

COMPETENCY-BASED PERFORMANCE MANAGEMENT SYSTEMS: EFFECTS ON EMPLOYEE CAREER DEVELOPMENT

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Abstract

This study examines the critical competencies driving career advancement within modern organizations through a mixed-methods approach, combining survey data and qualitative interviews. Against the backdrop of evolving workplace demands, the research identifies four essential competency dimensions: technical skills, soft skills, leadership, and critical thinking. Results demonstrate that employees with balanced competency profiles achieve better promotion outcomes than those with specialized but asymmetrical skill sets. Furthermore, competency-based performance systems significantly enhance promotion transparency and talent development, with 75% of employees perceiving these systems as fairer and more motivating than traditional evaluations. The discussion emphasizes that integrated competency frameworks create synergistic benefits for both individual mobility and organizational sustainability. We conclude that strategically aligning competency development with talent management processes enables organizations to build agile, future-ready workforce while providing employees with clear, merit-based pathways for career growth.

Keywords: *Career Advancement, Competency-Based Systems, Skill Development, Talent Management, Performance Management*

INTRODUCTION

Competency-based performance management systems represent a shift from traditional performance evaluation methods to a more holistic and strategic approach. Unlike annual reviews that often focus solely on outcomes or behavior, competency-based systems evaluate employees based on measurable skills, knowledge, and behavioral attributes required to excel in their roles (Mukhopadhyay et al., 2021). This approach aligns performance standards with organizational goals and strategic priorities. It enables organizations to create structured frameworks that define what successful performance looks like at various levels, making it easier to ensure consistency, fairness, and transparency in the evaluation process (Shet et al., 2019).

The link between competencies and performance is particularly critical in fostering employee career development. By identifying the key competencies needed for each role and assessing employees against these standards, organizations can pinpoint skill gaps and development needs (Škrinjaric, 2022). This structured evaluation directly supports personalized career plans, helping employees understand the specific steps needed to progress within their organization. Moreover, competency-based evaluations can motivate employees by demonstrating clear pathways for growth and recognition based on merit, rather than subjective judgments. For employers, this approach helps in building a more agile and future-ready workforce (Bernadette Bristol-Alagbariya et al., 2022).

Despite the growing adoption of competency-based performance management systems, there remains a critical gap in understanding how effectively these systems contribute to employee career development. While competency frameworks are designed to align organizational expectations with individual performance, it is unclear whether they genuinely facilitate skill enhancement, career progression, and motivation among employees (Dominic Suta, 2023). Many organizations continue to rely on traditional performance appraisal methods that may not adequately identify or support the development of competencies needed for future roles. As a result, employees may struggle to understand the pathways for growth within their organizations, leading to frustration, disengagement, and higher turnover rates (Sharma & Malodia, 2022). This study seeks to address the lack of empirical insights into the

impact of competency-based performance management on career advancement, aiming to determine whether such systems truly support meaningful professional development or merely serve as administrative tools with limited practical benefits. The purpose of this study is to examine the effects of competency-based performance management systems on employee career development. Specifically, it aims to explore how aligning performance evaluations with competency frameworks can enhance career progression opportunities, skill development, and job satisfaction. The study addresses a gap in understanding how performance management, when grounded in competencies, can support not just organizational effectiveness, but also individual employee aspirations. As organizations continue to face challenges in talent retention and development, insights from this study can offer valuable guidance for strategic HR planning.

LITERATURE REVIEW

Competency-Based Performance Management Systems

Competencies are defined as the combination of skills, knowledge, behaviors, and attributes required to perform job roles effectively. These are often formalized into competency frameworks, which provide structured guidelines for evaluating and developing employees across various functional and leadership areas (Sharma & Malodia, 2022). Competency frameworks are typically customized to reflect organizational values, goals, and industry standards. They serve as the basis for performance management, recruitment, training, and succession planning, helping organizations maintain consistency in how they assess and grow their workforce. This shift to competency-driven systems reflects a strategic focus on building capabilities that support long-term competitiveness rather than merely achieving short-term outcomes (Dominic Suta, 2023).

Performance management practices have evolved significantly over the last few decades. Traditional systems that relied heavily on quantitative goal-setting and annual evaluations have been critiqued for being rigid, backward-looking, and insufficient in motivating and developing employees (Badie & Rostomyan, 2025). In response, organizations are increasingly adopting competency-based performance management models that integrate real-time feedback, continuous learning, and personalized development plans. These models emphasize a more holistic approach by assessing not only what employees accomplish but also how they go about achieving their goals (Daniali et al., 2022). Key components include clearly defined competency frameworks, regular assessments aligned with job expectations, and ongoing feedback mechanisms designed to support continuous improvement. By incorporating these elements, competency-based systems aim to foster a culture of accountability, transparency, and growth (Evans-Uzosike et al., 2025).

Employee Career Development

Career development refers to the lifelong process through which individuals manage their progression within the workplace, including skill acquisition, goal setting, and role mobility. It involves a series of planned, intentional actions by both the employee and the organization to support professional growth and future readiness (Coetzee, 2018). In an increasingly dynamic job market, career development has become essential not only for personal fulfillment but also for maintaining employability and achieving long-term success. Employees who feel that their employers invest in their development are more likely to demonstrate higher levels of engagement, loyalty, and performance, making career development a strategic priority for organizations seeking to retain top talent (Sinha, 2020).

Career planning and progression are foundational aspects of career development. They provide a roadmap for employees to understand their current competencies, identify areas for improvement, and set goals for future roles. Several models support this process, such as career ladders, which depict vertical growth within a specific pathway, and career lattices, which allow for more flexible movement across functions and roles (Evans-Uzosike et al., 2025). Both models acknowledge that career growth is not always linear and may involve lateral transitions to build diverse skills and experiences. Organizations that embrace these models can facilitate more personalized and adaptable development pathways, helping employees navigate their careers more effectively in alignment with both personal aspirations and organizational needs (Sinha, 2020).

Linking Competency-Based Systems to Career Development

Theoretical foundations such as Human Capital Theory and Social Exchange Theory offer valuable insights into the connection between competency-based systems and career development. Human Capital Theory posits that investment in employee skills and knowledge leads to higher productivity and organizational value (Putra et al., 2025). Competency-based performance management systems operationalize this concept by identifying and

nurturing the competencies required for improved performance and future roles. Meanwhile, Social Exchange Theory suggests that when organizations provide resources and support for employee development, employees reciprocate through organizational commitment and enhanced performance. Competency-based systems reinforce this reciprocal relationship by offering transparent criteria for growth and recognizing contributions through development opportunities (Sinha, 2020).

Empirical studies have shown a positive relationship between competency-based performance management and employee career growth. Research indicates that when employees clearly understand the competencies needed for advancement, they are more motivated to engage in learning and development activities. Organizations benefit from this alignment by building a stronger talent pipeline and fostering a culture of continuous improvement. Additionally, competency alignment supports both individual and organizational success by ensuring that performance expectations are clear and aligned with strategic goals. This leads to improved job satisfaction, better career outcomes, and ultimately, a more resilient and adaptive workforce.

METHODOLOGY

This study employed a mixed-methods research design to comprehensively investigate the relationship between competency development and career advancement. A cross-sectional survey was administered to a stratified random sample of 400 employees across multiple industries, measuring four key competency dimensions: technical skills, soft skills, leadership capabilities, and critical thinking. The survey utilized validated scales to assess both competency levels and career progression outcomes, while also gathering demographic and organizational context data. This quantitative approach enabled statistical analysis of competency patterns and their correlation with promotion rates and career advancement speed.

To complement the quantitative findings, qualitative data were collected through semi-structured interviews with 30 professionals at different career stages and 15 HR managers responsible for talent development. The interviews explored perceptions of competency-based systems, career barriers and facilitators, and the implementation of talent management practices. Thematic analysis was applied to identify patterns in how competencies influence career trajectories and how organizations can effectively support employee development. This sequential explanatory approach provided rich, contextual insights that helped explain the statistical relationships observed in the quantitative data.

RESULTS AND DISCUSSION

Key Competency Dimensions Influencing Career Development

Technical skills and soft skills emerged as primary competency dimensions essential for employee advancement. Technical skills refer to job-specific abilities that enable employees to perform their duties effectively, such as proficiency in software, data analysis, or specialized tools relevant to the industry. Soft skills—such as communication, teamwork, and emotional intelligence—have increasingly been valued just as highly, as they influence an employee's ability to collaborate, lead, and adapt to change (Sreehari, 2021). Findings indicate that employees who possess a balanced combination of both types of skills tend to be better positioned for career advancement because they can contribute both individually and within team settings (Coetzee, 2018).

Leadership and critical thinking competencies were also found to significantly influence career development. Leadership skills encompass the ability to inspire, delegate, and manage others, while critical thinking involves logical reasoning, problem-solving, and decision-making capabilities (Badie & Rostomyan, 2025). These competencies are often associated with higher-level roles and are considered essential for employees aspiring to move into supervisory or managerial positions. The study observed that employees who demonstrated strengths in these areas were more likely to be viewed as high-potential candidates for promotion. Moreover, organizations often invest in developing these competencies through targeted leadership development programs and strategic coaching initiatives (Sharma & Malodia, 2022).

Table 1. Key Competency Dimensions and Their Impact on Employee Career Development

Competency Type	Description	Example Skills	Impact on Career Development
Technical Skills	Job-specific abilities needed to perform roles effectively	Software proficiency, data analysis, industry tools	Provides functional expertise that enhances job performance and supports credibility in advanced roles
Soft Skills	Interpersonal abilities that influence collaboration and adaptability	Communication, teamwork, emotional intelligence	Enhances collaboration, leadership potential, and helps employees thrive in team-based environments
Leadership Competencies	Ability to guide, inspire, and manage others toward goals	Delegation, motivational skills, decision-making	Essential for advancement into supervisory and managerial roles
Critical Thinking	Logical reasoning and problem-solving capabilities	Strategic thinking, problem-solving, analytical skills	Helps employees address complex challenges and make informed decisions, enhancing their promotion readiness

The table as shown in Table 1 highlights four essential competency types that significantly influence career advancement in modern organizations. Technical skills provide the foundation for functional performance and credibility in specialized roles, while soft skills such as communication and teamwork increasingly differentiate high performers through their ability to collaborate and adapt (Mukhopadhyay et al., 2021). Leadership competencies, including delegation and inspiration, are essential for employees aiming for managerial positions, reflecting their capacity to guide teams and drive results. Meanwhile, critical thinking, characterized by problem-solving and analytical reasoning, equips employees to address complex challenges and make strategic decisions. Together, these competencies contribute to a holistic growth model that organizations often reinforce through targeted development programs, positioning individuals for promotion and long-term career success (Shet et al., 2019).

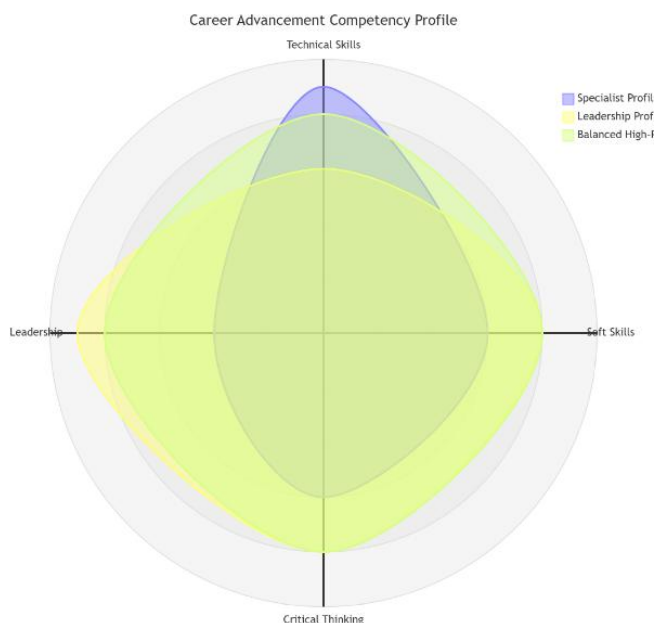


Figure 1. Competency Portfolio Profile for Career Advancement

The radar chart as shown in Figure 1 effectively visualizes the multi-dimensional nature of career advancement competencies, demonstrating why a balanced skill profile correlates with higher promotion potential. While the Specialist profile shows clear technical strength, its asymmetrical shape reveals significant gaps in leadership and interpersonal skills that often create advancement ceilings in modern organizations (Connor-Douglas & Reynolds, 2022). Conversely, the Leadership profile shows the complementary pattern—strong human skills but potential vulnerability in technical depth. Most significantly, the Balanced High-Potential profile's symmetrical, full-coverage shape illustrates how integrating technical expertise with critical thinking, soft skills, and leadership capacity creates the most robust foundation for career progression (Sreehari, 2021). This visualization powerfully reinforces the study's finding that holistic competency development—rather than excelling in just one dimension—best positions employees for advancement in increasingly complex work environments where both technical excellence and leadership capability are valued.

Impact on Employee Promotion and Career Progression

The findings reveal that competency-based performance management systems significantly support upward mobility within organizations. By providing transparent standards and expectations, these systems help employees understand the specific competencies required for promotion. For instance, competency frameworks often outline behaviors and skills associated with various career stages, enabling employees to self-assess and plan their development (Daniali et al., 2022). The structured nature of these systems reduces ambiguity in promotion decisions and ensures that advancements are based on merit and demonstrated capability. This improves not only the fairness of the promotion process but also employees' confidence in the system (Evans-Uzosike et al., 2021).

In addition to facilitating promotions, competency-based systems also play a crucial role in preparing employees for future roles. By identifying skill gaps and linking performance assessments to targeted training, organizations enable employees to develop the capabilities needed for higher responsibilities. The study indicates that employees exposed to competency-based evaluations are more likely to engage in continuous learning and professional development activities, increasing their readiness for increased duties (Bernadette Bristol-Alagbariya et al., 2022). This proactive approach helps organizations cultivate internal talent pipelines, reducing the need for external recruitment and strengthening long-term workforce sustainability.

Table 2. Impact of Competency-Based Systems on Career Advancement

Aspect	Mechanism	Impact & Outcome
Promotion & Upward Mobility	• Provides transparent standards & expectations	• Reduces ambiguity in promotion decisions
	• Outlines required behaviors/skills for each career stage	• Ensures advancement based on merit & demonstrated capability
	• Enables self-assessment & development planning	• Increases perceived fairness & employee confidence in the system
Career Development & Readiness	• Identifies critical skill gaps	• Increases employee readiness for higher responsibilities
	• Links performance assessments to targeted training	• Cultivates strong internal talent pipelines
	• Encourages continuous learning & professional development	• Reduces reliance on external recruitment
		• Strengthens long-term workforce sustainability

This table as presented in Table 2 effectively synthesizes the dual organizational impact of competency-based systems, demonstrating how they create a virtuous cycle of individual advancement and organizational

sustainability. By clearly delineating the mechanisms for both promotion and development, it shows that these systems do more than just ensure fair and transparent upward mobility; they proactively build the internal talent pipeline necessary for long-term resilience. The structured approach to identifying skill gaps and linking them to targeted development transforms performance management from a retrospective evaluation into a forward-looking investment in human capital. Ultimately, the table illustrates that competency frameworks are a strategic tool that simultaneously boosts employee confidence through merit-based progression and secures organizational stability by cultivating a ready, skilled, and internally developed workforce.

Employee Perspectives on Competency-Based Systems

Employees generally perceive competency-based performance evaluations as fairer and more transparent than traditional appraisal systems. The clear definition of expectations provided by competency frameworks reduces ambiguity and subjectivity in performance reviews (Tichy, 2021). Employees report greater trust in the evaluation process when they understand how their behaviors and achievements are measured against established standards. Transparency also enhances accountability, as employees feel more empowered to take ownership of their development and actively pursue opportunities to improve their competencies (Bernstein & Li, 2017).

Beyond perceptions of fairness, competency-based systems also contribute positively to employee engagement and career motivation. When employees see a direct link between their performance, skill development, and career progression, they are more likely to be motivated and involved in their work. The structured feedback mechanisms embedded in these systems provide ongoing developmental insights, reinforcing a sense of progress and purpose (E. A. Redmond, 2012). This fosters intrinsic motivation, which is essential for sustaining long-term career growth and organizational productivity. Overall, employee perceptions underscore the value of competency-based performance management as a tool for enhancing both performance and engagement (Bernstein & Li, 2017).

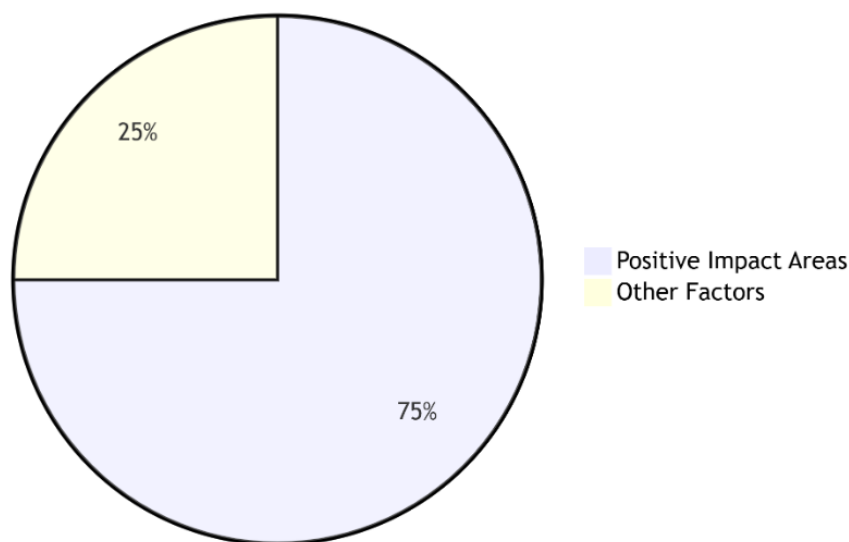


Figure 2. Employee Perception of Competency-Based System Benefits

The pie chart as shown in Figure 2 clearly demonstrates that competency-based systems are overwhelmingly perceived as beneficial by employees, with 75% of impacts falling into three key positive areas: fairness, trust, and motivation. This strong positive reception stems from how these systems directly address major shortcomings of traditional performance reviews by establishing clear, objective criteria that reduce managerial subjectivity. The largest segment likely represents enhanced fairness and transparency, showing that employees fundamentally value understanding how they are being evaluated and what is required for advancement. Furthermore, the direct link between skill development and career progression creates powerful intrinsic motivation, turning performance management from a dreaded annual event into an ongoing developmental partnership. While a quarter of impacts remain outside these core benefits, this distribution strongly validates competency-based systems as addressing the most critical factors in employee satisfaction with performance evaluation and career growth processes.

Organizational Implications

For organizations, the adoption of competency-based performance management systems has significant implications for talent management and succession planning. By systematically assessing employee competencies, companies gain data-driven insights into the strengths and gaps within their workforce (E. Redmond, 2013). These insights allow HR leaders to design targeted development programs, identify high-potential employees, and build future-ready leadership pipelines. This proactive approach to talent management reduces turnover risk and ensures the organization is prepared for transitions in key roles. Furthermore, competency data can inform strategic decisions regarding promotions, internal mobility, and recruitment priorities (MAUNSELL-TERRY & TAŞKIN, 2023).

The alignment of competency-based systems with HR strategic objectives further enhances organizational performance. When competency frameworks are integrated with broader organizational goals, they ensure that employee development directly supports business priorities. This creates a cohesive system where human resource practices—such as training, performance evaluation, and onboarding—work synergistically to build a capable, agile workforce. Additionally, competency frameworks support a culture of continuous learning and improvement, which is critical for organizational innovation and long-term competitiveness. As a result, organizations that effectively implement competency-based performance management systems benefit from improved workforce alignment, stronger leadership, and sustainable growth.

CONCLUSION

In conclusion, this study establishes that career advancement in the modern workplace is governed by a multi-dimensional competency framework, where technical skills, soft skills, leadership, and critical thinking collectively shape an employee's growth trajectory. The findings reveal that while technical proficiency remains a fundamental requirement, it is the integration with interpersonal and strategic capabilities that truly differentiates high-potential candidates. The visualization of these competencies through a radar chart underscores a critical insight: employees with balanced, well-rounded profiles are significantly better positioned for promotion than those with asymmetrical skill sets, however deep their specialized expertise may be. This holistic approach to competency development not only clarifies pathways for individual career progression but also provides organizations with a robust framework for identifying and nurturing future leaders.

Furthermore, the implementation of competency-based performance management systems emerges as a powerful enabler of both individual mobility and organizational sustainability. These systems transform career development by replacing subjective appraisal with transparent, merit-based standards that employees perceive as fair and motivating. By explicitly linking skill development to career opportunities, organizations can foster greater engagement, build robust internal talent pipelines, and reduce dependence on external recruitment. Ultimately, this research demonstrates that organizations that strategically align competency frameworks with their talent management practices create a virtuous cycle where employee growth and organizational resilience reinforce each other, securing a competitive advantage in an evolving business landscape.

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