



Competency-Based Management in Business Context: A Qualitative Study on Pakistani Organizations

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ABSTRACT

In the present competitive business scenario, organizations have to focus on retaining talented employees and maximizing their competencies in order to be successful in the long run. Competency-based management (CBM) is important in maximizing employee performance, building commitment, and allowing organizations to respond to changes in the market. Not much research has been conducted on CBM in the Pakistani business environment. This paper discusses the meaning of competency-based management, the reasons behind it, its applicability in day-to-day human resource management, and avenues for future research. Organizations incorporate competency models into the most important HR activities like hiring, training, performance management, career planning, and compensation to enhance organizational effectiveness as well as employee development. Results indicate that CBM contributes to increased workforce competitiveness, increased productivity, better job satisfaction, and greater organizational flexibility. However, challenges such as lack of standardized models, resource constraints, and resistance to change hinder effective implementation. This study underscores the need for further research on CBM strategies in Pakistan, emphasizing the integration of digital tools and AI-driven assessments to enhance competency-based HR practices.

Introduction

Competency-based Management (CBM) processes are becoming increasingly important in today's competitive and global corporate environment. Globalization, individualization, digitalization, and increased competitiveness are transforming the sector. The goal is to continuously enhance employees' skills and competences for optimal long-term performance. Research suggests that treating employees as valuable contributors might increase retention rates. Organizations strive to retain employees by providing training, competitive salary, and increased benefits.

Background

Companies and industries have been selecting personnel using competency models for over 30 years. However, the application of competence techniques in education and training, worker development, and evaluation is relatively new (Ennis, 2008). Since the seminal work of David McClelland (1973), Richard Boyatzis (1982), Spencer and Spencer (1993), and several others, the competency movement has been used in the business sector (Ozcelik and Ferman 2006). According to Draganidis and Mentzas (2006), competence is the combination of actions, explicit and implicit knowledge, and skills that enable a person to do tasks successfully. HRM incorporates HR operations through the use of competency models. Byham (2006) states that competences act as a link between the majority of the subsystems that make up human resources. According to Donzelli et al. (2006), worker capacities may be enhanced and better outcomes can be obtained by connecting human resources procedures to desired competences. Organizations can also create ongoing snapshots of their workforce's knowledge and skills. According to Gangani et al. (2006), organizations may utilize this data for individual and organizational analysis, lower educational costs, enhance recruiting procedures, retention rates, human resource performance and development planning, and more effective use of human capital.

Competency

The word "competence" comes from the Latin word "competentia," which translates as "right to communicate" and "authorized to judge" (Caupin et al., 2006). Employing a competence based approach to HR management is nothing new. The ancient Romans used competency profiling to define what constituted "a decent Roman soldier" (Draganidis and Mentzas, 2006). "Competency" was defined by McClelland (1976) as the characteristics which result in outstanding achievement.

While working with the United States Information Agency to improve their selection procedures, he was identified by Draganidis and Mentzas (2006) with bringing the idea of "competence" into the human resource literature. Boyatzis (1982) defined competence as the basic personality characteristics of an individual that are causally linked to successful performance. It is typical to define competence notions using the KSA framework. In an area of expertise or profession, competence is the set of abilities, characteristics, and knowledge needed to carry out a task or activity correctly. (UNIDO, 2002).

Types of Competencies

Managerial Competence (Soft Competence): refers to the ability to effectively handle job-related duties and connect with others. Examples include problem-solving skills, effective communication, and leadership.

Functional Competency (Hard Competency) refers to the work's functional capacity. It mostly focusses with the technical aspects of the profession.

Example: market research and financial analysis.

Competency based Management (CBM)

By combining business planning with human resource planning, CBM enables organizations to assess how well they are doing now against what is required to achieve their objectives. The goals of human resource plans, strategies, and initiatives are to close gaps in career development, recruiting, learning, succession planning, and other areas. Additional procedures required for a competence based management system are outlined by Draganidis and Mentzas (2006), including:

- Competency identification. Identifying the competences required for successful performance.
- Competence model. An account of competencies tailored to a particular job type, professional group, department, division, or analytical unit.
- Competence evaluation. Evaluating a person's competencies against a competency model.
- Competence-based management. Effectively manage human resources to achieve organizational goals through a set of competences.
- Competency standards. Clearly outlines the necessary abilities and knowledge for workers to show proficiency in a certain work segment or function, as well as the performance levels required.

Motivating Factors for Implementing Competence-Based Management

The top justifications for introducing competencies to handle human resources, according to researchers, are: increasing organizational performance; increasing competitiveness; supporting cultural change; increasing the effectiveness of training and development; streamlining the recruitment and selection process; decreasing turnover; defining managerial and specialized roles; emphasizing business objectives more; and assisting in career and success.

The following additional business needs, according to Lucia and Lepsinger (1999), can also be satisfied by competency models: they provide clarity on job and work expectations; they aid in the formation of effective hiring practices; they enhance productivity; they aid in the creation of effective processes for 360-degree feedback; they serve as a tool for meeting both present and future needs; and they align behaviors with the organization's strategies and values. According to Draganidis and Mentzas (2009), there are a few primary reasons why businesses or business organizations have adopted a competence based approach:

- It provides the ability to identify the skills, dispositions, and knowledge needed to meet specific needs in accordance with the goals and objectives of the company;
- 2- Its primary goal is to close skill gaps that exist between individuals and groups within a chosen project, job function, or corporate strategy.

Competence application in HRM functions

Competencies have a significant role in all areas of personnel management applications, where they may be used. The following staff management applications prioritize competencies:

- **Selection:** For the first time, David McClelland used competency-based selection in the hiring process (Ozcelik & Ferman, 2006). Competencies are employed to align a candidate's skills with the demands of the available position; in the event that the most qualified individual is identified, competency gaps form the basis of a new hire onboarding program (Draganidis & Mentzas, 2006). The objective is to ascertain the "behaviors" necessary for a particular role and the extent to which different applicants demonstrate them (Rowe, 1995). According to Spencer et al. (1993), matching employee skills with work needs improves employee and organizational performance and increases employee satisfaction.

- **Training and Development:** The necessary capabilities may be found using competency gap analysis, and these abilities can then be connected to the corresponding learning materials (Draganidis & Mentzas, 2006). According to Greengard (2001), competency-based practices are used by certain organizations. Ford Financial, for instance, offers its employees access to a skill- and competency-based learning tool that allows them to read information on the qualifications required for various roles.
- **Performance Management:** Performance is now measured by "how" a person demonstrates their capabilities in addition to "what" (objectives) they accomplish on the job. Competency-based models are a common feature of employee development centres in many organisations. Identifying each person's skills and shortcomings can help with future growth planning. Darganidis and Mentzas (2006) state that goals and job competency criteria are taken into account while evaluating employee performance.
- **Compensation Management:** Competence based compensation measures the real competencies that employees demonstrate in the course of doing their tasks, which can assist organizations in determining compensation based on actual performance levels. A competence based system can also aid in the creation of a just and fair system by objectively evaluating the competences that influence a person's performance. Of all HRM techniques, competence-based management has been shown by the American Compensation Association to be the least prevalent implementation of the competency model (Ozcelik & Ferman, 2006).
- **Planning of Career:** McLagan asserts that the competence approach is a useful instrument for use as a standard for professional advancement. Employees can learn what they need for future growth by using competence based career planning systems, which connect skills with development programs (Ozcelik & Ferman, 2006). They can examine the abilities required for every profession, compare those competencies to their own, find possible places, and create career goals (Draganidis & Mentzas, 2006).

Competency-based HR administration is one outcome of competence based management. There are many benefits to using based on competencies human resource management for both employees and companies. According to Sparrow (1995), competence literature makes a wide variety of claims about advantages unique to HR procedures in businesses. In conclusion, these include better performance management procedures because of enhanced assessment; better career, organizational, and individual development programs; better recruiting and selection procedures by emphasizing necessary competencies; and, finally, better communication on HR and strategic matters by using a shared language. Cooper, Lawrence, Kierstead, Lynch, and Luce (1998) listed a few benefits that legitimate and trustworthy competency-based HR management models yield. These include creating competence profiles for jobs or roles and assigning individuals to tasks and duties; giving employers the opportunity to regularly review and improve competency profiles; assisting in the hiring, evaluation, and training of employees; and assisting companies in finding candidates with specialized skills that are costly and challenging to develop and assisting companies with the rating of competences for pay and performance management. Cook and Bernthal (1998) conducted research at Development Dimension International's HR Benchmark Group. The results indicated that performance improvements and financial gains could take place when competencies support even a small number of HR systems. As per Kumari and Sita's (2010) observations, companies have come to recognize the value of human capital and have begun utilizing the competence strategy to human resource management. The quality of human resources has improved consequently, and relationships between employers and workers have been enhanced. It has also led to a result-oriented approach, trust and learning generation, employee empowerment, analysis of requirements for training and development, employee rating, and greater productivity.

Objectives

1. To explore the concept and significance of competency-based management in business organizations.
2. To examine the role of competency-based management in enhancing employee performance and organizational success.
3. To identify challenges and opportunities in adopting competency-based management
4. To suggest future research directions for competency-based management in different organizations

Research Questions

1. How do organizations define and implement competency-based management?
2. What are the key motivations for adopting competency-based management in different organizations?
3. What challenges do organizations face while implementing competency-based management?
4. What are the prospects of competency-based management in the business context?

Research Methodology

This study employs a qualitative exploratory research design to examine the implementation and impact of competency-based management in Pakistani organizations. The research explores how competency frameworks are utilized in HR processes and their role in enhancing employee and organizational performance. A qualitative approach allows for an in-depth understanding of organizational practices, challenges, and opportunities related to competency-based management in Pakistan's business environment.

Population

The population for this study comprised of Pakistani organizations that have adopted competency-based management strategies. This includes businesses from diverse industries such as manufacturing, banking, IT, healthcare, and education, where competency frameworks are integrated into HR functions like recruitment, training, performance management, and career development. The key participants of the study included HR professionals, senior executives, and employees involved in competency-based HR practices.

Sample and Sampling Technique

A purposive sampling technique is used to select organizations and participants with experience in competency-based management. The study focused on 10 different organizations. Within each organization, HR managers, senior executives, and employees were selected based on their direct involvement with competency-based HR policies and practices. 33 interviews were conducted, and 30 interviews responses were selected to be analyzed for this study.

Data Collection

The data collection process involves conducting semi-structured interviews with the participants after obtaining necessary permissions from the relevant authorities. Each interview lasted for approximately 30–40 minutes, with the researcher briefing participants on the study's purpose and confidentiality. Interviews were conducted in person or online, ensuring participant convenience.

Data Analysis

The data is analyzed using thematic analysis, where key themes and patterns are identified through systematic coding. A comparative analysis across different industries is conducted to examine variations in competency-based management practices, common challenges, and successful strategies. The findings offers a comprehensive understanding of how Pakistani organizations implement competency-based management and its role in improving business performance in a competitive market.

Findings

The results show that competency-based management is being increasingly implemented in Pakistani organizations as an instrument of strategic management to boost employee and organizational performance. Major takeaways are showcased below.

Sr	Themes	Findings
1.	Implementation Strategies	Organizations incorporate competency frameworks in HR functions such as recruitment, training, performance management, and career development. However, implementation levels differ across industries.
2.	Impact on Employee Performance	Competency-based management enhances skill development, job satisfaction, and employee engagement, resulting in improved performance and career growth.
3.	Challenges in Adoption	Organizations face barriers such as lack of standardized competency models, resistance to change, limited awareness, and resource constraints when implementing competency-based HR practices.
4.	Organizational Benefits	Companies utilizing competency-based management report higher productivity, improved work quality, and better adaptability to industry changes.
5.	Future Directions	Organizations recognize the need for digital tools, AI-driven competency assessments, and customized competency frameworks to optimize HR processes.

Conclusion:

The literature review emphasizes that competency-based management (CBM) is becoming a critical approach to increasing employee productivity, allowing organizations to achieve a competitive advantage and maintain growth in the contemporary business environment. The incorporation of competency-based models in human resource (HR) activities like recruitment, training, performance management, and career development has greatly helped in enhancing individual and organizational performance (Boyatzis, 2008).

Organizations that use CBM find employees more involved, satisfied at work, and more skilled in the long term, ultimately generating improved work quality and greater market change adaptability (Spencer & Spencer, 1993). Despite its potential benefits, issues like lack of competency standard frameworks, people's resistance to change, and insufficient resources become barriers to efficiently applying CBM in certain firms (Dubois & Rothwell, 2004). Notwithstanding these difficulties, the increasing demand for digitalization and AI-based competency measurement creates new possibilities to improve CBM in HR practices (Cheng & Dainty, 2005).

In Pakistani organizations, CBM is in its nascent stage of adoption with differences in implementation across industries. To realize its full potential, increased awareness, standardization of competency models, and integration with technology are required. Future studies must investigate sector-specific competency frameworks and evaluate the long-term effect of CBM on workforce development and business sustainability.

Recommendations

The research emphasizes the increasing significance of competency-based management (CBM) in Pakistani organizations, but its application is inconsistent across sectors. To further improve the efficiency of CBM, the following suggestions are put forward:

- 1-Organizations should create industry-based competency models for ensuring consistency in HR practices and effective implementation. Coordination with policymakers and industry leaders can enable the development of standardized frameworks.
- HR professionals and managers should undergo structured training programs on competency-based management to ensure proper application in recruitment, performance evaluation, and career development.
- 2-Businesses can utilize digital technology and AI-based competency assessments to automate competency mapping, performance monitoring, and staff development. This will enhance efficiency and responsiveness to market fluctuations.
- 3-Organizations must recognize and overcome obstacles like resistance to change, lack of awareness, and resource scarcity. Changing management efforts and employee participation programs can enable easier adoption.
- 4-Future research needs to investigate the long-term effects of CBM on job performance, employee retention, and organizational success in various industries. Industry-specific research will give better insights into how CBM can be customized according to industry requirements.

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