Chapter 1
Popularity of Competency Models

ABSTRACT

Competency models are prevalent within various industries in business. Their popularity is due to the value they add to employee development and organizational capability. The popularity of competency models and specifically competency-based approaches are covered in this chapter. Competence-based approaches and how businesses in the market use them for gaining and maintaining a competitive advantage are also covered. How competency-based approaches have evolved into a new area of performance management that allows businesses to integrate existing organizational systems into a single performance system where they make more use of knowledge and become knowledge management organizations through competency that is modeled in their business is also covered. The chapter sets the tone of the book.

INTRODUCTION

This chapter sets the stage for what businesses could expect when adopting a competency-based approach, including competency models and competency-based performance management. The chapter discusses the popularity of competency models and their positive effect on industry when used as a strategic tool. When businesses select competency-based approaches, they can expect overall business performance improvement. The chapter provides

a tone that readers could expect to observe throughout the discussions (see *Table 2 Takeaways from the Chapter*).

Competency-based performance management is an effective tool for achieving organizational results when considering their utility for managing organizational knowledge and monitoring organizational behaviors of performance. Organizational competencies or core competencies utilized in competency models identify the strategic organizational direction for guiding an organization and employees (Prahalad & Hamel, 1990; Teece et al., 1997; Teece, 2018).[1] Such performance management leads to the achievement of business outcomes. Competency-based performance management is more effective than traditional performance management systems and offers opportunities for skill development and organizational capacity building.

Businesses in today's economy have experienced changes brought by multiple eras, from the industrial age to the digital age to the gig economy to the era combining the features of the preceding ones with knowledge management in their efforts to gain a competitive advantage. Therefore, businesses are becoming knowledge-based organizations and organizations that approach their resources from a competency-based perspective.

Knowledge allows organizations to maximize business resources and assets through control and deployment. Therefore, knowledge and the management of its business knowledge has been a driver for businesses in today's marketplace with businesses' ability to effectively plan, coordinate, disseminate and acquire knowledge (Omotayo, 2015). All are organizational factors critical for ensuring organizational readiness and competitiveness for their short and long-term business viability (Foss & Pedersen, 2002; Grant, 1996). Combining knowledge management and competency-based management in a single system allows businesses to meet those critical factors. Knowledge management creates activities for which learning occurs and provides knowledge through acquisitions beneficial to the employees and organization. The theory of knowledge and the resource-based view of this concept in chapter 2 is about the practical nature of knowledge, precisely what it is, and how organizations and businesses should use it. Therefore, it addresses how businesses can create knowledge management environments and integrate competency models for effectiveness.

Organizational competencies are the strategic direction that guides the employees within the competency frameworks of an organization's strategic approach. Competency models provide the mechanisms for the factors of knowledge management to occur in controlled, effective, and collaborative ways. Competency models allow for the sharing of knowledge and the building

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