The Effects of Competency Based Career Development and Performance Management Practices on Service Quality: Some Evidence From Malaysian Public Organizations

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This article reports on a study of the effects of the implementation of two competency based human resource practices (career development and performance management) on service quality in 300 Malaysian public organizations. Results provide clear evidence of significant and positive relationship between competency based career development practice and all service quality dimensions found in Malaysian public organizations. However, there is no relationship at all between competency based performance management practice with all service quality dimensions. Thus, competency based career development is the best practice that should be adopted by any public organizations in Malaysia in a way to increase quality in the services provided to the external customers.

Field of Research: Human Resource Management, Service Quality, Competency, Malaysia, public service

1. Introduction

A high number of complaints were filed by the public due to delays in taking actions and providing services to them by the Malaysian public organizations. (PCB, 1994-2006). According to the Public Complaint Bureau (PCB), the number of complaints received by the Malaysian public organizations are three times higher than the number of complaints received by PCB. This suggests that service quality is not as expected by the customers even though the public sector has been practicing the Malaysian Remuneration System or *Sistem Saraan Malaysia* [SSM] which aims at producing capable workers who are responsive to environmental changes and customers' demands by providing quality services (PSDM, 2002). This is done partly by implementing competency based career development and performance management practices in the public services since 1st November 2002 (Putra Nurwan & Hizatul, 2004). Therefore, together with several quality management practices implemented such Total Quality Management (TQM), client's charter and MS ISO 9000 practiced in the Malaysian public sector (Wan Abdul Wahab, 2004), one would expect that there would be an improvement in the quality of services rendered.

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Thus, this research is a departure from previous studies which have been focusing on the impact of traditional and conventional human resource management practices on either employee or organizational performance. Instead, two competency based human resource practices are focused in this study which are career development and performance management and their impact on organizational performance or specifically on service quality.

Two sets of questionnaire were distributed using simple random sampling technique to the human resource managers or top public officers in charge of human resources at 300 public organizations throughout Malaysia and their external customers. The findings suggest that there is a positive relationship between competency based career development practice and all service quality dimensions found in the Malaysian public organizations.

2. Literature Review

Organizational performance is a multidimensional construct (Paauwe and Boselie, 2005) and one of the dimensions is service quality (Dyer and Reeves, 1995). Service quality is an important dimension of organizational performance in the public sector as its main output is services. Moreover, these public organizations are not profit oriented like the private organizations (Harel & Tzafrir, 1999).

Service quality is a subjective performance whereby it is determined via the customer survey (Harel and Tzafrir, 1999). External customers are the most suitable source of information on service quality (Parasuraman, Zeithmal & Berry, 1988; Donnelly, Wisniewski, Dalrymple, & Curry, 1995) as they are the recipients of the services provided by the public organizations. Internal customers or the service providers might feel that they have done their best to serve the customers, therefore; they failed to notice the decline of service quality. The increase or decline of service quality is indicated by the customers' complaints as they are the proxy to the service quality or indicator or symptom to service quality (Stafford, Stafford & Wells, 1998; Kouzmin, Loeffer, Klages & Nada, 1999).

One of the most regularly used concepts of service quality is SERVQUAL espoused by Parasuraman, et al. (1985). They define service quality as the degree of differences between normative expectation of the customers towards the services and their perceptions towards the service performance (Parasuraman, et. al, 1991). SERVQUAL comprises of five dimensions which are tangible, reliability, responsiveness, assurance and empathy. Studies have shown that SERVQUAL to be more accurately identified service shortfalls and deficiencies within an organization compared to other instruments (Parasuraman, Berry & Zeithmal, 1991). The underlying structure of SERVQUAL appears to be well suited to assessing service quality in a public sector context (Wisniewski & Donnelly, 1996). Furthermore,

SERVQUAL instrument has been used extensively to measure service quality in the UK and Scotland public sector (Brysland and Curry, 2001).

On the other hand, competency is the brainchild of McClelland (1973) who posited that amount of education or grades i.e. intelligence is not related to job performance but competencies are (Nath & Raheja, 2001). Furthermore, competencies can reduce the traditional bias that is present in race, gender, socio-economies and qualifications.

There are two types of competencies which are essential or threshold competencies and differentiating competencies. An individual can be successful in his or her job only when there is a match on both sets of competencies. Essential competencies are the knowledge, skills and abilities which are quite easy to develop through training whereas the differentiating competencies or the underlying characteristics are self concept, traits and motives which are hard to develop and therefore, they differentiate superior performance from the average performance. Thus, competencies are defined as knowledge, motives, traits, self images, social roles and skills that result in superior performance in job (McClelland & Boyatzis, 1980).

In Malaysian public service, there are three categories of competencies which are core, professional and functional competencies. Core competencies are behavioral traits and attitudes that are needed for all types of occupation such as integrity, self confidence, accountability and others. Professional competencies are the knowledge, skills and professional attributes needed by any public servants such as leadership, interpersonal communication and abilities in problem solving and decision making. Functional competencies are the knowledge and skills needed to carry out tasks and specific responsibilities such as the head of departments and others (Malek & Liew, 2002). Thus, employees are said to be competent when these competencies are transformed into behaviors as needed by the organizations (Malek & Liew, 2002; Putra Nurwan & Hizatul, 2004).

To date, there are quite a few studies that attempt to examine the effects of competency on performance. Mayer (2003) for example, found the public health workers' competencies explained 2 percent to 20 percent of the variance in essential service performance after controlling career demographics. Moreover, Sekaran and Wagner (1980) found that if workers possess a sense of competence i.e. having high self esteem or confidence of oneself competencies, job performance will be high.

Competency is also related to service quality. Suhaila (2005), for example; studied the relationship between employees' competencies and perceived service quality in a local authority in Malaysia. She found that interpersonal skills explained 46 % of the variance in the perceived service quality. This shows that the employees have used their interpersonal skills in terms of maintaining confidentiality, tactful, compassionate and sensitivity in dealing with customers towards achieving a good service quality.

The concept of competency has been used in Human Resource Management (HRM) by Boyatzis (1982) to differentiate between the successful managers and the not successful ones. He found that there were so many factors in determining their success such as quality, motive, experience and behavioral traits. In other words, these positive attributes are the competencies that are usually possessed by high performing managers.

In HRM, competency serves as the common language to integrate the practices in a way to obtain the organization's objectives i.e. to maximize human performance and eventually, the organization's performance (Wood & Payne, 1998). Thus, competency based HRM practices are defined as the human resource practices such as career development and performance management which emphasize on competencies in order to differentiate the high performing employees from the average ones (Horton, 2000).

Competency based career development practice is defined as the extent of development template is used to enhance the employee performance in their jobs or to prepare improvements in their future tasks. The competency model is used to identify types and level of competencies required by different jobs in the service. Moreover, career ladders are developed for individual workers to match their competencies with the most suitable job competency profile. These workers have to take their own initiatives to conduct competencies gap analysis to identify the competencies they are lacking. On the other hand, the employers too, have to play their part in developing their employees' careers. Examples of activities that employers can undertake include conducting career development program to gauge employees' potential, strengths and weaknesses, developing job assignments for employees to improve their performance in their existing jobs, training and preparing employees to advance to other assignments in the future as well as providing structured mentoring program for employees (PSDM, 2004).

In Malaysian public service, every public servant has to undergo certain assessments or courses on competence according to his/her position in order to move up in his/her career path. Upward movement in the career path promises promotion and at the same time, it means salary increment. Consequently, Malaysian public servants are aware of the competencies needed by their organizations in order to move up along their career paths. Therefore, they can make early arrangements and preparations to succeed. Moreover, from the assessments and courses undergone, their level of competencies will increase and hence, this will help them to undertake and complete their tasks better especially in providing quality services to the public (PSDM, 2005).

Thus, competency based career development practice is better than the traditional one as it promotes standardization and justice for future promotion. Moreover, workers who are lacking in certain competencies can easily be identified for further training (PSDM, 2005). Placement, layout and transfer of workers also can be done systematically (Ozcelick & Ferman, 2006). Finally, job assignments and structured mentoring promise capable and prepared

workers psychologically and physically in undertaking and completing their tasks.

On the other hand, competency based performance management is defined as the extent of performance planning, facilitation and study done between the managers and the workers in order to track and increase individual and organization performance and to provide information for other human resource management practices. (PSDM, 2004). In this practice, goals and objectives are set based on competency based performance appraisal form (e.g. the Annual Work Targets form) before the present and future performance is being discussed with the workers. The performance appraisal is based on objective measure of individual performance produced by the competencies that are important for the success of the organization. In order to ensure the appraisal is just and fair, the employers have to inform employees on the standards used to evaluate job performance. The employers may receive feedback on employees' job performance from multiple sources (e.g. from superiors, customers, etc.) to monitor their progress. Behavior anchored scales which range from one to six is used to enable individuals to assess how much of the required skill/competency/behavior they have been demonstrating. Finally, performance review process is documented by using the Annual Work Performance Report (PSDM, 2004).

This practice is also better than the traditional practice as it can increase the level of competency, motivation and commitment of the workers toward customer service as they have already known which competencies that are measured and rewarded. Therefore, they can accept the results of the performance appraisal more positively. Moreover, from the feedback given by their superiors, peers and customers, workers may be able to know whether they have the competencies needed in completing their tasks or not and whether their performance is as expected especially in providing quality services to the customers. Therefore, they can undertake further actions to increase their level of competencies in providing quality services to the customers either by attending courses and others (PSDM, 2005).

The theory that underpins the hypothesis of the relationship between competency based career development and performance management practices and service quality is resource-based view (RBV) of the firm. RBV theory asserts that the competencies of the employees are the intangible resources of the organizations. Competency based HRM practices especially competency based career development and performance management practices are responsible in leveraging and managing these competencies in ensuring that the organizations can obtain competitive advantage especially in terms of service quality. Different public organizations emphasize on different competencies. Hence, employees who are competent, and at the same time possess the competencies as needed by the organizations are the valuable resources that are rare. Therefore, they could not be imitated and substituted. Thus, this promises sustainable competitive advantage to be achieved (Barney, 1991).

Therefore:

Hypothesis 1: Competency based career development practice is positively related to service quality

Hypothesis 2: Competency based performance management practice is positively related to service quality

Independent Variable   Dependent Variable

| Competency based Career Development & Performance Management Practices | → | Service Quality |

Figure 1. *The conceptual framework of competency based career development and performance management practices and service quality.*

3.   Methodology and Research Design

The population of the study consisted public organizations that provide services to the external customers such as the Department of Registration, Immigration et cetera. Based on the listing by the Malaysian Public Services Department, 444 public organizations that comprise of federal and state agencies were identified throughout Malaysia that serve external customers.

Mail survey was employed using simple random sampling technique in order to ensure that each public organization located throughout Malaysia has the equal chance to be selected as the respondents. Two sets of questionnaire were distributed to the human resource managers or top public officers in charge of human resources of 300 public organizations throughout Malaysia and their respective external customers (ten for each public organization selected, Tsaur & Lin, 2004). This amounted to 300 copies of set A and 3,000 copies of set B questionnaires. The purpose of distributing these two sets of questionnaires is to avoid the problem of self report bias (Khatri, 2000). Approval from the Chief of Country Secretary was obtained prior to the distribution.   Then, the questionnaires together with the self returned envelopes were posted to the top management to be distributed further to the concerned respondents.

Fifteen items on competency based career development and performance management practices (set A) were constructed from PSDM manual (2004). All these items were prepared in English language as the top officers who are responsible for the implementation of the competency based human resource practices are educated workers. A seven Likert scale was used to measure the extent of the implementation of these practices (1 = To no extent at all and 7 = Practiced to a full extent).

On the other hand, service quality (set B) was measured by using SERVQUAL instrument in entirety (Parasuraman et al., 1991) that contained 22 items each on expectation and perception in two columns format. Set B was prepared in English and national languages as the customers come from different education background. A seven Likert scale also was used to measure service quality (1 = Totally disagree and 7 = Strongly agree). Service quality is obtained by using the formula (Perception minus Expectation (P-E), Parasuraman et al. 1991). Therefore, if perception exceeds expectation (P>E), service quality is very satisfactory. If perception equals expectation, service quality is satisfactory. However, if expectation exceeds perception (E>P), service quality is poor.

4. Discussion of Findings

A total of 140 useable responses were obtained, giving a response rate of 46.67 %. Table 1 features the profile of the public organizations. Majority of them are local authorities (27.10%), federal departments (23.60%) and land and district offices (22.90%). Majority of them too, are located in Kuala Lumpur (18.60 %).

Table 1

Organizational Profile

		Number of Respondents	Percentage (100)
Public Agency Category			
1	Local Authorities	38	27.10
2	Federal Department	33	23.60
3	Land and District Office	32	22.90
4	Federal Statutory Bodies	15	10.70
5	State Federal Agencies	6	4.30
6	State Statutory Bodies	6	4.30
7	Land Office	4	2.90
8	Federal Ministries	3	2.10
9	District Office	2	1.40
10	State Secretarial Office	1	0.70
	Location		
1	Kuala Lumpur	26	18.60
2	Putrajaya	14	10.00
3	Selangor	14	10.00
4	Kelantan	13	9.30
5	Negeri Sembilan	11	7.90
6	Terengganu	10	7.10
7	Johor	10	7.10
8	Perak	10	7.10
9	Kedah	7	5.00
10	Pahang	7	5.00

11	Melaka	7	5.00
12	Pulau Pinang	6	4.30
13	Sarawak	3	2.10
14	Sabah	2	1.40

Table 2 features the profile of the respondents. Majority of them are Malay males. As for the public servants that completed the first set of questionnaire of this study or set A, majority of them are in between 46 to 55 years old (49.3 %) and possessed a Bachelor degree (68.6%). As for the customers, majority of them are in between 26 to 35 years old (32.10%) and are Certificate of Malaysian Education (SPM) holders and others (37.80%).

Table 2

Respondents' Profile

	Total		Percentage	
	Set A	**B**	**Set A**	**B**
Position				
HR Director/Deputy Director	25		17.80	
HR Manager/Assistant Manager	22		15.70	
Head/ Assistant Administration Officer	21		15.00	
Diplomatic Administrative Officer	22		15.70	
Executive Officer	23		16.40	
Others	25		17.80	
Customers (Set B)		992		100
Gender				
Male	101	538	72.1	54.20
Female	39	436	27.90	44.00
Age				
Below 25 years	0	242	0	24.40
26 to 35 years	44	318	31.4	32.10
36 to 45 years	27	223	19.3	22.50
46 to 55 years	69	167	49.3	16.80
56 years and above	0	28	0	2.80
Race				
Malay	130	843	92.9	85.0
Chinese	4	86	2.90	8.70
Indian	4	33	2.90	3.30
Others	2	16	1.40	1.60
Education				
Diploma	16	293	11.41	29.50
Degree	96	244	68.6	24.60
Masters Degree	22	48	15.70	4.80
PhD	1	5	0.70	0.50
Others	5	375	3.60	37.80

Table 3 exhibits the types of public services provided by these public organizations. Altogether there are 27 main categories of public services which are classified into license, land, revenue, accounts, registration, administration, training, finance, engineering, project development, building, marketing, treasury, education, planning, quantity survey, operation, social, medical, public relations, customer service, loan, agriculture, facilities,

research and development, enforcement and customs. Majority of the respondents provide administration (7.9 %) and project development services (6.4 %) to the public. On the other hand, there are 16 public services which are categorized into others (5.7 %) and some of them are environmental healing, economics, induction, one stop centre, public work, corporate, laboratory, claim, housing, domestic and commissioner oath. However, about 35.7 % of the respondents did not complete this question.

Table 3

Types of Public Services

Types of Public Services	Frequency	Percentage (100)
Administration	22	7.9
Project Development	18	6.4
Finance	12	4.3
Training	11	3.9
Customer Service	11	3.9
Land	10	3.6
Registration	9	3.2
Revenue	6	2.1
Building	6	2.1
Plan	6	2.1
Engineering	5	1.8
Education	5	1.8
Social	5	1.8
Public Relations	5	1.8
Marketing	4	1.4
License	4	1.4
Quantity Survey	4	1.4
Agriculture	3	1.1
Treasury	2	.7
Accounts	2	.7
Operation	2	.7
Medical	2	.7
Loan	2	.7
Facilities	2	.7
Research And Development	2	.7
Enforcement	2	.7
Customs	2	.7
Others	16	5.7
Total	180	64.3

The data obtained from the two sets of questionnaire were subjected to factor analysis in order to validate the instruments. Principle Component Factor Analysis was employed to summarize a big number of original variables to a small number of factors for prediction purposes in the subsequent multivariate analysis. Furthermore, Varimax Rotation technique was used to obtain simpler and more interpretable factor solutions. After dropping seven items, three factors of service quality construct were extracted from the factor analysis on the basis of eigen value more than 1 in order to ensure that the factor loadings are significant (Hair, Anderson, Tatham, & Black, 1998, Hair, Black, Babin, Anderson, & Tatham, 2006). These factors are labeled as service provision, tangible and empathy (please refer to Table 4) whereby the factor loading coefficients vary from .74 to .83, .72 to .91 and .68 to .91

respectively. Service provision is the combination of the three original SERVQUAL dimensions which are reliability, responsiveness and assurance. Findings of Sharifah Latifah (2001) affirm the dimensions of service quality in Malaysian public organizations found in this study. However, she did not rename the combinations of these three original SERVQUAL dimensions.

Table 4

Factor Analysis Results on Service Quality Construct

Items	Factor 1	Factor 2	Factor 3
Employees give prompt service to customers.	**.83**	.27	.23
Employees are always willing to help customers.	**.83**	.26	.30
Employees are consistently courteous with customers.	**.80**	.24	.24
Employees' behavior instill confidence in customers.	**.79**	.20	.34
Show a sincere interest in solving customers' problem.	**.79**	.34	.15
Provide their services at the time they promise to do so.	**.78**	.25	.25
Do things by a certain time as promised.	**.75**	.39	.16
Employees tell customers exactly when services will be performed.	**.75**	.24	.18
Customers feel safe in their transactions.	**.74**	.23	.39
The equipment is up-to-date.	.17	**.91**	.16
The physical facilities are visually appealing.	.50	**.76**	.13
Materials associated with the service (such as pamphlets or statements) are visually appealing.	.42	**.72**	.21
Employees give customers personal attention.	.15	.04	**.91**
Give customers individual attention.	.49	.26	**.69**
The operating hours are convenient to all their customers.	.39	.35	**.68**
Eigen Values	6.41	2.79	2.46
Percentage of Variance	42.74	18.62	16.42
Bartlett	0.00***		
KMO	0.95		

Note: Factor 1: Service Provision
Factor 2: Tangible
Factor 3: Empathy

On the other hand, six items are dropped from the factor analysis conducted on the competency based career development and performance management practices, resulting it to nine items (please refer to Table 5). The coefficients of the factor loadings vary from.65 to .82. and 64 to .86 respectively.

Table 5

Factor Analysis Results on Competency based Career Development and Performance Management Practices

Items	Factor 1	Factor 2
Set performance appraisal based on objective measure of individual performance.	**.86**	.12
Set objectives and goals for employees in advance using a competency based performance appraisal form before discussing with them (e.g. the Annual Work Targets form).	**.82**	.08
Use the performance appraisal process to assess employees in the competencies important for organization's success.	**.73**	.32
Always inform employees about standards used to evaluate job performance	**.70**	.20
Document the performance review process by using the Annual Work Performance Report.	**.64**	.25
Develop job assignments for employees to improve their performance in their existing jobs.	.28	**.82**
Train and prepare employees to advance to other assignments in the future.	.34	**.79**
Provide a structured mentoring program for employees.	.17	**.65**
Conduct career development program to gauge employees' potential, strength and weaknesses	.10	**.65**

Note: Factor 1: Competency based Performance Management Practice
       Factor 2: Competency based Career Development Practice

Table 6 features the reliability coefficients of the main variables of the study. All the five variables are above than .70 (Hair et al., 1998, Hair et al., 2006) and this shows that the reliability among the items is consistent. Consequently, the validity and reliability of the instruments as provided by the factor analysis and reliability test serve a good foundation for further hypothesis testing.

Table 6

Reliability Coefficients of the Main Variables

Variable	Number of Items	Cronbach Alpha (α)
Competency based Career Development Practice	4	.84
Competency based Performance Management Practice	5	.87
Service Provision	9	.96
Tangible	3	.87
Empathy	3	.84

Table 7 features that competency based career development and performance management practices are being implemented to a high extent. On the other hand, service quality is low and not satisfactory as it is negative. Anyway, it is less than negative 1, therefore; it shows that Malaysian public customers are being realistic in their evaluation towards service quality of the

Malaysian public organizations (Curry & Sinclair, 2002). But still, this indicates that the public organizations should take some actions to solve this problem.

Table 7

Mean and Standard Deviation of the Main Variables

Variable	Mean	Standard Deviation	Maximum	Minimum
Competency based Career Development Practice	5.18	1.02	7.00	1.80
Competency based Performance Management Practice	4.88	1.06	7.00	1.75
Service Provision	-.54	.54	.63	-2.52
Tangible	-.63	.64	.60	-3.22
Empathy	-.37	.51	.88	-2.89

Likert scale 7 (1 = To no extent at all/Totally disagree; 7 =Practiced to a full extent/Strongly agree)

Table 8 features the results of the multiple regression analysis on the relationship between competency based career development and performance management practices and service quality. There is a positive and significant relationship between competency based career development practice and service provision (ß = .28, p<.05), tangible (ß = .24, p<.05) and empathy (ß = .20, p<.05) as hypothesized. However, there is a negative and significant relationship between competency based performance management practice and service provision (ß = -.30, p<.01), tangible (ß = -.24, p<.05) and empathy (ß = -.32, p<.05). Therefore, these findings are opposite to the hypothesis and have to be rejected.

Table 8

Multiple Regression Analysis Results on the Relationship between Competency based Career Development and Performance Management Practices and Service Quality

	Service Provision (N=128)	Tangible (N=125)	Empathy (N=135)
Competency based Career Development Practice	.28**	.24**	.20**
Competency based Performance Management Practice	- .30**	- .24**	- .32**
F	2.83**	3.33**	2.83**
R²	.10	.12	.10
Adjusted R²	.07	.09	.06
Durbin Watson	1.85	2.04	1.95

Note: * significant at .1 level
    ** significant at .05 level
    *** significant at .01 level

5.   Conclusion and Implications

The findings suggest that there is a negative relationship between competency based performance management practice and service quality. Even though the extent of the implementation of the practice is high, it does not mean that it will produce higher service quality. This is because this practice is effective only for certain public organizations whereas it is not effective at all for other public organizations (Ordiz & Fernandez, 2005). This due to the fact that there are many types of public organization in Malaysia. Furthermore, the levels of implementation vary across the organizations. Past researchers have agreed that the success factors of the HRM practices are quite hard to determine (Ordiz & Fernandez, 2005). This could be due to the positive relationship between the practice and service quality is quite complex to be detected through this type of research study (Chan et al., 2001; Lehteenmaki & Storey, 1998). Thus, the relationship might only be detected in a long term. Moreover, this practice under SSM only allocates 10% of the public servants' competencies but 70% of work quality of the total evaluation (Rusli, 2007). This shows that this practice emphasizes more on the results rather than on the development of the competencies of the public servants.

However, there is a positive relationship between competency based career development practice and all service quality dimensions found in the Malaysian public organizations. This shows that competency based career development practice is the best practice that should be implemented by any public organizations in Malaysia in order to obtain higher quality services.

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