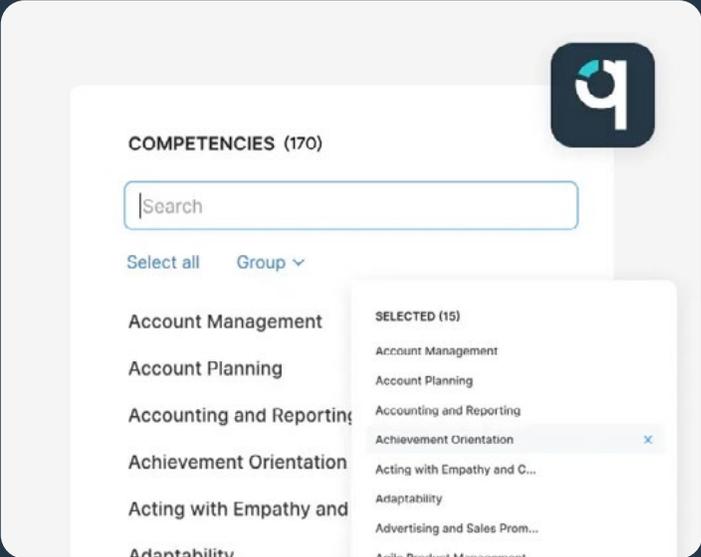
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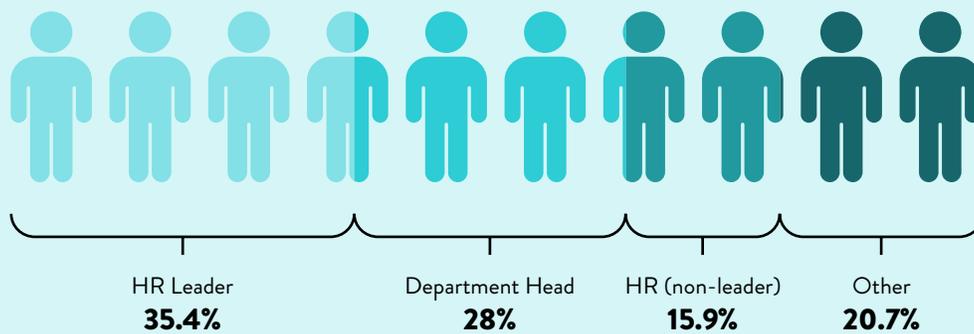
Developing This Report

HRSG is a world leader in competencies. Founded by industrial and organizational psychologists, HRSG's mission is to put the career-defining power of competencies in the hands of every employee. For three decades, HRSG has helped startups, SMBs, NGOs, associations, and Fortune 500s through its competency-based products and services.

In addition to developing one of the world's largest libraries of multi-level, validated, behavioral competencies, the company provides consulting and delivers certified training to help talent professionals expand their knowledge of competency-based management. HRSG is committed to using this expertise and experience in the State of Competencies Report to help people leaders use competencies more effectively.

The Research

HRSG conducted the State of Competencies Survey through its global network of HR professionals in the industry. The respondents are a combination of HRSG clients, industry professionals, and HR professionals.



Meet the Experts

A few of HRSG's experts have assisted with the development of this report. The insights from this report were developed with their comprehensive knowledge of the industry, HR trends and challenges, and competencies. These experts have assessed the survey results and reflected on real-life scenarios over the past year to determine what key factors are influencing HR and competencies today.



Lorraine McKay 
Cofounder, Chief Revenue Officer



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