

The essence of the competence concept: Adopting an organization's sustained competitive advantage viewpoint

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ABSTRACT

Previous scholars considered competence a 'fuzzy concept' and addressed confusions such as 'competency vs. competence' and 'competence vs. core competence'. However, the issue 'What is the essence of employee competence?' remains unclear. By inference, the essence of competence is addressed in adoption of an organization's sustained competitive advantage viewpoint different from the traditional viewpoint of enhancing individual employability. This paper contends that employee competence is strategically driven by organizational core competence. Psychologically, employee competence and organizational core competence are similar and linked in terms of person–organization fit and person–job fit. A contextual competence framework is established enlightening the essence of employee competence and redefines competence as a 'temporary asset' rooted in the interactively organizational context. Contextual variables including shared values, mutual trust and mutual investment bolster the alignment between employee competence and organizational core competence and develop employee competence as firm-specific, thus becoming a source for sustained organizational competitive advantage.

Keywords: competence, core competence, sustained competitive advantage, person–organization fit, person–job fit, shared values, mutual trust, mutual investment

INTRODUCTION

The evolving concept of competence has many confusing meanings, which has led to it being regarded as a 'fuzzy concept' (Delamare Le Diest & Winterton, 2005; Dubois, 1993; Grzeda, 2005; Holmes & Joyce, 1993; McEvoy et al., 2005; Rothwell & Lindholm, 1999; Rowe,

1995a; Simpson, 2002; Stuart & Lindsay, 1997; Tate, 1995). Three questions highlight the lack of clarity in the literature regarding the meanings of these terms. The first question asks, *What is different between competency and competence?* Scholars in the United States and the United Kingdom originated the competency and competence concept,

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leading to the so called the US and UK schools (Cheng, Dainty, & Moore 2003, 2005; Moore, Cheng, & Dainty, 2002; Tate, 1995; Wood & Payne, 1998). US scholars define competency as the underlying characteristics of superior performing job-holders from a *worker-orientation* perspective, whereas the UK school identifies competence from the *work-orientation* perspective as the output associated with appropriate standards of job performance (Stuart & Lindsay, 1997; Tate, 1995).

Despite different orientations theoretically adopted by the US and UK schools, in practice, the competency and competence terms are used interchangeably, making them become 'fuzzy concepts' (Brown, 1993, 1994; Cheng et al., 2003; Delamare Le Diest & Winterton, 2005). The reason may lie in that the US and UK approaches are considered complementary in the way that competency is an input measure, while competence is an outcome measure (Stuart & Lindsay, 1997; Tate, 1995). That is, 'competency is then one of the sets of behavior that the person must have and be able to display in order to perform the tasks and functions of a job with competence' (Tate, 1995, p. 83).

The second question asks, *Does competence apply to the individual level or the organizational level?* From the start, scholars (e.g., Boyatzis, 1982; McClelland, 1973; Spencer & Spencer, 1993) have considered competence an individual-level concept. The US school's argument is that competence is a person's capability to do tasks underpinning superior job performance. However, strategic management scholars such as Barney (1991) and Prahalad and Hamel (1990) have used the term 'core competence' to argue that it is a source of sustained competitive advantage based on organizational capabilities that are valuable, rare, difficult to imitate and difficult to substitute for organizations. Prahalad and Hamel (1990) thus propose that the concept of *core competence* belongs to the organization-level concept, which is in contrast to employee competence as an individual-level concept.

Although perceptions of competence and core competence involve micro- and macro-capability,

many authors have noted the association between employee competence and organizational core competence (e.g., Bergenhenegouwen, Horn, & Mooijman, 1996; Fleury & Fleury, 2005; Kochanski & Ruse, 1996; Lahti, 1999; Lawler & Ledford, 1992; Lindgren, Henfridsson, & Schultze, 2004; Lopez-Cabrales, Valle, & Herrero, 2006; Rothwell & Lindholm, 1999; Simpson, 2002; Ulrich & Lake, 1990). For example, Lopez-Cabrales et al. (2006) defined the theoretical relations between employee competences and core competence that define the organizational competitive advantage. Aggregating employee competences is also the most critical element creating core competence (Bergenhenegouwen et al., 1996; Cappelli & Crocker-Hefter, 1996; Garavan & McGuire, 2001; Häland & Tjora, 2006; Lahti, 1999; Leonard-Barton, 1992, 1995; Rothwell & Lindholm, 1999; Shippman et al., 2000). Meanwhile, core competence embedded in organizational culture strategically directs developing employee competence through the strategic base including organization's vision, strategy, mission, and values (Lahti, 1999). Once employee competence and core competence are congruent with this basis, it is ensured that the employee competence and core competence complement each other (Lahti, 1999).

The third question asks, *What is the essential interest of competence – benefit individual employability or organizational sustained competitive advantage?* This issue is still unclear and is the main question this paper addresses. The US and UK schools address the competence concept within the job context and relate it to job performance. However this manipulation minimizes the larger environmental context behind jobs (Norris, 1991; Stuart & Lindsay, 1997). This orientation also follows the Taylorist philosophy of scientific management, focusing on *person-job fit* (*P-J fit*) where this competence allows for quantitative measurement and reflects more on the visible characteristics, such as knowledge, skills and abilities (KSAs) (Clardy, 2008; Sandberg, 2000). Thus, competence becomes a 'human asset' with generic or context-independent attributes

transferable in many organizations. Employees performed superiorly may seek promotion in their own firm or jump to others in the interest of individual employability (Capaldo, Iandoli, & Zollo, 2006; Elkin, 1990; Mansfield, 1996).

However, in today's highly turbulent business environment, the effect of interactive organizational context on employee competence is receiving increasing attention of *Strategic Human Resource Management (SHRM)* scholars (e.g., Burgoyne, 1989; Canning, 1990; Capaldo et al., 2006; Håland & Tjora, 2006; Kilcourse, 1994; Lawler, 1994; Sandberg, 2000; Simpson, 2002; Stuart & Lindsay, 1997). An interactive 'process' between person and organization generates competence, in terms of *person-organization fit (P-O fit)* (Hayton & Kelley, 2006). This context-dependent competence seems more important in a dynamic situation, leading to 'firm-specific' employee competence (Cardy & Selvarajan, 2006). Competence to some degree is personal, while an organization specifically develops competence to achieve sustained competitive advantage. In this regard, the competence concept has drawn from the job context to the organizational context where its attribute has changed from 'context-independence' to 'context-dependence'. This transition of contexts and attributes presumably shifts competence from 'individual employability' to 'organizational competitive advantage'.

The first two questions have heavily addressed by many studies toward a consensus as demonstrated. However, the third issue 'What is the essence of employee competence?' remains unclear. As the studies of competence concept progress, the need for a better understanding of the essence of employee competence becomes increasingly apparent. Due to the rapidly environmental change, we pose an organizational sustained competitive advantage viewpoint addressing the essence of competence in contrast to traditional focus on individual employability. This paper sets forth a theoretical account of the genesis of firm-specific attribute of employee competence. We begin our discussion by reviewing the literature

regarding different schools' perspectives on competence and different levels of competence, and then derive the controversial aspects of competence essence. We then address the psychological and strategic similarities between employee competence and organizational core competence, and draw on the interactional psychology (including P-J fit and P-O fit) to link employee competence and core competence. Finally, we establish a contextual competence framework enlightening the essence of employee competence from an organizational sustained competitive advantage viewpoint. We also propose contextual variables including shared values, mutual trust and mutual investment and address their significance on employee competence and organizational core competence. Some theoretical and managerial implications are suggested.

THE 'FUZZY CONCEPT' OF COMPETENCE

Competency and competence: The US and UK schools

In the 1970s, due to the casting question about the reliability of intelligence tests as a predictor for job performance, US psychologist, McClelland (1973), proposed *competency* as a better indicator of job performance. The McBer consultancy and the American Management Association (AMA), following the initiatives of McClelland, launched the first large-scale competency program to identify underlying characteristics that distinguish superior and exemplary job performers (Rothwell & Lindholm, 1999). They defined competency as a person's skills, knowledge, self-concepts, traits and motives causally related to superior job performance (Hayes, 1979; Spencer & Spencer, 1993). Spencer and Spencer (1993) considered competences similar to an iceberg where motives, traits, and self-concept tend to be hidden and central to personality, and knowledge and skills tend to be visible.

In the late 1980s, in light of endemic deficiencies skill formation, the United Kingdom developed a nation-wide unified system of work-based

qualifications for all occupation types (Delamare Le Diest & Winterton, 2005). The *Management Charter Initiative (MCI)* and *National Council for Vocational Qualification (NCVQ)* set up a national framework for management and disparate vocational qualifications, such as *National Vocational Qualifications (NVQs)*, to certify or license employees whose performance outcomes meet minimal standards in professional bodies (Iles, 1993). Thus, the term *competence* means a person's action, behavior or outcome demonstrated in a given occupational area (Cheng et al., 2003). Competence is central for accomplishing specific work (Cheng et al., 2003), in pursuit of establishing minimum standards for job performance outcomes (Stuart & Lindsay, 1997; Tate, 1995).

According to definitions by US and UK schools, competency and competence adopt different orientations. The US school demonstrates *worker-orientation* competency as personal characteristics, while the UK school shows *work-orientation* competence as a person's external qualities (Tate, 1995). As mentioned above, in practice, competency and competence are used interchangeably (Brown, 1993, 1994; Cheng et al., 2003; Delamare Le Diest & Winterton, 2005) due to their approaches are complementarily used (Stuart & Lindsay, 1997; Tate, 1995). That is, competency is an input measure, while competence is an outcome measure (Stuart & Lindsay, 1997; Tate, 1995). So, 'the underpinning attributes of the job holder are assumed to exist if the output standards are met' (Stuart & Lindsay, 1997, p. 26). It can be presumed that competency and competence are 'two sides of the same coin'. In this regard, this discussion uses the term *competence* synonymously with *competency*.

However, in practice, competence was conceptualized by US and UK schools only within the job context. Clardy (2008) remarked that, 'competency slighted' (p. 389). Assessment techniques continued to apply the traditional KSA identification and analysis procedure ..., the larger context and conditions in which these specific jobs were located were slighted.

In this regard, what scholars induce through competency identification is actually individual task proficiency, not organizational success (Clardy, 2008). In light of strategic management and SHRM scholars' insights that *core competence* derived from the *resource-based theory (RBT)* relates to organizational sustained competitive advantage (Barney, 1991; Prahalad & Hamel, 1990) and human resources are critical in creating core competence (Cappelli & Crocker-Hefter, 1996; Hayton & Kelley, 2006; Shippmann et al., 2000), the next section, which addresses the relation between employee competence and core competence, may give new impetus to conceptualizing employee competence from job performance toward organizational sustained competitive advantage.

Competence and core competence: Micro and macro concepts

During the 1990s, Prahalad and Hamel (1990) analyzed the competitiveness of diversified organizations, attributing it to 'core competence', defined as 'collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies' (p. 82). Prahalad and Hamel considered not only skills and technologies, but other tacit knowledge resulting from socially complex interactions, such as 'communication, involvement, and a deep commitment to working across organizational boundaries' (p. 82), as organizational capabilities that integrate and transform resources into firm-specific ones. Cardy and Selvarajan (2006) defined the combined resources and capabilities as organizational competences, while recognizing these competences as 'core' when they are valuable, rare, difficult to imitate and difficult to substitute. As such, core competences can be the critical source of sustained competitive advantage (Barney, 1991; Lei, Hitt, & Bettis, 1996).

Rothwell and Lindholm (1999) considered Prahalad and Hamel seminal thinkers, pointing out the association between employee competence and organizational core competence, which

collectively determines organizational sustained competitive advantage. The consensus among scholars regarding this association is demonstrated in the following ways. First, scholars often recognize core competence in the form of intellectual capital or intangible assets (Hafeez & Abdelmeguid, 2003), wherein employee competence on behalf of intellectual or human capital is the most critical element creating core competence (Cappelli & Crocker-Hefter, 1996; Leonard-Barton, 1992; Shippmann et al., 2000). Second, because core competence is the collection of employee competences, core competence bears a similar imprint of psychological characteristics of employee competence, including knowledge, skills, abilities, motivation and expertise (Bergenhengouwen et al., 1996; Garavan & McGuire, 2001; Håland & Tjora, 2006; Lahti, 1999; Leonard-Barton, 1995; Rothwell & Lindholm, 1999; Shippmann et al., 2000).

Further, core competence embedded in organizational culture (Drejer, 2002; Håland & Tjora, 2006; Javidan, 1998; Lahti, 1999), as Smircich (1983) said, provides a conceptual bridge between micro and macro level of analysis (Håland & Tjora, 2006; Nordhaug, 1998; Rothwell & Lindholm, 1999; Simpson, 2002). The development of core competence essentially undergoes a change of organizational culture that facilitates and encourages joint thinking, learning and decision making across intra-organizational boundaries (Javidan, 1998). Thus, core competence rooted in organizational culture characterized as values, beliefs and norms makes it possible to create organizational *shared mindsets* with employees. Shared mindsets represent 'a uniform way of thinking, perceiving, and valuing both the goals of an organization and the processes used to reach those goals' (Ulrich & Lake, 1990, p. 55). If shared mindsets exist, employees within an organization and the stakeholders outside it experience strategic unity—a common understanding of the organization's goals as well as the process used to reach those goals (Ulrich & Lake, 1990).

Core competence embedded in organizational culture strategically aligns and directs developing employee competence through the cultural manifestations of organization's objective, vision, strategy, mission and values (Bergenhengouwen et al., 1996; Lahti, 1999). Once employee competence and core competence are congruent with this basis, it is ensured that the employee competence and core competence complement each other (Lahti, 1999). By inferring from the relation between employee competence and core competence, it can be said that employee competence is viewed as context-dependent and based in the organizational culture (Håland & Tjora, 2006). However, this perspective seems different from previous insights of the attribute and essence of competence. Thus, the next section addresses the controversial aspects of competence.

The controversial aspects of competence

Referring to the above literature review, US and UK schools identified competence concept in the job context in relation to individual task proficiency. However, this approach to competence results in weakness: 'Neither approach adequately defines managerial competence in terms of the context of the organization, its culture, marketplace and business environment' (Stuart & Lindsay, 1997, p. 26).

Hereafter, scholars argued competence should include strategic initiatives contributing to organizational effectiveness from the contingency perspective. In this regard, the association between employee competence and organizational core competence suggests that core competence embedded in organizational culture provides an interactive context to develop firm-specific employee competence (Bergenhengouwen et al., 1996; Lahti, 1999; Simpson, 2002). The competence concept has drawn from the job context to the organizational context where its attribute has changed from 'context-independence' to 'context-dependence'. This transition of contexts and attributes presumably shift the essence of competence

from 'individual employability' to 'organizational competitive advantage'.

The attribute of competence: Context-independence vs. context-dependence. Traditionally, the US and UK schools have adopted the worker- and work-oriented *job-based approach*. This approach sees competence as a 'human asset' resulting from job analysis by isolating individual characteristics or job elements related to job performance and independent of contextual factors. Thus, scholars have operationally understood competence as the generic or context-independent attribute, which means that competence appears in many different work activities and organizations and transfers to analogous jobs in terms of person-job match (Boyatzis, 1982; Sandberg, 2000).

Competence conceptualized by the US and UK schools entails a cascade of questions in the dynamic context (Norris, 1991; Stuart & Lindsay, 1997). The US and UK schools adopting quantitative competence measures often result in 'abstract, overly narrow and simplified descriptions that may not adequately represent the complexity of competence in work performance' (Sandberg, 2000, p. 11). Further, competence that adopts the job-based approach is rooted in the principle of Taylor and Ford, applied in a static, stable or hierarchically organizational structure. When the environment changes rapidly, competence fails to reflect the interactive organizational context beyond the job context and the changing nature of work (Bergenhengouwen et al., 1996; Dubois & Rothwell, 2004; Kochanski, 1997; Lawler, 1994; Nybø, 2004). Thus, competence conceptualization has gradually emphasized the interactive context between employees and organizations (Burgoyne, 1989; Canning, 1990; Capaldo et al., 2006; Håland & Tjora, 2006; Kilcourse, 1994).

In this regard, SHRM scholars have transferred employee competence from the job context to the organizational context associated with organizational core competence (Hayton & Kelley, 2006). Traditionally, job competence applied generically across many organizational boundaries is likely to

be too broad to have practical value (Kilcourse, 1994). Hence, the contingency perspective that competence is embedded in an interactive 'process' between person and organization has been more widely valued (Hayton & Kelley, 2006). Within this interactive context, competence comprises a tacit dimension carried out through work experience (Sandberg, 2000), or executed in daily work practice such as learning activities, projects and work routines with other employees (Håland & Tjora, 2006). Therefore, the *context-dependent* attribute of competence which explains competence is *firm-specific* on the basis of person-organization match has allured more attention.

The essence of competence: Individual employability vs. organizational sustained competitive advantage. The job-based approaches of the US and UK schools leads to generic or universal competence attributes in relation to job performance (Clardy, 2008). However, competence modeling in the current increasingly dynamic environment moves toward being firm-specific in relation to organizational sustained competitive advantage. Thus, the change of attributes from generic to firm-specific may contribute to the changes of competence essence.

Competence with context-independent attribute is prone to demonstrate functional characteristics such as KSAs. These functional characteristics allow quantitative measurement, can develop easily (Spencer & Spencer, 1993) and can be transferable to other firms. Job rotation, job transfer or vocational education and training, develops employee competence. Quantitative measurement gears toward competence certification and accreditation by establishing coherent national occupational qualifications (Cheng et al., 2003; Fleury & Fleury, 2005), making competence a 'common currency' of standards for occupational qualifications. This leads to efficiencies in the labor market and eases matching people to appropriate jobs (Cheng et al., 2003; Wallace & Hunt, 1996), giving people routes into occupations that bypass some traditional education and training routes (Cheng et al., 2003). Finally, career opportunities

and development (Dimmock, Breen, & Walo, 2003) enhance, increasing worker employability (Garavan & McGuire, 2001).

In the current turbulent environment, whether profit or non-profit organizations should focus employee competence in terms of organizational sustained competitive advantage for long-term competition. Competence embeds in a specific context from a contingency perspective that the content and quality of competence varies by organizations. This context-dependent competence develops in long-term building relationships between employee and organization. Due to this historical bind and socially complex relation (Barney, 1991), competence is developed as a firm-specific asset incompletely transferable or imitable by competitors, achieving sustained competitive advantage (Hayton & Kelley, 2006). By inference, the study addresses the essence of competence by adopting an organization's sustained competitive advantage viewpoint rather than the traditional viewpoint of individual employability.

SIMILARITIES BETWEEN COMPETENCE AND CORE COMPETENCE

As mentioned above, core competence embedded in organizational culture creates an interactive context associated employee competence. Although Lahti (1999) and Kennedy and Dresser

(2005) claimed employee competence is psychologically similar to and strategically directed by organizational core competence, few studies demonstrated their similarity and how to link them. This section addresses their similarities in a psychological configuration and strategic rationale and then reviews the strategic rationale of each psychological characteristic.

Similarities in psychological configuration

Spencer and Spencer (1993) argued competence is similar to an iceberg where some characteristics are 'below the waterline' and some are above. Herein, *motives and traits* (exist at the conscious and unconscious level) and *self-concept* (exists at the cognitive level) are conceptualized as being in the hidden part. *Skills and knowledge* (at the behavioral level) are in the visible part (see Figure 1 and Table 1).

Core competence, as a portfolio of individual competences (Bergenhengouwen et al., 1996; Lahti, 1999), generally must endure over time as employees flow in and out of the firm (Wright, Dunford, & Snell, 2001). Employee competence qualities forge the status of core competence (Cappelli & Crocker-Hefter, 1996; Leonard-Barton, 1992; Shippmann et al., 2000). Hence, this study proposes that core competence, as well

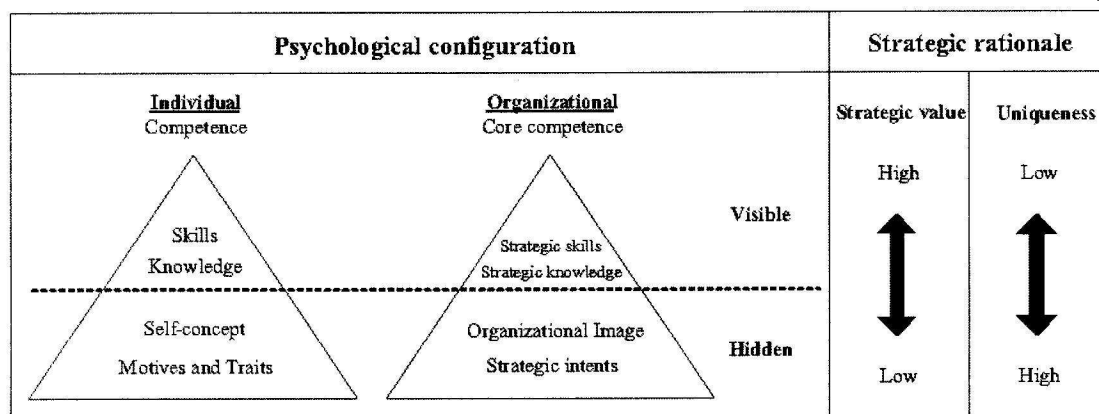


FIGURE 1: PSYCHOLOGICAL CONFIGURATION* AND STRATEGIC RATIONALE OF COMPETENCE AND CORE COMPETENCE.

*SOURCE: THE PSYCHOLOGICAL CONFIGURATION OF INDIVIDUAL COMPETENCE IS FROM SPENCER AND SPENCER (1993).

TABLE 1: GLOSSARY OF COMPETENCE AND CORE COMPETENCE PSYCHOLOGICAL TERMS

Characteristics	Level	Competence	Core competence
Visible	Behavioral	<p>Skills: The abilities to demonstrate a system and sequence of behaviors that are functionally related to attaining a performance goal (Boyatzis, 1982).</p> <p>Knowledge: Usable or practical information relating performance a person has learned or acquired in specific content areas rather than information in a more stringent clarification (Boyatzis, 1982; Lahti, 1999; Spencer & Spencer, 1993).</p>	<p>Strategic skills and knowledge: The strategic portfolio of employee's skills and knowledge (Bergenhengouwen et al., 1996; Lahti, 1999).</p>
Hidden	Cognitive	<p>Self-concept: It mediates how people behave and feel in a social context (Dutton et al., 1994) and includes (Boyatzis, 1982; Spencer & Spencer, 1993):</p> <ul style="list-style-type: none"> • Self-image involving intrapersonal cognitive process refers to a personal perception of and the evaluation of that image. • Social roles related to interpersonal cognitive process are the perceived set of social norms for behavior that are acceptable and appropriate in social groups or organizations to which a person belongs. <p>Operational terms: Values, beliefs, and attitudes.</p>	<p>Organizational image: The image that each member has of the organization (Dutton et al., 1994) and includes (Dutton & Dukerich, 1991):</p> <ul style="list-style-type: none"> • Perceived organizational identity refers to what members believe is distinctive, central and enduring about the organization. • Construed external image refers to how members assess the public image of the organization. <p>Operational terms: Organizational values, beliefs and norms.</p>
	Conscious and unconscious	<p>Motives: The things a person consistently think about or want that cause action, or thoughts related to a particular goal state or theme (Boyatzis, 1982; Spencer & Spencer, 1993).</p> <p>Traits: Thoughts and psychomotor activity consistently response to situations or information (Boyatzis, 1982; Spencer & Spencer, 1993) and the part of personality closest to our everyday understanding of what personality is (Winter, 1996).</p>	<p>Strategic intents: All employees, at every level of an organization, feel a shared sense of obligation to the external challenge, a responsibility, and the sharing of both pain and gain (Hamel & Prahalad, 1989; Hamilton, Eskin, & Michaels, 1998).</p>

as individual competence, has psychological epitomes in three levels: the conscious and unconscious level, the cognitive level and the behavioral level, manifested as *strategic intent*, *organizational image* and *strategic skills and knowledge*, respectively (see Figure 1 and Table 1).

Visible characteristics. Skills and knowledge competence, which subsume both firm-specific techniques and scientific understanding (Leonard-Barton, 1992), are relatively pragmatic, observable and directly related to performance. According to Prahalad and Hamel (1990), visible core competence includes skills, knowledge and technologies, which are the most visible part of core competence (Drejer, 2002) and can be termed as strategic skills and knowledge. However, skills and knowledge in core competence are 'strategic' to the degree that organizations strategically plan what skills and knowledge they need in the future; that is, strategic skills and knowledge are developed according to the mission and future strategic direction of the organization (Cardy & Selvarajan, 2006).

Hidden characteristics. In the unconscious and conscious levels, motives and traits are an *intent* that causes action to achieve an outcome (Spencer & Spencer, 1993). Strategic intent in core competence drives an organization to define the future and bridge the gap between the present and the future so that it continually sets itself new challenges, thereby renewing itself and achieving competitive advantage (Bergenhengouwen et al., 1996).

Spencer and Spencer (1993) define the cognitive level of competence and core competence as the self-concept and organizational image, which play cognitive roles mediating how people behave and feel in a social context. The cognitive mechanisms operate as translators of the other internal characteristics and environment expectations. For example, self-image and social role are mediators of motives and traits in determining actual behavior, and help select what actions to take by defining the appropriateness of these actions (Boyatzis, 1982). In response to expectation of environment, each employee or organization plays a

specific role interacting with other parties in an organization or an industry. Thus, these cognitive mechanisms presumably perform intrapersonal/intra-organizational cognition (termed as *self-image* and *perceived organizational identity*) and interpersonal/inter-organizational cognition (termed as *social role* and *construed external image*), which enact employees' or organizational internal identifications and external roles in an interactive context.

Individual *values*, *beliefs* and *attitudes* and organizational *values*, *beliefs* and *norms* manifest cognitive mechanisms. Through comparing and assessing these cognitive manifestations, individuals can judge how to behave as members of an organization and how they fit in other members (Boyatzis, 1982). The set of values, beliefs and norms in an organization also manifest organizational culture which applies or controls organizational members' interactions with each other and influence how people respond to a situation and how they interpret the environment surrounding the organization (Jones, 2004).

A causal relationship between visible and hidden characteristics. The hidden and visible characteristics of competence and core competence have a bottom-up causal relationship. In competence, motives and traits yield intent, providing the drive or 'push' for required knowledge or skills, and cause action toward an outcome (Spencer & Spencer, 1993). Likewise, in core competence, strategic skills and knowledge, as surface-level behavioral manifestations, are influenced by strategic intents through a meaning-making mechanism (Fiol, 1991).

Similarities in strategic rationale

The strategic rationale of competence and core competence is rooted in the resource-based theory, which presumes that valuable and idiosyncratic resources are the source of sustained competitive advantage. Strategic management scholars identified organizational competences as 'core' when they meet the indexes of value, rarity, difficulty to imitate and difficulty to substitute, and thus

can be the critical source of sustained competitive advantage (Barney, 1991; Lei et al., 1996). Similarly, SHRM scholars such as Lepak and Snell (1999, 2002), based on the resource-based theory philosophy, have proposed that human resource employment architecture should strategically consider the *strategic value* and *uniqueness* indexes of human capital inferred from the indexes of core competence. To account for human resources in competitive advantage, Lopez-Cabrales et al. (2006) further measured the relations of employee competence and organizational core competence by these two indexes. This article presumes strategic value and uniqueness as the strategic rationales for competence and core competence.

Håland and Tjora (2006) studied the strategic implications of competence and core competence in terms of their 'asset' and 'process' nature derived from the traditional perspectives proposed by Garavan and McGuire (2001) and Sandberg (2000): the *rationalistic and positivistic perspective* and the *phenomenological, humanistic- and social constructivist perspective*. These perspectives are powerful lenses for explaining the strategic rationale of competence and core competence. As such, this study addresses the strategic rationale of competence and core competence based on these perspectives.

Strategic value. From the rationalistic and positive perspective, competence and core competence imply the strategic value of human capital. The rationalistic and positivistic perspective refers to competence and core competence as 'assets': competence is perceived as an individual asset, such as KSAs, and core competence is perceived as the collection of individual employee assets (Håland & Tjora, 2006). These assets enable workers to accomplish their work and provide value-creating potential (Lepak & Snell, 1999). As a result, competence and core competence provide strategic value for firms by improving efficiency and effectiveness of the firm, exploiting market opportunities, and/or neutralizing potential threats (Barney, 1991; Lepak & Snell, 2002). Moreover, these assets are context-independent, which means the strategic value is transferable to

other organizational contexts (Håland & Tjora, 2006).

Uniqueness. The phenomenological-, humanistic- and social constructivist perspectives refer to competence and core competence as 'processes' where competence is worker experience and core competence is concerning relations in the organization (Håland & Tjora, 2006). Employee competence is an evolving phenomenon that is constantly under construction by individual players who interact within ever-changing contexts, revealing how individual employees perform tasks in their daily work (Håland & Tjora, 2006), and dynamic learning rather than a static stock of knowledge (Simpson, 2002).

Similarly, core competence is embedded in firm routines which are a product of the organization as an entire system, and reside in the organizational culture and network of employee relations (Collis, 1994). Socially complex interactions determine the shared mindsets between employee and organization (Ulrich & Lake, 1990), the efficiency with which firms physically transform inputs into outputs (Collis, 1994) and a set of problem-defining and problem-solving insights that enable the firm to create potentially idiosyncratic strategic growth alternatives to enact in environment (Lei et al., 1996).

Thus, competence and core competence generated in an interactive context allow firms to develop unique or firm-specific tacit knowledge, routines and shared mindsets that are rare, imperfectly imitable and imperfectly substitutable for competitors (Barney, 1991; Lepak & Snell, 1999; Ulrich & Lake, 1990). In this way, competence and core competence develop as context-dependent and firm-specific.

An integrative view on strategic rationale and psychological configuration

In addition to similar psychological configurations and strategic rationale of competence and core competence, this work argues their visible and hidden characteristics indicate a low/high degree of

strategic value and uniqueness. Figure 1 illustrates the visible characteristics with a higher degree of strategic value and lower degree of uniqueness; however, the hidden characteristics reveal higher uniqueness and lower strategic value.

Strategic value of visible characteristics. From rationalistic and positive perspectives, visible characteristics with higher strategic value explain the asset nature of competence and core competence, where skills and knowledge are counted as human capital that improves firm efficiency and effectiveness, exploit market opportunities, and/or neutralize potential threats (Lepak & Snell, 2002; Sandberg, 2000).

The job context identifies KSA characteristics. Organizational strategic skills and knowledge are the future-oriented inventory of KSAs. Through job analysis, strategic KSAs are analyzed downward as job requirements to match potential employees' characteristics. KSAs are quantitatively measurable through job analysis to identify what is needed to perform jobs in the organization (Cardy & Selvarajan, 2006). Employees whose KSAs are certified NVQs evidence their capability to perform specific job tasks in a competitive labor market.

However, KSAs are context-independent in the job context. Employees with superior performance in one firm may seek promotion in their own firm or jump to others in the interest of individual employability (Capaldo et al., 2006; Elkin, 1990; Mansfield, 1996); meanwhile, they may carry these KSAs developed by the original firm to the new one when performing analogous jobs. Similarly, organizational strategic knowledge and skills inventory detached as job requirements are treated as surface-level core competence, so competitors can imitate by hunting for superior employees or employing candidates who possess KSAs needed by organizations (Fiol, 1991). In summary, visible competence and core competence manipulated in the job context create value for firms, while they appear as observable, context-independent and less unique for the organization compared to hidden characteristics.

Uniqueness of hidden characteristics. From the humanistic, phenomenological and social constructivist perspective, hidden characteristics of competence and core competence possess the greatest degree of uniqueness due to the nature of the involved processes or dynamic contexts. These hidden characteristics are generated in a socially complex relation between employee and organization (Barney, 1991), and manifested as the humanistic characteristics such as motives, values, beliefs and attitudes. These humanistic characteristics are central to employee personality (Spencer & Spencer, 1993) and the personality of the organizational founder (Leonard-Barton, 1995; Schein, 1983). Employees and organizations establish a person-to-person relationship in the adjustment of personalities between two parties, which helps develop their shared mindsets (Ulrich & Lake, 1990) and a strong organizational culture of how work should be carried out (Cardy & Selvarajan, 2006). Therefore, hidden characteristics of competence and core competence generated in the interactive context tend to be firm-specific and rather inimitable by competitors (Barney, 1991; Lepak & Snell, 1999), but less strategically valuable for organization in contrast to visible characteristics.

Uniqueness causally relates to strategic value. According to the causal relationship between hidden and visible characteristics of competence and core competence, uniqueness presumably affects strategic value. For example, traits, strategic intent, values, beliefs, etc. with the highest uniqueness transform into knowledge and skills with the highest of strategic value. Moreover, the converting process generates causal ambiguity and thus raises barriers to imitation and sustained competitive advantage (Reed & DeFillippi, 1990). This study concludes that competence and core competence exist as hidden and unique characteristics that convert to visible and valuable characteristics.

LINKING COMPETENCE TO CORE COMPETENCE

In addition to the similarities in psychological configuration and strategic rationale, competence

and core competence aligned within a dynamic context created by the interaction between organizations and employees (see Figure 2). However, beyond this interactive context, competence cannot be generated and is termed individual *potential*. Potential is defined as a personal endowment consisting of visible ability and hidden personality; personality also has a causal effect on ability.

The differences between potential and competence are as follows. Firstly, competence refines the potential generated in an interactive context. Once the effect of context weakens or disappears, competence fades out and reverts to potential. Secondly, *ability*, the visible characteristic of potential, refers to the readiness to learn or perform an observable behavior and to perform some tasks that may or may not be required (Vroom, 1964). Ability, which is defined more broadly than skills and knowledge, may or may not be needed by the organization (Spector, 2006). Conversely, skills and knowledge have strategic value to the organization (Leonard-Barton, 1992). *Personality* is defined as the overall profile or combination of characteristics, including motives, cognition, traits, values, etc. that capture the unique characteristic of a person when reacting or interacting with others (Schermerhorn, Hunt, & Osborn, 1994; Winter, 1996). Personality is the fundamental characteristic of competence that is inherent in employee actions related to many tasks and situations (Bergenhengouwen et al., 1996; Spencer & Spencer, 1993).

The interactive context links competence and core competence from the interactional psychology perspective. This study presumes that visible and hidden characteristics link through P-J fit and P-O fit concepts (see Figure 2). The P-O fit is a compatibility between employee and organization that occurs when at least one entity provides what the other needs, when they share similar fundamental characteristics, or both (Kristof, 1996; Muchinsky & Monahan, 1987). The P-O fit can be approached from either a *supplementary* or *complementary* perspective, wherein the P-O fit specified in the job context from the complementary perspective is defined as the P-J fit.

Linking visible characteristics through person-job fit

The P-J fit is developed on the basis of the complementary view of the P-O fit, wherein the organization may require personnel with certain characteristics to be effective, 'make whole' or complement the characteristics of the organization. Moreover, the organization supplies financial, physical and psychological resources as well as task-related, interpersonal and growth opportunities demanded by employees. Meanwhile, the organization demands contributions from employees in terms of time, effort, commitment and KSAs. Therefore, the P-J fit is a fit between the abilities of a person and the demands of a job (e.g., demand-abilities), or the fit between the desires of a person and the attributes of a job (e.g., needs-supplies) (Kristof, 1996).

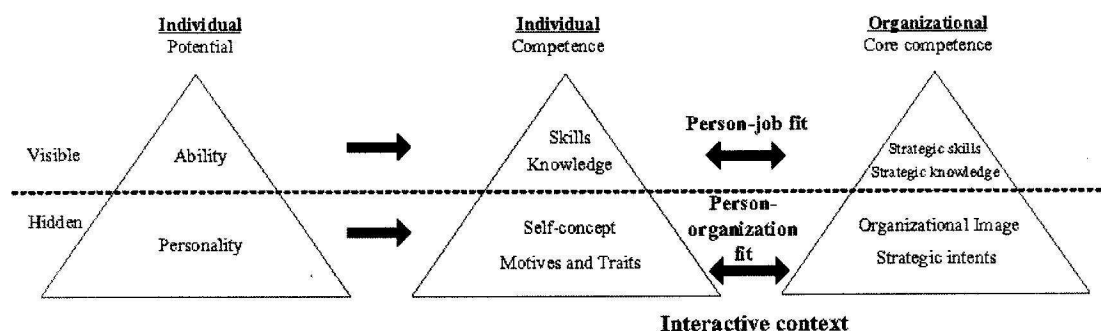


FIGURE 2: THE FITTING PROCESS BETWEEN POTENTIAL, COMPETENCE AND CORE COMPETENCE.

In Figure 2, organizational strategic skills and knowledge illustrated a scheme about which skills and knowledge an organization needs to enact its strategies. This strategic skills and knowledge inventory is detached as job requirements to match candidates whose KSA profiles fit these requirements. The organization then employs these candidates, assigning them to specified job tasks and duties, and supplying resources to exert KSAs. Thus, this suggests that the basis for a good fit is the mutually offsetting pattern of relevant characteristics between the person and the organization (Kristof, 1996; Muchinsky & Monahan, 1987).

Linking hidden characteristics through person–organization fit

The supplementary P-O fit means employees perceive themselves as 'fitting in' by supplementing, embellishing or possessing characteristics such as values and beliefs that are similar to those of other individuals in the organization. These characteristics are based on individual personalities and on the organization itself (Bowen, Ledford, & Nathan, 1991; Kristof, 1996; Schein, 1983; Spencer & Spencer, 1993), which essentially models a 'person–person fit', matching employee interests, values and needs to the organizational culture (Muchinsky & Monahan, 1987; Werbel & DeMarie, 2005).

In Figure 2, organizational image indicates an organization is personified by value, beliefs, personality, cognition and expression (Smircich, 1983) rooted in organizational culture to screen employees. Values shared by employees and organizations established *organizational identification*, which means a cognitive connection when employee self-concepts have the same attributes as those in the organizational image (Dutton, Dukerich, & Harquail, 1994). Organizational strategic intents may drive personal motives from what s/he 'can do' to what s/he 'does do' (Vroom, 1964) by conveying a particular perspective about the long-term market or competitive position and the future (*sense of direction*), promising employees exploring new competitive territory (*sense of*

discovery), and making employees feel themselves inherently worthwhile in an emotional edge and goal-orientation (*sense of destiny*) (Hamel & Prahalad, 1989).

CONTEXTUAL COMPETENCE FRAMEWORK

This analysis presumes that the P-J fit and the P-O fit reveal the interaction between visible and hidden characteristics of competence and core competence. Moreover, core competence embedded in organizational culture facilitates an interactive context to fit and refine individual potential to achieve competence. Therefore, employee competence is presumably the product of interaction between individual potential and organizational core competence (see Figure 3).

The white arrows that highlight visible competence in Figure 3 imply that employee skills and knowledge are drawn from their inherent ability and solicited by organization's strategic skills and knowledge inventories. In hidden characteristics, employee self-concepts, traits and motives central to personality generate after interacting with organization. The organization's strategic intent and organizational image underlying organizational culture screen the appropriate personnel whose values and beliefs fit in. These hidden characteristics reflecting the organizational visions, goal-orientation, and emotional affiliation may intrigue individual's motives and traits toward the organization. The black arrows indicate the causal relationship between hidden and visible characteristics (Spencer & Spencer, 1993). A beneficial interactive context may motivate employees to realize their potential and personally identify with the organization by manifesting values, beliefs and attitudes which dictate the effectiveness of knowledge and skills.

Shared values, mutual trust and mutual investment: Cornerstones of competence

Based on the work of Spencer and Spencer (1993) in the US school, this article proposes a contextual

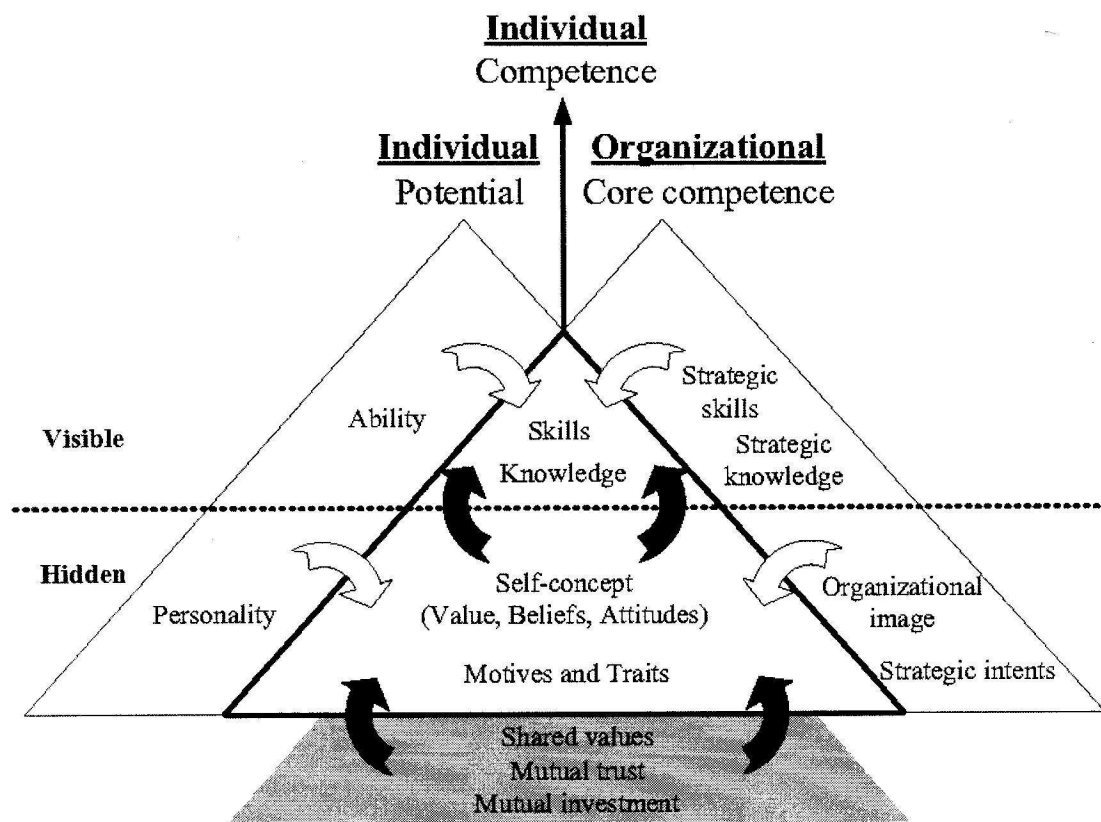


FIGURE 3: COMPETENCE FRAMEWORK.

competence framework that identifies employee competence as generated in an interactive context. The interactively organizational context manifests social capital that affects human capital development (Coleman, 1988). Competence is presumably a reification of human capital as a 'temporary asset', which may vanish in the absence of this interactive context. Additionally, developing and sustaining competence may depend on the strength of a social context.

This study argues that some contextual variables such as *shared values* (Shippmann et al., 2000; Svyantek, 1999), *mutual trust* and *mutual investment* (Tsui & Wu, 2005, p. 118) manifesting social capital are essential in competence development. That is, these contextual variables derived from the P-O fit create a context helpful for motivating employees to combine, exchange or create new intellectual capital (Nahapiet &

Ghoshal, 1998), thus generating and sustaining competence.

Shared values. Organizational values are the components of organizational culture that guide employee behaviors (Kristof, 1996). 'When a number of key or pivotal values concerning organization-related behaviors and state-of-affairs are shared by members of an organization' (Wiener, 1988, p. 535), a system of *shared values* exists. This value congruence is a significant P-O fit in supplementary terms. Shared values between employee and organization reify organizational identification. The strength of organizational identification by employees reflects the degree to which employee self-concept is tied to organizational membership (Dutton et al., 1994).

The following demonstrated the practical value of shared values. First, shared values are important facilitators of mutual adjustment in

an organization, influencing business results (Motowidlo & Van Scotter, 1994). Second, shared values provide a common reference point, so employees need not spend time establishing rapport and overcoming differences in their perceptions of events (Jones, 2004). Third, they smooth interactions among organizational members, shape organizational culture and strengthen identities (Jones, 2004; Werbel & DeMarie, 2005).

Mutual trust. Mutual trust is 'an expectancy held by an individual or a group that the word, promise, verbal or written statement of another individual or group can be relied upon' (Rotter, 1967, p. 651). Mutual trust plays an important role in determining team effectiveness (Kiffin-Petersen, 2004), alliance performance (Suseno & Ratten, 2007) and the quality of relationships between employees and managers (Ergeneli, Ari, & Metin, 2007). People are typically willing to take risks, engage in social exchange and interact cooperatively in the presence of mutual trust (McAllister, 1995; Nahapiet & Ghoshal, 1998).

Mutual trust may also encourage employers toward greater *openness* to the potential for value creation (Nahapiet & Ghoshal, 1998) and to some ideas that challenge accepted assumptions, values and norms (Jaw & Liu, 2003). Additionally, mutual trust creates a distinctive atmosphere for personnel *empowerment* (Ergeneli et al., 2007), which increases the intrinsic task motivations of employees (Thomas & Velthouse, 1990) and thus facilitates organizational change and continuous learning (Argyris, 1998). Specifically, for rapid response to a turbulent business environment, the competence-based approach examines a range of equivalent behaviors instead of precise task behaviors (Hayton & Kelley, 2006). Thus, mutual trust is a critical element in determining the latitude for employees to respond quickly and flexibly to the environment (Hayton & Kelley, 2006; Lawler, 1994; Shippmann et al., 2000).

Mutual investment. In addition to an emotional bond, employers and employees have a psychological contract. According to complementary P-O fit, the employment relationship between

organization and employees is a *mutual investment* aimed at 'soliciting broader range of behaviors and stronger commitment from employees by offering a large number of inducements in exchange for significant employee contributions' (Tsui & Wu, 2005, p. 118). Mutual investment highlights a long-term relationship in which the organization makes strenuous efforts to supply resources to reward the broad contribution and loyalty of employees to the organization instead of focusing only on personal job performance. Besides, both parties have bilateral *obligations*, 'a commitment or duty to undertake some activity in the future' (Nahapiet & Ghoshal, 1998, p. 225), in this mutual investment employment relationship.

In summary, shared values, mutual trust and mutual investment are the cornerstones of a beneficial context for generating or sustaining competence resulting in a causal relationship between hidden and visible competences (Spencer & Spencer, 1993). These elements encourage employees to fit the organization, motivating them to combine or exchange intellectual capital (e.g., KSAs) and even create a new one. These elements also align employee competence and organizational core competence to be with shared mindsets for performance and with a uniform way of thinking, perceiving and valuing the goals of an organization (Ulrich & Lake, 1990).

The essence of competence

Traditionally, the job context has conceptualized competence as a 'human asset' related with job performance and independent of contextual factors. However, when employee competence is developed, resulting in superior job performance, the employee may carry the competence developed by the original organization to other organizations in the interest of individual employability. Thus, competence manipulated in job context can be transferable to analogous jobs in many organizations (Boyatzis, 1982; Sandberg, 2000).

However, when the environment changes rapidly, competence from the context-independent perspective fails to reflect the interactive

organizational context beyond the job context and the changing nature of work (Bergenhengouwen et al., 1996; Dubois & Rothwell, 2004; Kochanski, 1997; Lawler, 1994; Nybø, 2004). Therefore, this study proposed a contextual competence framework to resonate with previous scholars' arguments that competence should be generated in an interactive context for achieving organization's sustained competitive advantage (e.g., Norris, 1991; Stuart & Lindsay, 1997).

According to this framework, soliciting and sustaining employee competence depends on the organization cultivating a context abounding in shared values, mutual trust and mutual investment, by administering managerial activities such as organizational learning, effective cross-functional integrations, co-ordinations and on-the-job training (Javidan, 1998; Jaw & Liu, 2003; Lei et al., 1996; Martin & Staines, 1994; Post, 1997; Prahalad & Hamel, 1990). In human resource practice, firms may engage in long-term contractual arrangements between employees and employers (Nordhaug, 1998), internally employing people (Lepak & Snell, 1999). In this vein, competence is embedded in the personal relationships that people develop with each other through their history of interactions (Nahapiet & Ghoshal, 1998).

This study presumes that employee competence is generated in the interactive context and affected by organizational culture identified as 'core' for an organization. The organizational context builds shared mindsets between employee and organization. Thus, employee competence embedded in the interactive context is inclined to being firm-specific, generating causal ambiguity and imitation barriers to competitors, thus creating sustained competitive advantage (Reed & DeFillippi, 1990).

DISCUSSION AND CONCLUSION

While research on the concept of competence is increasing in the management literature, the issues regarding the essence of the term competence are still unclear. Inferring from the literature, this

study addresses the essence of competence in adoption of an organizational sustained competitive advantage viewpoint. This work establishes a contextual competence framework which explicates that core competence is embedded in the organizational culture that facilitates an interactive context to solicit employee competence. The interactive context results in firm-specific competence, which helps create and maintain sustained competitive advantage.

This paper contributes to competence research by considering competence a 'temporary asset', which may vanish in the absence of an interactive context. Some contextual variables such as shared values, mutual trust and mutual investment may be helpful for sustaining employee competence, aligning employee competence and organizational core competence and developing employee competence as firm-specific, thus becoming a source for sustained organizational competitive advantage. Moreover, this article argues that the competence concept makes six specific contributions to the SHRM literature in following ways.

First, this paper identified a relationship between competence and core competence regarding psychological configuration and strategic rationale. However, few studies have defined the psychological characteristics of core competence. This paper proposes that core competence, as well as employee competence, has hidden characteristics such as strategic intent and organizational image as well as visible ones such as strategic skills and knowledge. Further, visible characteristics of competence and core competence (e.g., KSAs) yield the greatest strategic value, which can apply to improve the efficiency and effectiveness of the firm, exploit market opportunities and/or neutralize potential threats (Lepak & Snell, 2002; Sandberg, 2000). Conversely, hidden characteristics (e.g., values, beliefs and attitudes) present the highest uniqueness, which is rare, imperfectly imitable and imperfectly substitutable (Barney, 1991; Lepak & Snell, 1999, 2002). Competence and core competence exist as hidden and strategically

unique characteristics to convert to visible and strategically valuable characteristics.

Second, competence is a 'temporary asset' that must be generated in the interactive context between individual potential and core competence. Competence is a characteristic not only of a person but also of a context (Delamare Le Diest & Winterton, 2005), which addresses the employee as a whole person (Garavan & McGuire, 2001). This view echoes Håland and Tjora's (2006) argument that competence is positioned between asset and process. Though an employee seemingly possesses competence, in the interactive context between employee and organization, competence must be developed internally to become firm-specific and non-transferable (Lepak & Snell, 1999). Therefore, employees who are competent in one work situation might not be competent in another (Rowe, 1995b). However, without this interactive context, competence reverts to potential with visible ability and hidden personality.

Third, the visible and hidden characteristics of competence and core competence are aligned through P-J fit and P-O fit from the interactional psychology perspective. In the proposed framework, P-J fit and P-O fit reveal the need for a two-phase hiring process that evaluates the fit of the 'whole' person to the specific organizational culture (Bowen et al., 1991). The first phase matches individual KSAs with task demands or job requirements (P-J fit); the second phase achieves fitness of individual personalities to the organizational climate/culture (P-O fit). Thus, it is only after a period of interaction between individual potential and organizational core competence in terms of P-J fit and P-O fit that employee potential distills as competence. The more deeply they mesh, the more robust the competence generated.

Fourth, contextual elements, shared values, mutual trust and mutual investment that abound in the organizational context are essential to employee-organization fit because they develop or sustain firm-specific competence. These elements manifest social capital as potential resources embedded within, available through and derived

from the network of relationships developed by an individual or social unit (Nahapiet & Ghoshal, 1998). Further, these elements contribute to building shared mindsets between employees and organizations, which means that whether employees carry out their tasks inside or outside the organization, they have common understanding of the organization's goals as well as the process used to reach those goals (Ulrich & Lake, 1990). Parties in a relationship jointly own these elements, generating the characteristics of tacitness, complexity and specificity which make competence difficult to imitate, thus creating an organization's sustained competitive advantage (Reed & DeFillippi, 1990).

Fifth, the interactive context enhances the importance of hidden characteristics in competence. Visible characteristics relate to job performance in terms of P-J fit, while hidden characteristics associate with *contextual performance* in terms of P-O fit, which plays an important role in generating organizational performance (Motowidlo & Van Scotter, 1994). Contextual performance refers to employees engaging in such activities as volunteering to carry out actions that are not formally part of the job (Svyantek, 1999). Contextual performance is rooted in employee predisposition and motivational characteristics (Motowidlo & Van Scotter, 1994). Especially in the relentlessly competitive marketplace, the fit of hidden characteristics (e.g., values, beliefs and values) to organizational culture leads to a psychological contract or tacit understanding with an organization that encourages employees to act effectively in non-routine and complex situations (Cheng et al., 2005).

Hidden characteristics arising in the interactive context drive visible characteristics to become firm-specific. Even if two people possess the same skills, their behavior may not be exhibited in the same way and with the same performance. These background metaphors of value and beliefs, personality, etc. derive from the interactive context that drives employee skills and knowledge to become unique or firm-specific. Thus, 'the more

complex the role is, the more likely that characteristics at the lower levels of the iceberg drive effective performance' (Garavan & McGuire, 2001, p. 152).

Sixth, this paper proposed a contextual competence framework showing the essence of the competence concept is oriented towards organizational sustained competitive advantage and this framework resonates with previous scholars' arguments that competence be generated in an interactive context (e.g., Norris, 1991; Stuart & Lindsay, 1997). Previous competence identification techniques have been similar to the traditional KSA identification analysis. These techniques regard competence derived from the job context as a 'human asset' related to job performance and independent of contextual factors (Clardy, 2008; Sandberg, 2000). Employees possessing superior performance in one organization may take these KSAs to other organizations in the interest of individual employability. Competence, in terms of individual employability or boundaryless career (Defillipi & Arthur, 1994; Van Der Heijde & Van Der Heijden, 2006), can be perceived as *portable competences* transferable within the organization or industry (Rothwell & Lindholm, 1999).

However, when the environment changes rapidly, this portable competence fails to reflect the interactive organizational context beyond the job context and the changing nature of work (Bergenhengouwen et al., 1996; Dubois & Rothwell, 2004; Kochanski, 1997; Lawler, 1994; Nybø, 2004). By inference, competence should be conceptualized from within job context to the organizational context. Competence embedded in the interactive context between employee and organization is inclined to be firm-specific, generating causal ambiguity and imitation barriers to competitors, thus creating sustained competitive advantage (Reed & DeFillippi, 1990). Because employee competence is firm-specific and exploits internally to enhance an organizational career (Smith & Sheridan, 2006), this developed competence relates to organizational sustained competitive advantage rather than individual employability.

Overall, this paper proposes a competence framework that shows how competence generates in an interactive context. Such propositions advance our understanding of how competence is bolstered by shared values, mutual trust and mutual investment. These conclusions also show that competence is firm-specific and its essence is for organizational sustained competitive advantage. We hope that the proposed competence framework motivates further research in the competence concept and SHRM application in organizations.

Implications for theoretical development and future research

Previous studies embarked on conceptualizing 'generic' competence, while the current paper initiates a theory development for 'firm-specific' competence. The firm-specific attribute of employee competence is contingently varied by different organizational context. Cardy and Selvarajan's (2006) contingent development approaches of employee competences may be a workable tool to develop firm-specific competence. Future research can employ the *job-based approach* in a fixed-static context where the focus of competence development is on 'what gets done'. The *future-based approach* is applied in a fixed-future oriented context to develop competence in terms of 'what needs to be done'. The *person-based approach* engenders competences toward creativity and innovation, so a dynamic and empowered context is helpful for their development. Competence developed from a *value-based approach* stresses the importance of process and work routines in the organization, on the basis of 'how things should be done'. However, these development approaches are not mutually exclusive. The work of Cardy and Selvarajan (2006) delineated a framework of using a *competence-based approach* by combining these four approaches and using them across different parts of an operation.

The current framework also provides a broad map for future studies in the following ways. First,

future research may test the inter-relationships among visible and hidden characteristic of potential and core competence in generating competence. Second, further research may test how contextual elements, shared values, mutual trust and mutual investment moderate the relationship between employee competence and organizational core competence. Third, as mentioned above, hidden characteristics associate with *contextual performance* in terms of P-O fit, and affect organizational performance (Motowidlo & Van Scotter, 1994). *Organizational citizenship behavior* is an example of contextual performance. Rather than a dependent variable in the literature, organizational citizenship behaviors can be treated as an independent variable affecting competence effectiveness.

Implications for management

Exploring the essence of competence elucidates competence as a temporary asset and has important managerial implications. The competence framework illuminates the *attraction-selection-attrition (ASA) cycle* (Schneider, 1987). In the attraction process, organizational strategic intent and image convey the visions, shared sense of obligation, responsibility, destiny, emotional edge, values and beliefs of a firm as personal implicit judgments between organizational goals and individual personalities. Managers should constantly review what values, in terms of industrial competitiveness, to provide for stakeholders. In the selection process, organizations recruit and hire employees with desired competence attributes. In addition to visible KSAs characteristics, hidden characteristics such as personality, values and beliefs are key considerations. A two-phase hiring process from P-J fit to P-O fit is a helpful technique for hiring a 'whole' person who has a good fit to the organizational culture (Bowen et al., 1991). Finally, in the attrition process, employees who do not perceive themselves as having a good fit to the organization eventually leave. Although the turnover decision lies with the employees themselves, managers should exert themselves to improve employee fit to

the organization. For example, managers should strengthen the value match of employee and organization to facilitate organizational identification. They could select employees whose values match core organizational values, design employee orientation or training programs central to core values, and steadily instill organizational core values to employees through management activities. Thus, organizational values are not merely slogans; they are actively instilled.

Managers should also dedicate themselves to facilitating a work environment that abounds in shared values, mutual trust and mutual investment, building shared mindsets between employees and organization. Finally, employees should be empowered with discretion and self-management to respond quickly to the relentlessly competitive environment. These empowered workers might not need management due to environmentally induced volatility in individual motivation. Thus, 'the role of managers might be altering from managing people to managing context, and from telling and controlling to coaching and facilitating' (Hayton & McEvoy, 2006, p. 499). As Blumberg and Pringle argue (1982, p. 562), 'it is not necessary to talk of motivated workers, only of motivating environments'.

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