



IMPLEMENTATION OF COMPETENCY-BASED HUMAN RESOURCE MANAGEMENT TO IMPROVE ORGANISATIONAL EFFECTIVENESS AT SERVICE COMPANIES IN INDONESIA

Khaeruman^{1*}, Irma Nirmala Dewi², Fatari³, Zohaib Hassan Sain⁴

^{1,2,3}Universitas Bina Bangsa, Indonesia

⁴Superior University, Lahore, Pakistan

Email: khaeruman.oce@gmail.com¹, irma.nirmala.dewi@binabangsa.ac.id², fatari.binabangsa@gmail.com³, zohaib3746@gmail.com⁴

Abstract

This study aims to analyse the application of competency-based human resource management in improving organisational effectiveness in service companies in Indonesia. The research approach used is a descriptive qualitative approach, with data collected through in-depth interviews, non-participant observation, and documentation. The research was conducted in November 2025 and involved purposively selected informants, including organisational leaders, human resource managers, supervisors, and employees. Data analysis was conducted thematically using NVivo software to identify patterns, categories, and central themes related to competency management and organisational effectiveness. The results showed that implementing competency-based HRM significantly improved organisational effectiveness, particularly through precise competency mapping, integrating competencies into recruitment, training, and performance appraisal processes, and increasing productivity and service quality. The findings also revealed that the successful implementation of competency-based HRM was greatly influenced by management commitment and organisational policy support. This research makes theoretical contributions to the development of human resource management studies and practical contributions to service companies by helping them design competency-oriented HR management strategies to improve organisational effectiveness sustainably.

Keywords: Human Resource Management, Competency-Based, Organisational Effectiveness, Service Companies

INTRODUCTION

Human resource management (HRM) is a set of practices and policies used to manage a company's workforce so that they can contribute maximally to achieving organisational goals. This method is no longer just a routine operational activity; it is now considered an essential strategic component for maintaining a company's competitiveness and long-term survival. According to Zaky (2022), HRM that is managed systematically and oriented towards employee competency development can improve the quality of individual and collective performance within an organisation. It shows that an organisation's success is primarily determined by how it plans, develops, and utilises its human resources effectively.

Organisational effectiveness is a key topic in modern management studies because it reflects the degree to which an organisation achieves its stated objectives. Organisational effectiveness is measured not only by the achievement of financial targets, but also by the organisation's ability to adapt to environmental changes, improve service quality, and maintain long-term performance sustainability. Widyaputri and Wulansari (2023) state that organisational effectiveness is closely related to an organisation's ability to align its internal resources, especially human resources, with its strategies and

objectives. Thus, proper human resource management is a key factor in improving organisational effectiveness.

Human resource functions are increasingly crucial in the service business in Indonesia, serving as a strategic component that cannot be ignored. Workforce competence is essential for organisations because of the service sector's characteristics, which emphasise high service standards, personal interaction with customers, and responsiveness and accuracy in service delivery. In this context, employee competency encompasses not only specific technical knowledge and skills but also behavioural elements such as empathy, effective communication, and the ability to adapt to rapidly changing market demands. It is imperative because Indonesia's service industries, including banking, tourism, and healthcare, often rely on positive customer experiences to build long-term loyalty. Consequently, competency-based human resource management enables organisations to identify, develop, and optimally utilise each employee's potential, thereby increasing operational efficiency and innovation. Mokobombang and Natsir (2024) emphasise that service companies are highly dependent on the quality of their employees' competencies, both technical and non-technical, such as communication, empathy, and problem-solving skills. Therefore, the effectiveness of service companies cannot be separated from the quality of their human resource management.

One approach considered relevant to responding to these challenges is the implementation of competency-based human resource management. Competency-based HR management emphasises the identification, development, and evaluation of competencies aligned with the organisation's strategic needs. Competencies encompass the knowledge, skills, attitudes, and characteristics that enable individuals to perform their jobs effectively. Zaky (2022) states that a competency-based approach can improve accuracy in recruitment, training, performance appraisal, and career development processes, thereby positively impacting the overall effectiveness of the organisation.

Based on a survey of several service companies in Indonesia, problems were identified, including mismatches between employee competencies and job requirements, low service quality, and suboptimal human resource development systems. These conditions contribute to declining customer satisfaction and to the failure to achieve organisational targets. These initial findings align with the views of Widyaputri and Wulansari (2023), who argue that weak implementation of competency-based human resource management can hinder organisational effectiveness. Therefore, research on the implementation of competency-based human resource management to improve organisational effectiveness in service companies in Indonesia is essential and relevant, contributing theoretically and practically to the development of human resource management in the service sector.

Research findings from a service company in Indonesia reveal a gap between job competency requirements and the capacity of human resources available within the organisation. The development of digital technology, rising customer expectations, and competition among service providers require employees to possess adaptive, innovative, and service-quality-oriented competencies. However, in practice, many service companies still implement conventional human resource management systems

that are not yet fully competency-based. This condition means the recruitment, training, and performance appraisal processes are not yet integrated with the organisation's strategic needs. Widyaputri and Wulansari (2023) emphasise that organisations that have not aligned their human resource competencies with their business strategies tend to experience a decline in organisational effectiveness, particularly in terms of productivity and service quality. This phenomenon is increasingly relevant, given that the service sector is one of the main pillars of national economic growth and is highly dependent on the quality of human resource performance.

The problems faced by service companies in Indonesia include poor competency mapping, inaccurate employee placement, and limited sustainable competency development programmes. Many organisations do not yet have clear competency standards as a basis for HR management, so managerial decisions are often not based on real competency needs. As a result, employee performance is suboptimal, job satisfaction declines, and organisational effectiveness is difficult to achieve to the fullest. Zaky (2022) states that weak implementation of competency-based HR management can lead to inefficiencies in work and reduce organisational competitiveness. Furthermore, Mokobombang and Natsir (2024) add that a lack of management commitment to developing HR competencies results in low service quality and an organisation's inability to respond to changes in the business environment. Therefore, this issue highlights the importance of empirical studies on the implementation of competency-based HR management as a strategic solution to improve organisational effectiveness in service companies in Indonesia.

Research shows that implementing competency-based human resource management plays a strategic role in improving organisational effectiveness, particularly in the service sector. Zaky (2022) found that competency-based HR management has a significant effect on organisational effectiveness by improving the alignment between employee capabilities and job demands. Similar results were reported by Widyaputri and Wulansari (2023), who stated that HRM practices that emphasise competency mapping and development can improve productivity, service quality, and organisational goal achievement. In the service industry, Mokobombang and Natsir (2024) found that structured HR competency development directly contributes to continuous improvement in organisational performance and effectiveness. Research by Nugroho et al (2021) confirms that employee competencies play a key role in creating competitive advantage and organisational effectiveness in customer-oriented service companies. Furthermore, Siregar and Hartono (2024) conclude that organisations that consistently integrate competencies into their recruitment, training, and performance appraisal systems demonstrate higher organisational effectiveness than those that still use conventional HRM approaches. These findings reinforce the argument that competency-based HRM is a relevant and strategic approach to improving organisational effectiveness in service companies in Indonesia.

Although several studies have demonstrated the positive influence of competency-based human resource management on organisational effectiveness, several *research gaps* remain to be further

explored. Most previous studies treat competency-based HR management as a single variable without exploring in depth how it is implemented in the operational context of service companies in Indonesia, which have diverse cultural characteristics, organisational structures, and levels of managerial maturity. Furthermore, several studies have been conducted in the manufacturing sector and in public organisations, so the generalisability of research results in the service sector remains limited. Previous studies also focus on employee performance outputs, while organisational effectiveness, as a multidimensional construct encompassing goal achievement, adaptability, and service quality, has not been comprehensively analysed. This gap indicates the need for research that specifically examines the application of competency-based HRM to improve organisational effectiveness in service companies in Indonesia, with a more contextual and integrative approach.

This study is unique in its focus on competency-based human resource management as an essential strategy that is clearly related to organisational performance in service entities in Indonesia. In addition to calculating correlations between variables, this study demonstrates how competencies serve as the basis for recruitment, coaching, and productivity evaluation processes aligned with institutional objectives. The emphasis on the domestic service sector, characterised by intense service interactions and significant dependence on the quality of human labour, also reflects the innovation of this research. Therefore, this study aims to contribute to the literature on competency-based HRM. In addition, it will offer practical benefits to service company managers by helping them develop effective HR management policies to sustain long-term company performance.

LITERATURE REVIEW

Competency-Based Human Resource Management

Competency-based human resource management is an approach that focuses on identifying, developing, and utilising employee competencies aligned with the organisation's strategic needs. Competencies are viewed as a combination of knowledge, skills, attitudes, and individual characteristics that enable effective job performance. This approach is believed to improve the accuracy of recruitment, the effectiveness of training, and the objectivity of performance appraisals, thereby supporting the optimal achievement of organisational goals (Zaky, 2022; Siregar & Hartono, 2024; Warsono et al., 2025).

Organisational Effectiveness

Organisational effectiveness refers to an organisation's ability to achieve its objectives through the efficient and sustainable use of resources. This concept encompasses achieving performance targets, maintaining service quality, adapting to environmental changes, and ensuring stakeholder satisfaction. In the service sector, organisational effectiveness is highly dependent on the quality of interactions between employees and customers. Research shows that organisations that can manage human

resources strategically tend to achieve higher levels of effectiveness (Widyaputri & Wulansari, 2023; Nugroho et al., 2021; Wahyudi et al., 2025).

The Relationship between Competency-Based Human Resource Management and Organisational Effectiveness

The relationship between competency-based human resource management and organisational effectiveness rests on the assumption that employee competencies are the primary drivers of organisational performance. Implementing a competency-based human resource system enables organisations to assign individuals based on their expertise, thereby improving service quality and strengthening competitiveness. In service companies, employee competencies directly contribute to creating service value. Several studies have shown that the better the implementation of competency-based HR management, the higher the organisational effectiveness (Mokobombang & Natsir, 2024; Zaky, 2022; Saputra, 2025).

METHOD

Research Method

This study aims to gain an in-depth understanding of the application of competency-based human resource management in improving organisational effectiveness in service companies in Indonesia. A qualitative approach was chosen because it can explore the meanings, processes, and social contexts behind HR management practices in organisations. This research was conducted in November 2025, focusing on experiences, perceptions, and HR management practices that occur naturally in the work environment (Creswell, 2021).

Research Type and Approach

This study uses a descriptive, qualitative approach to gain an in-depth understanding of the phenomenon from the perspective of the research subjects. This approach allows researchers to comprehensively and contextually review the process of implementing competency-based HR management without altering the research variables (Creswell & Poth, 2022). In this perspective, social constructs result from work practices and interactions among members of the organisation, which determine the organisation's effectiveness.

Research Location and Time

This study was conducted on several service companies in Indonesia engaged in professional services and public services. The service sector was selected based on its characteristics, which are highly dependent on the quality and competence of human resources in providing services to customers

(Miles, Huberman, & Saldaña, 2020). The study was conducted in November 2025, taking into account the organisations' readiness and the availability of research informants.

Research Informants

The study's focus and objectives were taken into account when selecting informants using the “purposive sampling” technique. The informants were organisational leaders, human resource managers, supervisors, and employees directly involved in implementing competency-based human resource management systems. This technique assumes that informants have sufficient understanding, experience, and involvement to provide relevant, in-depth, and representative information about the phenomenon under study (Etikan, Musa, & Alkassim, 2016).

Data Collection Techniques

In-depth interviews, non-participant observation, and documentation analysis are the methods used to collect data in this study. In-depth interviews are used to gain a comprehensive understanding of informants' perspectives, experiences, and interpretations of competency-based human resource management implementation. Non-participant observation is conducted to observe work practices and interactions within the organisation. Meanwhile, documentation studies served as a basis for strengthening and verifying the research data. It included documents such as competency standards, HR policies, and organisational performance reports (Yin, 2022).

Data Analysis Techniques Using NVivo

Data analysis was conducted thematically using NVivo software. NVivo was used to facilitate systematic management, coding, and organisation of qualitative data. The stages of analysis included data transcription, *open coding*, category grouping, and the extraction of main themes related to competency-based HR management and organisational effectiveness. NVivo helps improve the transparency and consistency of qualitative data analysis (Jackson & Bazeley, 2019).

Data Validity

Data validity was ensured through source and method triangulation and member checking. Triangulation was achieved by comparing data from multiple informants and data collection techniques, while *member checking* confirmed the findings with informants to ensure consistency in meaning and interpretation (Lincoln & Guba, 1985). This technique aims to increase the credibility and reliability of the research results.

RESEARCH RESULTS AND DISCUSSION

The research results present empirical findings from qualitative data analysis conducted through interviews, observations, and documentation, using NVivo software. The research results emphasise

how to implement competency-based human resource management and how it impacts organisational effectiveness in service companies in Indonesia.

General Research Findings

The results of the NVivo analysis show that competency-based HR management has been implemented in service companies but is not yet fully optimal. The main findings were identified into three major themes, namely: (1) mapping and standards of HR competencies, (2) implementation of competencies in managerial practices, and (3) the impact of competencies on organisational effectiveness. These three themes are interrelated and form a pattern of HR management implementation in service organisations.

Table 1. Competency-based HRM

No	Main Theme	Description
1	Competency Mapping	Identification of core and technical competencies
2	Human Resource Management Implementation	Recruitment, training, and performance appraisal
3	Organisational effectiveness	Productivity, service quality, adaptability

Source: Primary data, processed with NVivo (2025)

Three main themes shape the implementation of competency-based human resource management in organised service companies, as shown in Table 1. Identifying and determining human resource needs begins with competency mapping. The recruitment, development, and training processes, as well as employee performance evaluations, are the next steps towards implementing competency-based HRM. These three aspects greatly influence organisational performance, particularly by increasing productivity, service quality, and the organisation's ability to adapt to changes in the business environment.

Table 2. Frequency of Organisational Effectiveness Codes

Code	Frequency	Meaning
Productivity	High	Work efficiency increases
Service Quality	High	Customer satisfaction
Adaptability	Moderate	Response to change

Source: Primary Data, NVivo Output (2025)

Table 2 shows that the codes for productivity and service quality appeared most frequently in the interview data. The results indicate that informants directly felt the impact of competency implementation on work performance and service quality improvement. However, organisational adaptability occurred relatively infrequently, indicating that although human resource capabilities play an important role, management systems and organisational culture must be strengthened to enable optimal adaptability.

Table 3. Impact of Competency Implementation

Aspect	Positive Impact
Employee Performance	Improved

Service Quality	More consistent
Achievement of Goals	More focused

Source: Primary Data, Researcher Analysis (2025)

Table 3 shows that implementing competency-based human resource management improves organisational efficiency. Because employees have a clear understanding of the established work standards, job placements that align with their competencies improve their performance and maintain consistent service quality. In addition, all human resource management activities are aligned with the service company's strategic objectives, thereby enabling the achievement of organisational goals to be more focused and systematic.

Discussion

The discussion interprets the research results by relating them to previous theories and findings. This discussion aims to explain the conceptual meaning of the findings, while placing the research results in the context of competency-based human resource management and organisational effectiveness in service companies.

1. Competency Mapping as the Foundation of HRM

The research shows that competency mapping is the basis for implementing competency-based human resource management. These results align with Zaky (2022), who states that clear competency standards make it easier for organisations to identify the right human resources. Without precise competency mapping, organisations tend to experience a mismatch between employee capabilities and job requirements. This study supports the idea that competency mapping is a strategic tool for improving the efficiency of service organisations, rather than merely an administrative tool.

2. Implementation of Competencies in Managerial Practice

The implementation of competencies in recruitment, training, and performance appraisal has proven to be a key factor in HRM success. These results support the findings of Widyaputri and Wulansari (2023), who stated that integrating competencies into the HRM system improves the consistency and objectivity of employee management. This study confirms that service companies that consistently apply competencies can improve performance quality and reduce employee capability gaps. Reinforces the role of competencies as a link between organisational strategy and individual performance.

3. The Impact of Competence on Organisational Effectiveness

The study's results indicate that human resource competencies have a direct impact on organisations' productivity and service quality. These findings are consistent with those of Nugroho, Prasetyo, and Lestari (2021), who found that employee competencies are a key determinant of service organisation effectiveness. This study also adds that competency contributes to an

organisation's ability to achieve its goals more effectively. Thus, organisational effectiveness is influenced not only by the system but also by the quality of the individuals who operate it.

4. Managerial Implications in the Context of Service Companies

The managerial implications of this study emphasise the importance of leadership commitment in implementing competency-based HRM on an ongoing basis. These findings align with Mokobombang and Natsir (2024), who emphasise that the success of HR development is strongly influenced by top management support. This study expands on these findings by demonstrating that without organisational policy and cultural support, HR competencies will not have a maximum impact on the effectiveness of service organisations.

CONCLUSION

The research results and discussion outlined above show that implementing competency-based human resource management significantly increases the productivity of service companies in Indonesia. This study shows that human resource management centred on mapping, developing, and utilising employee competencies can help align organisational needs with individual capabilities, thereby enabling organisations to achieve their goals more effectively and efficiently.

Research shows that precise competency mapping is essential for implementing a competency-based HR management system. Service companies can use the mapping process to determine the competency standards required for each position. It enables them to conduct recruitment, placement, and employee development processes more measurably, objectively, and targeted. It has been proven that competencies in managerial practices, particularly performance appraisal systems and training programmes, improve employee performance and customer service quality. The research findings also show that human resource competencies have a direct impact on higher productivity, consistency in service quality, and the organisation's ability to achieve its goals. Therefore, it is not only structural and systemic elements that influence organisational performance, but also the level of competence of the individuals working for the organisation. The results show that service companies can use HR competencies as a strategic asset to face increasingly complex and dynamic competition and business environments.

ACKNOWLEDGEMENTS

The author would like to express his sincere gratitude and appreciation to everyone who contributed to this research. Special thanks go to the management and all employees of the service companies that were the subjects of this research for their openness, trust, and cooperation during the data collection process. In addition, appreciation is given to academics, supervisors, and colleagues who have provided constructive criticism, suggestions, and contributions to complete this research in a

systematic and high-quality manner. The support provided by these various parties was significant for the smooth running and success of this research.

REFERENCES

- Creswell, J. W. (2021). *Research design: Qualitative, quantitative, and mixed methods approaches* (5th ed.). Sage Publications.
- Creswell, J. W., & Poth, C. N. (2022). *Qualitative inquiry and research design: Choosing among five approaches* (4th ed.). Sage Publications.
- Etikan, I., Musa, S. A., & Alkassim, R. S. (2016). Comparison of convenience sampling and purposive sampling. *American Journal of Theoretical and Applied Statistics*, 5(1), 1–4. <https://doi.org/10.11648/j.ajtas.20160501.11>
- Jackson, K., & Bazeley, P. (2019). *Qualitative data analysis with NVivo* (3rd ed.). Sage Publications.
- Lincoln, Y. S., & Guba, E. G. (1985). *Naturalistic inquiry*. Sage Publications.
- Miles, M. B., Huberman, A. M., & Saldaña, J. (2020). *Qualitative data analysis: A methods sourcebook* (4th ed.). Sage Publications.
- Mokobombang, W., & Natsir, N. (2024). Strategi pengembangan sumber daya manusia dalam meningkatkan kinerja dan efektivitas organisasi industri jasa. *Jurnal Minfo Polgan*, 13(1), 45–58. <https://doi.org/10.33395/jmp.v13i1.13756>
- Nugroho, A., Prasetyo, E., & Lestari, D. (2021). Pengaruh kompetensi sumber daya manusia terhadap efektivitas organisasi pada perusahaan jasa. *Jurnal Manajemen dan Kewirausahaan*, 23(2), 87–98. <https://doi.org/10.9744/jmk.23.2.87-98>
- Saputra, S. D. (2025). Evaluating competency-based recruitment and training effectiveness in West Java's public sector human resource management. *Multidisciplinary Output Research for Actual and International Issue (MORFAI)*, 5(3). <https://doi.org/10.54443/morfai.v5i3.2899>
- Siregar, R. A., & Hartono, B. (2024). Manajemen sumber daya manusia berbasis kompetensi dan implikasinya terhadap efektivitas organisasi. *Jurnal Administrasi Bisnis*, 14(1), 15–26. <https://doi.org/10.14710/jab.v14i1.42150>
- Wahyudi, A., Yudistira, A. P., Afandi, N., & Santoso, A. S. Y. D. (2025). Manajemen sumber daya manusia berbasis kompetensi untuk meningkatkan produktivitas. *Jurnal Ilmiah Ekonomi dan Manajemen (JIEM)*, 3(2). <https://doi.org/10.61722/jiem.v3i2.3898>
- Warsono, H. Y., Sulistiyanto, S., & Kusuma, E. A. (2025). The impact of competency-based human resource management on organizational competitive advantage. *Jurnal Ar Ro'is Mandalika (ARMADA)*, 6(1). <https://doi.org/10.59613/armada.v6i1.5470>
- Widyaputri, S. S., & Wulansari, P. (2023). Praktik manajemen sumber daya manusia dan kompetensi karyawan terhadap efektivitas organisasi. *Journal of Management and Business (JOMB)*, 5(2), 1195–1202. <https://doi.org/10.31539/jomb.v5i2.6396>
- Yin, R. K. (2022). *Case study research and applications: Design and methods* (7th ed.). Sage Publications.
- Zaky, M. (2022). Penerapan manajemen sumber daya manusia berbasis kompetensi untuk meningkatkan efektivitas organisasi. *Jurnal Ilmiah Manajemen, Ekonomi, dan Akuntansi (MEA)*, 6(1), 1042–1059. <https://doi.org/10.31955/mea.v6i1.3012>