Business success
\[ = f(\text{structured competency management}) \]
Skill, scale, sustain: the PCMM way!

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People Capability Maturity Model (PCMM) is a framework that brings together a blend of practices based on the principles from total quality management, human resource management and organisational processes and development management. As part of the PCMM framework, the workforce practices stipulated brings in sharper focus around the improvement of human assets in an organisation including competency, training, skills, work environment, motivation, mentoring, workgroup development, competency development and use of competency based practices. It is a collection of industry practices experienced by various organisations from various domains that can help align with business objectives, in addition to other parameters. When any organisation is on the growth path, (inorganic and incremental growth) skilled workforce can play an extremely important role to scale up the business and to satisfy the hunger for growth while sustaining the organisation’s business values and practices i.e. ‘organisation brand’.

Today, when the industry is moving towards cloud based operations and SMAC as the next wave for transforming the IT way of working, people competency can be a critical factor in the organisation’s growth cycle to innovate and scale up. PCMM-based competency development survey was conducted to understand the ways in which organisations are implementing competency related activities, from leveraging the existing competency dictionary to competency assessment and input for individuals’ career paths. Usage of structured competency management based on PCMM framework can enable quality functioning of the eco-system with a large section of the workforce involved in development oriented initiatives.

Around 25 organisations participated in this survey from various parts of the country including captive, service and product development organisations. Survey respondents included multiple levels of the workforce ranging from leadership to middle management to practitioners. This survey provides very interesting facts and informative data for competency development and the ways by which the senior management is developing this in line with business needs. Outcomes of this research affirmed the numerous benefits organisations can reap using the PCMM-based competency management framework. KPMG has extensive experience in this area and the outcomes of this survey have encouraged our experts to evolve new areas to focus on in order to shower significant value to organisations that are embarking on a variety of talent development initiatives. The conclusion and key takeaway sections summarise our recommendations based on this research. We hope that this PCMM-based survey report would be of immense help to your organisation and provide key pointers to further strengthen competency-based practices in your organisation. We thank you for your participation and support.

Ambarish Dasgupta
Partner and Head
Management Consulting
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1. Executive summary

This survey was conducted to gain insights about how People Capability Maturity Model (PCMM) based competency assessment and competency development activities are implemented, and also to analyse the competency-based practices in various organisations. The responses were collected from varied organisations involved in software and product development, functioning as captive centres and so on.

All the organisations that participated in the survey have a dedicated HR departments whereas only 76 per cent have a dedicated training department. Three-fourth of the organisations have defined the competency dictionary for their workforce. They also take the effort to describe the various bands that come under each role. Most of the organisations use the competency dictionary as a reference point during performance appraisal.

Almost all the organisations perform competency development. Competencies are measured based on supervisor rating and self-rating. Majority of the organisations cover the middle management in competency assessment. But only a few cover senior leadership. The most commonly used methods for competency development are; on the job training, classroom training, and self-learning. Eighty-seven per cent of the organisations recognise and reward individuals for competency development.

K K Raman
Partner
Business Excellence
2. Introduction
Competency is defined as a combination of knowledge, skills, and process abilities within the PCMM framework.

Another definition of competency includes the dimension of behaviour in addition to knowledge, skills, and process abilities.

- **Knowledge**: practical or theoretical understanding of subjects
- **Skill**: natural or learned capacities to perform various acts
- **Process ability**: performing a job in a structured, systematic and sequential manner to maintain task related identification and traceability
- **Behaviour**: patterns of action or conduct.

Choosing the right competencies allows employers to:

- **Plan** how they can organise and develop their workforce
- **Determine** which job classes effectively fit their business needs
- **Recruit** and select efficient employees
- **Manage** and train employees effectively
- **Develop** staff to fill future positions.

A few competencies essential for employees are:

- **Teamwork**: skills needed in this competency include persuading, helping, listening, and getting along with others
- **Communication**: this competency contains skills like listening, presenting, and clearly expressing ideas in a written and oral format
- **Leadership**: this competency involves skills needed to organise, motivate and/or develop others
- **Business awareness**: knowledge contained in this competency refers to a general awareness of business practices, and the industry in which they are working
- **Technical awareness**: knowledge needed for performing the assigned task effectively
- **Decision making**: skills needed in this competency include defining the issue, fact-gathering, considering possible solutions, and selecting an effective option
- **Results driven**: this competency refers to the ability to meet objectives on time balancing cost and quality, and can be easily measured as it is entirely performance-based.
- **Problem solving**: the goal of this competency is to overcome obstacles to meet a stated goal.

Having a PCMM based competency system in an organisation help ensure that organisation-funded training and professional development activities are cost-effective, goal oriented, and productive. It helps employees to achieve a high level of competence in an efficient manner and records the employee’s gain of skills, knowledge, safety, and other procedures relating to each task. This could also reduce cost overruns caused by poor performance or miscommunication of job expectations and helps improve communication between employees and management.
3. Brief overview of the survey

3.1 Survey objective
The objectives of this survey are:

- To understand the PCMM based competency practices in organisations
- To understand the competency assessment activities of organisations aligned to PCMM
- To study the competency development practices in organisations
- To analyse the impact of organisational type, size, sectors and quality frameworks on competency based practices.

3.2 Research methodology
The research methodology was primarily a web-based qualitative and quantitative questionnaire. The survey was sent to respondents across major cities in India. The target respondents were senior and mid-level executives and senior management within organisations, with detailed inputs from those involved directly with the Human Resource and quality departments.

3.3 Respondent profile
We received more than 25 responses from distinct organisations across various sectors including insurance, automotive, engineering, telecom, government, defence and aerospace, pharma/biotech, retail, media and entertainment, infrastructure, transport, IT/ITES, consumer/electronics, FMCG, hospitality and leisure, power and energy, healthcare, logistics, real estate.

About 57 per cent of the responses were from organisations located in Bengaluru. 17 per cent were from Chennai, closely followed with 13 per cent and nine per cent from Kochi and Trivandrum, respectively. Four per cent came from the NCR region.
Around 74 per cent respondents were from software service organisations. This was followed by 22 per cent from product development and four per cent from captive centres.

Three-fourth of the organisations, 78 per cent, have a dedicated training department, and about 22 per cent does not have one.

22 per cent of the responses came from organisations having 11 to 100 employees. Closely followed by organisations with 101 to 500 employees contributing 35 per cent. Thirty per cent of the responses were from organisations having 501 to 1000 employees and 13 per cent from organisations having more than 1000 employees.

All the organisations that participated in the survey have a dedicated Human Resource department.
4. Survey result analysis and inferences

The results of the survey give an insight into the competency-based practices aligned to PCMM which are followed in various organisations, along with understanding the competency dictionary practices, competency assessment activities, and competency development practices conducted.

4.1 Competency dictionary

Competency dictionaries include the general competencies needed to cover all job families and competencies that are core or common to jobs within an organisation. They may also include competencies that are more closely related to the knowledge and skills needed for specific jobs or functions. A typical competency dictionary includes a broad range of competencies developed through extensive literature search, review of effective practices as well as ongoing refinement based on field research with various groups. The competencies in the dictionary are required by a broad range of employees functioning within a wide variety of private and public sector organisations. The demonstration of these competencies by employees and managers is related to increased performance at the individual, team, and organisational levels.

Existence of a defined competency dictionary

Almost 74% of the respondents said that they have defined a competency dictionary for their organisation. Only 26% does not have a competency dictionary.

Areas considered for preparing the competency dictionary

48% of the organisations consider both technical as well as domain areas while preparing their competency dictionary.
Forty-two per cent of the organisations specify the roles of their middle management in the competency dictionary. However, only 18 per cent of the firms specify the roles of their senior management.

In almost 88 per cent of the organisations both the HR and delivery functions team up to prepare the competency dictionary.

Both, list of competencies and knowledge, skill, and process abilities are included in the competency dictionary by about 44 per cent of the organisations. Closely followed by 37 per cent organisations which include only knowledge, skill, and process abilities in the dictionary.

More than half of the organisations that participated in the survey specify in the competency dictionary, the role of different bands that come under the same role.
Half of the participants in the survey consider it difficult to define the different bands in the competency dictionary, whereas the other half find it moderately difficult.

Source: KPMG BE survey on competency - 2014
68 per cent of the organisations publish the competency dictionary for their employees. This could help them to understand the competencies required for each role.

Majority of the organisations use competency dictionary for performance appraisal. Other uses of the competency dictionary are for training, career path, and recruitment activities. Only one per cent of the respondents do not use the competency dictionary for any purpose.

About 31 per cent of the organisations inform employees regarding the competency dictionary through email. Other major sources of providing information are training and induction programmes.

In almost 38 per cent of the organisations the senior management provides inputs. Only in 13 per cent of the firms is the senior management not involved in competency dictionary preparation.
4.2 People competency assessment

Competency assessments are often developed as skills checklists which employees and employers can keep over time to note employees’ performance. Competency assessments present an effective means to:

- Provide a performance assessment tool
- Provide ongoing employee performance coaching
- Acknowledge satisfactory and exemplary performance
- Target performance deficits
- Highlight skills that require additional training or practice
- Benchmark employee performance across organisation norms
- Define competence within your organisation.

**Competency assessment: performance**

All the organisations that participated in the survey perform competency development/improvement activities.

**Performance of competency development**

![Performance chart](image)

Source: KPMG BE survey on competency - 2014

Competency assessment is performed in almost 83 per cent of the organisations.

**Competency assessment: separate performance**

In about 63 per cent of the organisations competency assessment is performed separately and is not combined with performance appraisal.

Source: KPMG BE survey on competency - 2014
For almost 44 per cent of the organisations competency development activities are considered to be extremely important and 39 per cent consider it very important.

Source: KPMG BE survey on competency - 2014

More than half of the respondents use the rating scale as their survey method. The other methods used are feedback, qualitative and exam/test scores.

Source: KPMG BE survey on competency - 2014

Supervisor rating and self-rating are the most commonly used methods to measure competencies followed by exams/tests and post-training feedback.

Source: KPMG BE survey on competency - 2014

Competency assessment in almost 40 per cent of the organisations that responded cover the delivery team. The delivery enablement staff and support staff are covered by 35 per cent and 25 per cent of the firms, respectively.

Source: KPMG BE survey on competency - 2014
43 per cent of the organisations include middle management in their competency assessment. The senior leadership is included only by 16 per cent of the firms. The results of the competency assessment were mainly used for planning career progression and identifying training needs. Very few results were used for reprimanding.

It is clear that all the organisations that participated in the survey have shared their competency assessment output with the senior leadership.
4.3 Competency usage

Organisations use competency mainly for recruitment activities as well as for succession planning. Though this figure reveals that competency is used most of the time for recruitment and performance management activities, usage of competency dictionary is observed mostly for performance appraisal.

Source: KPMG BE survey on competency - 2014

Frequency of competency usage for various functions

<table>
<thead>
<tr>
<th>Function</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>For team organisation</td>
<td>3</td>
</tr>
<tr>
<td>For succession planning</td>
<td>15</td>
</tr>
<tr>
<td>For career progression</td>
<td>5</td>
</tr>
<tr>
<td>For performance management activities</td>
<td>6</td>
</tr>
<tr>
<td>For performing recruitment activity</td>
<td>10</td>
</tr>
</tbody>
</table>

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4.4 Competency development

Competency development methods used

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-learning</td>
<td>13%</td>
</tr>
<tr>
<td>Mentoring</td>
<td>17%</td>
</tr>
<tr>
<td>Self-learning</td>
<td>22%</td>
</tr>
<tr>
<td>Classroom training</td>
<td>23%</td>
</tr>
<tr>
<td>On-the-job training</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: KPMG BE survey on competency - 2014

Recognition and reward for competency development by individuals

<table>
<thead>
<tr>
<th>Reward for Competency Development</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>13%</td>
</tr>
<tr>
<td>Yes</td>
<td>87%</td>
</tr>
</tbody>
</table>

Source: KPMG BE survey on competency - 2014

On the job training, classroom training, and self-learning are the top three competency development tools used.

Almost all the organisations have defined goals for training.

74 per cent of the organisations recognise and reward employees for providing training.
Developing technical competencies: involvement of delivery team

All the delivery teams are involved in developing technical competencies in the organisation.

Overall rating of competency framework and development initiatives in the organisation

39 per cent of the organisations rate their competency framework and development initiatives as only acceptable. Only 17 per cent consider it excellent.

Competencies considered for different levels in an organisation

Source: KPMG BE survey on competency - 2014

<table>
<thead>
<tr>
<th>Category</th>
<th>Senior management</th>
<th>Middle management</th>
<th>Practitioners/operational staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analytics</td>
<td>8</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Customer communication</td>
<td>15</td>
<td>18</td>
<td>12</td>
</tr>
<tr>
<td>Customer relationship</td>
<td>16</td>
<td>13</td>
<td>9</td>
</tr>
<tr>
<td>Financial management</td>
<td>11</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Domain</td>
<td>10</td>
<td>21</td>
<td>19</td>
</tr>
<tr>
<td>Technical</td>
<td>12</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>P&amp;L</td>
<td>16</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Leadership</td>
<td>22</td>
<td>18</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: KPMG BE survey on competency - 2014
4.5 Competency based practices

Competency assessment: involvement of different level

<table>
<thead>
<tr>
<th>Size</th>
<th>Senior leadership</th>
<th>Practitioners/operational staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Mid-sized</td>
<td>21%</td>
<td>36%</td>
</tr>
<tr>
<td>Small</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>Very small</td>
<td>13%</td>
<td>50%</td>
</tr>
</tbody>
</table>

In almost all the organisations, middle level and practitioners/operational staff are included in the competency assessment. Organisations with more than 1000 employees give equal importance to all the three levels whereas in the case of small-sized firms senior leadership is not much included in the competency assessment.

Usage of competency assessment results

Organisations mainly use the results of competency assessment for identifying training needs and planning career progression. A few firms use the results for giving recognition and rewards. However, competency assessment results are rarely used for reprimanding.

Importance of competency development activities

Organisations with more than 1000 employees consider it extremely important to conduct competency development activities. Medium-sized firms consider it very important and small-sized with 11 to 100 employees give moderate importance to such activities.
Both software services and product development firms give equal importance to self-rating and supervisor rating methods to assess competencies. The product development firms also use post-training feedback but not always. However, they do not use exam/test, interview or assessment. Software service firms at times go for exam/test, post-training feedback, and interviews but they are rarely used as assessment method.

Software service firms mainly use on the job training methods. They give less importance to e-learning and mentoring. Whereas, product development organisations use mentoring as the main method of competency development followed by classroom training and self-learning.

Almost all the organisations irrespective of the size consider business objectives of the organisation as the primary input for competency development activities. Some of the small and medium-sized firms also use customer feedback and organisational model as input.
In both software services and product development firms, more than 50 per cent of the organisations use competency dictionaries. It has been observed that 60 to 70 per cent of the software service firms use people competency assessment. Whereas, in the case of product development firms all the respondents perform assessment. Thus, it can be inferred that compared to software services, product development firms give more importance to people competency assessment.
5. Conclusion
The survey helped to understand the PCMM based competency practices in various organisations based on its nature, size, and other demographic patterns. It also provided an insight into their competency dictionary practices, competency assessment, and competency development activities which are aligned to PCMM. Based on the overall analysis, it was understood that the competency based practices has room for improvement in several areas such as competency dictionary, assessment and using the competence information for people related practices.

5.1 Competency dictionary

Competencies need to be identified for all roles including business critical roles. Competency dictionary should be known to all roles and levels. This needs to be used as input for training activities as well. Competency dictionary need to include competencies related to business requirements (e.g. analytical skills, decision making skills, domain skills, documentation skills, etc.) This dictionary is also input to competency assessment activities. Almost all the organisations that responded have a well-defined competency dictionary and is published and available to the employees. The competency dictionary is mainly used for performance appraisal apart from other purposes such as training and team organisation. The senior management also provides inputs during competency dictionary development. For all roles, competency dictionary information can be essential. Focus projects shall be arrived at as one of the important modes of developing competencies at leadership levels.

5.2 Competency assessment

Competency assessment is also performed in most of the organisations. The major methods used for measuring competency are self-rating and supervisor rating. All the organisational levels are covered in the competency assessment and the output of the assessment is shared with the senior leadership for decision-making. Competency assessment results need to be informed to the individual and also to one higher level senior member so that this can help from the perspective of organisation requirement and career planning. At times, the ‘wish list’ at the time of competency development and at a later point of time, this may create an unwanted situation where in the employee may feel that their views are not heard/required training is not provided. This also happens when the organisation is focussing only from a revenue point of view, which is essential but with balance and management strategy. This needs senior management inputs to help ensure that required talent is retained for the organisation’s business requirements. An effective way to perform competency assessment could be to plan for role play to help experience scenario-based situation. Competency assessment needs to be considered for on the job training, for providing higher level experience and succession planning. Measures related to competency activities may be included to analyse how this programme is beneficial to the organisation (e.g. cost involved, before and after competency assessment and input to competency process, etc).

Contextual application of behaviour can be of paramount importance to achieve business success. It is the belief that emulates behaviour and it is the behaviour that drives business success. Therefore, competency assessment for leadership should ardently focus on behaviour patterns that are often driven by varying business contexts and situations.

Based on KPMG in India’s experience of using competency assessment, which is part of PCMM based competency enablement advisory, we observe that situations drive leadership, and therefore business context of situations must be leveraged to identify areas of improvement in leadership.
5.3 Competency development

Competency development is an important part in this exercise where in the experienced team members from the organisation help strengthen individuals’ competency for their upward growth. One of the vehicles for doing this could be ongoing class room training and on the job training. Also, sometimes class room training from an external agency could help to bring industry experience (e.g. project management, how to manage experience team members, business analysis, etc). Competency development helps to motivate employees and to achieve organisation objectives.

The main methods used for competency development in organisations are on-the-job training, classroom training, and self-learning. Majority of the organisations recognise and reward individuals for their competency development. The delivery teams are in most cases involved in developing technical competencies in the organisation.

About half of the organisations surveyed rate their competency framework and development initiatives as good, which indicates a room for improvement in the other part of the pie.

Independent involvement of SMEs in the development of critical competencies enables unbiased judgement in the areas of improvement. KPMG in India’s approach promotes built-in development programmes with long-term assignments that enable nurturing and development of selected business critical competencies.

5.4 Strengths

Competency dictionary

- Technical and domain areas are included in the competency dictionary in 48 per cent of the organisations
- Multiple bands in the same competency are considered for the competency dictionary in 62 per cent of the organisations
- 69 per cent of the organisations publish their competency dictionary for employees.

Competency assessment

- Competency assessment is performed in 83% of the organizations
- The results of competency assessment is shared with Senior Leadership in all the organizations surveyed

Competency development

- Competency development activities exist in 100 per cent of the organisations surveyed
- Training goals are defined for 91 per cent of the organisations
- Rewards and recognitions are provided for competency development in 87 per cent of the organisations
- Delivery teams are involved in developing technical competencies in all the organisations surveyed.
### 5.5 Areas for Improvement

<table>
<thead>
<tr>
<th>Areas for improvement</th>
<th>Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existence of the competency dictionary should be defined for all competencies in organisations</td>
<td>Only 74 per cent organisations define the competency dictionary</td>
</tr>
<tr>
<td>Senior management roles should be covered in the competency dictionary</td>
<td>Roles of senior management are specified only in 18 per cent of the organisations.</td>
</tr>
<tr>
<td>Senior management inputs should be covered while preparing the competency dictionary definition</td>
<td>Only in 38 per cent of the organisations, the senior management provides input to define the of competency dictionary.</td>
</tr>
<tr>
<td>Competency assessment should be separated from the performance appraisal</td>
<td>Only 63 per cent of the organisations perform competency assessment separately and is not combined with the performance appraisal.</td>
</tr>
<tr>
<td>Objective assessment techniques should be used for competence measurement</td>
<td>Only 13 per cent of the organisations use objective means like exams/tests to measure competency.</td>
</tr>
<tr>
<td>Senior leadership roles should be covered in competency assessments</td>
<td>Only 16 per cent of the organisations conduct assessment for the senior leadership.</td>
</tr>
</tbody>
</table>
Organisations should specify the roles of senior management in the competency dictionary in order to avoid bias and bring about more transparency.

Organisations should not mix up the competency assessment process with performance appraisal as then the results might only be suitable for appraisal alone.

Competency assessment should be conducted for the senior management in every organisation to help ensure effective functioning. The leadership based competency assessment should account for contextual scenarios to bring out the underlying behaviour.

Senior management should participate in the preparation of the competency dictionary and provide inputs. This will help to align competencies to the business objectives of the organisation.

Exams and tests should be conducted frequently, especially in product development firms to understand the standard of their workforce.

Organisations should make sure they develop a well-defined competency dictionary. This will help the workforce to better understand their job.

Key takeaways
Acknowledgement

The KPMG team members who have contributed towards this survey are:

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Report review:
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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. The views and opinions expressed herein as a part of the Survey are those of the survey respondents and do not necessarily represent the views and opinions of KPMG in India.

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