

(Research/Review) Article

Effect of Competence-Based Human Resource Management on The Performance of Millennial Employees in The ISP Batam Indonesia and Personal Value as Intervening Variable

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Abstract: Research aims: This study aims to examine the impact of Competency-Based Human Resource Management (CBHRM) on the performance of millennial employees in the Internet Service Provider (ISP) sector in Batam, Indonesia. Additionally, the research investigates the role of personal values as a moderating variable in the relationship between CBHRM and employee performance. Design/Methodology/Approach: A quantitative research method was used, collecting data from 86 millennial employees through structured questionnaires. The analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM). Research findings: CBHRM significantly improves millennial employee performance and influences personal values. However, personal values do not directly affect performance but strengthen the impact of CBHRM. This highlights the importance of integrating CBHRM with value-based HR policies to optimize workforce productivity. Theoretical Contribution/Originality: This study provides empirical evidence of CBHRM's effectiveness and expands knowledge on how personal values interact with HRM practices to enhance employee performance. Practitioners/Policy Implications: Organizations should integrate CBHRM with value-driven leadership and training programs to maximize employee engagement. Policymakers should promote CBHRM adoption to address workforce skill gaps in technology-driven industries. Research Limitations/Implications: This study is limited to a single ISP company in Indonesia, which may restrict the generalizability of the findings. Future research should expand the sample size and explore other industries to validate the results. Additionally, further studies should investigate the influence of other moderating variables such as leadership style and organizational culture on the CBHRM-performance relationship

Keywords: CBHRM, Employee Performance, Personal Values, Millennial Workforce, ISP, HRM

1. Introduction

Competency-Based Human Resource Management (CBHRM) is a well-known strategic approach to human resource management that focuses on improving employees' skills, knowledge, and behavioral competencies to boost performance while aligning HR strategies with the goals of the organization (Spencer & Spencer, 2008). The adoption of CBHRM has become particularly crucial in industries that require high adaptability and technical expertise, such as the Internet Service Provider (ISP) sector (Ulrich, 1996). With rapid advancements in technology, the World Economic Forum (2020) has projected that 40% of core skills will change by 2025, making it imperative for organizations to integrate competency-based HR systems to ensure workforce readiness. Similarly, the Indonesia Digital Economy Report (2021) highlights that digital transformation is expected to create

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3.7 million new jobs by 2025, underscoring the urgent need for Indonesian companies, particularly those in tech-driven industries, to develop structured competency-based HRM practices.

Despite its theoretical and practical benefits, the implementation of CBHRM in many organizations remains fragmented and misaligned with corporate visions and operational strategies (Huselid et al., 2005). Many companies struggle to integrate CBHRM across their organizational structures, resulting in inconsistencies in application and limited effectiveness in improving employee performance (Noe, 2004). The McKinsey Global Institute (2022) reports that only 30% of organizations worldwide have successfully aligned their HRM strategies with business objectives, leading to skill gaps and inefficient workforce utilization. This issue is particularly concerning for Indonesia's ISP industry, where rapid technological developments necessitate continuous workforce upskilling and strategic human resource management.

In Indonesia, CBHRM has gained increasing recognition through various professional HR forums, seminars, and corporate training initiatives, particularly among mid- to top-level managers. However, organizations continue to face challenges in fully integrating CBHRM into their talent management strategies. The Indonesia Talent Trends Report (2023) by Mercer indicates that 68% of Indonesian businesses acknowledge the need for CBHRM but struggle with its implementation due to poor workforce planning and lack of strategic alignment. The ISP sector, in particular, is experiencing a significant talent shortage, with 48% of IT and telecommunications companies struggling to find employees with the necessary skills (Indonesia ICT Outlook, 2022). As a result, competency gaps continue to hinder operational efficiency and business sustainability in the industry.

One big problem with CBHRM in Indonesian businesses is that competency-based HRM systems don't always match up with the overall strategic direction of the companies. This means that different departments don't always follow the same set of rules (Sparrow et al., 2016). According to PwC Indonesia (2022), only 35% of Indonesian companies have a formal competency-based talent management framework, highlighting a gap in structured HR planning. Also, CBHRM isn't always effective because people don't fully understand how to use it, and many HR tasks are still more about paperwork than planning ahead (Taylor, 2014). Consequently, organizations fail to fully leverage CBHRM. For improving employee capability, performance, and retention, further exacerbating the challenges posed by an evolving labor market.

The successful implementation of CBHRM requires organizations to adopt a holistic and integrated HR framework that aligns HR practices with business objectives. When implemented effectively, CBHRM facilitates internal fit, ensuring that individuals, departments, and business units function cohesively to achieve the company's overarching goals. However, empirical research on the impact of CBHRM on millennial employee performance in Indonesia's ISP sector remains limited. Millennials constitute 60% of Indonesia's workforce (BPS Indonesia, 2022), and their career preferences significantly differ from previous generations. They prioritize skill development, career progression, and job flexibility, making competency-based HRM a critical factor in improving employee engagement, productivity, and job satisfaction (Ng, Schweitzer, & Lyons, 2010).

Although there is strong theoretical support for CBHRM, research in this field reveals several gaps. Most existing studies focus primarily on the direct impact of CBHRM on employee performance, often overlooking the role of personal values as a mediating variable (Lee et al., 2013). Research conducted in Western contexts suggests that CBHRM contributes positively to employee engagement, motivation, and overall productivity (Leroy et al., 2018). However, there isn't a lot of real-world data on how CBHRM affects millennial workers in Indonesia's ISP sector, especially since digital trends and worker expectations are always changing (Yong, Mohd-Yusoff, & Tan, 2019). Furthermore, while many studies highlight the general benefits of CBHRM, little research explores the challenges of implementing it in emerging markets like Indonesia, where HR structures and talent management strategies differ significantly from developed economies (Budhwar & Debrah, 2009). The absence of localized studies creates a

knowledge gap in understanding how CBHRM can be adapted to align with the cultural and professional dynamics of Indonesian workplaces.

ISP Permana Net Batam, Indonesia, has identified various challenges in human resource management that impede the company's ability to optimize workforce performance. A strategic HR analysis report conducted internally identified persistent problems, such as a mismatch between workforce quality and quantity, which has led to overstaffing in some areas and talent shortages in others. The company also faces inefficient recruitment processes, where many new hires lack the necessary competencies to fulfill technical roles effectively. Additionally, weak career development structures have resulted in low employee retention and limited upward mobility, further exacerbating organizational inefficiencies. Ineffective training programs have also kept employees from learning the right digital and technical skills, and unclear ways of judging performance have stopped competency-based assessments from working. These issues indicate an urgent need for a structured CBHRM approach that enhances employee performance while ensuring alignment with organizational strategies. Moreover, the relationship between CBHRM and personal values as a mediating variable remains underexplored, necessitating further empirical investigation.

The study's goals are to look into how CBHRM affects the performance of millennial employees, how CBHRM affects personal values, how personal values relate to employee performance, and how personal values play a part in the link between CBHRM and performance. The results will make a big difference in both the theoretical and practical fields by showing how effective CBHRM is and how ISP companies can strategically develop their workforce. This study also intends to offer practical recommendations for HR professionals looking to implement competency-driven workforce strategies that align with business objectives and employee career expectations. With Indonesia's ISP sector undergoing rapid digital transformation, companies must adopt proactive HR strategies that emphasize not only technical competencies but also organizational values that foster long-term employee motivation and productivity. As competency-based HRM practices gain increasing importance in the contemporary workforce, businesses need to develop strategic HR frameworks that integrate employee development with corporate goals. This study looks at how CBHRM affects personal values and employee performance to give a complete HRM model that companies can use to improve employee engagement, workforce productivity, and the long-term viability of their businesses in a digital economy that is becoming more competitive.

2. Literature Review and Hypotheses Development

2.1. Resource-Based View (RBV) Theory

The Resource-Based View (RBV) Theory, introduced by Barney in 1991, elucidates how firms attain a competitive advantage through the utilization of their unique resources and capabilities. This thesis posits that businesses possessing precious, rare, distinctive, and irreplaceable resources can sustain long-term success. Human capital, particularly staff competencies, profoundly impacts organizational success (Barney, 1991; Grant, 1996). The Resource-Based View (RBV) of Competency-Based Human Resource Management (CBHRM) emphasizes the significance of cultivating worker skills as a strategic asset. Barney and Wright (1998) contend that human resources produce enduring competitive advantage when effectively managed through systematic HR activities, such as recruiting, training, and performance assessment. Aligning human resource strategies with organizational objectives allows organizations to maximize employee performance and improve long-term productivity (Wright, Dunford, & Snell, 2001).

The research supports the Resource-Based View by demonstrating that competency-based human resource management enhances the performance of millennial employees in the information service provider sector by facilitating their skill development in a structured manner. The findings indicate that companies utilizing

CBHRM significantly improve employee skills, hence enhancing organizational efficiency. This supports previous research demonstrating that HRM strategies serve as critical resources that enhance organizational performance (Huselid, 1995; Wright et al., 2001). The Resource-Based View (RBV) posits that personal values can enhance the impact of Competency-Based Human Resource Management (CBHRM) on performance, since individuals who align with the company's values exhibit more engagement and motivation (Barney, 1991).

The study findings confirm that, while personal values may not directly influence employee performance, they operate as a moderator, enhancing the impact of CBHRM on employee outcomes. This perspective aligns with prior studies emphasizing the importance of value-driven HR policies in optimizing human resource potential (Collins & Clark, 2003). The Resource-Based View (RBV) offers a robust theoretical framework for comprehending the role of competency-based human resource management in employee development and organizational sustainability. Organizations in knowledge-intensive sectors, such as ISPs, must regard their employees as strategic assets and invest in competency-based human resource frameworks to maintain their competitive advantage in a dynamic digital economy.

2.2 The Influence of Competency-Based Human Resource Management (CBHRM) on Millennial Employee Performance

Competency-Based Human Resource Management (CBHRM) is a strategic methodology in human resource management that prioritizes the cultivation and application of employee competencies to fulfill corporate objectives. In the contemporary age, when millennials predominate the labor market, the use of CBHRM has become increasingly vital for improving employee performance. Millennials exhibit distinct traits, including a demand for job flexibility, a robust inclination toward continual learning, and a preference for immediate and constructive feedback. Consequently, organizations implementing CBHRM can optimize their human resource management, as this methodology promotes a more focused talent management strategy that matches with both organizational and individual requirements (Kurniawan et al., 2022).

Competencybased training, systematic performance reviews, and clear career growth paths are some of the ways that CBHRM has clearly improved the performance of millennial employees. Research by Tedjamulja (2020) indicates that organizations implementing this method observe heightened productivity and employee loyalty, as employees perceive greater value and possess a defined professional growth path. Moreover, CBHRM empowers organizations to formulate more efficient training methods tailored to the distinct requirements of each position, facilitating the ongoing development of employee abilities. Nonetheless, numerous obstacles arise in the execution of CBHRM, especially for millennials. A primary challenge is the opposition to inflexible competency frameworks that fail to correspond with individual choices. Millennials generally favor adaptable job trajectories that align with their individual interests and ambitions (Simatupang, 2021). Absence of contemporary technological support may compromise the efficacy of CBHRM.

Consequently, firms must evolve by creating technology-based management systems that facilitate real-time competency monitoring and deliver expedited, interactive feedback. CBHRM is a successful approach for enhancing millennial employee performance by matching training and assessment with the necessary competencies. Notwithstanding certain problems in its execution, research suggests that the advantages of this technique far surpass its drawbacks. Implementing a flexible,

technology-driven management approach enables organizations to maximize the potential of millennial employees while improving their engagement and job happiness (Kurniawan et al., 2022;

Tedjamulja, 2020). Subsequently, additional research may investigate the integration of CBHRM with technological improvements and emerging work trends to foster a more adaptive and inventive work environment.

H1: Competency-Based Human Resource Management (CBHRM) has a positive effect on the performance of millennial employees.

2.3 The Influence of Personal Values on Millennial Employee Performance

Personal values fundamentally influence workplace behavior, motivation, and overall job performance. Millennials, a prominent working demographic, prioritize values such as work-life balance, purpose-driven employment, and ongoing personal growth (Martins, Silva, & Sousa, 2024). Studies indicate that when organizational ideals correspond with personal values, millennial employees generally demonstrate increased job satisfaction, commitment, and productivity. Houtgraaf (2024) says that beliefs about autonomy, competence, and making a meaningful contribution to society have a big impact on the intrinsic motivation of people who work in the public sector. This suggests that a stronger congruence between personal and organizational values correlates with increased job performance and engagement potential.

The impact of personal values on millennial workforce performance encompasses not only motivation but also flexibility and collaboration. Millennials prioritize transparency, collaboration, and ethical leadership, influencing their reactions to business culture and management methods (Tukiran, 2024). Organizations that cultivate a value-oriented workplace exhibit reduced turnover rates and enhanced performance among millennial employees. A study by Martins, Silva, and Sousa (2024) indicates that IT sector businesses that acknowledge and incorporate personal values into HR strategy have enhanced employee well-being and productivity. This is especially pertinent in sectors where innovation and knowledge dissemination are vital for success.

Notwithstanding these advantages, obstacles persist in completely harnessing personal values for performance enhancement. A primary concern is the gap between employer expectations and the value-oriented work approach of millennial employees. Research conducted by Tukiran (2024) indicates that whereas millennials pursue purpose and fulfillment in their positions, organizations predominantly emphasize production and efficiency. Addressing this deficiency necessitates HR policies that prioritize value alignment, ongoing development, and collaborative leadership. Future research should investigate how organizations might incorporate personal values into performance management systems to optimize millennial employee potential while guaranteeing organizational success.

H1: Personal values have a positive influence on the performance of millennial employees.

2.4 The Moderating Role of Personal Values in the Relationship Between CBHRM and Millennial Employee Performance

Competency-Based Human Resource Management (CBHRM) is an essential method for enhancing workforce performance by connecting employee competencies with business objectives. Research indicates that CBHRM benefits millennial employees by offering defined career trajectories, opportunities for skill enhancement, and

evaluations based on performance (Simatupang, 2021). The efficacy of CBHRM varies among employees, as individual variations, especially personal values, significantly influence workplace behavior and motivation (Zeshan et al., 2024). Competency-based human resource management (CBHRM) and employee performance may be affected by personal values such as autonomy, collaboration, and ethical responsibility. These values may affect how employees see and respond to CBHRM initiatives.

The congruence between CBHRM procedures and individuals' personal values profoundly influences workplace satisfaction, engagement, and productivity. Research suggests that millennials that prioritize continuous learning and professional development are more inclined to gain advantages from CBHRM's organized training and development initiatives, resulting in improved performance (Andriyas et al., 2020). In contrast, employees prioritizing flexibility and creativity may perceive inflexible CBHRM frameworks as constraining, which could diminish their job satisfaction and commitment (Zeshan et al., 2024). Additionally, personal values affect how motivated employees are in competency-based settings. For example, people who are highly self-motivated and value doing good work are usually better able to adapt to the goal-setting frameworks of competency-based human resource management (Zeshan et al., 2024).

Although CBHRM offers a standardized methodology for labor management, businesses must account for the moderating influence of personal values to enhance its efficacy. A study by Zeshan et al. (2024) indicates that alignment of CBHRM procedures with employees' intrinsic values significantly enhances organizational commitment and performance. Nonetheless, when misalignment occurs, employees may experience disengagement, resulting in diminished productivity. Because of this, companies want to include flexibility in their CBHRM models so that employees can have their own growth paths that fit their values and job preferences.

H1: Personal values strengthen the relationship between CBHRM and millennial employee performance.

3. Proposed Method

This research uses a quantitative method to look at how competency-based human resource management (CBHRM), personal values, and the work performance of millennials at ISP Permana Net Batam, Indonesia are related. Quantitative research is commonly used in social sciences to systematically investigate relationships between variables and test hypotheses using statistical analysis (Creswell & Creswell, 2017). The research uses both a descriptive and an associative research design, which lets the researchers look at both how CBHRM is used in the company and how the key variables are related. The descriptive aspect provides an overview of how CBHRM is applied in the organization, while the associative approach evaluates the direct and indirect effects of CBHRM on employee performance through the mediating role of personal values.

The population in this study consists of millennial employees at ISP Permana Net Batam, Indonesia. Millennials are chosen as the focus group because they constitute a significant portion of today's workforce and have unique career aspirations, work expectations, and responses to competency-based HRM practices (Ng, Schweitzer, & Lyons, 2010). Given the relatively small population size, the study employs a saturated sampling method, also known as a census approach, in which all 86 millennial employees in the company were included as respondents. Choosing to use a census method makes sure that the study gets information from the whole population. This lowers the chance of sampling error and makes it easier to apply the results to the specific organization (Sekaran & Bougie, 2016).

To collect primary data, the study uses structured questionnaires distributed to respondents via Google Forms and printed surveys. Quantitative research widely uses questionnaires to collect systematic data from a large number of respondents (Bell et al., 2022). The questionnaire measures three key constructs Competency-Based Human Resource Management (CBHRM), personal values, and millennial employee performance. To capture respondents' perceptions and attitudes accurately, a Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree) was utilized. The Likert scale is an effective tool for quantifying subjective opinions and behavioral tendencies (Sarstedt et al., 2021). To ensure the validity and reliability of the instrument, a pilot study was conducted before full-scale data collection. A small group of respondents took part in the pilot test to make the questionnaire better and see if it was internally consistent using Cronbach's Alpha. A value of 0.7 or higher was considered acceptable (Nunnally & Bernstein, 1994). This step ensured that the questionnaire items were well-constructed and reliable for measuring the intended constructs.

This study uses Partial Least Squares Structural Equation Modeling (PLS-SEM) to look at the data. PLS-SEM is a powerful statistical method that can be used to look at complex relationships between latent variables, especially when dealing with mediation effects (Sarstedt et al., 2021). The SmartPLS 4 software was used to process the data and test the hypotheses. The analytical process began with descriptive analysis, which summarized respondents' demographic characteristics and provided an overview of questionnaire responses. Next, validity and reliability tests were performed to assess the quality of the measurement instruments. We checked for convergent validity with Average Variance Extracted (AVE) and a minimum level of ≥ 0.5 . For discriminant validity, we used the Fornell-Larcker criterion (Fornell & Larcker, 1981). Composite Reliability (CR) and Cronbach's Alpha were also used to make sure that the research constructs were internally consistent and met acceptable reliability standards.

Following this, we conducted path analysis using PLS-SEM to examine the relationships between CBHRM, personal values, and millennial employee performance. The structural model was tested for direct effects assessing the impact of CBHRM on employee performance and indirect effects determining whether personal values mediate the relationship between CBHRM and employee performance. This method generated p-values and confidence intervals to find out how statistically significant the relationships were (Sarstedt et al., 2021). A p-value of less than 0.05 was considered statistically significant, indicating meaningful relationships between the tested variables. We also found the coefficient of determination (R^2) to see how well the model explained things and the effect size (f^2) to see how much each predictor variable contributed.

This study incorporates three main variables competency-based human resource management (CBHRM) as the independent variable, personal values as the mediating variable, and millennial employee performance as the dependent variable. Millennial employees' performance is the dependent variable. It shows how well they meet work goals, complete tasks quickly and correctly, work well with others, encourage new ideas, and adjust to competency-based HRM initiatives. The assessment of employee performance is based on key dimensions such as work efficiency, problem-solving capabilities, teamwork, innovation, and commitment to competency-based practices (Leroy et al., 2018).

Since different organizational and personal factors can affect how well an employee does their job, this study uses CBHRM as the independent variable that directly affects performance. It also looks at how personal values affect this relationship. The independent variable is CBHRM, which focuses on an HR approach that aligns workforce development with competency-based frameworks, especially when it comes to hiring, training, evaluating performance, and moving up in your career. The key indicators for measuring CBHRM include competency mapping, effectiveness of training programs, employee development, and strategic alignment with organizational objectives (Spencer & Spencer, 1993). Personal values are looked at as the mediating variable. The beliefs, morals, and behavioral orientations of employees affect their work behavior, motivation, and decision-making (Ng et al., 2010). This study uses personal values as a link to find out if an employee's personal beliefs and

professional ethics improve or decrease the effect of CBHRM on performance, which in turn affects how well they align with the company's competency-based management practices.

4. Results and Discussion

4.1. Internal Consistency Analysis

The internal consistency analysis is a form of reliability examination technique used to assess the consistency of results across items on the same test. Internal consistency testing uses composite reliability values. The criteria for good construct reliability, according to Hair, Hult, Ringle, & Sarstedt (2014) must have a composite reliability >0.600 (Rumengan, Juliandi, Gaddafi, & Rumengan (2019: 168).

Table 1. Internal Consistency Analysis

Variable	Cronbach's Alpha	rho_A	Composite Reliability	Variance Extracted (AVE)
CBHRM (X1)	0,912	0,943	0,926	0,473
Personal Value (X2)	0,875	0,929	0,910	0,649
Employee's Performance (Y)	0,912	0,933	0,934	0,708

Source: Data Processed From 2022 Research Results

Based on the internal consistency analysis in the table above, CBHRM (X1), personal value (X2), and Performance (Y) have a composite reliability of $0.926 > 0.600$, $0.910 > 0.600$, and $0.934 > 0.600$ respectively, meaning that X1, X2, and Y are all reliable. The Cronbach Alpha for all construct variables is greater than 0.7, meaning that it is good. Furthermore, rho_A for all three variables is greater than 0.7, which is also good. The Average Variance Extracted (AVE) value was greater than 0.5 meaning that overall the construct reliability and validity criteria are good.

4.2. Path Coefficient Results

The Full Model Structural Equation Modeling (SEM) was formulated using the PLS software for Windows version 3.0, and the results are shown in Figure 1 below:

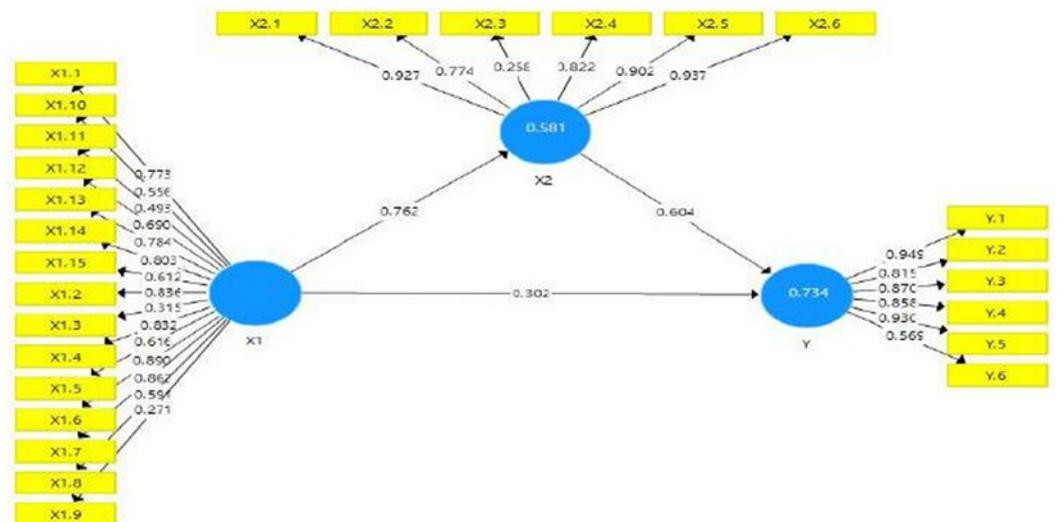


Figure 1. Full Model Artifacts, CBHRM, Personal Value, Millenial Employee's Performance

Source: Data Processed From 2022 Research Results

4.3. R-square Analysis

Table 2. R-Square

Variable	R-Square
Personal Value	,581
Employee’s Performance	,734

Source: Data Processed From 2022 Research Results

Table 2 shows that CBHRM and personal value can be explained by employee performance of 73,4%, while the remaining 26,6% are explained by other variables not examined in this model. From the table, it can be seen that personal value produced an R-square value of 0.581. This means that the variable explains CBHRM at 58,1% and the remaining 41,9% is explained by other variables not examined in this model, hence it is considered moderate.

4.4. Hypothesis Test Results

The hypothesis test aims to answer the problem formulation in Chapter I, conducted through the bootstrapping process with Smart PLS. The hypothesis test results were accepted when the probability was used (P-Value) <0.05. The results of the bootstrapping process with SmartPLS can be seen in the following table 3:

Table 3. Hypothesis of Direct and Indirect Effect

Variable	Coefficient Value	T-statistics	P-Values
CBHRM(X ₁) → Employee’s Performance (Y)	0,269	2,139	0,033
Personal Value (X ₂) → Employee’s Performance (Y)	0,054	0,341	0,733
CBHRM (X ₁) → Personal Value (X ₂)	0,390	4.278	0,000
CBHRM (X ₁) → Employee’s Performance (Y) → (Personal Value (X ₂))	0,585	7,484	0,000

Source: Data Processed From 2020 Research Results

The study results indicate that CBHRM has a significant direct effect on millennial employee performance, with a P-value of 0.033 (P < 0.05) and a t-statistic of 2.139 (t > 1.96). CBHRM also significantly influences personal values, with a P-value of 0.000 (P < 0.05) and a t-statistic of 4.278 (t > 1.96). However, personal values do not have a significant direct effect on millennial employee performance, as shown by a P-value of 0.733 (P > 0.05) and a t-statistic of 0.341 (t < 1.96). Despite this, personal values act as a moderator in the relationship between CBHRM and millennial employee performance, with a P-value of 0.000 (P < 0.05) and a t-statistic of

7.484 (t > 1.96). This indicates that while personal values do not directly influence performance, they strengthen the impact of CBHRM on millennial employees' job performance.

4.5. The Influence of Competency-Based Human Resource Management (CBHRM) on Millennial Employee Performance

Competency-Based Human Resource Management (CBHRM) has become a strategic approach in human resource management aimed at enhancing organizational effectiveness through systematic competency management. In this study, it was found that CBHRM has a significant direct impact on millennial employee performance. The statistical analysis results show a P-value of 0.033, which is smaller than the significance threshold of 0.05 (P < 0.05), and a t-statistic value of 2.139, which exceeds the threshold of 1.96. Thus, it can be concluded that the implementation of a competency-based human resource management (CBHRM) system directly contributes to improving the performance of millennial employees in the organization. This means that the better the implementation of CBHRM

in the company, the higher the performance of millennial employees working for it. This shows that a management system that emphasizes employee competency is an important factor in supporting the productivity of the millennial generation in the workplace.

Previous research has yielded similar findings. Fejfarová (2015), in her study on the application of CBHRM in organizations in the Czech Republic, found that a competency-based approach not only improves individual productivity but also contributes to the organization's overall competitive advantage. Another study by Ratnawat (2018) confirmed that well-managed competencies within the CBHRM framework serve as key factors in improving work effectiveness and employee motivation, ultimately leading to better organizational performance. Furthermore, research conducted by Otoo (2019) found that competency-based HRM practices significantly enhance individual competencies through targeted recruitment, training, and development mechanisms. In the context of millennial employees, the implementation of CBHRM is particularly relevant, as this generation tends to have high expectations for skill development and career growth opportunities within an organization (Kharub et al., 2025). Therefore, CBHRM not only serves as a tool for improving individual performance but also as a strategy for increasing millennial employee engagement and retention in the workplace.

4.6. The Influence of Competency-Based Human Resource Management (CBHRM) on Employee Personal Values

Competency-Based Human Resource Management (CBHRM) plays a crucial role in shaping employees' personal values within an organization. The statistical results show that the P-value is 0.000, which is much lower than the significance level of 0.05 ($P < 0.05$), and the t-statistic value is 4.278, which is higher than the critical value of 1.96. These results confirm that CBHRM has a direct and significant impact on employees' personal values, reinforcing their ethical behavior, professionalism, and alignment with corporate objectives. This influence manifests through various HRM processes, including recruitment, training, performance evaluation, and organizational culture development.

The recruitment and selection process in CBHRM is designed to ensure that prospective employees not only meet the required competencies but also align with the company's core values. According to Ratnawat (2018), competency-based hiring attracts individuals who share the organization's ethical and professional standards, fostering a workforce that is not only skilled but also values-driven. Once hired, employees undergo structured training and development programs that further reinforce these values. Research by Fejfarová (2015) highlights that CBHRM-based training enhances employees' self-awareness, integrity, and sense of responsibility, leading to more ethical decision-making and a greater commitment to teamwork.

Performance management is another key mechanism through which CBHRM shapes employee values. Organizations that integrate value-based competencies—such as leadership integrity, accountability, and collaboration—into their evaluation systems encourage employees to internalize and demonstrate these qualities in their daily tasks (Saleem & Ganie, 2018). Employees who are consistently assessed based on these competencies develop a stronger sense of ownership and engagement with the company's ethical framework. Moreover, leadership plays a pivotal role in embedding personal values within employees. Studies by Gorlov & Lazareva (2015) found that competency-based HRM fosters a leadership style where managers serve as role models, influencing employees to uphold corporate values and ethical standards in their professional conduct.

Beyond individual growth, CBHRM also contributes to an organizational culture that prioritizes ethical behavior and shared goals. The implementation of competency-based HR practices creates a work environment where employees are not only held accountable for their job performance but also for their adherence to organizational values. Saleem & Ganie (2018) argue that organizations that integrate CBHRM principles experience higher levels of employee engagement, ethical compliance, and commitment to long-term corporate objectives. As employees operate in an environment that continuously reinforces these values, they are more likely to integrate them into their professional identity and work ethic.

Empirical evidence supports the claim that CBHRM significantly influences employee personal values. Fejfarová (2015) found that competency-based approaches improve employees' ethical standards and overall workplace engagement. Ratnawat (2018) emphasized that CBHRM helps organizations cultivate a workforce that excels not only in technical competencies but also in values such as teamwork, accountability, and customer orientation. Similarly, Saleem & Ganie (2018) noted that organizations employing competency-based HRM practices foster an inclusive and value-driven culture where employees feel more connected to corporate goals.

4.7. The Influence of Personal Values on Millennial Employee Performance

Personal values play a crucial role in shaping an individual's behavior, decision-making, and workplace ethics. However, findings from this study indicate that personal values do not have a significant direct impact on millennial employee performance. The statistical analysis results show a P-value of 0.733, which is greater than the standard significance level of 0.05 ($P > 0.05$), and a t-statistic value of 0.341, which is lower than the critical value of 1.96. These results suggest that while personal values may shape an employee's attitude and engagement, they do not directly translate into higher job performance. Instead, other factors such as organizational culture, leadership, and workplace incentives play a more significant role in determining employee productivity.

Several studies have examined the relationship between personal values and employee performance, particularly among millennials. Esthi and Ekhsan (2020) found that while millennial employees' intrinsic values influence their job satisfaction, this does not necessarily result in higher performance. Their study highlights that external factors such as employee benefits, workplace support, and job role clarity mediate the relationship between personal values and job performance. This suggests that personal values alone may not be sufficient to drive productivity unless they are reinforced by a supportive work environment.

Similarly, Yunita and Saputra (2019) explored how personal values affect employee stress and adaptability in the workplace. Their findings indicate that while personal values influence how millennials cope with job demands, they do not directly determine their performance outcomes. Instead, millennials' work efficiency is more dependent on job structures, leadership support, and the presence of teamwork rather than individual value systems. These findings align with research by Hui et al. (2021), who argue that employee performance is primarily driven by organizational culture and work engagement, rather than by personal values alone. They emphasize that millennial employees are more likely to perform well when their work environment fosters motivation, collaboration, and continuous learning.

Several factors explain the weak direct impact of personal values on performance. First, personal values often require a strong organizational structure to translate into measurable outcomes. Esthi and Ekhsan (2020) suggest that while employees may

possess strong values such as integrity, responsibility, and commitment, these traits only enhance performance when combined with clear goals, performance feedback, and career growth opportunities. Second, generational work preferences play a key role in shaping performance expectations. Weber (2019) found that millennial employees prioritize work-life balance, job satisfaction, and purpose-driven work over traditional performance metrics. This means that while values shape their work preferences, they may not directly drive productivity unless aligned with tangible performance incentives.

Additionally, the effectiveness of personal values in influencing performance depends on workplace structures and incentives. Hui et al. (2021) found that companies that successfully integrate value-based leadership with structured performance metrics experience stronger improvements in employee output. In contrast, organizations that merely acknowledge personal values without linking them to career growth, compensation, or performance rewards fail to leverage their full potential. Furthermore, research by Kuron et al. (2015) suggests that team collaboration and leadership quality play a more significant role in shaping millennial performance than personal values alone. Millennials thrive in environments where teamwork and knowledge sharing are encouraged, and their ability to deliver high performance depends largely on the support they receive from colleagues and supervisors.

Given that personal values alone do not directly impact performance, organizations should focus on building a work environment where values are reinforced through structured policies and incentives. Instead of relying solely on intrinsic motivation, employers should implement value-driven leadership, clear goal-setting frameworks, and collaborative team structures to enhance productivity. For millennial employees, engagement strategies such as mentorship programs, professional development opportunities, and performance-based rewards may be more effective in driving performance than emphasizing personal values in isolation.

4.8. The Moderating Role of Personal Values in the Relationship Between CBHRM and Millennial Employee Performance

The findings of this study indicate that personal values significantly moderate the relationship between Competency-Based Human Resource Management (CBHRM) and millennial employee performance. The statistics show that there is statistical significance with a P-value of 0.000 ($P < 0.05$) and a t-statistic of 7.484, which is higher than the important level of 1.96. These results suggest that while personal values do not directly impact millennial employee performance, they strengthen the effect of CBHRM on performance outcomes.

Previous studies have supported this moderating role of personal values in competency-based HRM practices. Patil, Shet, and Chandawarkar (2019) found that competency-based HR practices are most effective when employees' personal values align with organizational goals. Employees with strong personal values, such as integrity, responsibility, and continuous learning, are more likely to maximize the benefits of CBHRM, leading to improved work performance. Similarly, Chang and Yang (2023) highlighted that personal values enhance employees' engagement with competency-based training and evaluation, ensuring that HRM strategies yield optimal results.

Several mechanisms explain this moderating effect. First, personal values enhance the effectiveness of CBHRM strategies. Employees who value professional growth and ethical conduct are more receptive to competency-based training and career development programs, resulting in higher engagement and skill application (Otoo, 2019). Second, personal values influence motivation and work ethic. Employees with

strong intrinsic motivation and a commitment to excellence are more likely to take full advantage of CBHRM opportunities, ultimately improving job performance (Gunawan et al., 2019). Third, personal values contribute to a positive organizational culture. When employees share values such as teamwork and accountability, the implementation of CBHRM becomes smoother and more impactful (Shet et al., 2019).

5. Conclusions

The findings of this study confirm that Competency-Based Human Resource Management (CBHRM) plays a crucial role in enhancing millennial employee performance and shaping personal values. The implementation of CBHRM contributes directly to improving employee productivity by providing a structured approach to competency development, including recruitment, training, and performance evaluation. Additionally, CBHRM significantly influences employees' personal values by fostering a workplace culture that emphasizes ethical behavior, accountability, and professional integrity. However, personal values alone do not directly enhance millennial employee performance. Instead, their influence becomes significant when they act as a moderator in the relationship between CBHRM and performance. This suggests that while personal values may not independently drive productivity, they amplify the positive impact of CBHRM on employee outcomes. These findings highlight the importance of integrating both competency development and value-based approaches to maximize workforce potential.

Based on these findings, organizations should adopt strategic policies that integrate competency-based HR practices with value-driven employee engagement to optimize workforce productivity. Strengthening CBHRM implementation is essential for companies seeking to improve employee performance, as it provides a structured framework for skill development, leadership growth, and talent management. Organizations should ensure that competency-based HR strategies are aligned with corporate goals and employee career aspirations, fostering a culture of continuous learning and professional development.

Additionally, companies must recognize the critical role of personal values in reinforcing CBHRM effectiveness. By integrating value-based assessments in recruitment, leadership training, and performance evaluations, organizations can create an environment where employees not only develop technical competencies but also internalize ethical standards and organizational values. Encouraging leadership that embodies value-driven decision-making is also essential, as leaders serve as role models who shape workplace behavior and engagement. Furthermore, organizations should establish mentorship programs, employee recognition initiatives, and structured career development pathways that align personal values with organizational objectives, ensuring long-term employee commitment and performance improvement.

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