The ROI of Competency Technology

WHAT IS SUPERIOR PERFORMANCE WORTH IN YOUR ORGANIZATION?

Think of your top sales person. How much more does that person sell than an “average” sales person? $100,000... $500,000... $1,000,000... More?

Are you willing to invest $30,000 to move at least one average sales person to the level of your top performers?

Now apply the same analysis to other key positions, i.e. software developers, nurses, customer service representatives, engineers, managers. The quantity and quality of work produced by your top performers exceed that of your average performers by how much? If you had a few more top performers than you have now, how much money could you save...how many additional customers would be satisfied...how much quicker could you get new products or services to the marketplace?

One study showed that the productivity value of 1 standard deviation (the average difference between an individual score and the mean) ranged from 19% to 120%. For example, in highly complex jobs, the output of a superior performer was 48% greater than an average performer.

What Is Superior Performance Worth?

Productivity value of 1 Standard Deviation (S.D.) in output:
LOW complexity jobs: +19%
MODERATE complexity jobs: +32%
HIGH complexity jobs: +48%
SALES jobs: +48-120%


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It starts with Job Competency Assessment....

- In every job, some people perform more effectively than others.
- Superior performers do their jobs differently and possess characteristics that are different from average performers. These characteristics are also known as competencies.
- The best way to identify the characteristics that predict superior performance is to study the top performers in a given job. The result is a “job competency model”.

With Deliverables That Include...

Assessment, selection, performance management, succession planning, retention, career development, training and compensation systems that...

- Are integrated, efficient and cost-effective,
- Increase the percentage of superior performers in your organization,
- Ensure that you have the talent to meet strategic and tactical plans.

Our Competency Portfolio shows examples of our completed projects, including models, tools, and applications.

### SELECTING RETAIL SALESPEOPLE

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Competency Selection Group</th>
<th>Control Group</th>
<th>Net Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>6 left @ $30K Replacement cost= $180K</td>
<td>12 left @ $30K = $360K cost</td>
<td>Turnover &quot;Cost avoidance&quot; $180K</td>
</tr>
<tr>
<td>Sales</td>
<td>$335K/year/person</td>
<td>$280/year/person</td>
<td>+ $55K sales @ 50% margin=+ $27.5K revenue/person x 30 people= $825K</td>
</tr>
<tr>
<td>Total Benefits</td>
<td></td>
<td></td>
<td>$1,005K</td>
</tr>
</tbody>
</table>

Cost: Benefit Ratio $1,005K Benefits $50K Costs = 1 to 20

ROI $1,005K-$50K $50K = 19.10%
After six weeks on the job, salespeople selected on competencies were out-selling those selected based on prior sales experience by 19%. 

**SALES LEARNING CURVES**

Selection on Competencies vs. Prior Sales Experience

A=Value of Prior Sales Experience
B-A=Value Added by Competency-based Selection
A+B=Value of Competency-Based Training

**VALUE ADDED BY COMPETENCY-BASED SELECTION**

Conservative estimated ranges for productivity improvement
- r = 50% to 70% = 25% to 36% of S.D. e.g. Complex, non-sales: 25% to 36% x 48% = 12% to 17%
  Sales: 25% to 36% x 48% to 100% = 12% - 25% - 36%

% Superior Performance with Competency-based selection, training
Baseline % Superior Performance
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Another Example of How Competency Technology Can Replace False Assumptions With Hard Data...

Expand candidate pools ...and produce higher performers

In one case, an organization had trouble selecting, developing and retaining high performing Managers of Product Development.

Internal and external “experts” said that the ideal candidate:
- Is creative; is able to generate new ideas
- Takes risks
- Senses trends and identifies opportunities
- Has knowledge of manufacturing processes

The Competency Model showed that:
- Knowledge of manufacturing processes did not distinguish the outstanding performer
- Top performing managers do not generate new ideas on their own, but are skilled at using others’ ideas,
- Are skilled in informal influence; use low-key strategy to sell ideas,
- Are skilled in group facilitation; are able to organize working groups from diversity.

References/Sources
Hay McBer Competency Database, 1994
Hunter and Schmidt, Journal of Applied Psychology, 1982
R. Jones, Measuring the ROI of Competency Management, Human Capital Institute, 2006