

# Enhancing Organizational Performance Through Competency-Based Human Resource Management: A Novel Approach To Performance Evaluation

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## ARTICLE INFO

## ABSTRACT

**Introduction:** This paper presents a bibliographic review aimed at enhancing the understanding of Performance Evaluation in Human Resources Management and proposes an innovative model based on human motivation to develop Competency Management in HR management.

**Traditional Views on Performance Evaluation:** Traditionally, Performance Appraisals have been viewed solely as tools for determining salary increments or employment termination. However, this paper argues for a novel approach to performance evaluation that emphasizes human motivation and its implications in achieving common organizational objectives.

**Competencies and their Historical Evolution:** Competencies are defined as observable and measurable behaviours that combine knowledge, skills, and abilities to achieve desired results. Originating from various sources such as training, experience, and learning, competencies have been studied since the late 1960s to predict job performance effectively and address biases in traditional evaluation methods.

**Competency Management Model:** The Competency Management Model offers a holistic approach to human resource management, focusing on defining professional profiles, developing skilled teams, identifying weaknesses for improvement, and establishing measurable performance standards.

**Performance Evaluation in the Competency Management Model:** Performance Evaluation within the Competency Management framework emphasizes job performance rather than mere exam scores. It serves as a diagnostic tool to gather evidence of individual performance and knowledge, facilitating personal and organizational development.

**Differentiating Competency Evaluation from Other Models:** Evaluation by Competencies differs from other evaluation models by focusing on job performance, increasing staff commitment, fostering communication, and promoting self-management and autonomy among workers.

**New Management of Human Resources:** As organizations navigate through the complexities of the 21st century, strategic management of human resources becomes crucial for maintaining competitiveness. Human capital emerges as the

primary source of competitive advantage, necessitating a shift towards a strategic approach to HR management.

**Conclusion:** The integration of Performance Evaluation with Competency Management presents opportunities for organizations to enhance productivity, achieve organizational goals, and foster a culture of excellence. By strategically managing human resources, organizations can adapt to changes effectively and capitalize on the strengths of their workforce in the globalized and competitive landscape.

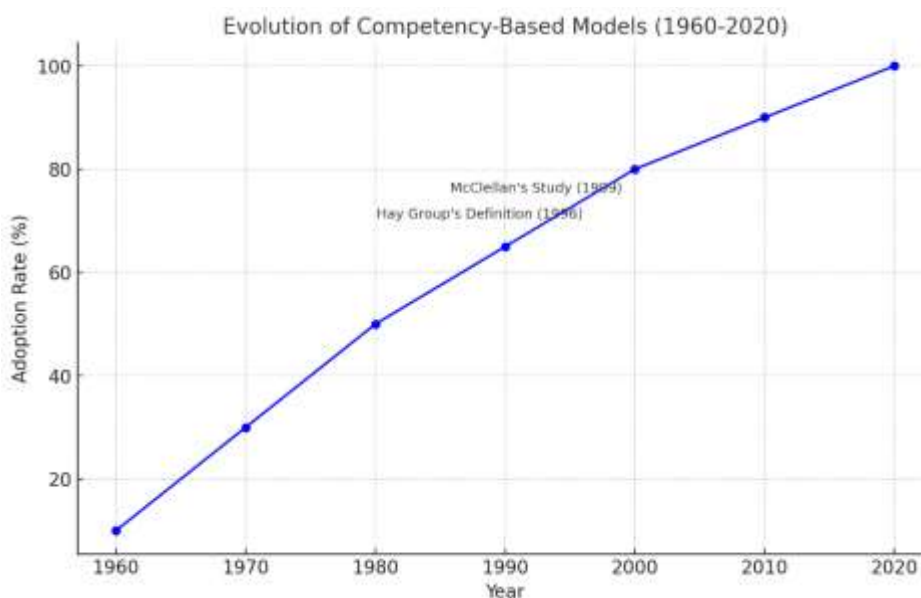
**Keywords:** Management by Competencies, Human Resources, Performance Evaluation, Competency Management Model.

### Introduction:

Traditionally, it is believed that Performance Appraisals are carried out only to decide whether salaries should be increased or not or who should be fired. This may be true at times, but the meaning of the Evaluation is much more important and has other implications in the boss-subordinate relationship, as well as in the worker-organization relationship towards the search for common objectives. This argument is intended to examine the importance of a novel approach to performance evaluation that, supported by the Competency Management Model as a framework for innovative management action, allows today's organizations to understand that every worker must be linked, as McClellan says (1999) to human motivation translated into the needs for achievement, affiliation and power, to achieve the recurring interest in attaining an objective based on a natural incentive and an interest that energizes, guides and selects behaviours of the men who work for the companies. Organizations. From this scenario, a theoretical tour of the topic will be made that will allow us to delve into the aspects described below. It is important to highlight that McClellan's studies analyze human motivation. "...thus establishing that this is the basis on which Competency Management is developed (Ăbolțîna, Lăma et al. 2024).

### Competencies (Definition) and their Historical Evolution

"Competencies" are the abilities to combine and use knowledge, knowledge and skills to master professional situations and obtain expected results. They are also real capabilities, observable and measurable behaviours that can be modified and developed. Within this fabric, we cannot lose sight of the fact that competencies have their origin in various sources, such as training, learning, experience in jobs and life experience (Effendi, Tjahjono et al. 2024).



In this sense, the implementation of the acquired skills is what allows us to influence various situations and learn from them. Therefore, talking about examining competencies is not limited to establishing an inventory or describing capabilities in work practice. The analysis must have as a frame of reference the organization itself, its functioning, operation processes, the level of competitiveness achieved, its productivity and quality indicators and the processes aimed at retaining, developing and compensating Human Resources. Studying competencies is nothing new; Spencer (1993) points out that this concept has been studied since the late 1960s and early 1970s when several studies were published that demonstrated that traditional aptitude and

knowledge content tests, as well as The titles and academic merits, did not provide a clear result for (Effendi, Tjahjono et al. 2024):

a) Predict performance at work and success in life and

b) The tests contained biases against minorities, women and people of low economic levels.

These investigations led McClellan (1999) to develop an exploration that would allow him to discover variables to predict the worker's performance and that did not contain biases due to trivial factors such as race, sex or economic level. In this way, principles would be established that would lead to the use of representative samples, comparing people who have succeeded in the workplace or interesting aspects of life with people who have not been successful, to identify those characteristics associated with the success. On the other hand, to identify ideas and operational behaviours casually related to these favourable results (Pahuja, Mahlawat et al. 2024).

The significance of this study is that McClellan manages to demonstrate that for the Evaluation of competencies, people who maintain successful performance at work are studied and defined the job based on the characteristics and behaviours of those people, unlike the traditional approach that focuses on the elements of the job to know the time dedicated to its task. Although McClellan was the promoter of these concepts, many other researchers also delved into the importance of competencies as a critical factor in companies that seek every day to develop productivity strategies that improve their performance. Hay Group (1996) defines competencies as a personal characteristic that has been shown to have a relationship with outstanding performance in a given position/role in a particular organization. This concept allows us to see that competencies specifically mark the difference between excellent performance and simply good or adequate performance, in other words. The competencies are observed more frequently in different situations and with high impact, resulting in people whose performance is superior (Pahuja, Mahlawat et al. 2024).

On the other hand, the term "Competencies" is quite a common concept in the current organizational environment. What is not so common is finding that this term is associated with a comprehensive resource planning and development system or that it is conceptualized as an "Axis" capable of linking human resources processes, giving meaning, direction, and profitability to the processes—efforts and actions in planning and development. Likewise, Spencer and Spencer (1993) define it as an underlying characteristic of the individual that is causally related to a standard of effectiveness and superior performance in a job or situation. The underlying characteristic is that competence is a deep part of personality and can predict behaviour in a wide variety of work situations and challenges. Causally related means that competence originates or anticipates behaviour and performance. The standard of effectiveness means that the competition predicts who does something well or poorly, measured on a general criterion or standard (Paijan and Hudaya, 2024).

Finally, Ernst and Young (1998) define competence as The characteristic of a person, whether innate or acquired, that is related to successful performance in a job. All people have a set of acquired or natural attributes and knowledge which define their competencies for a certain activity. However, discovering competencies does not require exhaustively studying the physical, psychological or emotional profile of each person. Only those characteristics that make people effective within the company are of interest. Under these definitions, the competencies need to be visualized within the set of critical factors of the company with their specific contribution to productivity strategies, its service philosophy, quality systems, innovations, work organization and Resource Management. Humans. In this sense, in human resources management, competencies propose a new architecture for the organization that needs to incorporate new theories of measurement and control and compensation systems according to the results of the company, teams, and individual management approaches—alternative training, among others (Palombi, Nonino et al. 2024).

In this new architecture, the central axis would, therefore, be "competencies", defining the function of the agents based on the fulfilment of the organization's objectives beyond the simple description of a position, that is, with enriched tasks aimed at stimulating individual learning, contribution and commitment to the company's goals, and include indicators of effectiveness, quality and productivity.

Human Resource Management would then have recruitment and selection processes, capacity, performance evaluation, compensation systems and personal and professional development. The tools and approaches to work must allow the development of group and individual competencies in alignment with organizational competencies. The central axis of this new structure or architecture for Human Resource management would then be the "competencies", around which the rethinking of the processes related to them and the implications in each of the areas would revolve (Wang, Gu et al. 2024).

### **Competency Management Model**

Most organizations timidly invest in developing teams for reasons that vary from the lack of systematizing performance evaluation strategies to ignorance of the importance of the formation of intellectual capital as a differential factor. That is why a management culture is needed in which initiatives and the ability to take

calculated risks are appreciated and valued to fulfil the mission. With this, organizations greatly improve the way they make decisions by creating integrated resource management as a basis. Humans are a key factor that allows it to compensate for weaknesses and provide countless advantages (Ābolţîņa, Lāma et al. 2024):

Component	Description	Impact on Performance
Professional Profiles	Defined to promote productivity	Enhances team efficiency
Development of Skilled Teams	Ensures teams have the necessary competencies	Improves project outcomes
Identification of Weaknesses	Identifies areas needing improvement	Targeted development programs
Performance Evaluation Standards	Measurable and quantifiable objectives for evaluation	Objective and fair performance reviews

#### 4. Graph on Performance Metrics Improvement Post-Implementation

- The possibility of defining professional profiles that promote productivity.
- The development of teams that have the necessary skills for their specific area of work.
- The identification of weak points allows improvement interventions that guarantee results.
- The Evaluation of performance is based on measurable, quantifiable objectives and with possibilities of direct observation.
- It is increasing productivity and optimizing results.
- Raising awareness among teams so that they assume co-responsibility for their self-development, becoming a win-win process from the moment everyone's expectations are met.

In short, when management by competencies is installed, managers and collaborators are prevented from wasting time on training and development programs that do not adapt to the needs of the company or the needs of each job. Therefore, the Competency Management Model and Performance Evaluation establish two primary objectives in Human Resources management that transform the organization (Wang, Gu et al. 2024):

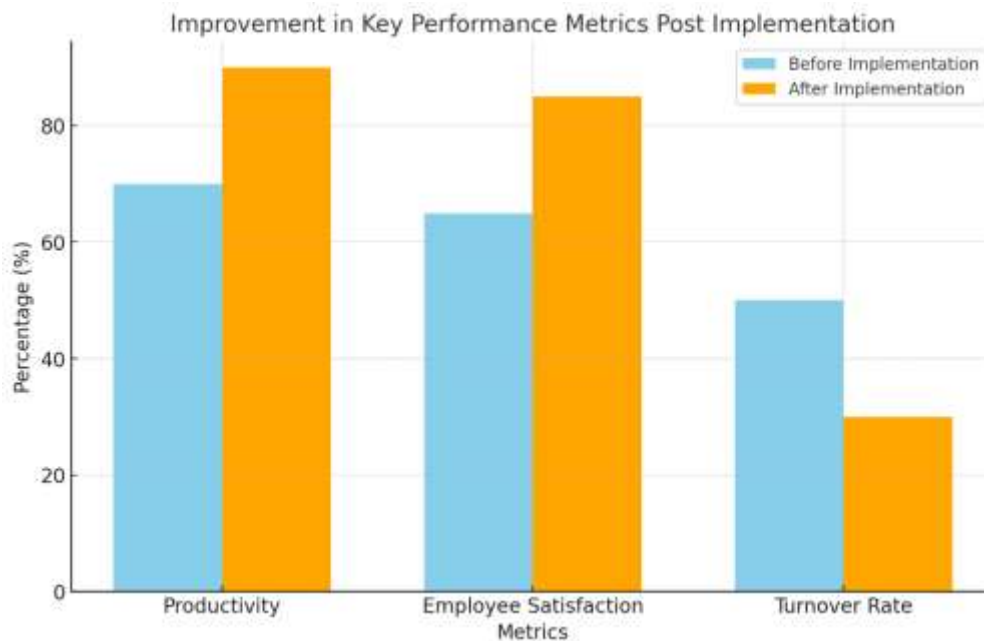
- Flexibility in the organization of your operations, translating it into the ability to modify your operations at the pace set by the market.
- Multifunctionality in workers: that is, linking the assignment process to work situations in a dynamic way where behaviour must be deployed in the organization based on changing objectives.

#### Performance Evaluation in the Human Resources Management Model by Competencies

The information contained in a resume is increasingly just a starting point in the human resources selection process. Evaluating the deeper attitudes of those who show higher levels of excellence in their position serves as a reference as much or more valuable than data on training and work experience. Competency management represents one of the most current, dynamic and comprehensive tools that allow obtaining a global vision of the requirements necessary to perform efficiently and successfully in a position, based on evaluating the performance of the "best in class" and thus establish measurably all the characteristics (intellectual, temperament and personality) that a candidate must have to ensure maximum performance in the execution of an activity, in addition to resizing the qualities sought in potential candidates to obtain a place, within the labour market.

Always in search of quality, management by competencies gives us the guideline to improve organizations by ensuring the achievement and performance of human resources, which, as we already know, constitute the fundamental basis for their satisfactory development towards success (Palombi, Nonino et al. 2024).

The Performance Evaluation model in Competency Management is a methodology that focuses its study on the content of jobs, if not on the investigation of the common characteristics of those who are doing it better; this means that the Evaluation or management of the performance constitutes one of the fundamental axes of applicability in the management of Human Resources in organizations. In this sense, according to Hay Group (1997), the Performance Evaluation process is an integrated planning cycle that involves definitions of responsibilities and determination at the beginning of the period of objectives and goals, along with advice through performance information and personal development. A performance review is a formal end-of-period performance evaluation conducted jointly by superiors and employees (Paijan and Hudaya, 2024).



From this context, it must be understood that Performance Evaluation in the world of competencies does not refer to a set of exams but is the basis for the certification of competencies and is carried out as a process to gather evidence of performance and knowledge of an individual concerning a standard of labour competence. This gives it a role as a very palpable diagnostic instrument for both the worker and the employer. In conclusion, when relating the Performance Evaluation by competencies with the rest of the evaluation models supported by other management schemes, it is inferred that coincidental elements are scarce, with a differentiating scheme prevailing that translates into the following characteristics: (see table ) (Paijan and Hudaya 2024).

Aspect	Competency Evaluation	Traditional Evaluation
Focus	Results of job performance	Effort and statistical comparison
Result	Competent or not yet competent	Punitive or Reward based
Staff Commitment	Increases with goal participation	Decreases due to supervisor bias
Communication	Improves with support from superiors	Vertical power relations hinder communication

From this perspective, it is evident that when relating the Competency Performance Evaluation with the rest of the approaches from its managerial and organizational perspective, a coincidental element is visualized, materialized in the actions of the worker whose factor constitutes the humanizing variable of work for the organization. Consequently, it is necessary to address their behaviour, specifically their interests, motivations and goals, to understand organizational behaviour and functioning as a whole; in this way, efficiency is combined with the satisfaction and personal growth of the worker, that is, an action-oriented towards the need for achievement (Paijan & Hudaya 2024).

Now, in correspondence with the previous thesis, it is maintained that every organization and, more specifically, Human Resources Management must reduce the dependence, subordination and submission of its members to make the most of human capacity. This provision shows the main differentiating axes between Evaluation by competence and the other evaluation models shown in the previous table. In such a way, the management factor of man towards man within the organization constitutes the principle that guides its operation by allowing the worker to decide for himself the best way to execute his functions. Hence, there is a need for the Evaluation not to be converted from a simple checker that the worker performs his task well to a measurer of the organizational climate and the possibilities of growth. In summary, the Competency Performance Evaluation approach consolidates the Management factor of Human Resources within a holistic conception that establishes the business philosophy in a model open to the needs of the worker and their potential and interests that are nothing more than the motivations of achievement, power and participation of Human Resources in this scenario of global and national competitive change of organizations (Pahuja, Mahlawat et al. 2024).

### The New Management of Human Resources in Organizations from the Context of Competencies

As the 21st century progresses, several economic and demographic trends are having a major impact on organizational culture. These new trends and dynamic changes make organizations and institutions, both



public and private, debate the urgent need to orient themselves towards technological advances. The facts have ceased to have only local relevance and have come to have the world as a reference. Countries and regions collapse when reference schemes become obsolete and lose validity in the face of new realities. From the most general perspective, globalization, economic openness, and competitiveness are new phenomena that organizations have to face. To the extent that competitiveness is a fundamental element in the success of any organization, managers or leaders will make more efforts to achieve high levels of productivity and efficiency (Pahuja, Mahlawat et al. 2024).

New growth trends have caused organizations to change traditional ways of seeing business. Macro perspectives should no longer be neglected, even by small companies. No matter how small or local your market is, your focus should be on a business whose competition or strategy must be global. Therefore, one of the rules of the game that must be considered to compete strategically in this globalized world must be the human factor, as expressed by Jarillo (1990). A real company is made up of people, each one with different functions and capabilities and the results of the company are nothing more than the result of the interaction of all those people. In this way, it is evident that the function of human resources management has acquired significant importance in the life of modern organizations with the application of new techniques, theories and principles that provide answers to human behaviour. That is why Villegas (1997:32) points out that today organizations show three groups of basic needs (Effendi, Tjahjono et al. 2024):

1. The need for a greater and more effective contribution to achieving the company's productivity goals.
2. The need for true managerial excellence that is capable of self-renewal within the dynamics of organizational functioning.
3. There is a need to assimilate drastic changes that are occurring in personnel administration and to plan better work relationships for the future.

These needs observed by Villegas must be satisfied by human resources management, where the organization has professionals who are capable of effectively executing the new roles that are emerging to make the organization and personnel better, faster and smarter. The competitive environment has made people management an essential element in the search for competitive advantage. For this reason, in an environment where technology is easily imitated, and capital is extremely mobile, the only source of competitive differentiation is human capital, which is why highly prepared, flexible and committed people are required for the company. But to achieve this, organizations are required to become more efficient in meeting the needs of their employees. This requires a new way of strategically managing human resources. According to Dolan, Shuler and Valle (2000:27), The element that currently most clearly distinguishes the strategic management of human resources is its direct link to business strategy (Effendi, Tjahjono et al. 2024).

That is why, through human development, both at a personal and team level, a superior culture is achieved in the company, which will result in economic, social and fulfilment benefits for all its members. Without a doubt, it is "wanting to the human being" in the new field of political, economic, commercial and social realities that characterize the 21st century, granting Human Resources Management new challenges and new competencies. Finally, the management of Human Resources through the strategic approach to competencies promotes with its results a new way of thinking and developing people in their function of the organizational and individual objectives of the workers. It means, then, that by creating these strategic provisions for the management area and intertwining them with the business strategy, the creation of a Human Resources unit is achieved that emphasizes that its workers become the main assets of the organization and are at its disposal. Time to the extent that those who contribute with their skills to the achievement of the mission, vision and organizational goals of future thinking in the globalized and competitive world (Alipichev, Kuznetsov et al. 2024).

## Conclusions

The documentary analysis developed in this research allows us to conclude: Today's organizations must elevate their management scheme on Human Resources, making it more effective in the face of changes, because it must be understood that the individuals who perform tasks in an organization establish principles and values that They must be shared with management for the sake of a common interest in achieving a business philosophy based on excellence. Organizations must have a scheme that integrates all organizational subsystems with the strategic guidelines of their processes to obtain the effective achievement of the proposed goals. This is why it is necessary to surface Performance Evaluation systems or methods linked to the Model. Management by Competencies that unite and are firmly attached to the performance that the worker obtains in their job because job performance influences the formation of an organizational learning flow. On the other hand, Performance Evaluation constitutes one of the Human Resources Management methods whose detailed knowledge is essential in today's competitive world since its systematic examination of the performance of workers in their jobs allows us to demonstrate capabilities, weaknesses and achievements that directly affect organizational productivity. The result obtained from this process allows the Human Resources Management and the organization to establish change strategies that will enable the development of learning that goes towards the objectives proposed to the worker (Abolitiņa, Lāma et al. 2024).

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