

## **The Transpiring Journey of Competence Based Human Resource Management: A Literature Review**

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### **ABSTRACT**

*In today's knowledge driven, technology based and competitive business environment, the survival and growth of organizations largely depend on competence of their human resources. Competence is regarded as one of the most important resources and the chief source of competitive advantage as well as the key to organizational success. Implementation of competence based policies, programs and strategies by organizations would facilitate judicious and optimum utilization of their resources, thereby, paving the way for sustainable competitive advantage. The development of competence both at the individual and organizational level can act as a catalyst for achieving the goals and objectives of an organization. The present study intends to summarize the concept of Competence based human resource management and its related aspects primarily through a review of existing literature. The study revealed that properly designed and professionally implemented competence frameworks and models by organizations can enhance the selection, development, promotion, compensation and career development processes to meet the needs of both individuals and organizations. The study is believed to serve as a valuable tool for researchers to understand the current scenario of competence based human resource management on a single platform and take this research area forward. It is equally important for human resource managers and practitioners for the professional management and development of their personnel. Moreover, the study makes a significant contribution to the existing body of knowledge in the area of human resource management and organizational behavior.*

**Keywords:** Competence, Employees, Human Resource Management, Organization.

### **INTRODUCTION:**

In management and organization literature, as well as in practice, a great deal of attention has been endowed to the significance of human resources in general and to competences in particular. Competences are considered as the most vital and productive asset of an organization and the chief source of competitive advantage (Prahald and Hamel, 1990; Nordhaug and Gronhaug, 1994). For organizations to perform effectively and to adapt to changing demands as well as to cope with globalization effects and technological developments, they must be equipped with a strong 'human competence base' (McLagan, 1997). Lucia and Lepsinger (1999, as cited in Ozcelik & Ferman, 2006) have stated that it is important for organizations to be familiar with whether its personnel possess the required competences necessary for performing the desired tasks critical to organizational success. The competence based human resource management approach in this regard plays an important role in identifying, developing and nurturing the appropriate and desired competences necessary for effectively performing the jobs/roles which ultimately result in successful accomplishment of organizational goals (Mukhopadhyay, Sil, Banerjea, 2011). By adopting this approach, organizations would be able to use their scarce resources in an efficient and effective manner and can obtain fruitful results from their investments in human resources and technology (Mukhopadhyay et al., 2011). The linkage between human resource

management functions and desired competences of organizations can shape the potentials and capabilities of its employees thereby resulting in improved performance of both employees and organizations. Moreover, the traditional methods of managing human resources are less flexible as compared to competence based approach, which emphasizes on the use of competences that are critical to organizational survival, high productivity and continuous growth (Rodriguez, Patel, Bright, Gregory & Gowing, 2002) as well as steers an organization in deploying its personnel at places where they can serve in a best possible way.

The rest of the paper is structured as follows: In the first section, a brief description of methodology used is presented. The second section draws attention towards the historical development of competence approach. Definitions of competence put forth by researchers, practitioners and authors are highlighted in third section. Next, the competence perspective of human resource management and different terms and processes associated with it are discussed briefly. The next section discusses the competence based HRM applications. Finally, the paper ends with the potential scope for future research and implications of the study.

## **RESEARCH METHODOLOGY:**

An extensive literature survey was carried out on competence based human resource management spread over some well known journals identified from various online academic databases of Scopus, Emerald, Sage and Science Direct. In addition, some books and articles from other online sources were also used for the present study. A good number of conceptual and empirical articles on competence based human resource management were analyzed for gaining a comprehensive understanding of the concept. Articles were searched in the “article title, abstract, and keywords” section of the said databases using keywords as “competence”; “competency”; “employee competence”; “competence management”; “competence based HRM”; “competence development”; and “organizational competence.” To keep the search process aligned with the objectives of this study, above keywords were used with the subject limits of “Business, management and accounting”; “Social Sciences”; and “psychology.”

## **Historical Background**

The notion of competence has gained a great deal of attention during the past few decades for being the chief source of competitive advantage and an important strategic business tool for organizations. The concept was introduced in the organization literature long back in 1959 by an eminent American psychologist R.W.White through his paper entitled, “Motivation Reconsidered: The Concept of Competence”. Subsequently, David McClelland (1973), founder of McBer and Company which is now part of Hay Group, remarkably developed the concept and imparted it a new direction through his seminal work, “Testing for Competence Rather Than for “Intelligence” ”. He argued that behavioural traits and characteristics of an individual are more effective than traditional knowledge and aptitude tests in determining his/her performance and success in a particular situation/job. Later on, Richard Boyatzis (1982), an organizational theorist and a distinguished academician, extended this approach to business and management discipline through his book, “The Competent Manager: A model for effective performance” which significantly influenced the management profession across the world. He proposed that competence is an underlying characteristic of an individual that results in effective and superior performance in a given job. In 1984, John Raven, an academician from UK, enriched the competence literature by releasing his book entitled, “Competence in Modern Society: Its Identification, Development and Release” which provided impetus to competence movement throughout Europe. It was followed by the ground breaking work of Prahalad and Hamel (1990) who advanced the concept of ‘Core Competence’ which gained massive appreciation from the advocates of competence approach. They deliberated upon competence approach from an organizational perspective rather than from employee’s perspective. Later on, Spencer and Spencer (1993) who are known for their exceedingly prominent work, “Competence At Work: The Model For Superior Performance” introduced several universally accepted models of competence into the literature. Afterwards, David Dubois (1993), advanced the concept of competence based performance improvement. Apart from this, there is a long list of researchers and practitioners who have contributed to this emerging and important research stream such as Nordhaug and Gronhaug (1994), Sandberg (2000), Deist and Winterton (2005), Martin Mulder (2011). More recently, Potnuru and Sahoo (2016), through an empirical investigation, claimed that there exists a positive relationship between human resource development interventions and employee competences which in turn have a significant impact on organizational effectiveness. In addition, Puteh, Kalianna and Alam (2017), identified and explored core competences required by professional employees, especially, the top management, for their outstanding and effective performance, irrespective of their roles, positions and the type of organization they work in. The study revealed that there are essentially four types of core competences which include functional competence, communicative competence, cognitive competence and leadership competence needed for effective performance ultimately leading to organizational success.

**Competence Defined:**

In management and organization literature, a multitude of definitions are advanced to explain the concept of competence and what its constituent elements are. Despite this, the precise meaning of competence is not free from confusion and as a result of its inexplicit and equivocal nature it has been regarded as a ‘fuzzy concept’ (Diest & Winterton, 2005; Grzeda, 2005; Klink and Boon, 2002). Therefore, it is very important to understand its meaning and definition in a very concrete, unequivocal and comprehensive manner, so as to incorporate and align it with practice (Deist and Winterton, 2005; Woodruff, 1993). In Table 1, we present a few well acknowledged definitions of ‘Competence’ put forth by eminent researchers and authors in an effort to offer a clear and complete understanding of different aspects that this term incorporates.

**Table 1: Definitions of Competence**

<b>Author and Year</b>	<b>Definition</b>
White (1959)	“Competence refers to an organism's capacity to interact effectively with its environment.”
Boyatzis(1982)	“An underlying characteristic of a person that could be a motive, trait, skill, aspect of one’s self-image or social role, or a body of knowledge which he or she uses”(Boyatzis, 1982,p. 21).
Guion (1991)	Competences are underlying characteristics of people and indicate ‘ways of behaving or thinking, generalizing across situations and enduring for a reasonably long period of time’(as cited in Kandula, 2013).
Spencer and Spencer (1993)	An underlying characteristic of an individual that is casually related to criterion-referenced effective and/or superior performance in a job or situation.
Marrelli (1998)	Competencies are measurable human capabilities that are required for effective work performance demands.
Treasury Board of Canada Secretariat (1999)	“Competencies” are the knowledge, skills, abilities and behaviours that an employee applies in performing his/her work and that are the key employee-related levers for achieving results that are relevant to the organization’s business strategies (as cited in Draganidis & Mentzas, 2006).
Rodriguez et al.(2002)	Competence is a measurable pattern of knowledge, skills, abilities, behaviours and other characteristics that an individual needs to perform work roles or occupational functions successfully.
UNIDO (2002)	A set of skills, related knowledge and attributes that allow an individual to perform a task or an activity within a specific function or job.
Jackson and Schuler (2003)	Competencies are defined as “the skills, knowledge, abilities and other characteristics that someone needs to perform a job effectively”

A thorough analysis of definitions in Table 1 lead us to conclude that the term ‘competence’ broadly comprises of four fundamental elements i.e., Knowledge, skills, abilities and personal attributes/characteristics, that result in effective performance of a job. Knowledge refers to the information, awareness or understanding of facts, rules, principles, processes and procedures necessary to perform the tasks of a job, which, can be acquired through formal education, experience, training etc. Skill refers to the ability to demonstrate, influence and guide the course of action in achieving an objective. It also refers to the ability of an individual to accomplish a certain mental task such as analytical and conceptual thinking or a physical task. Ability refers to the “natural aptitude or acquired proficiency to perform an observable activity” (Sanghi, 2016). Attributes are properties, qualities or characteristics of individuals that reflect one's unique personal makeup. These are the predispositions on the part of an individual to behave in a certain way. An individual equipped with knowledge and skills could not perform a job/role successfully and achieve superior performance unless and until he does not possess the necessary attributes required for effective performance of job (Ganzel, 2001; Klemp, 1980). McClelland (1973) also supports this by stating that, personal attributes play a dominant role in predicting the outstanding performance in a job than knowledge and skills possessed by an individual. Therefore, knowledge and skills are necessary but not the sufficient condition for competence and attributes, which have a significant influence in determining the success in a job constitute the essential component of competence. A more detailed and universally accepted

definition proposed by Parry (1996), “A competence is a cluster of related knowledge, skills, and attitudes that affect a major part of one’s job (a role or responsibility), that correlates with performance on the job, that can be measured against well accepted standards, and can be improved via training and development”, portrays a very lucid and comprehensive meaning of competence. Moreover, Mulder (2011), a Dutch academician, claims that Competence in itself is invisible and attains visibility as well as measurability only through actual performance or results. Therefore, actual output or performance of an individual not the mere possession of attributes, determines his/her level of competence for a particular job in a specific situation. The overall goal for defining competent performance or competences as advocated by Hoffman (1999) is to improve the individual performance at work resulting in successful accomplishment of organizational goals.

### **Competence Based Perspective of Human Resource Management:**

During the past few decades, competence based human resource management has emerged as an effective and important dimension of human resource development and organizational competitive advantage (Meyer & Semark, 1996). It is a relatively novel approach and an important strategic business tool which focuses on competences that support the integration of HR activities and processes with organizational strategies, goals, and values. According to Draganidis & Mentzas (2006), “competence based approach is primarily concerned with the application of a set of competencies for managing human resources and key HR activities such as recruitment and selection, training and development, performance appraisal and career development so that performance contributes efficiently and effectively to organizational results.” The effectiveness of competence based HRM in today’s extremely turbulent and highly competitive environment depends on identification and application of appropriate competences and consistent monitoring of workforce performance. In addition, Donzelli & Valsh (2006, as cited in Tripathi & Agarwal, 2014) have claimed that competence based management of human resources significantly contributes in developing the potential of employees and shaping their capabilities for achieving better results as well as enhancing organizational performance. Bonder, Bouchard and Bellemare (2011) established that competence based approach can significantly improve the transparency of HR transactions and, as a result, can build and nurture a workplace that fosters the value and significance of human resources and makes the organization an employer of choice.

The knowledge and understanding of following terms and processes of competence approach (advocated by Draganidis & Mentzas, 2006), is crucial for developing a competence framework to be implemented by an organization for managing its human resources in an efficient and effective manner.

**Competence Mapping:** It is a process to identify key competences for an organization and/or a job and incorporating those competences throughout the various processes of the organization such as recruitment, training, compensation management etc. Job analysis plays an important role in the identification of desired competences required by employees to perform a given job.

**Competence Model:** A narrative description of competences for a targeted job category, occupational group, division, department or other unit of analysis. In other words, it describes the cluster of knowledge, skills and attributes needed for effective and successful performance in a job. The most important feature of competence models is that they are always linked to organizational goals and strategies.

**Competence Assessment:** It refers to the process of comparing employees’ competences to those of a competency model.

**Competence Standard:** Identifies the essential skills and knowledge workers must have, and defines the performance levels they must achieve, to demonstrate competency in a specific work segment or function.

**Competence Profile:** It refers to a document that describes the set of competences particular to a job/position/occupational group/functional community.

### **Competence Based HRM Applications:**

A competence approach if designed skillfully and implemented with due care and attention would facilitate increased employee performance thereby resulting in enhancement of organizational effectiveness. Therefore, it is imperative for organizations to make proper arrangements and progress towards deploying competence approach in executing its human resource management practices and processes for the development of its employees and accomplishment of organizational goals. However, it is not suitable for organizations to directly start with competence based human resource management applications without going through successful completion of three important dimensions of competence management: competence mapping, competence modeling and competence assessment (Kandula, 2013). Some of the important applications of competence based human resource management performed by organizations across the world are described below.

**Recruitment and Selection:** The credit for using competence approach for recruitment and selection goes to David McClelland, who employed it to assist the United States Information Agency improve its selection procedures. Foreign Service Information Officers a US based Foreign office (McClelland, 1973). It refers to the process of assessing a candidate for competence proficiency with respect to a job/position using a well structured and clearly stated set of action oriented assessment tools (Kandula, 2013). The major focus is on the candidate's understanding and application capacity rather than his/her intelligence. Moreover, the behaviours required for accomplishing a given task/role and the extent to which these are possessed by the candidates are given due consideration at the time of selection (Rowe, 1995). It is a well established fact that aligning employee competences with job requirements enhances performance of both employees and organization as well as results in increased satisfaction of organization's workforce (Spencer & Spencer, 1993).

**Training and Development:** Training and development is considered as the most important competence based human resource management applications (Kondula, 2013). The need for training can be identified through competence gap analysis (Draganidis & Mentzas, 2006) and accordingly the required competences can be developed among employees through a well designed training programme. A good competence building plan in the form of training and development is as important as a good strategic plan for an organization. In order to develop an effective competence based training and development plan, it is imperative to have a clear understanding of organization's customers and markets, organizational growth plans, technology and investments and also competences associated with such dimensions of the business (Kondula, 2013).

**Performance Management:** Competence based performance management advances an integrated approach facilitating high performance growth and transforming employees to aspire and achieve self actualization (Kandula, 2013). It is one of the cornerstones of competence based human resource management which emphasizes more on encouraging, guiding, motivating and instilling a sense of growth and harmony among employees of an organization. Performance of employees is evaluated through comparison of competences demonstrated by employees against those demanded by the job as well as accomplishment of objectives set for the job (Darganidis and Mentzas, 2006). It is compulsory for an organization to be equipped with a proficiently developed and well structured competence model that has already been tested in order to move towards performance management with a competence perspective.

**Compensation Management:** In order to attract and retain competent people, it is important for organizations to develop and implement the competence based approach of compensation management. It is easier to incorporate such approach in smaller organizations and start ups as compared to large size organizations or organizations in existence for years (Kandula, 2013). This approach unlike traditional compensation system is more focused towards competences exhibited by employees while performing their jobs. It is imperative to unveil that competence approach should only be extended to compensation management if its implementation produces successful results in other areas such as recruitment and selection and training and development.

**Career and Succession Planning:** According to Ozelik & Ferman (2006), competence based career and succession planning focuses on linking competences and developmental activities which facilitate employees to discover what they require for further development. Similarly, Darganidis and Mentzas (2006) maintain that, "employees can review the needed competencies of all the positions and through comparison with the competencies they possess they can identify potential positions and develop their career plans". Moreover, the future replacements for key positions in organizations can be determined on the basis of competence requirements.

## **IMPLICATIONS OF THE STUDY:**

The present study exhibits the productive outcomes organizations can derive by managing and developing the competent employee base. The more an organization knows about how to manage and develop its employees, the better adept it will be to enact so. Therefore, understanding competence based human resource management in a more comprehensive manner is imperative in that regard; this review will facilitate organizations understand and figure out that in a much better way. It will facilitate human resource management professionals and practitioners in identifying, developing and managing the desired competences essential for improving the performance of employees as well as of organization.

## **CONCLUSION:**

This study concludes that competence based human resource management is an emerging research area that needs more attention and focus owing to its practical implications. Application of competence approach to human resource management would facilitate organizations in attracting and retaining competent pool of people,

empowerment and development of workforce, resulting in performance enhancement and gaining sustainable competitive advantage. It can also pave the way for developing and nurturing a culture that encourages innovations in organizations. The competence gap analysis would provide key information to organizations for better workforce planning and in designing proper training and development strategies. Based on the propagation of competence approach use and significance, particularly during the last ten years, this study anticipates that more research will be carried out in this area and more articles and outcomes will be exposed in the coming years. Overall, this study makes significant contribution by providing a brief summary that can help readers understand the state of competence based human resource management and assist researchers identify areas for future research.

### FUTURE DIRECTIONS:

Future research can be conducted for developing a valid and reliable measure of 'competence' that can be generalized across multiple contexts. Investigation of the role of competence management in engaging employees of the organization can be another dimension to be looked upon. Researchers can also go for further exploration and empirical validation of causal relationships between competence and other related constructs.

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