

Human Resources Strategy to Improve HR Competencies

Maria Salmina
School of Management
University of Lincoln, UK
management01@lincoln.ac.uk

Anton Yu Ding
Hong Kong Baptist University / 224
Waterloo Road, Kowloon Tong, Hong
Kong SAR, China

Markus Yu
City University of Hong Kong
Hong Kong University of Science and
Technology
Chilin (HK) Ltd

Revised : February 11, 2020

Accepted : March 12, 2021

Abstract

A good organization need to make breakthroughs to create a competitive advantage. In order to have a competitive advantage, the organizations need to be supported by competent resources. The purpose of this study is to identify the standard employee competencies to drive organizational competitive advantage. The research method in this research uses descriptive narrative method. The results of this study indicate that human resources as a source of competitive advantage can be used to build organizational competency. Building competencies through HR can be done by using and developing managerial competencies, input-based acquisition and mobilization, developing and using, developing and exploiting output-based competencies. HR competencies, which are in line with the core competencies of the organization, constitute value for the creation of a company's competitive advantage. Its ability to make the company's final product more qualified. The competency development of every employee depends on the company's goals and prerequisites for success. Personal competency, however, is what makes a company competency in the first place.

Keyword: strategic human resource management, competitive advantage, competency

1. Introduction

The era of globalization is marked by fast change of competition and information flow. This causes companies to understand and develop reliable competencies to be able to compete in a competitive business environment (Lau et al., 2001). One of the competencies in company activities and fundamentals is employee competency (Gangani et al., 2006). The employee competency is a differentiating factor for companies to get adequate position in the long term competition (Cardy and Selvarajan, 2006).

To carry out the process of change through innovation and to achieve competitive advantage, the company has sources of competitive advantage which include physical resources, financial resources, organizational process structures and systems, and human resources (HR) (Bartlett and Ghoshal, 2002). However, HR is a source of competitive advantage because the management of other sources of excellence automatically requires the handling of existing human resources. The involvement of HR is crucial to the success of the organizational change process because HR is an important subject that will carry out the change process from the results and processes of planned change (Moran and Brightman, 2000).

Improvement or empowerment of human resources in a company continues to be carried out through programs such as training and development of employees (training and development), assessments, and installation of the Human Resources Information System program (Fernández et al., 2003). However, it is often felt that they have not provided optimal results for empowerment and development of the quality of human resources themselves (Mathauer and Imhoff, 2006). This is because improvements or empowerment in the field of human resources are often carried out without being based on a strategic grand scenario.

One approach in HR Management is to use Competency Based Human Resources Management (CBHRM). This concept was first introduced by Prof. Dr. David McClelland in the United States about 33 years ago. Competency-Based Human Resources Management (CBHRM) is a pattern of approach in

building a reliable human resource management system by utilizing competency as the central point (Suwarsi et al., 2014).

All organizations have a need to determine who employees will be selected, promoted, and developed. To make a decision, an organization needs to assess it by assessing its current performance and assessing its potential in the future, because a person's potential that can be explored properly will provide added value to the company. CBHRM training at this level focuses on managing employee performance, starting from potential analysis, to development on a competency basis that can be applied to work units of each department (Stern, 2010).

Competency in question is a concept that can be interpreted as a combination of skills, personal attributes, and knowledge reflected in job behavior, which can be observed, measured and evaluated (Winterton et al., 2006). This is intended so that companies can improve the effectiveness and consistency of selection, promotion, compensation, performance appraisal, education and training, career planning, performance management and strategic planning policies in the field of human resources to the most optimum point (Ates et al., 2013). The ultimate goal of CBHRM is to provide results in accordance with the goals and objectives of the organization or company with predetermined performance standards.

The importance of the individual in the organization cannot be overemphasized because people plan, design, implement, support, and possibly end the life of the organization. Human resources often mention the characteristics and abilities that individuals bring to the organization such as loyalty (Barney and Wright, 1998). As such, their contribution to the organization is highly unpredictable, unique and has the possibility of advancing growth. Despite the fact that human resource management is now largely synonymous with what was once described as personnel management (which can be considered another name for it), therefore human resource management is credited with affirming the importance of treating people as the primary resource. This resource management gets the attention of top managers, because people are part of the strategic planning of the institution, which leads to HRM giving more attention in the organization (Armstrong, 2010).

This study provides an avenue to resolve difficulties in identifying the standard employee competencies and its linkage of competency and productivity. In addition, we want to know how competitive advantage can be shaped by competency-based strategy. Therefore, the results of this study are expected to be able to formulate a new model as an integrated strategy and main agenda of the company.

2. Definition and Theory Synthesis

2.1. CB-HRM

CB-HRM integrates all organizational functions into one form of operational control. CB-HRM is more oriented towards unique abilities and skills (Lišková and Tomšík, P. (2013). This is said to be unique because the entire management of the organization is mobilized through distinctive expertise to achieve competitive advantage that can differentiate the strategic value of the organization from that of competitors (Kochanski and Ruse, 1996).

The essence of the CB-HRM concept is strategic value driven. The aspect of personal qualities is a special concern in its management, in addition to attention to skills and knowledge. Thus, the CB-HRM approach is based on the needs of organizations in managing HR based on performance as part of employee competencies. This is related to one of the goals of the organization, namely that there is a good alignment between the strategy and goals of the organization with the specific skills of employees (Schneider et al., 2002).

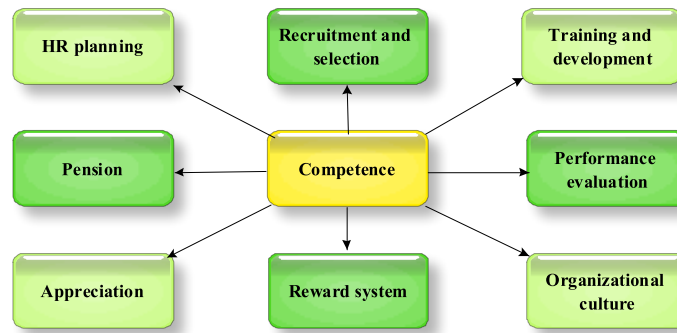


Fig 1. Integration of Competency with HR Functions

2.2. Competency and Organizational Change

Competency is a characteristic that the individual has the ability and is used in a consistent manner accordingly to achieve the desired performance. These characteristics include knowledge, skills, and aspects of self-image, social motives, traits, patterns of thought and thinking, feelings, and implementation (Dubois and Rothwell, 2004). According to Moore et al., (2002) competency is a process that refers to various skills that must be performed and behaviors that must be applied in competent performance.

There are five characteristics in competency, namely: (1) Motives are things in a person who constantly thinks about desires and what causes actions. Motives can be direct or selective behavior towards certain actions or goals and away from others. (2) Traits are physical characteristics and consistent responses to situations or information. (3) Self-image is an attitude towards values or self-image. (4) Knowledge (Knowledge) is a person's information in a certain field. (5) Skill is the ability to perform certain physical or mental tasks (Crawford, 2005).

Skill and Knowledge competencies tend to be more real (Visible) and relatively on the surface (tip) as characteristics possessed by humans (Garavan and McGuire, 2001). Social roles and self-images tend to be less visible and can be controlled by external behavior. Meanwhile, traits and motivations lie deeper in the central point of personality. Competency knowledge and expertise are relatively easy to develop through training programs to improve human resource capabilities (Kamoche, 1996). Competency and trait motives (traits) reside in a person's personality so that it is quite difficult to assess and develop. One of the most effective ways is to select these characteristics in the selection process. Self-concept and social roles lie between the two and can be changed through training.

3. Method

This research uses descriptive narrative method. According to Koh and Owen, (2000) descriptive research is research conducted to determine the value of the independent variable, either one or more (independent) variables without making comparisons or connecting with other variables. This research article will refer to a number of theories to discuss and analyze according to research problems. The theories used relate to the competencies needed by organizations to sustainably plan human resource development as a long-term asset of the organization. Competency is something that must be possessed by all members of the organization to achieve short-term and long-term goals. The research data consists of secondary data and literature that supports the research topic. Documents obtained include notes, transcripts, books, mass media news, and so on. Data analysis was carried out in an interpretive manner in which data obtained from various documents and literature were searched for the relationship and then made conclusions.

4. Discussion

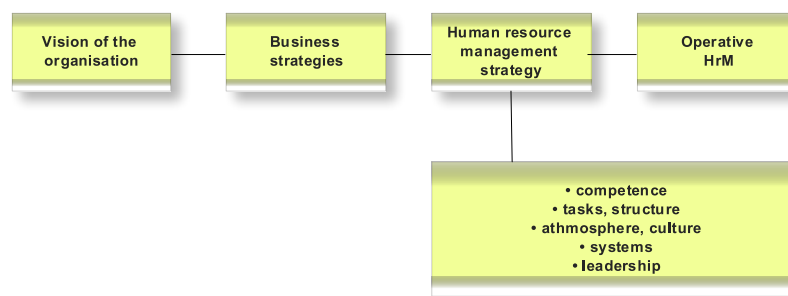
The continuous implementation of CB-HRM also allows the development of human resources to stay in line with the organization's business processes. This happens because what is done through the HR development program is in line with what is the organizational strategy (Lawler and, 2003). Through CB-HRM, HR competencies can be identified explanatively, and gaps can be eliminated.

CB-HRM is built on a foundation of competencies which is the core of the company's competitive advantage. Therefore, it is mandatory for companies to be able to identify what their advantages are and what is the essence of these advantages. That way, the company will become more focused on the programs that must be implemented. Its focus is in line with what is the essence of these advantages.

The origin of competency and its storage as capital has been approached by means of several concepts. Employee competency is often discussed in terms of human capital and intellectual capital (Chen et al., 2004). Human capital refers to the ability of organizational members to work and develop their activities (Dakhli and De Clercq, 2004), whereas intellectual capital refers to human capital plus items such as structural and social capital. Organizational competency which includes information systems, innovation, R&D activities, corporate culture and client affairs, among others, is built with human resources (Jarvenpaa and Leidner, 1998). This usually includes employee knowledge and competencies.

In the following, we describe various approaches to competency management. Research and debate on knowledge management have run parallel to this approach. In contrast to competency management, however, knowledge management is more technical in nature and answers questions about how IT systems can support the acquisition, processing and dissemination of information within the company.

It wasn't until 1978 that writers and managers began to consider competencies and capabilities as integral components of strategy. Hofer and Schendel use the term as an alternative way of referring to the application of resources and clearly understand it as a specific way of creating competitive advantage: "We have included the application of resources (distinct competencies) as a component of strategy, because it is clear that there is no action or attainment of goals can occur unless some basic skills are created and resources are acquired and used in ways that cannot be easily duplicated by others. Second, the application of resources and competitive advantage is not only a very fundamental aspect of strategy, but also perhaps more important than coverage in determining success (Chrisman et al., 1988)."



Picture. 2. Vision and strategies provide direction for human resource management (Viitala, 2005).

The human resource strategy is supported by a staffing policy that establishes the principles of action and operational responsibility under which human resource management is carried out. It describes and states the grand rule by which all human resource actions are coordinated to achieve consistency and alignment with business strategy (Viitala, 2005). The personnel policy answers questions such as 1) what personnel are needed (number, structure, education, competency), 2) how employees will be recruited, 3) how employee competencies will be maintained and developed, 4) how personnel will be rewarded (salary and reward system), 5) how personnel will be supervised and supported, and 6) how outsourcing will be

managed. In general, we can say that the policy will last a long time if human resource issues play a key role in strategy implementation.

This capability enables HR practitioners to accomplish their job duties, and to connect and coordinate with top management and other line functions (Long & Ismail, 2011). They not only help develop and implement HR strategies that increase value for the company, they also play an important role in the business strategy-making process (Dutton & Ashford, 1993). For example, with high competency in HRM, HR practitioners can persuade top management to pay attention to some critical HR issues, provide valued information and vision about HR-related business issues, and work carefully with line managers to solve workforce problems (Wei & Lau, 2005). They also assist in developing explicit human resources and generating tacit organizational knowledge. In short, HRM competencies can increase organizational efficiency (Long & Ismail, 2011).

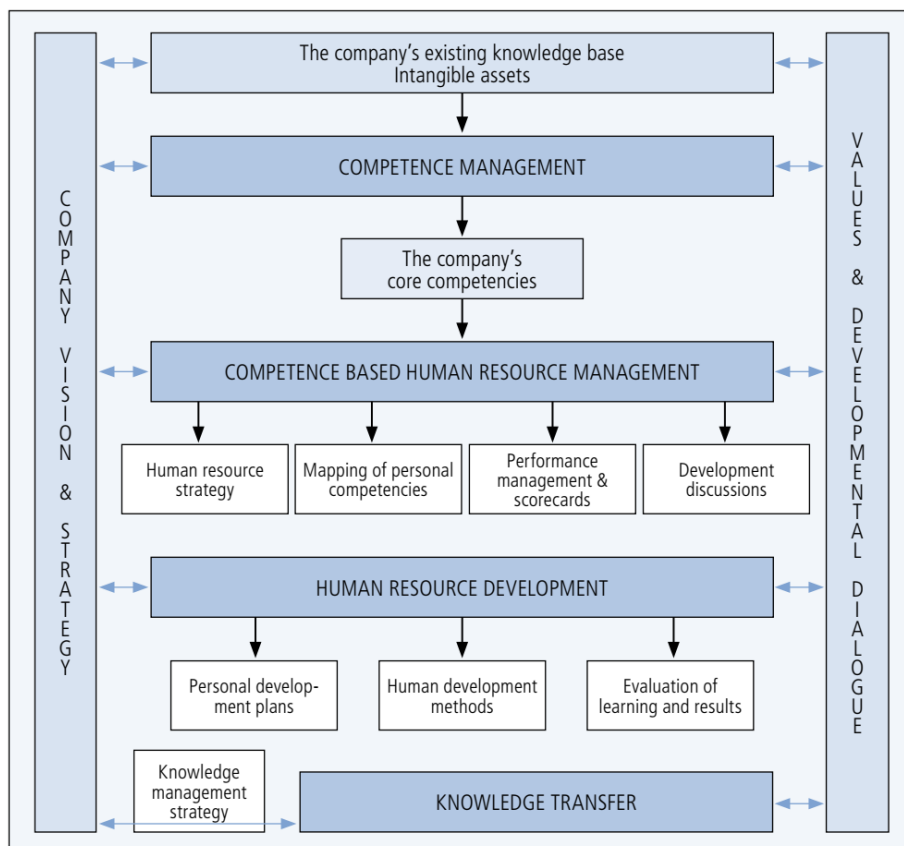


Figure 3. An integrated system for competency management and human resource development

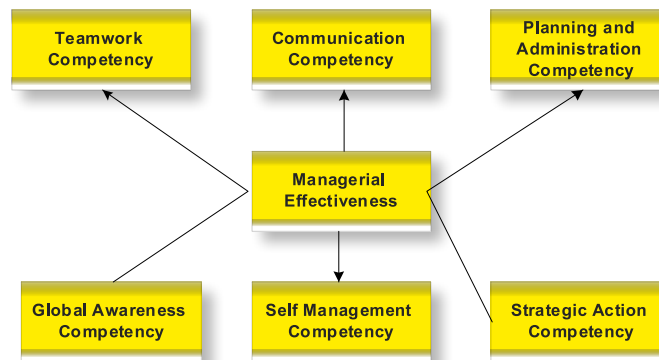
Competency which is sometimes considered existence shows the situation and context in which the achievement may be different when someone has to act. In distress, competent individuals can react to situations following behaviors they previously found successful. To be competent, one must be able to understand the situation in context and have a set of possible actions and be qualified in the possible actions in the repertoire, if these are relevant. Regardless of training, competency will grow through individual skills and levels to learn and adapt (Raven & Stephenson, 2001). According to Gangani, McLean & Braden (2006) a competency can be defined in terms of groups; competencies and definitions; and well-established behavior. The concept of competency is also related to various activities related to

human resources - competency-based performance management, competency-based methods for developing people, and competency-based approaches to developing organizations.

There are two challenges faced by business organizations in an effort to create competitive advantage through HR competencies (Kazlauskaitė & Bučiūnienė, 2008), namely, competencies must work with a business strategy and competencies need to be created. There are five ways to create competencies, namely: (1) Buy. This method is done by replacing the old human resources with new ones, which have better quality. (2) Build. Investments are made in human resources to improve the quality of human resources for the better. (3) Borrow. Seek out HR who is able to provide ideas or ideas, frameworks, and tools to make the organization more competitive. (4) Bounce. Removing human resources who fail to perform tasks. (5) Bind. Bonding employees. If the organization does not apply this method, even though it has implemented buy and build, it will create intellectual capital for competitors.

4.1. Some Views About Competitive Advantage And Human Resources

Changes in the business environment as indicated by developments in communication technology and information technology are the main challenges faced by HR today (Lyytinen and Rose, 2003). The rapid advancement in technology that creates difficulties in the company's operational activities causes a workforce with low potential to be unable to compete because with technological developments, companies no longer need blue collar labor but workers who are capable of mastering existing technological developments and have managerial talent.



Source: Whitford & Coetsee, (2006).

In other words, the company will need higher competency quality human resources. The human resources needed must have a good supporting profile in terms of thinking skills, ability to analyze problems. the ability to get data using information, have initiative, the ability to make decisions, plan, the ability to communicate with other people and groups, and the ability to evaluate the performance of lain Craig and Campbell, (2012) provides a specific definition of HR, in his book *The Business Environment*, he states that "the term human resources supply refers to managers mid employee within a business, and implies that they are viewed as resources in much the same way as finance, land, and equipment are, to be moved into, about and out of a concern as and when necessary, rather than as people with feelings, hopes, and fears".

Managerial competency is the manager's ability to provide, instill a vision, and empower its members to realize the company's vision, as well as the ability to create corporate organizational relationships with a favorable environment. Input-based competencies which include human resources, knowledge, skills and capabilities that enable the company's transformation process to produce goods and services, deliver them to customers, and provide value in the eyes of customers (Agarwal and Banerjee, 2012). Transformational competency is all organizational capabilities, namely innovation, entrepreneurial organizational culture, and organizational learning (social learning) that are needed to convert inputs into

outputs that benefit the company. Output-based competencies include all knowledge-based intangible strategic assets such as company image, product or service quality, and customer loyalty.

The use of managerial competency development is carried out by realizing the realization of the company's vision with the support of organizational resources as organizational capital that supports companies in attracting, developing and retaining highly competent workers external work, developing a fairly efficient internal labor market, and creating specific HR capital for the company (Özçelik and Ferman, 2006). This accumulation and mobilization means that with human resource investment, HR functions such as selection, outreach, performance appraisal, company management, skill-based remuneration will be a potential source for company competitive advantage organization through innovation, entrepreneurship, organizational culture, and organizational learning (social learning) which are needed to convert inputs into outputs that benefit the company.

The development and exploitation of output-based competencies is carried out by creating employee involvement and commitment to the company, seeking opportunities and interpreting company specifications and symbols of knowledge, and building a positive operational reputation.

The function of HR as a source of competitive advantage will provide greater benefits if managed effectively and efficiently. Heneman et al., (2000) mentions that there are 13 practices in human resource management as a source of competitive advantage to achieve a company's competitive advantage, namely worker safety, selective recruitment, high wages, and incentives. (incentive: pay), employee ownership, information sharing, participation and empowerment of self-managed teams, cross utilization and training, a symbol of equality between fellow employees work (symbolic egalitarian), pressure / wage compression (wage compensation) to reduce interpersonal competition and increase efficiency through cooperation, and promotion from within the company (promotion from within).

Human resource management is increasingly becoming a strategic partner for top management (Konrad and Deckop, 2001). To make a relevant human resource strategy, it is necessary to conduct research on the competency and manpower requirements contained in the business strategy and compare it with the organizational situation. Apart from meeting the needs of the current situation, human resource management must actively build the basis of future competitive advantage. Traditional human resource management focuses on quantitative labor demand. However, in competency-based thinking, the focus of human resource strategy and human resource policy is on competency .

The competency development of every employee depends on the company's goals and prerequisites for success. Personal competency , however, is what makes a company competency in the first place. No competency like that can be created in a company without people. For this reason, the key to understanding competency management understands learning and personal competency (Crebert et al.,2004). Personal and competency learning is very different from the mechanistic calculations that are still used by some companies in the definition, classification and evaluation of competencies. As psychological beings, people build their competency for their own reasons, in their own field of experience, and in their own social environment. This is a challenge for competency management, especially challenges that do not have quick and easy solutions. In the final analysis, one deals directly with the problems of organizational culture, management style and physical / mental conditions. People learn and use their competency if they have the ability, desire and stamina for it. We can say that human capital is a product of three factors: competency , motivation, and physical / mental condition. If any of the factors are zero the product is zero.

5. Conclusion

HR as a source of competitive advantage can be used to build organizational competency . Building competencies through HR can be done by using and developing managerial competencies, input-based acquisition and mobilization, developing and using, developing and exploiting output-based competencies.

HR competencies, which are in line with the core competencies of the organization, constitute value for the creation of a company's competitive advantage. Its ability to make the company's final product more qualified. For this reason, there is a need for sustainable management of existence and commitment to produce superior performance. This management is carried out through the development of a core competency model followed by a technical competency model in order to align job descriptions of positions with the direction of the company's strategic policies.

The competency development of every employee depends on the company's goals and prerequisites for success. Personal competency, however, is what makes a company competency in the first place. No competency like that can be created in a company without people. For this reason, the key to understanding competency management is understanding learning and personal competency.

6. References or Bibliography

- Agarwal, M. C., & Banerjee, J. (2012). Functional competencies a source of comparative advantage. *Asian Journal of Research in Business Economics and Management*, 2(1), 75-87.
- Armstrong, M. (2010). Armstrong's essential human resource management practice: A guide to people management.
- Ates, A., Garengo, P., Cocca, P., & Bititci, U. (2013). The development of SME managerial practice for effective performance management. *Journal of small business and enterprise development*.
- Barney, J. B., & Wright, P. M. (1998). On becoming a strategic partner: The role of human resources in gaining competitive advantage. *Human Resource Management: Published in Cooperation with the School of Business Administration, The University of Michigan and in alliance with the Society of Human Resources Management*, 37(1), 31-46.
- Bartlett, C. A., & Ghoshal, S. (2002). Building competitive advantage through people. *MIT Sloan management review*, 43(2), 34.
- Cardy, R. L., & Selvarajan, T. T. (2006). Competencies: Alternative frameworks for competitive advantage. *Business Horizons*, 49(3), 235-245.
- Chen, J., Zhu, Z., & Xie, H. Y. (2004). Measuring intellectual capital: a new model and empirical study. *Journal of Intellectual capital*.
- Chrisman, J. J., Hofer, C. W., & Boulton, W. B. (1988). Toward a system for classifying business strategies. *Academy of Management Review*, 13(3), 413-428.
- Craig, T., & Campbell, D. (2012). *Organisations and the business environment*. Routledge.
- Crawford, L. (2005). Senior management perceptions of project management competency. *International journal of project management*, 23(1), 7-16.
- Crebert*, G., Bates, M., Bell, B., Patrick, C. J., & Cragolini, V. (2004). Developing generic skills at university, during work placement and in employment: graduates' perceptions. *Higher Education Research & Development*, 23(2), 147-165.
- Dakhli, M., & De Clercq, D. (2004). Human capital, social capital, and innovation: a multi-country study. *Entrepreneurship & regional development*, 16(2), 107-128.
- Dubois, D. D., & Rothwell, W. J. (2004). *Competency-based human resource management: Discover a new system for unleashing the productive power of exemplary performers*. Nicholas Brealey.
- Dutton, J. E., & Ashford, S. J. (1993). Selling issues to top management. *Academy of management review*, 18(3), 397-428.
- Fernández, E., Junquera, B., & Ordiz, M. (2003). Organizational culture and human resources in the environmental issue: a review of the literature. *International Journal of Human Resource Management*, 14(4), 634-656.
- Gangani, N., McLean, G. N., & Braden, R. A. (2006). A competency-based human resource development strategy. *Performance Improvement Quarterly*, 19(1), 127-139.
- Gangani, N., McLean, G. N., & Braden, R. A. (2006). A competency-based human resource development strategy. *Performance Improvement Quarterly*, 19(1), 127-139.
- Garavan, T. N., & McGuire, D. (2001). Competencies and workplace learning: some reflections on the rhetoric and the reality. *Journal of Workplace learning*.
- Heneman, R. L., Tansky, J. W., & Camp, S. M. (2000). Human resource management practices in small and medium-sized enterprises: Unanswered questions and future research perspectives. *Entrepreneurship theory and practice*, 25(1), 11-26.

- Jarvenpaa, S. L., & Leidner, D. E. (1998). An information company in Mexico: Extending the resource-based view of the firm to a developing country context. *Information Systems Research*, 9(4), 342-361.
- Kamoche, K. (1996). Strategic human resource management within a resource-capability view of the firm. *Journal of Management studies*, 33(2), 213-233.
- Kazlauskaitė, R., & Bučiūnienė, I. (2008). The role of human resources and their management in the establishment of sustainable competitive advantage. *Inžinerinė ekonomika*, (5), 78-84.
- Kochanski, J. T., & Ruse, D. H. (1996). Designing a competency-based human resources organization. *Human Resource Management*, 35(1), 19-33.
- Koh, E. T., & Owen, W. L. (2000). Descriptive research and qualitative research. In *Introduction to Nutrition and Health research* (pp. 219-248). Springer, Boston, MA.
- Konrad, A. M., & Deckop, J. (2001). Human resource management trends in the USA-Challenges in the midst of prosperity. *International Journal of Manpower*.
- Lau, T., Wong, Y. H., Chan, K. F., & Law, M. (2001). Information technology and the work environment—does IT change the way people interact at work?. *Human systems management*, 20(3), 267-279.
- Lawler, E. E., & Mohrman, S. A. (2003). HR as a strategic partner: what does it take to make it happen?. *Human Resource Planning*, 26(3), 15-29.
- Lišková, S., & Tomšík, P. (2013). Competency-based approach to human resources management. *Agricultural Economics*, 59(11), 496-504.
- Long, C. S., & Ismail, W. K. W. (2011). An analysis of the relationship between HR professionals' competencies and firms' performance in Malaysia. *The International Journal of Human Resource Management*, 22(05), 1054-1068.
- Lyytinen, K., & Rose, G. M. (2003). The disruptive nature of information technology innovations: the case of internet computing in systems development organizations. *MIS quarterly*, 557-596.
- Mathauer, I., & Imhoff, I. (2006). Health worker motivation in Africa: the role of non-financial incentives and human resource management tools. *Human resources for health*, 4(1), 1-17.
- Moore, D. R., Cheng, M. I., & Dainty, A. R. (2002). Competency, competency and competencies: performance assessment in organisations. *Work study*.
- Moran, J. W., & Brightman, B. K. (2000). Leading organizational change. *Journal of workplace learning*.
- Özçelik, G., & Ferman, M. (2006). Competency approach to human resources management: Outcomes and contributions in a Turkish cultural context. *Human Resource Development Review*, 5(1), 72-91.
- Raven, J., & Stephenson, J. (Eds.). (2001). *Competency in the learning society*. New York: P. Lang.
- Schneider, B., Godfrey, E. G., Hayes, S. C., Huang, M., Lim, B. C., Nishii, L. H., ... & Ziegert, J. C. (2002). The human side of strategy: Employee experiences of strategic alignment in a service organization.
- Stern, D. J. (2010). A Study of Competencies and Competency-Based Human Resource Management: Exploring Practices and Perspectives of Selected Senior Human Resource Leaders/Practitioners.
- Suwarsi, S., Sule, E. T., & Helmi, A. (2014). Implementation of competency based human resource and knowledge management to organizational culture and implication to organizational performance. *organization*, 4(3).
- Viitala, R. (2005). Perceived development needs of managers compared to an integrated management competency model. *Journal of workplace learning*.
- Wei, L. Q., & Lau, C. M. (2005). Market orientation, HRM importance and competency: Determinants of strategic HRM in Chinese firms. *The International Journal of Human Resource Management*, 16(10), 1901-1918.
- Whitford, C. M., & Coetsee, W. J. (2006). A model of the underlying philosophy and criteria for effective implementation of performance management. *SA Journal of Human Resource Management*, 4(1), 63-73.
- Winterton, J., Delamare-Le Deist, F., & Stringfellow, E. (2006). *Typology of knowledge, skills and competency s: clarification of the concept and prototype* (pp. 13-16). Luxembourg: Office for Official Publications of the European Communities.