

Individual Competency Study in the Evolution of Human Resource Management Theory and Its Relation to Organizational Competency

Jeni Wulandari¹, Sam'un Jaja Raharja², Heru Nurasa³, Herwan Abdul Muhyi⁴

¹Postgraduate Student in Business Administration Department,
Padjadjaran University, Bandung, Indonesia
jeni.wulandari@gmail.com

²Business Administration Department, Padjadjaran University,
Bandung, Indonesia
harja_63@yahoo.com

³Public Administration Department, Padjadjaran University
Bandung, Indonesia
hnurasa@yahoo.com

⁴ Business Administration Department, Padjadjaran University
Bandung, Indonesia
herwan.abdul.muhyi@unpad.ac.id

Abstract

The purpose of this study is to assess individual competency in the evolution of HR management theory and its relation in building organizational competency. The study was conducted by reviewing the relevant literature and identifying the relevance of individual competencies in the perspective of HR management with organizational competency as the basis of competitive advantage in the Resource Base View approach. The results of the study indicate a linkage between individual competency and organizational competency. Superior individual competency gives the company the ability to generate and act on knowledge of competitor actions and reactions that will help build a competitive advantage. Thus the competency of qualified individuals can be a valuable, scarce, inimitable and non-replaceable organizational competency. This study provides an overview of the importance of managing individual competencies within the organization, particularly its role in building competitive advantage, as well as providing further support and expansion in competency studies.

Keywords: Human Resources Management, Competency, Competitive Advantage, Resource Based-View

1. INTRODUCTION

Competency-based Human Resource management is a concept that emerges as a shift in view of changing demands, in which work-based HR management cannot meet the needs in the pace of change (Dubois & Rothwell, 2004:34). Yet, in the evolutionary development of HR management theory, there are different perspectives on competencies that are affected by the suitability and strategic integration of organizational management. Competencies in the HR management literature are seen as individual characteristic that is shown to lead to superior performance, including visible knowledge and skills competencies, and the underlying elements of competency, such as traits and motives (White, 1959; McClelland, 1973; Boyatzis, 1982; Spencer & Spencer, 1993; Hartle, 1995; Carroll & McCrackin, 1998; Kormanik, *et al.*, 2009; Martina, *et al.*, 2012; Suh *et al.*, 2012; Trivellas & Drimoussis, 2013; Szczepanska-Woszczyna & Dacko-Pikiewicz, 2014).

Meanwhile, competency develops also in a strategic management perspective (Resource Based-View) as the core organizational competency that is an internal resource used to achieve competitive (Prahalad & Hamel, 1990; Ulrich & Lake, 1991; Gallon, *et al.*, 1995; Wright, *et al.*, 1996; Coyne, *et al.*, 1997; Rothwell & Lindholm, 1999; Delamare & Winterton, 2005; Hoge, *et al.*, 2005; Pearce & Robinson, 2013; Jabbouri & Zahari, 2014). Both of these perspectives raise the epistemological question that underlies the emergence of competency as a scientific study. Therefore, the review of the existing literature examines these two competency perspectives stemming from the evolution of management theories, along with an overview of competency-based Human Resource management theory and its relevance to organizational competency as a basis for competitive advantage in Resource Base-View approach.

2. EVOLUTION OF THEORY OF HUMAN RESOURCE MANAGEMENT IN MANAGEMENT THEORY

Theory of HR management has evolved from general management theory, where the development and progress of general management theory from the period 1900 to 2000 had spelled out the dynamics in management theory that is responsive and adaptive to the needs of the external and internal environment that developed in the organization. There are several approaches and perspectives in the development of management theory as found in the management theory diagram (Figure 1), namely: a) Classical approach, b) human resource approach, c) quantitative approach, d) perspective system, e) contingency approach, f) approach to information technology (Raduan, *et al.*, 2009:403).

The management theory diagram illustrates the evolution of management thinking and practice by linking and demonstrating the interaction of approaches to relevant management theories. This diagram is dynamic, although the approach shown as an improvement in management thinking (illustrated by a strict line), management theory interaction and linkage (illustrated by dotted line connectors) form chronological order, and their interrelationships are formed by environmental needs and structural relativity and operational requirements relating to the direction and practice of the organization (DuBrin, 2006; Raduan, *et al.*, 2009).

The diagram also illustrates the emergence of HR management theory that not only stood in the early period of HR approach, but then has evolved in the system perspective as part of strategy management in achieving competitive advantage. The evolution and development of HR management has been and is still influenced primarily by the environment in seeking knowledge of the best ways to acquire and use labor (Itika, 2011: 1).

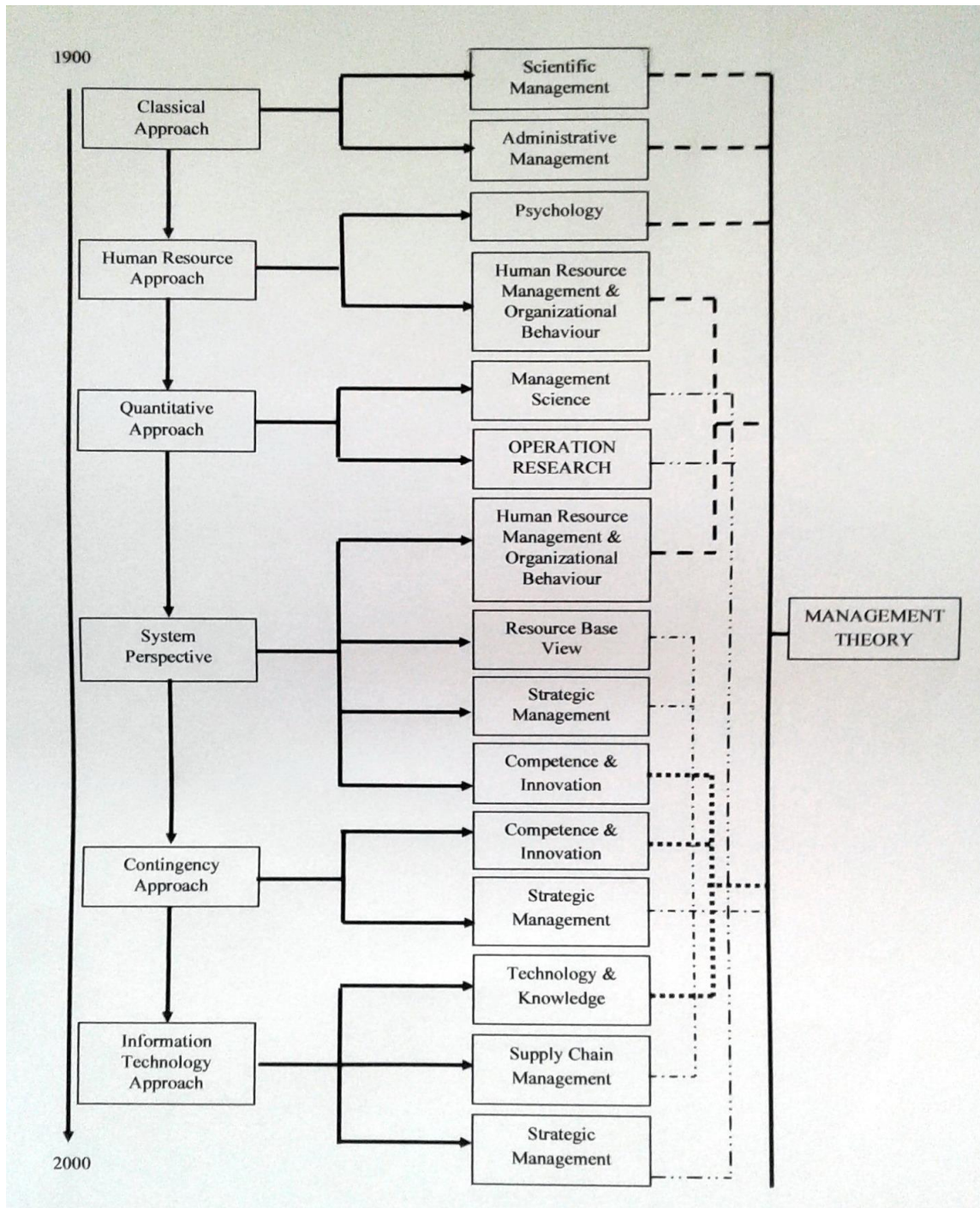


Figure 1. Diagram of Management Theory

(Source: Adapted from DuBrin, 2006)

Evolutionary documentation as well as the development of human resource management and practice can be traced backwards during the European economic boom of the 1900s. This economic boom had created the necessary environments to think more seriously regarding effective management roles in the emergence of the labor market. Human Resource Management was originally known as the welfare officer in the 1900s (Itika, 2011: 12). Welfare officers were employed to safeguard the welfare of workers, especially

women and children. The role of the welfare officer was then expanded by becoming a personnel administrator in the 1920s and 1930s (Coyle-Shapiro, *et al.*, 2013:12). In this case, the company employs a workforce manager to handle salaries, attendance, recruitment, and dismissal of workers.

This raises the distinction between administrators and managers, where previous forms appear to be more dealing with routine activities, then eventually dealing with strategic issues (Itika, 2011:12). This difference led to the emergence of personnel management as a mature professional discipline in 1940 to 1960. Personnel management refers to a set of functions or activities (such as recruitment, selection, training, payroll administration, industrial relations) which are often done effectively but have little relation to various activities other or on the organization's overall objectives (Tubey, *et al.*, 2015:139). This raised the view that personnel management has only a partial role in organizational management, especially roles at the operational level. While issues concerning organizational management within an organization should be considered from a strategic perspective (Keenan, 2015: 4).

This view led to the emergence of redefinition of personnel management with the concept of human resources during the 1970s and 1980s, although the debate on the differences between the two concepts continues (Itika, 2011:12). Until 1990, the concept of personnel management evolved into human resource management. The rise in popularity of HR management can be seen as a great response to the need for a more comprehensive approach to all aspects of organizational management (Keenan, 2015:4). Until 2000, the exploration of the concept of human resource management then focused on strategic conformity and integration so that it was more commonly known as strategic human resources management (Itika, 2011; Coyle-Shapiro, *et al.*, 2013; Tubey *et al.*, 2015). Transitioning traditional HR management into a strategic human resource management builds a "bridge" between business strategy and HR management. Strategic human resource management links the management and development of individuals with the overall business organization and environment (Qadeer & Hussain, 2016).

3. COMPETENCY BASED HUMAN RESOURCE MANAGEMENT

Competency-based HR management is a people management approach within the organization through competency as the basis of the overall HR management function. Competency controls recruitment, selection, placement, orientation, training, performance management, and rewards for employees. The existence of all aspects of integrated human resource management through competency, compared to previous work-oriented or work activities, making the organization shifted to the ownership of competency-based HR systems (Dubois & Rothwell, 2004:34). Competency assisting forward-looking human resource decisions, by explaining the knowledge, skills and behavior required in the future and as a foundation for building a process of selection, training, professional development, performance appraisal and succession planning (Stone & Bieber 1997). The use of competency arises because it allows the HR management system to concentrate on factors that contribute directly to the success of the organization. Practices identify, define, and apply competencies, help employees understand areas where their efforts will improve their performance, and ultimately help the whole organization (Dubois and Rothwell, 2004:36)

The emergence of the term "competency" can be traced back to the time limitation of personnel management as a discipline and profession of people management during the late 1960s and 1970s. The evolution of human resource management in 1980 then has adapted and developed the concept of competency in human resource management in a more professional manner (Itika, 2011:164). Competency is studied scientifically in literature written by White (1959), which identifies human nature as competency (Dubois & Rothwell, 2004:17). McClelland (1973) further crystallizes the concept of competency measurement based on critical incident testing associated with performance. In his article, McClelland points out that test on behavioral traits and characteristics are more effective than talent in determining performance success. They become the distinction between superior and average performers (Itika, 2011:165). Therefore, even though competency is identified as recognized skills in leadership behavior research, however, for a long time, competency is considered to be in a secondary position in relation to personality traits (Szczepanska-Woszczyna & Dacko-Pikiewicz, 2014:268).

Mirabile (1997) describes competency as "a collection of interrelated knowledge, skills and abilities and other attributes associated with high performance in a job". In addition to being associated with superior performance achievement, competency is also the measurable quality required to achieve strategic goals in many organizations, today and in the future (Ey, 2006:5). It directs competency into three phases of

development: The first phase, individual competency; The second phase, based on competency management within an organization through the competency model, and the third phase is identifying the core competencies of the organization (Martina *et al.*, 2012:131). This phase of development then raises two perspectives in the concept of competency, where competency can be interpreted as organizational competency and individual competency.

4. LINKAGE OF INDIVIDUAL COMPETENCY TO ORGANIZATIONAL COMPETENCY

Organizational competency became a dominating topic in the strategy management literatures in 1990. Organizational competency emphasizes core competency as a key source of exploitable organizations to produce competitive advantage (Delamare & Winterton, 2005:27). This concept evolves from a Resource-Based View (RBV) theory that sustainable competitive advantage comes from the company's internal resources, which are value-added, unique or scarce resources, difficult for competitors to imitate and irreplaceable (Teece, *et al.*, 1997:514).

Meanwhile, individual competency is part of the human resources management literature, focusing on developing the general competencies required in each job or role that can be transferred to each individual within the organization (Delamare & Winterton, 2005:28). Individual competency reveals what people can do, this competency reveals why a person behaves in certain ways (Boyatzis, 1982:16). Therefore, competency in human resource management is often directed as behavioral competency, as they are intended to illustrate how people behave when they complete their work (Szczepanska-Woszczyzna & Dacko-Pikiewicz, 2014:268).

However, these two competencies cannot be seen as separate, since competency is a way to integrate human resource strategies with business strategies so as to add value to performance for the organization (Dubois & Rothwell, 2004:35). Johnson & Huff (1998) argue that competency at the organizational level cannot be understood without initial understanding on competencies at the individual level. As in the context of organizational learning, the organization only learns through the learning individual. Individual learning does not guarantee organizational learning, yet without individual learning, there is no organizational learning (Senge, 1990). Then, to build the competency of the organization as a competitive advantage is cannot be separated from the development of individual competencies in it. Superior individual competency can give the company the ability to generate and act on knowledge of competitor actions and reactions that will help build a competitive advantage (Memon, *et al.*, 2009; Noerchoidah & Eliyana, 2015).

Conversely, organizational competency can also affect the development of individual competencies through the management of competency models within the organization. "If top management (with the help of division and unit managers) has identified the core competencies of the organization as a whole, that competency will require the company to identify projects and people closely connected to them. The executor of the company will direct the site audit, the number and quality of the person who embodies that competency" (Prahalad & Hamel, 1990:89). This suggests an alignment, a term used to describe how competency relates to where the organization will be (strategic objectives) and talents needed to achieve it (individual expertise) (Hijazeh, 2011:28). The use of competency models within organizations is a tool to identify what is needed now and in the future (Ey, 2006; Kormanik, 2009; Hijazeh, 2011). Competency helps the HR system to focus on developing employee behavior and the quality of work that supports the organization's mission, values and strategic goals (Dubois & Rothwell, 2004, Sanghi, 2007; Hijazeh, 2011; Qadeer & Hussain, 2016).

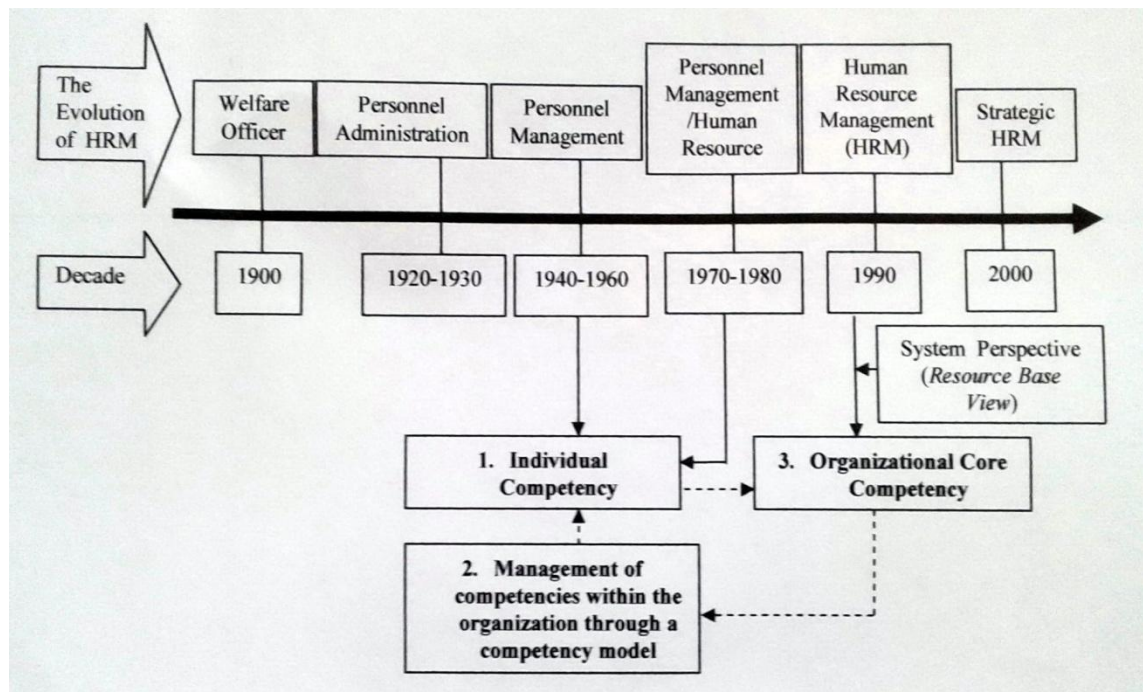


Figure 2. The Linkage of Evolution of Theory of Human Resource Management to Competency Development Phase

(Source: Itika, 2011; Martina, *et al.*, 2012, with modifications)

Based on that view, there is a link between individual competency and organizational competency as the basis of competitive advantage in the RBV approach. In essence, people are key organizational resources, and organizational performance is broadly dependent on its human resources (Armstrong, 2006; Hoge, *et al.*, 2005). Therefore, human resource management that is qualified and capable of developing superior individual competencies can be a source of competitive advantage for organizations, as it brings together valuable, rare, inimitable and irreplaceable human resource criteria. This is in line with the RBV's perspective in viewing human resources as the organizational resources that most imitators cannot imitate, and can be a source of sustainable competitive advantage (Prahalad & Hamel, 1990; Cummings & Marcus, 1994; Pfeffer, 1994; Memon, *et al.*, 2009; Pe'er, 2016). Human resources is the main and only differentiator between two similar organizations in their ability to attract, develop and maintain high performing employees (Bandyopadhyay, 2010). Conceptually, Figure 2 shows the relevance of individual competency in the evolution of HR management theory with organizational competency in the perspective of RBV theory through the management of competency models within the organization.

5. CONCLUSION

The theory of HR management has evolved and is still affected primarily by the environment in seeking knowledge of the best ways to acquire and use labor. The emergence of competency-based HR management is a shift in view of changing demands, where HR management not only deals at the operational level, but also as a strategic partner in achieving an organization's competitive advantage. The use of competency arises since it allows the HR management system to concentrate on factors that contribute directly to the success of the organization. Superior individual competency gives the company the ability to generate and act on knowledge of competitor actions and reactions that will help build a competitive advantage. Hence, the competency of the employees will be a competitive advantage for the organization and become the organizational resources that most imitators cannot imitate as the main basis of the RBV approach.

This study contributes in understanding the competency of the two theoretical perspectives that are influenced by the evolutionary development of management theory, and establishing the interrelationship

between the two competency perspectives as the theoretical basis for empirical competency review. The study can also encourage organizations to invest in developing individual competencies that are synergistic with long-term business strategies, so that HR becomes an internal resource that builds sustainable organizational competitive advantage.

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