

COMPETENCY BASED INTERVIEWING IN BFSI COMPANIES: A CONCEPTUAL FRAMEWORK

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Abstract

A competency-based interviewing framework when embedded into talent acquisition function will provide the organization with a clearer understanding of what determines higher success rates in the interview process. Banking, Financial Services and Insurance industry is like any other business and the staffs have to carry out multifarious activities. Some of these activities are specialist in nature. Banks need to make some institutional changes to adapt to the markets. A sample total of 120 interviewers and HR managers have been considered equally through an arranged questionnaire designed on five-point interval scale. ANOVA and regression analysis has been applied to analyse the collected data. It was observed that majority of the job applicants are from colleges and other educational institutions with the prescribed education qualification for the said job requisition. With evolution in the process of talent acquisition, many job applications found the vacancy information from social media websites as well. Technical competencies are more given more emphasis in competency-based interviews. This study proves that technical competency is an important factor for the success of Job fitment in BFSI industry.

Keywords: Talent Acquisition, Competency, Competency based interviewing, BFSI

INTRODUCTION

Organizations spend considerable amount of time and resources on talent acquisition process. With change in times, HR has evolved from a mere administration function to a strategic function to an extend to influence core functioning on an organization. Talent acquisition is a vital HR function and organizations have, time and again, re-invented the process of talent acquisition. BFSI sector is no different, as significant amount of research is being done on creating efficient frameworks for talent acquisition practices as BFSI has been the country's leading employer with more than 73 percent of the hiring. (NSDC Report, 2022)

As per media reports, hiring in India saw a 22% year on year growth in June 2022. Demand for fresher's in the economy saw the highest yearly growth at 30% in June 2022. Other experience brackets such as 4-7 years and 13-16 years also saw improvement in the same year (ETBFSI.com, 2022).

A competency-based interview is used by interviewers during the interview process. The objective of such interview is to assess the job incumbent's performance in a pre-determined key area or skill that is attributable to the job description.

A competency-based interviewing framework when embedded into talent acquisition function will provide the organization with a clearer understanding of what determines higher success rates in the interview process. Competency-based interviewing acts as a catalyst for forming a competent work force and this enables a performance management system aligned with organizational competencies.

With significant changes evident in the financial landscape the Banking, financial services and insurance industry in India is looking for a new generation of professional bankers with an updated set of competencies like versatility, ability of adapt, lasting commitment, providing out of the box solutions, portraying leadership skills, having the necessary emotional stability coupled with analytical reasoning to name a few.

LITERATURE REVIEW:

Matching employee competencies and job requirements is claimed to improve employee and organisational performance, as well as lead to increased satisfaction (**Spencer et al., 1992**). The ability of a company to determine the success of a potential candidate is much more effective when using competency-based interview questions (**Sweeney, Kathy, 2006**). Competency based recruitment can be valuable for all stakeholders in the hiring process. The employer hires a quality employee who is a “fit” and has the know how to take on their new role, and the employee isn’t wrongly hired for a position they’re not naturally equipped to handle. (**Sara Pollock, 2019**). Presence of a structured competency-based hiring process in workplace enables hiring the best job incumbent for available job roles. Majority of the global organizations have a competency-based hiring model that is symbiotic to a robust recruitment process (**Shruti Verma, 2019**). When competency-based systems are implemented into the recruitment process, employers are able to identify candidates and job incumbents who possess the needed competencies to carry out the skills needed for the job (**Sara Pollock, 2018**). A competency-based interview (CBI) can provide employers with a detailed insight into how a prospective employee may perform any given task and whether they’ve got the experience and skills required for a specific job role and/or environment (**Rebecca Wilson, 2019**). According to Competence and competency frameworks, competency-based interviews (CBI) were the most popular method of selection with 80% of employers expressing success using this methodology (**Ally Weeks, 2019**). (**Kalyani, 2016**) states that Competency management is a formidable instrument that supports performance management revolution in innumerable forms. (**Kumar, Nayyar, and Anjuman, 2015**) studied that employees of HDFC Bank have specific skill, ability and knowledge etc. to perform their job efficiently and efficiently. They possess decision making, power, and relationship building capacity, sound knowledge of the products etc. which help the bank for the progress in present and future also managers. (**Chitra.M, 2018**) studied that success of talent acquisition is evident in customer satisfaction and also the best source of talent acquisition is press advertisements. (**Sharma and Raval, 2017**) concluded talent management become increasingly important to the survival of the profit organization in the global and highly competitive business environment today. It is of value that firms should give importance to the issue of talent management, the fact that mobility of labour is very high today cross national and international border made talent management issue

of import to modern management and government especially in developing nations. It is equally of value that firms should train and retrain their work force to develop needed talent in the staff.

Steps in Competency Based Interviewing

1. Determine the organization's competencies
2. Understand the Job Architecture
3. Determine the Job Families and Job Titles
4. Narrow down on the needed competencies for the job
5. Map to each unique competency tool for applying in the framework

1. Determine the organization's competencies

Organizations need a set of competencies to remain in the market. These competencies serve as an inventory of expected set of skills and behaviour and the desired attitudes of a job incumbent for a pre-determined job.

Organizational competencies can be broadly divided into

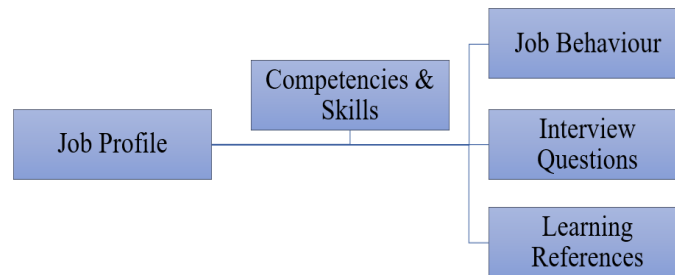
- I. **Core Values:** Core values are the organizational values which are the shared principles and beliefs that unite all the organizational employees and guide them in their actions. These reflect the strategies and culture of the organization.
- II. **Technical Competencies:** Technical competencies are at the heart of what the organizational employees do. Technical competencies are those specific competencies which are usually required to perform a given job within a job family. Technical competencies cover the various fields of expertise relevant to the specific work carried out in the organization. These requirements to successfully perform a given job are defined in job vacancy announcements.
- III. **Core Competencies:** Core competencies summarize the capabilities which are important across all jobs and which the employees believe collectively contribute to the organizational overall success. For instance- Communication, Teamwork and Planning & Organizing.

Instances of a few Organizational competencies can be:

- To build trust in all the organizational functions
- To inspire employees to perform the job
- To foster and entrepreneurial/ intrapreneurial spirit
- To empower leadership and integrity

2. Understand the job architecture

Job architecture sometimes also referred as job structure or job catalogue refers to the infrastructure or hierarchy of jobs within an organization. Few factors, which influence the job architecture, are talent drivers, business needs, and market practices.



Job Profile: A description of a particular work function that includes the elements necessary to perform the post effectively. Specifically, a job profile developed by the personnel department of a business might include such things as job responsibilities, required qualifications, advancement prospects, and the initial hourly pay or salary associated with the position.

Competencies & Skills: these can be categorized into:

- Core Skills and Competencies
- Skills and competencies needed for leadership management, Business development and Interpersonal Skills
- Task specific Competencies and Skills

Job Behaviour refers to the way in which employees respond to specific circumstances or situations in the workplace.

- Deliver assigned work to quality standards
- Optimize work processes
- Comply with company policies
- Ability to execute during times of change and ambiguity
- Demonstrate integrity, honesty and respect

Learning References are a repository of influences on knowledge processes in organizational learning. It acts as a comprehensive and organization specific dictionary of references with respect to learnings to be possessed by a job incumbent in performing the assigned job.

Interview Questions- Competency based interview questions evaluate:

- Organizational work flow
- Possession of knowledge of technologies used in implementation of banking transaction processing
- Experience of the potential employee with handling operation functions

3. Determine the Job Families and Job Titles

In BFSI sector based on Banking job functions some job families can be identified as:

- Bank Investment Risk Management
- Bank Audit & Compliance
- Capital Markets Services
- Wealth Management & Personal Trait
- Card Services
- Investment Banking
- Capital Market Services
- Treasury Services
- Commercial Lending Operations

4. Narrow down on the needed competencies for the job

Organizations have job families and job titles which comprises of a combination of core, technical and function level competencies. For reference some of them can be:

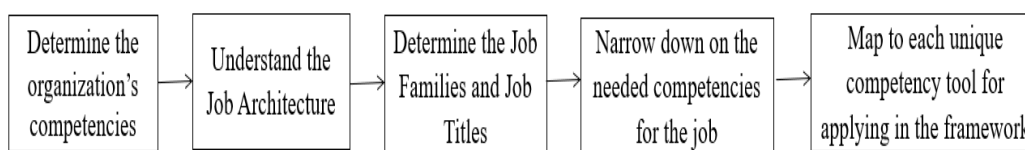
- Knowledge of Organization
- Planning & Organization
- Business Markets
- Problem Solving
- Decision making and critical thinking
- Commitment & Continuous Process Improvement
- Customer service management
- Business ethics
- Relationship management
- Interpersonal relationships

- Client Orientation
- Fraud Detection & Prevention
- Branch Banking Services
- Banking Products

5. Map to each unique competency tool for applying in the framework:

The framework encompasses the combination of core values, core competencies, functional competencies and technical competencies.

The framework acts as a reference for determining the needed competences and values for the pre-determined job family. The combination which provides the desirable mix of knowledge, skill and attribute of the job incumbent. The framework explains the expected competency level linked with a given occupational role which considers area of expertise as well. Individual contributors, Mid-level managers and senior leaders are a part of the framework. This enables in understanding the interdependence of job families in establishing a competent work force with high fit with respect to organization and candidature.



Competency Based Interviewing Process

Competency based interviewers are structured processes to help hire the best candidate for the available requisition. The processes of questioning the candidate provides insight into how the prospective employee may perform a given task and whether the candidate possess the skills set and experience required for performing the job in hand. Competency based interviewing deals with understanding how the candidate handled situations similar to the ones they would be performing, if selected, in the current role.

CBIs enable the interviewer in making clear hiring decisions as these structures improve objectivity and consistency in hiring decisions. Competency based assessment during the process of interviewing eliminates any bias and lead to decreased employee turnover rates. This process of interviewing emphasises on bringing a qualifiable approach than reply on gut feeling on the interviewer.

Designing a competency-based interview model by considering a job title:

Retail Bank Branch Manager

1. Determining a competency-based job description

The key elements of a competency-based job description are- Job Title, Relevance of position, Major responsibilities, Critical Criteria and Preferred Criteria

2. Provide Interview guide to the interviewer

The interviewer guide includes information of interview planning grid. This format is used by the hiring manager to assign specific area of focus for each candidate. The rating is done based on Functional Competencies, Behavioural Competencies and Technical Competencies of the candidate. The candidate is rated on these three competencies in all rounds of the interview.

Functional Competencies	Behavioural Competencies	Technical Competencies
Leading and supervising	Conflict Resolution	Products & Services
Knowledge of the Organization	Assertiveness	Business Process Design
Customer Service Management	Integrity & work ethics	Managing Multiple Priorities
Staffing decisions	Communication Skills	Regulatory Environment
Financial Management	Relationship Management	Fraud Detection & Prevention
Legal, Governance & Compliance	Initiative	Banking Products

3. Interview Schedule is shared in advance with the interviewer

4. Candidates resume is also provided to the interviewer

5. The interview

During the course of the interview the interviewer utilizes planned behavioural questions to gather in-depth examples of past behaviour in the targets for the job. The questions are designed to elicit both positive and negative examples of past behaviour, called STARS within the target.



In the STAR technique questions are framed considering the organizational competencies and the candidate's competencies. Questions are built around the organizational competencies such that the candidate is required to answer them based on their prior work experience.

Based on the candidate response the interviewer rates the candidate as:

- FE- Far exceeds criteria for successful job performance
- E- Exceeds criteria for successful job performance
- M- Meets criteria for successful job performance
- DNM- Does not meet criteria for successful job performance

6. Closure of the interview

In this phase few minutes are given to the candidate to ask any questions. The interviewer revisits the job profile and the company profile. The next step in the interview process is communicated to the candidate with tentative timeline and instructions.

7. Evaluation & Integration of the data from the interview- candidate competency score

Based on the candidate responses to the STAR questions the answers are categorized under appropriate competencies. The significance of each star is considered by its:

- Similarity- How closely does the situation relate to the target job?
- Impact- How important was the situation/ result?
- Recency- When did the behaviour occur?

The candidate's competency score is determined by:

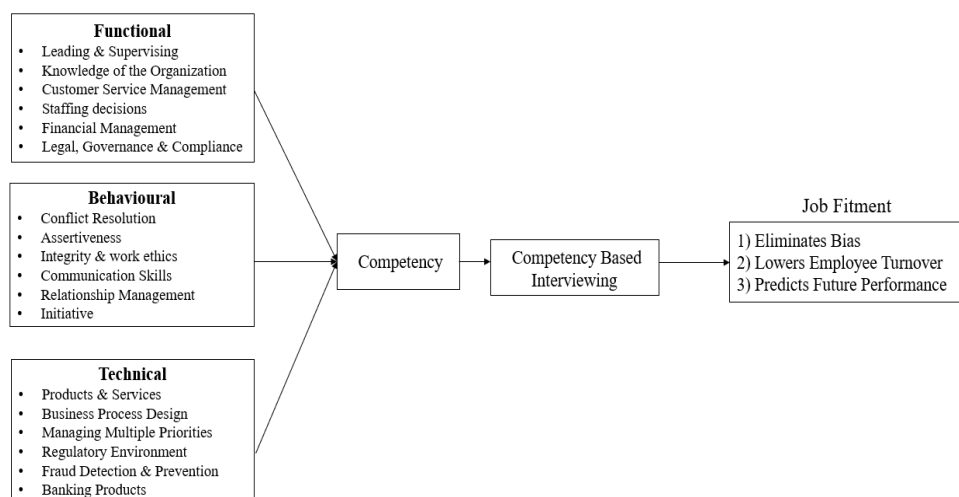
- FE- Far exceeds criteria for successful job performance
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8. Decision Making

The systematic data integration process results in a profile of each applicant's strength and weakness in the job's competencies before an overall hiring decision is made.

Based on rating and projections predicted by the interviewer's decision is made to either select or reject the candidate. If the candidate is selected, the appropriate personnel clearly communicate the expectations from the role and organization. A customized development plan is developed using the information gathered during the course of the interview.

Proposed Conceptual Framework



RESEARCH METHODOLOGY:

The conducted study is descriptive in nature. The data collected in this study is through questionnaires and survey method. 120 respondents of the collected data are interviewers and HR Managers using structured questionnaire. The sampling method used for this study is Purposive sampling. Purposive sampling refers to a group of non-probability sampling techniques in which units are selected because they have characteristics that is needed for research.

To rephrase, sample units are selected “for the specific purpose” in purposive sampling. ANOVA and regression analysis are used to determine the significance of the hypothesis set for the study. The main purpose of the study was to find significance of competency-based interviewing in the BFSI Industry.

The opinions have been collected from the private organization of BFSI Industry. Bengaluru city has established itself as the finance hub of India, with a plethora of ranked higher education institutions, generating large numbers of high-quality finance talents every year.

As HR Managers and interviewers have witnessed in both the situations, such as, during the course of interview and during performance of the job by the job incumbent.

Research Questions:

The question arises for the researchers from the literature study and discussion with the SMEs to access the competency-based interview framework in turn this helps the interviewers for better success rate in the process of interviewing.

Objectives of the Study:

1. To understand the competency-based interviewing process in BFSI Industry.
2. To determine sources of Talent Acquisition in BFSI Industry.
3. To develop the competency-based interview framework.

Hypotheses

H₀: Demographic characteristics will have a significant difference on job fitment.

H₁: Job competency will not have a significant influence on job fitment.

Sampling Design

As the research consists of BFSI formats of Bengaluru city with respect to competency-based interviewing the interviewing process has been considered. For a more focused approach, the various policy, protocol and procedural documentation has been referred and considered. Upon the data available the base avenues or candidates pool from which perspective candidates are chosen has been determined.

As a result, around 120 respondents of the collected data are interviewers and HR managers. Equal weightage is given to Banks, Financial Services and Insurance organizations in collecting the samples. This has been the respondent segment considered after elimination of

no-show candidates and rejected candidate as a result of non-eligibility to content for a said job requisition.

Results and Discussions:

Identification of sources for Talent Acquisition

The research study identifies the various sources and the response rate from each source which helps to understand the prominent and highly used sources for Talent Acquisition in BFSI Industry.

Table 1: Sources of Talent Acquisition

Internal placements	Respondent	age (%)
Physical transfers	15	12.5
Upward moment	3	2.5
External placements		
Colleges & Institutions	45	37.5
Newspaper ad	15	12.5
Consultancies	3	2.5
Referrals	7	5.8
Social Media	32	26.7
Total	120	100

Table1 Shows that majority of the candidates selected for jobs in BFSI are students from colleges and institutions from writing banking exams (37.5%) and candidates have picked job openings information from social media (26.7%).

Candidate Competency

The central of the research study is to identify the various competency under functional, behavioural and technical categories. The drives the BFSI Industry to give a weightage to identify such deserving potential candidates for employment for apt fitment of employees and successful placement in the appropriate job designations. The below table depicts the competency of candidates through mean value.

Table 2 Competency of Candidates

Functional Competencies	Mean Value on a scale of 5
Leading and supervising	3.8
Knowledge of the Organization	3.4
Customer Service Management	3.2
Staffing decisions	4.3
Financial Management	3.2
Legal, Governance & Compliance	2.5
Behavioural Competencies	
Conflict Resolution	3.9
Assertiveness	2.7
Integrity & work ethics	3.5
Communication Skills	3.7
Relationship Management	4.4
Initiative	
Technical Competencies	
Products & Services	4.8
Business Process Design	3.6
Managing Multiple Priorities	2.2
Regulatory Environment	2.8
Fraud Detection & Prevention	3.5
Banking Products	4.2

Table 2 depicts that Technical Competencies play a vital role in increasing the success rate of competency-based interviewing process as knowledge of products and services (4.8) are of utmost importance followed by relationship management (4.4) and being able to take effective staffing decisions (4.3) and knowledge of banking products (4.2)

Demographic analysis

H1: Demographic characteristics will have a significant difference on Job fitment

Age	N	Mean	Std. Deviation	F value	Sig
20-30 years	60	1.7475	.58504	20.409	0.00
30-40 years	40	1.4947	.40922		
40-50 years	20	1.4478	.21767		
Education					
Bachelor's Degree	63	1.6363	.41850	0.017	0.895
Master Degree	57	1.6302	.70582		
Annual Income					
Less than Rs 200000p.a	25	1.3123	.20360	9.231	0.00
Rs 2 to Rs 5 p.a	28	1.5810	.27744		
Rs 5 to Rs 8 Lakhs p.a	32	1.7006	.75968		
Rs 8 to Rs 10 Lakhs p.a	15	1.7857	.33868		
More than Rs 10 Lakhs p.a	20	1.7301	.53776		

Source: Primary Data

The respondents aged between 20 to 30 years show a mean value of 1.74 while the respondents aged between 30 to 40 years show a mean value of 1.49, the respondents aged between 40 to 50 years has mean value of 1.44. The F-value of 20.409 and significance P value 0.000 indicate that there is a significant difference that exists across Job fitment and the age groups of respondents. Hence, null hypothesis is rejected and alternate hypothesis is accepted.

The respondent with Bachelor's degree indicates a mean value of 1.6363 while the respondent with the Master's degree determines a mean score of 1.6302. The F-value of 0.017 and significance P value 0.895 proves that Education is not significantly different with Job Fitment. Hence, accept null hypothesis and reject alternate hypothesis.

The respondents having Annual Income Less than Rs 200000 determine a mean value of 1.31, while the respondents with annual income between Rs 2 to 5 Lakhs determine a mean value of 1.58, while the respondents with annual income between Rs 5 to 8 Lakhs indicate a mean value of 1.70, while the respondents with annual income between Rs 8 to 10 Lakhs indicate a mean value of 1.78, while the respondents having Annual Income more than Rs 10 Lakhs indicate a mean value of 1.73. The F-value of 9.231 and P value 0.00 show that there exists a mean difference existing for this parameter across the Annual Income of respondents is significant at 5% level. Hence, null hypothesis is rejected and alternate hypothesis is accepted.

H₀: Job competency will have a significant influence on Job fitment

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.382	.120		11.506	.000
Functional Competency	.113	.038	-.378	-7.722	.000
Behavioural Competency	-.040	.046	-.056	-.863	.388
Technical Competency	.202	.048	-.209	-4.185	.000

a. Dependent Variable: Job Fitment

Source: Primary Data

The R² implies the proportion of the variation in dependent variable Employee Performance explained by the independent variable demographic variables. The value of R² is 0.215, which indicates that about 21.5 % of the variation in Job Fitment explained by the Functional Competency, Behavioural Competency and Technical Competency. With the standardised coefficient obtained, Technical Competency (0.202) is the most important factor to extract Job Fitment followed by Functional Competency (0.113) and Behavioural Competency. (-0.040) and hence, accepted null hypothesis.

CONCLUSION:

During the course of this study, it is found that majority of the candidates joining the BFSI industry were students from colleges and other educational institutions. The trends in talent acquisition are evolving as many candidates got to know about job vacancies from social media websites we well. When candidates were rated based on different competencies during the

process of competency-based interviewing some competencies like- knowledge of products and services, relationship management, ability to take effective staffing decisions and knowledge of banking products were some of the top competencies considered by the interviewers and HR managers. Competency based interviewing equipped the interviewers with clear parameters for scrutiny of candidates and quantified the ‘fit’ of a potential candidate, thereby decreasing the attrition in the organization as competency-based interviewing eliminates any bias in the decision making with respect to selection of a candidate.

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