

## COMPETENCY-BASED PERFORMANCE MANAGEMENT: A REVIEW OF THE LITERATURE ON THE ALIGNMENT BETWEEN INDIVIDUAL PERFORMANCE, TEAM EFFECTIVENESS, AND ORGANIZATIONAL GOALS

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**Abstract.** *Competency-based performance management has proven to be an integral strategic approach in systematically integrating individual achievements, team effectiveness, and organizational goals. This literature review was carried out through the library research method by analyzing the latest academic sources from the 2021-2025 period to identify the mechanism of alignment between the three performance dimensions. The results of the analysis show that the integration of competencies into the human resource management system creates evaluation transparency, increases employee motivation, and strengthens organizational competitiveness in the digital era. Important findings reveal that the effectiveness of competency-based performance management systems is highly dependent on the organizational context, including the external culture, structure, and environment that serves as a critical moderator. The study concludes that the implementation of competency-based performance management represents a strategic investment in developing sustainable human resource capabilities, thereby contributing to long-term organizational success and adaptation to complex market dynamics.*

**Keywords:** *Employee competence; Organizational alignment; Performance management.*

### 1. INTRODUCTION

Modern organizational transformation requires companies to integrate individual accomplishments with team effectiveness and organizational goals holistically. Competency-based performance management has become a strategic approach that focuses not only on the end result, but also on the capabilities and expertise that human resources have in achieving the company's targets (Draganidis & Mentzas, 2006). In the context of increasingly fierce global competition, organizations need an evaluation system that is able to identify, develop, and make optimal use of employee competencies to drive productivity and innovation (Armstrong, 2023).

Research shows that when organizations align individual competencies with the roles and responsibilities they carry, and link them to the team's goals and strategic goals, there is a significant improvement in overall performance (Patil & Meena, 2019). However, in practice, there are still many organizations that face challenges in implementing this alignment effectively. The gap between the competencies that employees have and the needs of the job, as well as the suboptimal coordination between individual performance and collective goals, are the main obstacles to the achievement of organizational targets (Dr. Gagandeep Kaur, 2021).

The importance of this research lies in the awareness that conventional performance management that is only oriented to numerical results has proven to be not comprehensive enough to capture the complexity of performance in the digital age. Competency-based approaches offer a deeper perspective by considering the dimensions of behaviors, knowledge, and skills that contribute to success (Benayoune, 2024). The literature shows that organizations that adopt competency-based performance management experience increased employee

engagement, talent retention, and better team collaboration (Alan, 2021). In addition, this approach facilitates the identification of specific development needs and allows for more strategic succession planning.

Previous research has explored performance management from various perspectives, ranging from aspects of performance evaluation, leadership, to employee motivation. However, significant research gaps still exist in how the mechanisms of alignment between the three dimensions—individual performance, team effectiveness, and organizational goals—can be systematically integrated through competency-based frameworks (Škrinjarić, 2022). Most previous studies have addressed these dimensions separately without examining how synergies between the three can be created through a structured performance management approach (Souza & Vasconcelos, 2021). In addition, research on practical implementation in various Indonesian organizational contexts is limited, especially in understanding how local cultural factors affect the effectiveness of competency-based performance management systems (Son, 2021).

This literature review aims to identify and synthesize the latest research findings on competency-based performance management, with special emphasis on the mechanisms of alignment between individual performance, team effectiveness, and organizational goals (Alhammadi & Romle, 2023). Through a systematic review approach, this study will analyze how competencies can be a bridge that integrates achievements at all three levels, while identifying critical factors that affect successful implementation. Furthermore, this study will uncover research gaps that still need to be explored further, including the development of valid measurement instruments, contextual adaptations, and organizational change strategies that support the transition to a competency-based performance management system (de Araújo et al., 2022). Thus, this research is expected to make a substantive contribution to human resource management theory and provide practical guidance for organizations in designing and implementing more responsive and effective performance management systems.

## **2. LITERATURE REVIEW**

### *2.1 Conceptual Framework for Competency-Based Performance Management*

Contemporary perspectives in human resource management shift the focus from a results-based approach to one that integrates the fundamental capabilities of employees as a determining factor for organizational success. Competence is understood as a dynamic combination of knowledge, skills, attitudes, and values that are embodied through concrete work behavior in carrying out specific functions. A competency-oriented performance management system recognizes that the achievement of quantitative targets must be supported by the ownership and development of capabilities relevant to the organization's role. This approach allows for the systematic identification of competency gaps, so that development interventions can be designed with high precision and tailored to the strategic needs of the organization (Draganidis & Mentzas, 2006). Competency-based evaluation mechanisms also facilitate transparency in performance assessment, as assessment criteria are based on explicitly and measurably defined competency standards, rather than on the assessor's subjective preferences.

### *2.2 Alignment Between Individual Performance, Team Effectiveness, and Organizational Goals*

Creating synergies between the three levels of performance requires a systematic alignment mechanism through the establishment of consistent core competencies across the organizational hierarchy. This alignment strategy begins with a competency mapping that ensures each individual understands his or her contribution to the team's objectives, and simultaneously, how the team contributes to the achievement of the organization's vision. When individual competencies are integrated with the demands of roles in the team structure, and team goals

are designed to support the organization's strategic goals, then a clear causal pathway is created for the mobilization of energy and talent towards measurable results. The strategic management literature shows that organizations that implement vertical and horizontal alignment in performance management experience a productivity increase of up to 35 percent, as well as a significant decrease in employee turnover rates. Effective implementation requires continuous communication, real-time feedback, and dynamic adjustment to external and internal environmental changes (Puspitasari & Sutioningsih, 2025). Thus, competency-based alignment serves as a management instrument that consolidates individual aspirations, collaborative needs of teams, and strategic ambitions of the organization in a coherent and measurable whole.

### **3. RESEARCH METHODS**

This study uses a qualitative approach with library research strategies to analyze the phenomenon of competency-based performance management. This method was chosen because it allows for an in-depth exploration of theoretical and empirical concepts from a variety of reliable academic sources, without the need for direct field observation. The data collection process is carried out through a systematic review of the scientific literature, including peer-reviewed journal articles, management textbooks, research reports, and publications from credible research institutions published in the 2021-2025 period. The inclusion criteria are based on the relevance of the content to the three main dimensions of the study: competency-based performance management, individual performance, team effectiveness, and alignment with organizational goals (Scott, 2019).

Literature search strategies use leading academic databases such as Google Scholar, Scopus, and ProQuest with predefined keywords. Data analysis is carried out through a content analysis approach, which involves identifying, categorization, and synthesizing key findings from various literature sources. The coding and thematic analysis process is used to extract consistent conceptual patterns and identify research gaps that still require further investigation. The results of the analysis are presented in the form of a comprehensive narrative that integrates theoretical and practical perspectives, resulting in a holistic understanding of the research topic.

### **4. RESULTS AND DISCUSSION**

#### *4.1 Competency Integration as the Foundation of Effective Performance Management*

A comprehensive literature review reveals that improving employee competencies is a critical element in the success of organizations in the face of competitive dynamics in the Industry 4.0 era. The results of the analysis show that an effective performance management strategy must integrate competency development into all aspects of work operations, provide opportunities for employees to develop themselves in an ongoing manner, and create a work environment that encourages innovation and creativity (Siti Hanifah Hanum et al., 2024). This integration reflects a paradigm shift from traditional performance management models that are only oriented towards measurable outputs, towards an approach that recognizes the fundamental role of competencies in driving long-term productivity.

These findings are in line with the practice of implementing competency-based performance management systems carried out by large organizations such as PT. Telkom Padang. Analysis of the implementation of the system shows that the successful achievement of organizational goals requires effective, efficient, and competitive management in managing human resources (Ismanto et al., 2024). Through a competency-based structured performance management system, companies can direct the performance of human resources in the optimal direction, so that organizational goals are achieved more systematically. Research at PT. Telkom Padang confirmed that the Competency-Based Human Resource Management (MSDMBK) approach results in performance management that is more responsive to the strategic needs of the organization, both in supporting productivity and competitiveness in a dynamic market.

The implementation mechanism of the MSDMBK system involves identifying core competencies relevant to each position in the organization, establishing clear performance standards based on those competencies, and developing structured career paths to support the continuous improvement of employee competencies (Ismanto et al., 2024). This process allows organizations to create transparency in performance appraisals, as each aspect of the evaluation can be referred to an explicitly defined competency standard. In addition, the integration of competencies into all aspects of human resource management—from recruitment, training and development, to promotion and remuneration—results in consistency in implementation that increases the credibility of the system in the eyes of employees. When employees clearly understand that career development and advancement opportunities are based on measurable and achievable competencies, the motivation to continuously improve becomes stronger. Research shows that clarity of the relationship between competency development efforts and career prospects can increase quality employee retention rates by up to 40 percent, while significantly reducing recruitment and onboarding costs (Siti Hanifah Hanum et al., 2024). Thus, the integration of competencies in the performance management system results in a multiplier effect that benefits the organization as a whole.

#### *4.2 Alignment between Individual Development, Collective Performance, and Organizational Goals*

A literature review identified that performance management plays a crucial role in linking organizational achievement to individual improvement through structured human resource development mechanisms. A performance management approach that focuses on individual development has been proven to increase productivity, job satisfaction, and employee contribution to the organization's strategic goals (Setyawati et al., 2024). Individual development through upskilling, transparent performance appraisals, and constructive feedback not only strengthens personal abilities, but also encourages the creation of a collaborative and innovative work environment. This mechanism of alignment becomes a bridge that transforms individual aspirations into real contributions to collective objectives.

The significance of these findings is reinforced by empirical evidence showing that the importance of alignment between individual goals and organizational goals is a determinant factor for the successful implementation of a performance management system. The role of management in creating strategies that support this achievement is critical, because alignment does not occur automatically but requires deliberative and sustainable system design. The increasingly tight competitive context requires organizations to adapt performance management practices that are responsive to employee needs and market dynamics (Setyawati et al., 2024). The mechanism of operational alignment between the three levels of performance can be implemented through several mutually integrated tactical strategies. First, organizations need to develop a comprehensive competency map that shows how individual competencies contribute to team competencies, and how team competencies support the achievement of organizational goals (Setyawati et al., 2024). This map serves as a guide that helps employees understand their specific contribution to the overall success of the organization, creating a holistic understanding of the importance of each role. Second, the goal setting system must follow the cascading principle that ensures that goals at the individual level logically flow from the team's goals, which in turn derive from the organization's strategic objectives. This approach creates strong vertical cohesion, so that individual efforts do not feel isolated but rather integrated into the larger narrative of organizational success.

Third, feedback and communication mechanisms should be designed to be bidirectional and sustainable, not just limited to annual retrospective evaluations. Real-time feedback and regular discussions on progress towards goals allow for rapid strategic adjustments and maintain alignment among all three levels of performance (Setyawati et al., 2024). When employees receive consistent and constructive information about how their performance contributes to

team and organizational outcomes, they can make more informed and strategic behavioral adjustments. Investing in individual development through training, mentoring, and learning opportunities ultimately creates a reservoir of organizational competencies that can be articulated to respond dynamically to emerging opportunities and challenges (Setyawati et al., 2024). Thus, performance management serves not solely as an evaluation tool, but also as a strategic instrument for developing high-quality human resources that in turn contribute to the long-term success of the organization.

Alignment between the three levels of performance requires an understanding of the reciprocal relationship between employees and the organization. This relationship creates unwritten expectations that greatly affect employees' motivation and performance at work (Setyawati et al., 2024). When an organization demonstrates a real commitment to developing employees' capabilities through training and mentorship programs, employees will respond by increasing their dedication and contribution to a common goal. This principle of reciprocity is an important foundation, where an organization's investment in individual development results in results in loyalty, high productivity, and innovative behaviors that support the achievement of the organization's strategic goals.

Coordination between performance levels becomes more complicated in organizations with dynamic team structures. In these situations, employees often work in multiple teams at once and report to more than one supervisor, making aligning goals more challenging but crucial (Siti Hanifah Hanum et al., 2024). An effective governance system is needed to ensure that individual priorities do not conflict with the priorities of different teams. The use of cloud-based performance management tools helps to increase transparency in tracking individual contributions to various projects and teams, thereby reducing priority conflicts and improving coordination at all levels.

The time aspect in performance alignment also needs to be seriously considered. Organizational goals usually have different time frames, ranging from quarterly short-term targets, annual medium-term goals, to long-term visions of three to five years. An effective performance management system should be able to accommodate these various time frames by setting intermediate stages and targets that allow employees to see their progress (Setyawati et al., 2024). A balanced scorecard approach can be integrated within a competency-based performance management framework to ensure that financial, customer, internal process, and learning perspectives are reflected in performance targets at all levels of the organization. This integration creates a thorough performance assessment, focusing not only on short-term financial results but also on the foundations that support the sustainability of the organization.

Transformative leadership roles are an important driver in creating and maintaining alignment between the three levels of performance. Effective leaders not only communicate the organization's vision and strategy clearly, but also demonstrate through tangible actions how the contributions of each individual and team support the achievement of those visions (Ismanto et al., 2024). The exemplary practice of the leadership team in demonstrating expected competencies, rewarding achievements that align with organizational values, and creating a strong sense of purpose among employees are factors that significantly strengthen performance alignment. Furthermore, inclusive and empowering leadership encourages employee participation in the goal-setting process, so that the goals set are not felt as coercion from top management but as shared goals that have personal meaning for employees.

Diversity in the team also has an important impact on the performance alignment mechanism. Teams that are heterogeneous in terms of backgrounds, expertise, and perspectives require a performance management approach that is sensitive to a diversity of contributions that may not always be directly comparable (Siti Hanifah Hanum et al., 2024). Flexible and adaptive competency assessment systems are able to accommodate multiple pathways to excellence, recognizing that employees with different competencies can make equally valuable contributions but in different forms. This approach not only enhances fairness

in performance appraisals, but also encourages innovation through diversity, where the combination of diverse competencies within the team results in creative solutions to complex problems facing organizations.

#### *4.3 System Effectiveness and Organizational Context as Moderator Variables*

The results of a systematic analysis of the relationship between performance management and organizational performance reveal that the effectiveness of a performance management system is not universal, but rather depends heavily on the organizational context, system integration, and specific mediation and moderation factors (Wirtadipura et al., 2025). These findings suggest that the implementation of a competency-based performance management system requires serious customization of each organization's unique characteristics, including organizational culture, hierarchical structure, industry, and organizational development phases. The thematic analysis reveals that effective performance management practices not only improve the efficiency of internal processes, but also strengthen strategic adaptation and organizational innovation.

The organizational context includes the dimensions of the external culture, structure, and environment that significantly affect the design and effectiveness of the performance management system (Wirtadipura et al., 2025). Organizations with strong hierarchical cultures may require a more limited approach to competency assessment decentralization, while organizations with adhocratic or clan cultures may adopt a more collaborative 360-degree assessment model. Similarly, organizations operating in industries with high levels of innovation require systems that emphasize competencies such as creativity, continuous learning, and adaptability, in contrast to organizations in industries with relatively stable environments. The development phase of the organization also plays an important role; Organizations in an explosive growth stage may prioritize leadership development and management competencies, while mature organizations may focus on efficiency optimization and incremental innovation.

The integration of business intelligence and analytics in performance management systems allows organizations to identify hidden patterns in performance data that can inform competency development decisions (Wirtadipura et al., 2025). The use of data analytics can uncover the correlation between specific competency profiles and high performance levels, allowing organizations to target development investments with greater precision. The uncertainty of the external environment requires an adaptive and resilient performance management system, capable of quickly adapting to changing market, technology, or regulatory conditions. Organizations facing high levels of environmental volatility require more frequent review and revision mechanisms for performance targets, as well as competency development systems that are responsive to emerging skill requirements. By acknowledging context as a critical moderator variable, organizations can design performance management systems that are not only theoretically sound but also practically viable and contextually appropriate (Wirtadipura et al., 2025).

The organizational context includes internal and external factors that interact with each other in influencing the design and implementation of competency-based performance management systems. At the external level, factors such as the regulatory environment, labor market conditions, the level of industrial competition, and technological change shape the limits and opportunities in which performance management systems operate (Wirtadipura et al., 2025). Organizations operating in highly regulated industries such as banking or pharmaceuticals face high compliance requirements, so performance management systems must integrate competencies related to regulatory knowledge and risk management as core competencies. In contrast, organizations in industries with minimal regulation have greater flexibility in designing agile and experimental systems.

Labor market conditions significantly affect talent management strategies that are integrated with performance management systems. In a tight labor market with a scarcity of talent for

critical competencies, organizations need to adopt a more employee-centric approach by offering personalized career development pathways, competitive compensation associated with the achievement of competencies, and flexible work arrangements that increase the value of the employee's proposition (Wirtadipura et al., 2025). Analysis of demand and supply dynamics for specific competencies enables organizations to make strategic decisions between building or buying—whether it's more cost-effective to develop competencies internally through intensive training, or recruiting external talent who already has the required competencies. This decision has a direct impact on the design of performance management systems, particularly in terms of emphasis on development versus selection and placement.

The organization's technology infrastructure and digital maturity also function as a support or inhibitor in the implementation of a sophisticated competency-based performance management system. Organizations with advanced digital capabilities can leverage predictive analytics to forecast future competency needs based on strategic plans and market trends, use algorithms to match employees with the most relevant development opportunities, and implement continuous feedback mechanisms through mobile apps and collaboration platforms (Wirtadipura et al., 2025). Instead, organizations with limited technology infrastructure may need to start with simpler systems and gradually build digital capabilities while developing a more robust competency management system over time. A phased implementation approach that is aligned with organizational readiness is essential to ensure the sustainability and acceptance of the systems implemented.

Cultural factors at an internal level include sub-cultures that may exist within different departments or business units within the same organization. The engineering department may have a very different culture than the sales department, with implications for competency assessment methods and preferred feedback mechanisms (Wirtadipura et al., 2025). An effective performance management system recognizes and accommodates these cultural variations by providing a level of customization in implementation, while still maintaining the core principles and overall coherence of the system. This differentiated standardization approach allows organizations to strike a balance between the consistency required for fairness and comparability, with the flexibility required for contextual suitability and local ownership.

The size and complexity of the organization also moderate the effectiveness of various performance management practices. Small and medium-sized businesses with flat structures and informal communication patterns may not require a complex and detailed competency framework, but can adopt a simplified competency model that captures essential competencies while maintaining agility (Siti Hanifah Hanum et al., 2024). Large multinational companies with operations spanning many countries and cultures face a much more complex challenge in standardizing the definition of competency across geographies while respecting the nuances of local cultures. The use of a global competency framework with provisions for local adaptation, supported by strong governance mechanisms to ensure consistency in applications, is becoming a commonly adopted approach in multinational contexts.

An organization's risk appetite and strategic orientation—whether as an aggressive market leader pursuing growth or as a conservative player prioritizing stability—also shape an appropriate performance management approach (Wirtadipura et al., 2025). Organizations with a high risk appetite may reward entrepreneurial competence and tolerate higher failure rates in innovation efforts, while organizations with a low risk appetite may emphasize reliability competencies, consistency, and compliance with a more conservative reward system.

Key findings include the role of performance management mediation in linking managerial innovation to organizational performance, synergy between corporate performance management and business process management, and the importance of integrating business intelligence and analytics in the public sector (Wirtadipura et al., 2025). Further, the study emphasizes environmental uncertainty as a critical moderator in the design of adaptive performance management systems. Theoretical implications include strengthening the theory

of resource-based view, resource orchestration, and contingency theory, while practical implications are recommendations for developing a contextual, data-driven, and collaborative performance management system.

#### *4.4 Competency-Based Performance Management Applications in Various Sectors*

Empirical evidence from various sectors shows that competency-based performance management principles can be applied effectively outside the context of commercial business. Research in the field of education shows that the implementation of competency-based performance management significantly improves student achievement, concept understanding, and learning motivation (Humaidi, 2024). A quasi-experimental design with a non-equivalent control group involving early-end test instruments, competency-based learning plans, and direct observation yielded strong evidence regarding the effectiveness of this approach in the context of vocational education. These findings confirm that competency-based performance management frameworks are not only relevant for business organizations, but also for educational institutions that seek to improve the quality of student learning and achievement.

The transfer of competency-based performance management principles to different sectors demonstrates the universal validity of this approach, although its implementation must be tailored to the specifics of each sector's context. Successful implementation in the education sector makes a significant contribution to the development of performance management practices in vocational secondary education institutions and other educational institutions (Humaidi, 2024). The generalization of these findings supports the argument that competency-based performance management represents a more robust and transferable paradigm compared to a results-based performance management model alone.

The implementation of competency-based performance management in the public sector presents its own complexities that require special attention. Government organizations have rigid bureaucratic characteristics, strict regulations, and high public accountability, so adapting a competency-based system requires a more deliberative approach. Implementation experience in various government agencies shows that the successful adoption of this system depends on the commitment of top-level leadership, adequate budget allocation for competency development programs, and a change in mindset from a procedural orientation to a measurable results orientation.

The health sector also shows great potential in adopting competency-based performance management, especially in improving the quality of medical services and patient satisfaction. Hospitals and clinics that implement competency assessment systems for medical personnel and paramedics report improvements in service standards, reduced medical errors, and strengthened patient safety cultures. Clinical competence, interpersonal communication, and the ability to work in multidisciplinary teams are the main focus of development that has a direct impact on patient health outcomes.

The creative industry and information technology represent a different context of implementation, where innovation and creativity are core competencies that must be managed strategically. Startups and technology-driven organizations tend to adopt more flexible performance management systems, with an emphasis on experimentation, quick learning from failure, and cross-functional collaboration. Competency measurement in this context does not only focus on technical skills, but also on soft skills such as adaptability, resilience, and design thinking skills that support sustainable innovation.

#### *4.5 Theoretical and Practical Implications for the Development of Performance Management Systems*

The results and discussion above have significant implications for both the theoretical and practical dimensions in the discipline of human resource management. From a theoretical perspective, the integration of competencies as a central element in performance management

enriches the understanding of how organizations can strategically orchestrate human resources to achieve ambitious goals amid environmental uncertainty. Contributions to the development of human resource management theory include clarification of the mediating role played by competencies in transforming management practices into measurable performance outcomes, as well as recognition of the importance of the organizational context as a moderator of system effectiveness.

On a practical level, the findings of this study provide operational guidance for human resources practitioners in designing and implementing performance management systems that are responsive to the challenges of Industry 4.0 and VUCA (Volatility, Uncertainty, Complexity, Ambiguity). Practical recommendations include the need for organizations to invest significant resources in individual employee development, integrate business intelligence in performance appraisals, and create sustainable and constructive feedback mechanisms. Investing in individual development is an investment in the future of the organization, because through structured employee development, organizations can build sustainable capabilities that are difficult for competitors to replicate (Setyawati et al., 2024).

The use of digital technology provides a major change in the evolution of today's competency-based performance management system. A digital platform of a human resource management system integrated with artificial intelligence and machine learning enables organizations to conduct competency mapping in real-time, identify competency gaps with high precision, and recommend personalized development programs according to individual employee needs (Wirtadipura et al., 2025). Analytics technology facilitates the visualization of performance data in an interactive dashboard that makes it easy for managers and employees to monitor the progress of achieving competency targets in a transparent and accountable manner. These technological advancements not only improve the efficiency of the performance appraisal process, but also provide deeper insights into effective competency development patterns within organizations.

The integration of artificial intelligence in performance management systems allows the prediction of future competency needs based on industry trends and technological developments. Machine learning algorithms can analyze historical data of employee performance to identify the most effective combination of competencies to achieve specific outcomes, so organizations can design more targeted and evidence-based development programs (Siti Hanifah Hanum et al., 2024). The use of chatbots and virtual assistants in performance management processes is also growing in popularity, giving employees instant access to information about their competency targets, learning resources, and performance feedback without having to wait for a formal meeting with their boss.

Aspects of sustainability and corporate social responsibility are increasingly integrated into the competency-based performance management framework. Progressive organizations are beginning to include competencies related to environmental awareness, social responsibility, and ethical leadership as an integral part of the expected competency profile (Setyawati et al., 2024). This shift reflects higher stakeholder expectations for the organization's contribution to global issues such as climate change, social justice, and governance with integrity. Employees who develop sustainability competencies not only contribute to the organization's reputation, but also to the creation of sustainable long-term value. Organizations that integrate sustainability competencies into their performance management systems report increases in employee engagement and brand attractiveness for millennial and Generation Z talents who are increasingly concerned about environmental and social issues.

The importance of the continuous learning ecosystem in supporting competency-based performance management cannot be ignored. Organizations need to create a learning infrastructure that is accessible, engaging, and relevant through a combination of various learning modalities such as e-learning, microlearning, mentoring, coaching, and experiential learning (Ismanto et al., 2024). A strong learning culture encourages employees to proactively

identify areas of development and take ownership of their professional growth, creating a continuous learning cycle that strengthens the organization's competitive advantage in the long run. A user-friendly and mobile-accessible learning management system platform facilitates just-in-time learning, where employees can access relevant learning content right when they need it to complete a specific task or project.

The dimensions of wellbeing and work-life balance are also important considerations in the design of contemporary performance management systems. Research shows that employees who experience burnout or chronic stress experience a significant decline in their ability to develop and apply new competencies (Siti Hanifah Hanum et al., 2024). Therefore, an effective performance management system needs to integrate wellbeing metrics and ensure that performance targets do not create unsustainable workloads. Progressive organizations are beginning to adopt a holistic performance management approach that not only evaluates technical outputs and competencies, but also considers aspects of mental health, work-life balance, and sustainable performance of their employees.

Cross-generational collaboration in the modern workplace also has implications for the design of performance management systems. With four to five generations working together in the same organization, performance management systems need to be flexible enough to accommodate the different preferences and work styles of different generational groups (Setyawati et al., 2024). Baby boomers may appreciate formal *Performance Reviews and Face-to-Face Feedback*, while millennials and Generation Z tend to be more responsive to continuous feedback through digital platforms and peer recognition. A multi-generational performance management approach that recognizes and respects this diversity of preferences can increase the effectiveness and acceptance of the system as a whole.

The digital technology dimension plays a transformative role in the evolution of contemporary competency-based performance management systems. The digital human resource management system (HRMS) platform integrated with artificial intelligence and machine learning allows organizations to conduct competency mapping in real-time, identify competency gaps with high precision, and recommend personalized development programs according to individual employee needs. Analytics technology facilitates the visualization of performance data in an interactive dashboard that makes it easier for managers and employees to monitor the progress of achieving competency targets in a transparent and accountable manner.

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The importance of the results of the analysis and findings of this research lies in its contribution to filling the theoretical gap regarding the mechanism of alignment between individual performance, team effectiveness, and organizational goals through a competency-based approach. This research strengthens the argument that competency-based performance

management is not just an administrative tool for employee assessment, but is an integral strategic instrument in shaping organizational direction, improving human resource capabilities, and ensuring the achievement of sustainable organizational goals in the long term. This contribution is significant to the field of human resource management, strategic management, and organizational management in general, with implications that extend to various industrial and educational sectors.

## CONCLUSION

This comprehensive literature review reveals that competency-based performance management is a fundamental strategic framework in integrating individual achievements, team collective effectiveness, and organizational goals cohesively in the complex and dynamic era of Industry 4.0. The systematic integration of competencies into all dimensions of human resource management—from recruitment to career development—enables organizations to create strong vertical and horizontal alignment, so that human resource energy and talent can be strategically mobilized toward measurable and sustainable outcomes. The effective implementation of this competency-based system is inseparable from an in-depth understanding of the specific organizational context, including cultural dynamics, hierarchical structures, industry characteristics, and organizational development phases, which serve as a critical moderator in determining the design and effectiveness of the system. Previous research has proven that organizations that adopt competency-based performance management experience significant improvements in quality talent retention, operational productivity, employee job satisfaction, and strategic adaptability to changes in the external environment. These findings apply across sectors, both in commercial business organizations and educational institutions, demonstrating the universal validity of this approach although its implementation must be adapted to the local context. Strategic investments in the development of individual competencies should be viewed not as an administrative cost burden, but as a long-term investment in building resilient, innovative, and competitive organizational capabilities in the global marketplace. Thus, competency-based performance management represents a more robust paradigm in managing human resources, changing the way organizations define, measure, and develop employee performance as a means to achieve sustainable and meaningful organizational success in the context of increasingly complex business competition.

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