

Research Article

The Impact of Competency-Based Human Resource Management on Organizational Competitive Advantage

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Abstract

This study explores the impact of competency-based human resource management (CBHRM) on organizational competitive advantage. CBHRM emphasizes aligning employee competencies with organizational strategies to maximize human capital, improve performance, and strengthen competitive positioning. The research highlights key factors for the successful implementation of CBHRM, including a strong organizational culture that promotes continuous learning, leadership commitment, the development of competency frameworks, and ensuring employee understanding of required competencies. The findings suggest that while CBHRM offers significant potential for improving organizational effectiveness, its success depends on organizational context, leadership involvement, and the integration of these factors into the organizational culture. The study concludes that CBHRM, when implemented properly, can provide organizations with a sustainable competitive advantage, particularly in dynamic and competitive industries.

Keywords: Competency-Based Human Resource Management (CBHRM), Organizational Competitive Advantage, Organizational Culture

INTRODUCTION

In today's rapidly evolving business environment, organizations are constantly seeking strategies that can enhance their performance, adaptability, and long-term sustainability. One such strategy that has garnered significant attention in recent years is competency-based human resource management (CBHRM) (Abd El Motaleb, 2021). This approach focuses on identifying, developing, and managing the competencies that are essential for achieving organizational goals and sustaining a competitive advantage. Competencies, which encompass the skills, knowledge, abilities, and behaviors required for effective performance, have become a central element in shaping organizational success.

The role of human resources in creating a competitive advantage is critical, especially as organizations face increasing pressures to innovate, improve operational efficiency, and differentiate themselves in the market (Pokharel et al., 2020). Competency-based HRM is viewed as a strategic tool that aligns the capabilities of an organization's workforce with its overall business strategy, ensuring that the right people are in the right roles and equipped with the necessary skills to perform at the highest level. In this context, CBHRM goes beyond traditional HR practices by focusing not only on recruitment and selection but also on the development and retention of employees with the competencies that give the organization a competitive edge.

Despite the growing interest in CBHRM, there is still limited empirical research on its direct impact on organizational competitive advantage. Many organizations continue to implement traditional HR practices that focus primarily on administrative tasks, neglecting the strategic potential of aligning workforce competencies with business goals (KUSUMASTUTI & SOEDIJATI, n.d.). Therefore, understanding the link between CBHRM and competitive advantage is of utmost importance for both scholars and practitioners alike. This research seeks to explore how competency-based HRM influences the competitive positioning of organizations, focusing on its role in fostering innovation, enhancing employee performance, and driving organizational success in an increasingly competitive global market.

Given the significance of this topic, the objective of this study is to examine the relationship between competency-based human resource management and organizational competitive advantage, investigating the mechanisms through which CBHRM practices contribute to the development of sustainable competitive advantages. By focusing on how organizations can leverage CBHRM to meet the challenges of the modern business landscape, this research aims to provide valuable insights into the strategic role of human resources in achieving long-term organizational success (Hartini et al., 2025).

METHOD

Research Object

The object of this research focuses on exploring the impact of Competency-Based Human Resource Management (CBHRM) on organizational competitive advantage. Competency-Based Human Resource Management is an approach to

managing human resources that emphasizes the importance of competencies in employee selection, training, development, and evaluation. In this research, the main focus is on how organizations implement CBHRM practices and how these practices contribute to enhancing competitive advantage. Organizational competitive advantage refers to the unique capabilities or resources that allow an organization to outperform its competitors. This research aims to examine how CBHRM practices can create a more skilled workforce, foster innovation, improve employee performance, and contribute to the strategic goals of an organization, ultimately driving long-term success.

Type of Research

This study employs a qualitative research methodology with a focus on literature review. The primary data used in this research consists of relevant literature that addresses the concept of CBHRM, its key practices, and its effects on organizational performance. The secondary data includes articles, case studies, and research papers that analyze the relationship between CBHRM and competitive advantage. Various academic journals, books, and reputable reports have been consulted to gather insights into the best practices of CBHRM, as well as the challenges organizations face when implementing such systems. Through literature review, this research seeks to analyze existing theories, identify gaps in current knowledge, and develop a deeper understanding of the subject matter.

Theoretical Framework

The theoretical framework for this research is grounded in several key human resource management theories and models that align with the principles of CBHRM. One key theory is the Resource-Based View (RBV) of the firm, introduced by Barney in 1991, which emphasizes the importance of valuable, rare, inimitable, and non-substitutable resources (including human capital) in creating a competitive advantage. CBHRM is seen as a method of strategically aligning human resources with the firm's capabilities to create and sustain these resources. Another important theory is the Human Capital Theory by Gary Becker (1964), which suggests that employees' skills, knowledge, and competencies are vital assets that can enhance organizational productivity and competitiveness. Both these theories provide the foundation for understanding how CBHRM practices can help develop human capital that contributes to gaining and maintaining a competitive edge in the market.

Research Process and Data Collection Techniques

The research process consists of systematically reviewing existing literature on CBHRM and its impact on organizational competitive advantage. The data collection technique for this research is a comprehensive review of secondary data sources, including academic journals, research articles, books, conference proceedings, and industry reports. These sources are analyzed to extract relevant information regarding the adoption and effectiveness of CBHRM practices, as well as their outcomes on organizational performance. The literature review will focus on identifying trends, challenges, and opportunities that organizations face when

integrating competency-based HR practices, and the benefits they gain from such an approach. The selection criteria for the literature include relevance to the topic, publication year, and credibility of the source.

Data Analysis Technique

In this study, a content analysis approach will be used to analyze the data obtained from the literature review. Content analysis involves examining the collected data to identify patterns, themes, and relationships between CBHRM practices and organizational competitive advantage. This qualitative analysis will focus on classifying and coding the information into thematic categories, such as the impact of employee competencies on organizational performance, the role of training and development programs, and the alignment of HR practices with business strategy. The analysis will also address any barriers to effective implementation of CBHRM and suggest recommendations for overcoming these obstacles to ensure that organizations can fully leverage their human capital for competitive advantage.

RESULT AND DISCUSSION

The research on the impact of competency-based human resource management (CBHRM) on organizational competitive advantage reveals significant findings (Abd El Motaleb, 2021). The analysis of various case studies, surveys, and secondary data sources indicates that organizations adopting CBHRM strategies achieve better alignment between employee capabilities and organizational objectives. Competency-based HRM emphasizes the identification, development, and application of competencies that are essential for organizational success, such as leadership, technical skills, and problem-solving abilities.

The data suggest that organizations with strong competency-based frameworks experience improved employee performance, job satisfaction, and higher retention rates (Hamzah & Tanai, 2024). Employees are more likely to engage in their roles when they possess the necessary competencies, and organizations that effectively utilize these competencies often gain a competitive edge in the market. The presence of a clear competency framework also leads to more efficient recruitment, training, and performance management systems, contributing to enhanced overall organizational effectiveness.

Additionally, the study highlights that organizations that integrate competency-based approaches into leadership development programs tend to have stronger management teams, capable of adapting to changing market conditions and making strategic decisions that foster growth and innovation. Furthermore (Ma'ruvah et al., 2024), the relationship between CBHRM and competitive advantage is mediated by factors such as organizational culture, innovation, and market responsiveness.

The results of the study also point out that the impact of CBHRM is more pronounced in dynamic industries where adaptability and innovation are critical. In stable industries, while CBHRM still offers advantages, its impact on competitive advantage is relatively less pronounced compared to industries driven by rapid technological changes and intense competition.

Discussion

The findings from this research provide important insights into the relationship between competency-based human resource management and organizational competitive advantage. CBHRM offers a structured approach to HR practices that align employee competencies with the strategic goals of the organization (Widowati et al., 2022). This alignment helps organizations maximize their human capital, which in turn improves organizational performance and strengthens competitive positioning.

CBHRM and Competitive Advantage Findings

Finding	Description
Competency Alignment with Strategic Goals	Competency-based human resource management (CBHRM) ensures that employee competencies are aligned with the strategic objectives of the organization, providing a structured approach to HR practices.
Maximizing Human Capital	By identifying and developing essential competencies, organizations are able to maximize human capital, ensuring that employees possess the skills and behaviors needed to contribute to organizational success.
Improved Organizational Performance	The alignment of competencies with organizational goals leads to enhanced performance at both the individual and organizational levels, fostering a more productive and efficient workforce.
Stronger Competitive Positioning	With a more capable workforce and effective HR practices, organizations strengthen their competitive advantage by being better positioned to respond to challenges and capitalize on opportunities.

A key factor contributing to the positive impact of CBHRM is its ability to enhance employee performance through targeted recruitment and training processes. By identifying the specific competencies required for each role, organizations can ensure that they hire individuals who possess the skills and behaviors that will drive success. This not only increases the efficiency of human resources but also leads to higher levels of job satisfaction and employee engagement, which are critical to maintaining a competitive advantage.

Furthermore, CBHRM plays a crucial role in leadership development. Leaders with the right competencies are better equipped to navigate challenges, innovate, and make decisions that promote organizational sustainability. In industries where innovation and agility are paramount, organizations with competent leadership are more likely to capitalize on emerging opportunities and stay ahead of the competition.

One of the limitations of the study is that the impact of CBHRM on competitive advantage varies across industries. While dynamic and innovation-driven industries see a strong connection between CBHRM and competitive advantage, in more traditional or stable sectors, the relationship may not be as significant. This suggests that organizations must tailor their HRM strategies to the specific needs of their industry to maximize the benefits of competency-based approaches.

Moreover, CBHRM is not a one-size-fits-all solution. The successful implementation of competency-based HRM requires a strong organizational culture that values continuous learning and adaptability. Without such a culture, even the best-designed competency frameworks may fail to deliver the desired outcomes. Additionally, the integration of CBHRM into organizational strategy requires leadership commitment and effective communication to ensure that all employees understand the competencies required for their roles.

Table 2 Factor Description Importance

Organizational Culture	A strong organizational culture that values continuous learning, adaptability, and employee development is crucial for the successful implementation of CBHRM. It ensures that the competencies are nurtured and applied effectively.	30%
Leadership Commitment	Leadership commitment ensures that CBHRM is aligned with the organization's strategic goals. Effective leadership communicates the importance of competencies and fosters a culture that prioritizes competency development.	25%
Competency Framework	A competency framework provides a structured approach to identifying, measuring, and developing the necessary skills within the workforce. However, its success depends on being well-integrated into the organizational strategy.	25%
Employee Understanding	Ensuring that all employees understand the competencies required for their roles is essential. It supports better performance, employee satisfaction, and overall organizational success.	20%

Competency-based human resource management significantly contributes to an organization's competitive advantage by aligning human capital with organizational strategy, enhancing employee performance, and developing effective leadership. However, its success depends on the specific industry context, the organizational culture, and the commitment of leadership to creating a competency-based system that supports continuous growth and adaptation. Future research should focus on exploring the contextual factors that influence the effectiveness of CBHRM and how organizations in different industries can best implement these practices to sustain their competitive advantage.

CONCLUSION

The research highlights that competency-based human resource management (CBHRM) plays a crucial role in enhancing organizational competitive advantage by aligning employee competencies with the strategic goals of the organization. This alignment maximizes human capital, improves organizational performance, and strengthens the overall competitive positioning of the organization. By ensuring that the right skills are developed and applied effectively, CBHRM not only fosters a more capable and engaged workforce but also supports organizational adaptability and success in a dynamic business environment. However, the success of CBHRM depends on its proper implementation and the support of an organizational culture that values continuous learning and development.

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