THE INFLUENCE OF COMPETENCY ON EMPLOYEE PERFORMANCE: 
(A LITERATURE REVIEW)

Fatmasari Wijayanti¹, Retno Titi Sari²*

¹²Program Studi Magister Manajemen, Fakultas Ekonomi, Universitas Sarjanawiyata Tamansiswa Yogyakarta, Indonesia
Corresponding Author:
eno.sari@yahoo.com

Accepted by Editors: 25-11-2023 | Completed Revision: 14-12-2023 | Published: 17-12-2023

Abstract
This article aims to elaborate our literature review regarding competency, employee performance, as well as the relation between competency and employee performance. We use literature review method to understand this relationship between both of them. We are not only describing the facts from the literature review, but also providing adequate understanding and explanation. The results of several previous theories and researches indicate that employee competency has an influence on employee performance. The results of these studies could be empirical evidences that organizations require employees who have a great competency at work. Organizations need competent employees to be able to overcome the challenges and the changes in their environment. Employees who have competency will be relatively easier to do their work and to evolve because basically they already have good skills to complete assigned tasks effectively, efficiently and competitively. Accordingly, organizations need to concern and improve employee competency. This can be done by competency mapping through training which is suitable with the job requirements thus employees have updated competency that are relevant to the job and the changes in the organization's environment. Competency mapping could increase employee productivity and employee performance as well as organization's efficiency, effectiveness and competitiveness as a whole.

Keywords: Competency, Employee Performance, Literature Review

1. Introduction
Today's globalization and digital era not only create opportunities but also create many changes and challenges across the country. Whether it is organizations in the private sector or the public sector, they have to be responsive to opportunities, changes and challenges. Changes that occur often require new knowledge, skills, and behavior from the human resources within the organization (Vathanophas & Thai-ngam, 2007). They need to come up with the right strategy as well, one of which is through innovation to deal with the changes and global competition in order to survive and maintain the sustainability of the organization. Innovation requires people who are creative, independent, have a high work ethos, have the initiative to find and produce ideas, methods, systems, or products that have an added value and competitive. These people are qualified human resources that act as determinant of the success of an organization. Human resources are regarded as valuable assets for an organization, both profit and non-profit organizations (Priya & Sumathy, 2021). According to Sabuhari et al. (2020), human resources are valuable capital, especially those who have knowledge, education, training, and expertise in accordance with their field of work. Human resources are one of the factors that determine how effective an organization runs its operational activities.
(Darmawan et al., 2020). The concept of human resources management in an organization is substantial to survive its sustainability and achieve its goals (Irmayanti et al., 2020). Therefore, organizations must manage and evolve human resources professionally, effectively, and efficiently.

Human resources management in an organization is a crucial aspect because of its correlation to create a value, flexibility, performance, and formulating the competency and flexibility of an organization (Sabuhari et al., 2020). Human resources management and development is carried out by an organization as from the recruitment and selection process as well as training to acquire competent human resources in accordance with the needs thus the human resources are qualified and can deliver the best performance to achieve organization’s goals (Arifin et al., 2019). According to Darmawan et al. (2020), performance can be measured by the competency of the human resources themselves. Competency is also needed by the organizations to deal with the challenges and the changes to maintain their viability and to be competitive.

Based on that explication, we intend to elaborate the relationship between the competency of the human resources or employee competency and their performance in an organization from the various theories and studies that have been conducted before. In this article, we present an explanation of what is competency and employee performance, why the competency is a crucial thing, and how competency affects employee performance according to previous researches.

2. Literature Review
2.1 Competency

Human resources are the key element in an organization because of their relevance in creating value, flexibility, performance, and formulating the competency and flexibility of an organization. Employees carry out their role as a professional human resource depending on where they work, the culture of the organization where they work, the type of works, certain requirements from senior management, skills and the values held by them. In carrying out this role, an employee is required to have competency. Competency is a substantial component of the success of human resources in achieving organizational goals (Hajiali et al., 2022).

In human resources management, there are several theories that can be used to understand the concept of competency such as work theory, dynamics theory, quality orientation theory, issue resolution theory, team theory, independent theory, creation theory, integrated ability theory, asset theory, and window theory (Hajiali et al., 2022). For instance, in the work theory explains that a job requires people who have skills in consonance with their field of works. Dynamics theory explains that at work, a person will have work dynamics, namely change in a person's ability or behavior whether they want to or not want to work. In quality orientation theory, people tend to have a quality orientation, where they will work hard to provide the best results. Issue resolution theory explains that the solution of solving human resources problems and challenges is competency because by having competency, an individual is expected to be able to provide the best ideas and alternative problem solutions.

Competency comes from the word of “competent”, which means “ability” (Hajiali et al., 2022). Meanwhile, according to Faizal et al. (2019), “competence (plural: competences)” and “competency (plural: competencies)” have different meanings. Competence refers to work that focuses on the tasks and the results needed to complete a job, while competency refers to people that focuses on identifying characteristics in the
sense of competency. However, these two terms are interrelated in the human resource management of an organization.

According to Armstrong & Taylor (2014), competency refers to an individual's basic characteristics in achieving effective performance or superior performance. Competency is an individual's characteristics that can be measured reliably and can be significantly distinguished between superior individual and average individual, or between effective individual and ineffective individual (Vathanophas & Thai-ngam, 2007). Competency is a characteristic that establishes the primary of individual behavior in carrying out a job, whether in the form of knowledge, skills, attitudes or motives, and will affect their performance (Faizal et al., 2019). Competency is an individual's basic characteristics that enable them to excel in their work (Nguyen et al., 2020). According to Sabuhari et al. (2020), competency is a basic characteristic possessed by an employee, in an attempt to conform the criteria needed to complete a job. Wibowo (2016, in Krisnandi & Saputra, 2021) states that competency is the ability to carry out a job or task that is based on skills and knowledge and is supported by the work attitudes in the job. Competency can be called a basic behavior that refers to the motives, personal characteristics, knowledge and skills that an individual needed to achieve high performance in their work (Widodo & Yandi, 2022). From these various definitions, we can state that competency is a series of basic individual characteristics, in the form of motives, attitudes/behavior, knowledge, and abilities/skills/expertise, in an attempt to accomplish their tasks/works and achieve effective or superior performance.

Competency required in a job depends on various factors. These factors include social culture, nature of business, business environment, organizational culture, work environment, organizational structure, duties and responsibilities, nature of assigned processes and activities, attitudes and motives of colleagues, superiors and subordinates (L., Rama et al., 2022). Some of these factors may change over time, thereby changing the competency requirements for the same job position within the organization. Boyatzis (1982, in Armstrong & Taylor, 2014) identified three types of competencies, namely:

a. Behavioural competencies, describes as the behavioral expectations, the type of behavior which is required to deliver the results. Behavioral competencies are also called soft skills, which include the ability to collaborate with a team, communication skills, leadership, decision making, and problem-solving abilities.

b. Technical competencies, describes as the competencies that possessed by an individual in understanding and taking action to carry out their job effectively. Technical competencies are also called hard skills, which include knowledge and skills.

c. National Vocational Qualifications (NVQ/SNVQ Competences), are minimum standards to achieve or complete specified tasks and activities in a way that can be observed and assessed in the form of certification.

Regarding the types of competencies proposed by Boyatzis, L., Rama et al. (2022) revealed that competency requires a unique combination of technical skills-based competencies and behavioral skills-based competencies. If there is the right combination of skills in employees and there is motivation, a good work environment and incentives then it can help them to achieve their best performance.

According to Spencer & Spencer (1993, in Vathanophas & Thai-ngam, 2007), there are five types of individual competency characteristics, namely:
a. Motives, describe as things that a person constantly thinks about or wants, which can trigger an action. Motives can encourage, direct and determine an individual's behavior to act or achieve certain goals.
b. Traits, describe as an individual's characteristics and response towards a situation or information that is being dealt with.
c. Self-concepts, represent an individual's attitude, values or self-image.
d. Knowledges, are the information and insight that owned by an individual in a particular field.
e. Skills, describe as the ability to complete certain tasks/works.

Knowledges and skills can be seen directly, whereas motives, traits and self-concept are more hidden and not directly visible. Knowledges and skills are easier to develop with various training. These competency characteristics are depicted by Spencer & Spencer (1993, in Vathanophas & Thai-ngam, 2007) as show below:

![The Iceberg Model](image)

Figure1. The Iceberg Model and Central and Surface Competencies

2.2 Employee Performance

Employee performance is one of the things that is necessary for an organization in an attempt to achieve its goals. Employee performance is one of the parameters for knowing how the organization's human resources have contributed to the organization's growth (Widodo & Yandi, 2022). One of the factors that can improve employee performance is that there is a potential in them, in the form of competencies that are continuously developed and adapted to their work needs. Employees must have high competency which is able to respond to the changes of the business environment thus it has an impact on improving employee performance and organizational performance.

Marlinda and Hasan (2021) stated that performance is the result that achieved by an individual in accordance with their field of works. Performance is a function of motivation and ability to complete the tasks or works at a certain level of willingness and abilities (Widodo & Yandi, 2022). According to Moehriono (2012, in Saptiowati S., 2021), performance describes the level of achievement of an activity program or policy implementation in realizing the targets, goals, vision and mission of an organization as outlined in the organization's strategic plans.

More specifically, Arifin et al. (2019) stated that employee performance is the result of hard work that has been achieved by a group of employees in the organizations which
Employee performance assessments can be carried out in various ways, such as assessments carried out by direct superiors, colleagues, or self-assessment. Some organizations also use employee performance measurement tools, such as Key Performance Indicators (KPI) or Balanced Scorecard. Measuring employee performance needs to be carried out to identify individual strengths and weaknesses, provide feedback that makes individuals better, and provide opportunities for development in order to improve their performance. Employee performance assessments can also be used for decision making in term of salaries, promotions, awards or career development (Zulkifli et al., 2023).

According to Boyatzis (1982, in Armstrong & Taylor, 2014), employee performance can be assessed as a good employee performance or a bad employee performance not only determined by one factor but also determined by the presence of other factors. These factors include personal qualities, motives, experiences and behavioral characteristics. Robbins (2015, in Tarigan et al., 2021) revealed that there are several indicators to measure the performance of employee as show below:

a. Quality, is an indicator measured from employee perceptions of the quality of work and perfection of tasks accomplishment by employees with their skills and abilities.

b. Quantity, is the amount that produced and is expressed as the number of units and the number of activity cycles that have been completed by an employee.

c. Timeliness, is the level of activity that can be completed at the specific time and seen from the perspective of the results and optimizing the available time to do other activities.

d. Effectiveness, is the level of organizational resources utilization (energy, money, technology and raw materials) maximally to increase the outcome of each unit.

e. Independent, is the level of an employee which is able to carry out their works/tasks later.

f. Work commitment, is the level of an employee's work commitment and responsibility to the organization.

2.3 The Relationship between Competency and Employee Performance

Employee performance is affected by employee competency, which includes suitability of knowledge and skills in carrying out tasks/works. The higher of employee competency in their field of work, the better their performance will be. Competency
possessed by employees will enable them to do their work well and achieve satisfying work results (Krisnandi & Saputra, 2021).

Competency is the initial capital that must be owned by an employee to be able to carry out the works in accordance with his tasks and responsibilities (Krisnandi & Saputra, 2021). Employee competency is an important asset for an organization. Employee who has superior competency will have a positive influence on organization's operational activities (Widodo & Yandi, 2022). Employee competency is basically a combination of various interacting factors that form a performance. Therefore, competency is necessary because it will determine an employee performance. This means that human resources management need to endeavour competency as the basis for human resources recruitment and development (Faizal et al., 2019).

3. Method

We use literature review method to understand the relationship between competency and employee performance. It is a method to review various literatures from the books and journals which is appropriate to the problem. According to Yudistira and Siwantara (2012, in Widodo and Yandi, 2022), a literature review is a written summary of articles from journals, books and other documents that describe theories and information both past and present, which organizes the literature into topics and documents needed. We are not only describing the facts from the literature review, but also providing adequate understanding and explanation.

4. Results and Discussion

Human resources competency has received a lot of attention from researchers, practitioners and academics around the world because it determines individual performance and organizational performance (Salman et al., 2020). We collect several previous studies which discuss the influence of competency on employee performance as show below:

<table>
<thead>
<tr>
<th>No</th>
<th>Author</th>
<th>Journal Title</th>
<th>Result of Previous Researches</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Anjani (2019)</td>
<td>Pengaruh Kompetensi dan Motivasi Kerja terhadap Kinerja Karyawan</td>
<td>Competency has a positive and significant influence on performance. Work motivation has a positive and significant effect on performance.</td>
</tr>
<tr>
<td>2</td>
<td>Arifin, et al. (2019)</td>
<td>Pengaruh Kompetensi, Kompensasi dan Kepemimpinan Terhadap Kinerja Karyawan</td>
<td>Compensation has a significant effect on employee performance. <strong>Competency has a significant effect on employee performance.</strong> Leadership has a significant effect on employee performance.</td>
</tr>
<tr>
<td>3</td>
<td>Dwiyanti, et al. (2019)</td>
<td>Pengaruh Kompetensi dan Motivasi Kerja terhadap Kinerja Karyawan</td>
<td>Competency has an influence on employee performance positively. Work motivation has a positive effect on employee performance. <strong>Competency and work motivation together has an influence on employee performance positively.</strong></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>5</td>
<td>Sabahari, et al. (2020)</td>
<td>The Effects of Human Resource Flexibility, Employee Competency, Organizational Culture Adaptation and Job Satisfaction on Employee Performance</td>
<td>Human resource flexibility has a significant effect on employee performance. Human resource flexibility has a significant effect on organizational cultural adaptation. Human resource flexibility has no influence on employee performance through adaptation to organizational culture, but human resource flexibility has a significant influence on employee performance. Adaptation to organizational culture does not have a significant influence on employee performance. <strong>Employee competency has a significant influence on employee performance.</strong> Employee competency has a significant influence on job satisfaction. Job satisfaction has a significant effect on employee performance. <strong>Employee competency has a significant influence on employee performance through job satisfaction.</strong> It means that job satisfaction functions as a partial mediation of the competency influence on employee performance.</td>
</tr>
<tr>
<td>6</td>
<td>As'ad (2021)</td>
<td>Pengaruh Kompetensi, Motivasi Kerja dan Lingkungan Kerja terhadap Kinerja Karyawan</td>
<td><strong>Competency has a positive and significant effect on employee performance partially.</strong> Work motivation has a positive and significant effect on employee performance partially. The work environment has a positive and significant effect on employee performance partially.</td>
</tr>
<tr>
<td>7</td>
<td>Djaya (2021)</td>
<td>Pengaruh Motivasi Kerja dan Kompetensi terhadap Kinerja Karyawan Dimoderasi Kompensasi</td>
<td>Work motivation has a negative and insignificant effect on employee performance. Competency has a positive but not significant influence on performance. Another result is that the relationship between competency and performance is relatively strong but is unable to provide a real contribution in improving employee performance. Compensation has a significant influence in moderating or strengthening the relationship between work motivation and employee performance. Compensation plays an important role in strengthening the influence of competence on high employee performance.</td>
</tr>
<tr>
<td>8</td>
<td>Krisnandi &amp; Saputra (2021)</td>
<td>Kompetensi, Komunikasi, Kedisiplinan, dan Lingkungan Kerja Terhadap Kinerja Karyawan</td>
<td>Competency partially has a positive and significant effect on employee performance. Communication partially has a positive and significant effect on employee performance. Discipline partially has a positive and significant effect on employee performance. Work environment partially has a positive and significant effect on employee performance.</td>
</tr>
<tr>
<td>9</td>
<td>Krisnawati &amp; Bagia (2021)</td>
<td>Pengaruh Kompetensi Kerja terhadap Kinerja Karyawan</td>
<td>Work competency has a positive and significant influence on employee performance.</td>
</tr>
<tr>
<td>10</td>
<td>Marlinda &amp; Hasan (2021)</td>
<td>The Effect of Work Discipline, Competency, and Integrity on Employee Performance in Regional Secretariat Environment in Pariaman City</td>
<td>There is a significant influence of work discipline on employee performance. Work competency has a significant effect on employee performance. Integrity has a significant effect on employee performance. Work discipline has a significant effect on integrity. Work competency has a significant effect on integrity.</td>
</tr>
</tbody>
</table>
Hajiali, et al. (2022)  | Determination of Work Motivation, Leadership Style, Employee Competence on Job Satisfaction and Employee Performance

| Work motivation has a negative and significant effect on job satisfaction. Leadership style has a positive and significant effect on job satisfaction. Competency has a positive and significant effect on job satisfaction. Work motivation has a positive and significant effect on employee performance. Leadership style has a positive and significant effect on employee performance. Competency has no significant effect on employee performance. Competency has no significant effect on employee performance with job satisfaction as an intervening variable. Leadership style has a positive and significant effect on employee performance with job satisfaction as an intervening variable. Competency has no significant effect on employee performance with job satisfaction as an intervening variable.

Based on the table of the previous studies above show that employee competency has an influence on the employee performance. If employee competency is improved then it has a significant influence on employee performance in attempt to manage human resources to achieve organizational goals. The results of previous studies prove empirically that organizations need employees who have good competency at work. In terms of improving performance, organizations also need employees who have high competency (Sabuhari, et al., 2020). Employee must have high competency that is able to respond to the changes in the organizational environment thus it has an impact on improving their performance and organizational performance. Research which is conducted by Krisnandi & Saputra (2021) shows that competency has a positive and significant effect on employee performance partially. This positive and significant influence indicates that increasing employee competency has an effect on increasing employee performance. It means if an employee has better competency then the employee performance will be higher.

The unidirectional relationship between competency and employee performance can indicate that if there is an increase in employee competency, there will be a tendency to increase employee performance (As'ad, 2021). Furthermore, As'ad (2021) stated that improving employee competency is largely determined by the indicators that establish it. First, employees are always encouraged to provide new ideas not only in carrying out and completing work but also in solving various problems related to completing their work. This can be linked to issue resolution theory, where someone with high competency can deliver the best ideas and alternative problem solutions. Second, employees have basic
expertise or skills to carry out their works/tasks. This means that employees are able to know, identify and complete their work in accordance with the provisions which is appointed by the organization. This indicator is related to work theory because a job requires people who have expertise or skills according to their field in order to carry out and complete their work and overcome various problems in their work. Furthermore, As'ad (2021) believes that competency is determined by the experience of employees which can make carrying out their work easier and by the nature and behavior of employees in carrying out their work carefully, honestly, openly and democratically.

The relationship between competency and employee performance implies that new competency or improved competency are needed to overcome the challenges and changes because these require new knowledge, skills and behavior from employees. Changes will not take place if employees do not have new competency or there is no improvement in employee competency (Krisnandi & Saputra, 2021). If employees do not update or improve their competency, there is a tendency that their performance will decline or not be in line with the demands and expectations of the organization, which can result in decreasing of organizational performance and it is possible that organizational goals will not be achieved. This is a challenge and problem that must be overcome by the organization. One or other thing that organizations can do to deal with this is to create competency mapping of human resources in order to achieve the best performance.

According to L., Rama et al. (2022), competency mapping is a process of identifying the main competency of organizations and employees in an organization as well as identifying the jobs and functions within them. Competency mapping is needed to strengthen the organizational strategy, culture and vision. Employee competency mapping aims to help an organization's business activities become more efficient, effective and competitive thus employee can deliver the best performance. It can start with a set of core competency standards such as innovation, creativity, technical expertise, quality and a focus on customer orientation, all of which reflect strategic business objectives. Competency mapping can be carried out by managers in an organization by identifying employee training needs. Training not only provides a way for employees to develop their current skills, but also provides an opportunity to learn new skills and improve competency that are relevant to the job and the changes in the organization's business environment. This training is expected to increase employee productivity, which in turn can improve employee performance as well as the efficiency, effectiveness and competitive nature of the business as a whole.

5. Conclusion

Competency is a series of basic individual characteristics, in the form of motives, attitudes/behavior, knowledge, and abilities/skills/expertise, in an attempt to accomplish their tasks/works and achieve effective or superior performance. Employee performance is an individual’s achievement in completing the work/task that assigned as their responsibility and this achievement can be assessed based on certain criteria. Competency has an influence on employee performance which is in turn can influence organizational performance. This can be seen from the empirical evidence of previous researches conducted by Anjani (2019), Arifin et al. (2019), Dwiyanti, et al. (2019), Nguyen, et al. (2020), Sabuhari et al. (2020), As'ad (2021), Djaya (2021), Krisnandi & Saputra (2021), Krisnawati & Bagia (2021), Marlinda & Hasan (2021), Tarigan et al. (2021), and Hajiali, et al. (2022). They found that employee competency has an influence on employee performance. Organizations need competent employees to be able to overcome the
challenges and the changes in the organization’s business environment. Employees who have competency will find it relatively easier to do their work and will be easier to develop because basically they already have good skills to complete assigned tasks effectively, efficiently and competitively. Therefore, organizations need to concern and improve competency employee. It can be done by creating competency mapping through training according to job needs thus employees have updated competency that are relevant to the job and the changes in the organization's business environment. This training is expected to increase employee productivity, which is in turn can improve employee performance as well as the efficiency, effectiveness and competitive nature of the business as a whole.

From the results of previous researches, there are results of the researches that conducted by Djaya (2021) and Hajiali, et al. (2022) shows that competency has no significant effect on employee performance, while other research shows that competency has significant effect on employee performance. Hence, we suggest that further research is needed regarding what can influence employee competency because the formation of employee competency is not only caused by one factor. Apart from that, further research regarding other variables that intervening and/or moderating the influence of competency on employee performance also need to be examined in various fields of work and various organizational sectors.

References


