



# COMPETENCY MODELS AT WORK: THE VALUE OF PERCEIVED RELEVANCE AND FAIR REWARDS FOR EMPLOYEE OUTCOMES

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*The purpose of this study was to generate empirical knowledge on how employees perceive and respond to competency models at work. A cross-sectional survey of 278 employees in four Norwegian organizations showed that competency models perceived as strategically and personally relevant and fairly rewarded were positively related to supervisor-rated work effort and organizational citizenship behavior (OCB) and self-rated “employability” outcomes. Exchange relationships mediated the link between competency model perceptions and work effort and OCB. Social exchange relationships marginally mediated the link between competency model perceptions and employees’ openness to job-related changes and engagement in activities aimed at improving one’s employability. © 2013 Wiley Periodicals, Inc.*

*Keywords:* competency models, employee perceptions, social exchange

## Introduction

A competency model is a written and often graphically enhanced description of the desired competencies that are derived from the firm’s strategy and are intended to facilitate organizational growth and change (Campion et al., 2011; Mansfield, 1996). Once primarily considered a strategic alternative to traditional job analysis (Sanchez & Levine, 2009; Shippmann et al., 2000),

competency models are now increasingly found at the center of elaborate human resource programs that encompass recruitment and selection, training and development, feedback and incentives, career development, and talent management (Athey & Orth, 1999; Campion et al., 2011; Derven, 2008; Rodriguez, Patel, Bright, Gregory, & Gowing, 2002). Accordingly, competency models can be used to facilitate the alignment of HR practices and prevent inconsistencies (Becker &

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Huselid, 1999). The primary purpose of a competency model, however, is to influence strategically aligned behavior by outlining the behavioral themes that are expected and rewarded across all jobs in the organization (Sanchez & Levine, 2009).

According to normative assumptions, competency models should generate positive employee outcomes by increasing the transparency of goals and performance measures, and improving the consistency of HR practices (Becker & Huselid, 1999; Campion et al., 2011). In practice, however, competency models have been cited as a source of tension for employees, specifically when employees lack trust in management's

strategy or do not understand their individual fit within the competency framework (Hayton & McEvoy, 2006). Further, it has been expressed that the decreased availability of hierarchical career paths that characterize competency-based organizations, coupled with the requirement for continuous development and probable job changes, could be difficult for some individuals to cope with (Lawler, 1994).

Despite the indication that employees could respond ambivalently toward competency models, there has been little empirical inquiry into how employees actually perceive and respond to them. The empirical research that does exist (Caldwell, 2008; Heinsman, de Hoogh, Koopman, & van Muijen, 2008) has not explored employee perceptions of competency models throughout an organization,

nor has it assessed the relationship between perceptions of competency models and actual outcomes. The absence of empirical research aimed at understanding how employees throughout an organization perceive and respond to competency models exposes a considerable gap in the literature. As the primary role of competency models is to align employee behavior to firm strategy,

it is suggested that their effectiveness be evaluated through the lens of organizational culture or climate theories, which suggest a strategy's success depends on how employees throughout an organization understand and act on that strategy (Sanchez & Levine, 2009). Accounting for the experiences of several employees within an organization has been determined to be the most apt methodological approach to capture the variation in employee perceptions when assessing HR practice and culture/climate constructs (Arthur & Boyles, 2007).

Wright and Boswell (2002, p. 262) suggest that research aimed at assessing how specific HR practices influence employee behavior is an area "ripe of opportunity for future research." Competency modeling is clearly a low-hanging fruit in this regard. Accordingly, the objective of the present study is twofold. First, generate a more robust empirical understanding of how employees perceive and respond to competency models, in the form of job performance, organizational citizenship behavior (OCB), and "employability outcomes," including employees' openness to job-related changes and engagement in self-development activities. Second, contribute to our deeper understanding of how employee perceptions of HR practices relate to these outcomes by applying exchange relationships as a mediator in the research model.

### Theory and Hypotheses

As the primary role of competency models is to align employee behavior to firm strategy, it is suggested that their effectiveness be evaluated through the lens of organizational culture or climate theories, both of which suggest that a strategy's success depends on how employees throughout an organization understand and act on that strategy (Sanchez & Levine, 2009). Differentiating between the culture and climate constructs proves useful in determining which lens to apply in the present research. As described in Kuenzi and Schminke's (2009) recent review, organizational culture reflects agreement on underlying assumptions and values that lie tacit within the organization, whereas organizational climate reflects

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shared perceptions of surface-level policies, practices, and procedures that are expected, supported, and rewarded. With the present research focusing on employee perceptions and responses to an explicit HR practice, the organizational climate lens is applied in developing the independent variable. While organizational climate refers to employee perceptions at the aggregate level, individual-level “psychological climate” perceptions are implicit as the origins of the collective phenomenon (Kuenzi & Schminke, 2009). Thus, “perceptions of competency models” is developed as an individual-level construct.

*Employee perceptions of competency models* is defined in the present research as *the degree to which employees perceive the organization’s competency model to be both strategically and personally relevant and that they are fairly rewarded for displaying the behavior outlined in the competency model*. A brief rationale for this definition follows.

### **Conceptualizing Perceptions of Competency Models**

Bridging the human resource management and organizational climate literatures, Bowen and Ostroff (2004) suggest that HRM influences employee behavior by signaling what is expected, supported, and rewarded in the organization (i.e., by eliciting climate perceptions). They propose nine metafeatures of an HRM system that contribute to strong climate perceptions. Four metafeatures refer to employee perceptions of HR practices, and, as such, provide a framework to conceptualize psychological-level perceptions of competency models. Derived from social influence (Kelman & Hamilton, 1989), motivation (Vroom, 1964), and equity theories (Folger, 1977), these perceptions provide an essential link between HRM and behavior adoption. Specifically, “relevance” indicates whether employees perceive HR practices as important to reaching both organizational and individual goals. “Fairness” refers to employee perceptions of whether HR practices are impartial. “Instrumentality” indicates the degree to which employees anticipate the likely consequences of behavior required by HR practices.

Finally, “legitimacy of authority” refers to the degree to which employees perceive HR practices and their prescribed behaviors to be formally sanctioned.

Empirical evidence suggests that perceptions of relevance and fairness are particularly appropriate when evaluating competency models. The claim has been made that tension toward competency models could result from employees’ mistrust in management’s strategy or not understanding their individual fit in the competency framework (Hayton & McEvoy, 2006). Lack of perceived relevance is evident in such attitudes. Further, it has been expressed that competency-based organizing could challenge employees’ expectations regarding the obligations they believe an organization has to them, specifically in terms of job security and promotion opportunity (Lawler, 1994). Employee expectations regarding reciprocal obligations are linked with perceptions of fairness (Rousseau, 1989). Fairness of rewards is particularly relevant, as Lawler (1994) suggests that rewards could be essential in competency-based organizations, both as a substitute for the lack of hierarchical career paths and as compensation for frequent job changes.

Although concerns relating to the perceived relevance and fairness of competency models are explicit in the competency literature, legitimate authority and instrumentality are arguably embedded in such perceptions. Referencing the social influence theories of Kelman and Hamilton (1989), Bowen and Ostroff (2004) suggest that legitimate authority is a function of perceived relevance, as subordination to a firm-level mechanism sanctioned by a higher authority also involves an individual’s interpretation of the relevance of such mechanisms. Further, Bowen and Ostroff

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(2004) suggest that perceived instrumentality requires adequate rewards to be associated with the performance of desired behaviors (as indicated by the expectancy theory of motivation [Vroom, 1964]). Fairness is often assessed along the dimension of distributive justice, referring to the perceived fairness of rewards (Bowen, Gilliland, & Folger, 1988; Folger, 1977). Thus, the extent to which

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employees feel they are being fairly rewarded for displaying desired behaviors should also indicate the perceived instrumentality of such behaviors.

The theoretical and empirical considerations presented here support that perceived relevance and fairness of rewards provide a fitting conceptual foundation for the independent variable in the present study. In the sections that follow, it is hypothesized how the extent to which employees perceive the organization's competency model to be both relevant and fairly rewarded should be related to employee outcomes, both directly and via exchange relationships.

### *Linking Perceptions of Competency Models to Employee Outcomes*

#### **Job Performance**

Job performance refers to the effectiveness with which employees perform activities that contribute to the organization's technical core (Borman & Motowidlo, 1997). In the present research, job performance indicates both the effort an employee displays in carrying out his or her work tasks and how well he or she performs these tasks.

Competency models outline the behaviors required for effective performance (Campion et al., 2011). As such, adopting the behaviors outlined in the competency model should have positive impacts on job performance. The present study extends this assumption, by suggesting that employees who perceive their

organization's competency model as being both relevant and fairly rewarded will be more likely to adopt the performance-oriented behaviors outlined in the competency model. Based on the framework proposed by Bowen and Ostroff (2004), the perceived relevance and fairness of HR practices is necessary for behavior adoption. This proposition is based in part on social influence theories, which support that the degree to which employees perceive congruence between their personal goals and those held by the organization (i.e., relevance) is an important basis for behavior adoption (Kelman, 1958; Kelman & Hamilton, 1989). The perceived relevance of induced behavior is said to trigger a process of "internalization," through which an individual adopts the behavior because he or she feels the behavior is intrinsically rewarding, as it is relevant to his or her own needs and goals (Kelman, 1958; Kelman & Hamilton, 1989). Further, distributive justice principles support that the perceived fairness of outcomes associated with HR practices should be related to the adoption of behavior outlined in such practices (Bowen et al., 1988). Distributive justice principles are derived from equity theory (Adams, 1963), which supports that employees alter work quality and quantity depending on the perceived fairness of rewards. As such, the perceived fairness of rewards associated with competency models should also influence employees' decisions to adopt the behavior outlined in the competency model, and, as such, affect the degree to which they deliver effective performance. Accordingly, it is hypothesized that:

*Hypothesis 1: Perceptions of competency model relevance and fairness will be positively related to job performance.*

#### **Organizational Citizenship Behavior**

Organizational citizenship behavior refers to "contributions not contractually rewarded nor practicably enforceable by supervision or a job description" (Konovsky & Organ, 1996, p. 253). These contributions include helping

others in the organization and taking initiative to go beyond minimum required levels of performance (Podsakoff, MacKenzie, Paine, & Bachrach, 2000). OCB is similar to “contextual performance,” broadly indicating non-job-specific behaviors, including helping and cooperating with others and carrying out tasks that go beyond job responsibilities (Borman & Motowidlo, 1997).

The need for employees to contribute beyond job responsibilities is particularly emphasized in the context of competency-based organizing (e.g., Lawler, 1994). Competency models are well suited to encourage OCB, as many behaviors included in competency models apply broadly to the context in which work occurs (Sanchez & Levine, 2009). In line with the previous discussion on job performance, the theoretical framework applied in the present study supports that those employees who perceive their organization’s competency model as being both relevant and fairly rewarded will be more likely to adopt the contextually oriented behaviors outlined in the competency model. As with job performance, this relationship is supported by social influence and equity theories. The degree to which employees perceive a behavior to be relevant for both strategic and personal goals is an important basis for behavior adoption, regardless of whether these behaviors are job- or contextually oriented. Further, employees could equally manipulate OCB in response to the perceived fairness of rewards associated with displaying such behaviors. In fact, meta-analyses suggest that perceived distributive justice has a more consistent relationship with OCB than job performance (Cohen-Charash & Spector, 2001). Accordingly, it is hypothesized that:

*Hypothesis 2: Perceptions of competency model relevance and fairness will be positively related to OCB.*

### Employability Outcomes

The concept of employability has developed within the context of competency-based organizing, indicating “the continuous

fulfilling, acquiring, or creating of work through the optimal use of competences” (Van der Heijde & Van der Heijden, 2006, p. 453). “Employability orientation” refers to “employees’ openness to develop themselves and to adapt to changing work requirements” (Nauta, Van Vianen, Van der Heijden, Van Dam, & Willemsen, 2009, p. 234), and is conceptually close to “functional flexibility,” defined as the willingness and ability of an employee to be employable for various tasks or jobs in the organization (Van den Berg & Van der Velde, 2005; Van der Velde & Van den Berg, 2003). Employability orientation is identified as an antecedent to “employability activities,” which include the proactive development of new competencies and the pursuit of new career trajectories within the organization (Van Dam, 2004). Employability activities are similar to a dimension of OCB referred to as “self-development” (Podsakoff et al., 2000), indicating employees’ voluntary efforts to enroll in activities that improve their knowledge, skills, and abilities, so that they are able to perform better in their current position, or in preparation for higher-responsibility positions within the organization (as originally described by George & Brief, 1992).

It has been suggested that employees operating in competency-based organizations must become more flexible and take initiative in the acquisition of horizontal competencies in order to succeed in the organization (Lawler, 1994). Competency models encourage such behaviors, as they typically emphasize “future-focused” competencies that intend to facilitate organizational growth and change, and give those who wish to succeed in the organization clear direction of what to focus on (Campion et al., 2011; Derven, 2008; Rodriguez et al., 2002). Following the argumentation provided in previous sections, the present theoretical framework supports the notion that employees who perceive their organization’s competency model as being both relevant and fairly rewarded should be more likely to display the future-focused behaviors outlined in the competency model, and thus be “primed” for the possibility of workplace changes. Further, these employees should be more proactively

engaged in activities aimed at developing those competencies that aid their continued success in the organization. Accordingly, it is hypothesized that:

*Hypothesis 3: Perceptions of competency model relevance and fairness will be positively related to employability orientation.*

*Hypothesis 4: Perceptions of competency model relevance and fairness will be positively related to employability activities.*

### **Exchange Relationships as Mediator**

The direct relationships hypothesized between perceptions of competency models and job performance, OCB, employability orientation, and employability activities have thus far been justified with the argument that employees who perceive the competency model to be both relevant and fairly rewarded should be more likely to display the job-relevant, contextually relevant, and future-focused behaviors outlined in the competency model. However, these relationships could be better understood with an investigation of possible underlying mechanisms. Exchange relationships are applied as a mediator in the research model for this purpose.

The relationship between an employee and his or her organization can be regarded as an exchange relationship (Blau, 1964). Employee perceptions are paramount in understanding the nature of the employee-organization relationship, as it is the individual's interpretation of the meaning of the exchange that defines it (Shore, Tetrick, Lynch, & Barksdale, 2006). Accordingly, perceived organizational support (POS) is part of the exchange construct, referring to the employee's perception of the organization's commitment to them (the employer's side of the exchange), which is then reciprocated by the employee through positive attitudes and performance (Eisenberger, Fasolo, & Davis-LaMastro, 1990; Eisenberger, Huntington, Hutchison, & Sowa, 1986).

Exchange relationships can be "economic" in nature—that is, perceived as time-defined,

explicit agreements involving economic or other tangible resources. Alternatively, "social exchange relationships" are perceived as long-term, trust-based relationships based on anticipated reciprocity. Empirical research supports that high levels of POS relate directly to affective commitment, referring to an employee's emotional attachment to an organization (Meyer & Allen, 1991), and, in turn, perceptions of a social exchange relationship (Shore et al., 2006). Alternatively, low levels of POS do not elicit affective commitment and relate directly to perceptions of an economic exchange relationship (Shore et al., 2006).

Applying a mediation model in the present study suggests that the type of exchange relationship an employee perceives could be a consequence of the perceived relevance and fairness of rewards associated with the organization's competency model, and that the type of exchange relationship that develops has implications on employee outcomes. Theory and empirical research supports that this mediation relationship could exist. For example, the degree to which employees perceive congruence between their personal goals and those held by the organization has been identified as an important basis for affective commitment (Meyer & Allen, 1997; O'Reilly & Chatman, 1986). Accordingly, perceived relevance should relate to social exchange perceptions. Further, empirical studies provide evidence that HR practices perceived as fair contribute to the development of POS (Allen, Shore, & Griffeth, 2003). As such, perceived fairness of rewards should also be associated with perceptions of a social exchange relationship.

On the employee side of the exchange, employees high on affective commitment have been shown to exert extra effort in the workplace (Meyer & Allen, 1991; Meyer, Paunonen, Gellatly, Goffin, & Jackson, 1989), specifically toward accomplishing organizational goals (Iverson & Buttigieg, 1999). As competency models exist to support organizational goals, it could be argued that affectively committed employees who perceive a social exchange relationship with their employer, resulting from the perceived

relevance and fairness of the competency model, should display higher levels of performance than employees who do not share such sentiments. Empirical research suggests that the relationship between affective commitment and OCB can be stronger than the relationship between affective commitment and in-role job performance (Organ & Ryan, 1995). Finally, feelings of affective commitment imply an employee's desire to remain with an organization (Meyer & Allen, 1991). Therefore, it could be argued that affectively committed employees should display those attitudes and behaviors that help them to remain employable within the organization.

The theory and empirical research outlined earlier suggests that competency models perceived as personally and strategically relevant and fairly rewarded should elicit high levels of POS and feelings of affective commitment, which, in turn, should contribute to a perceived social exchange relationship. Alternatively, competency models that are not perceived as personally and strategically relevant and fairly rewarded, thus failing to elicit POS and affective commitment, should indicate a perceived economic exchange relationship. The perceived exchange relationship should, consequently, lead to observable variances in job performance, OCB, employability orientation, and employability activities. As such, it is hypothesized that:

*Hypothesis 5: Perceptions of exchange relationships will mediate the relationships between perceptions of competency model relevance and fairness and (a) job performance, (b) OCB, (c) employability orientation, and (d) employability activities.*

**Method**

*Procedure and Sample*

A quantitative, cross-lagged research model was used to collect data for this study. Organizations with sufficient and well-implemented competency models were invited to participate. The availability of data

from multiple sources (employees and their supervisors) was required for participation, as it was intended to collect data on competency model perceptions, perceptions of exchange relationships, employability orientation, and employability activities from employees, and job performance and OCB data from their supervisors. Four organizations matched these requirements: two consulting, one banking, and one property management. All organizations were located and operating in Norway. The suitability of each organization's competency model was confirmed through a discussion with the head of HR in each company. These discussions revealed that the competency models employed in all organizations were explicitly tied to other HR practices within the organization— notably, training and development programs and the performance appraisal process; however, each model was proprietary in its design and implementation.

Data were collected via a structured questionnaire offered in the local operating language (Norwegian) and distributed among 796 employees and 88 managers during the spring of 2011. Questionnaires were distributed using a web-based tool (QuestBack) to employee e-mail addresses provided by an HR representative at each organization. Proximal separation techniques were used to reduce the potential influence of common method bias in the employee surveys. Specifically, a survey measuring employee perceptions of the competency model and exchange relationships was distributed at the first time period, followed approximately four weeks later by a second survey measuring employability orientation and employability activities. Supervisor surveys measuring job performance and OCB were distributed once employee responses from both time periods had been collected.

The survey yielded data from 330 employees and 68 managers, resulting in 278 complete data sets (representing a 35 percent

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*Empirical research suggests that the relationship between affective commitment and OCB can be stronger than the relationship between affective commitment and in-role job performance.*

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response rate). Of the respondents included in the complete data sets, 72 were women and 206 were men; 39 were project managers, 23 were in bank management, 22 were business managers, and 194 were consultants; and 144 were in senior-level positions. The average tenure was 6 years. More than half of respondents (55 percent) held a master's degree or equivalent.

### Measures

Six variables were measured on individual scales. All items were measured on a five-point Likert response scale ranging from 1 (strongly disagree) to 5 (strongly agree). Scale items can be found in the Appendix.

#### Independent Variable

Perceptions of competency models were measured on a six-item scale developed for the purpose of this study. The scale was based on the concepts of relevance and fairness presented by Bowen and Ostroff (2004), with the distributive justice items based on Colquitt's (2001) validated measure. As each organization referred to their competency model by a proprietary name, each item in the scale was tailored to the participating company by exchanging "competency model" with the specific program name. The wording of the items was otherwise identical.

#### Mediating Variable

Perceptions of social and economic exchange relationships were measured with a 16-point scale, previously used in Norway by Kuvaas and Dysvik (2009), as adapted from the English scale used by Shore et al. (2006). Eight items measured economic exchange relationships and eight items measured social exchange relationships.

#### Dependent Variables

Job performance was measured (supervisor-rated) using a ten-item scale developed and validated in Norway by Dysvik and Kuvaas (2011) to capture how much effort employees

put into their jobs as well as the quality of their work. Five items related to work effort and five items related to work quality.

OCB was measured (supervisor-rated) using an eight-item scale focused on those behaviors directed at contextual performance and improving the organization. Seven items came from the research of Van Dyne and Lepine (1998), however, with the term "work group" replaced with "organization" for all items and with slight modifications in the wording to make it clear that such behaviors go beyond what is expected in the job role. One additional item was taken from Smith, Organ, and Near (1983).

Employability orientation was measured with a five-item scale adapted from Van Dam's (2004) seven-item scale, intended to collect data on employee openness toward adaptation and development. One item was extended to more directly indicate employability. Specifically, "I find it important to participate in development activities regularly" was supplemented with "in order to make myself more employable within the organization." Employability activities were measured with a five-item scale based on a prior measure also created by Van Dam (2004).

#### Control Variables

Several control variables were included in the employee surveys, including employee gender and tenure with the organization, their position level, and their level of education. Organization tenure was measured in years. Gender was measured as a dichotomous variable coded such that "1" was female and "0" was male. Position level was a dichotomous variable created to reconcile the various positions employees held across the four organizations and distinguish senior-level employees who could have more involvement with corporate strategy—and thus, more investment in the competency model—from lower-level employees who might not have much involvement. Senior-level employees were coded with a "1" and lower-level employees were coded with a "0." Education consisted of six levels: grade school or equivalent (coded "0"), high school or equivalent (coded "1"),



bachelor's degree or equivalent (coded "2"), master's degree or equivalent (coded "3"), PhD (coded "4"), and other education (coded "5").

### Analysis

As a first step, exploratory principal component analysis with promax rotation was conducted on all multiple scale items to determine item retention. Only items with a loading of .50 or higher on the target construct (Nunnally & Bernstein, 2007), a cross-loading of less than .35 on other included factors (Kiffin-Petersen & Cordery, 2003), and a differential of .20 or higher between included factors (Van Dyne, Graham, & Dienesch, 1994) were included in the computed scales.

The hypotheses were tested using SPSS 18.0 (SPSS Inc., Chicago, IL) for linear regression modeling. To test the direct-effect hypotheses (Hypotheses 1–4), the dependent variables were first regressed onto the independent variable. To test the hypotheses containing mediation relationships (Hypotheses 5a–d), the three-step procedure recommended by Baron and Kenny (1986) was used. Baron and Kenny (1986) argue that the following conditions must be met to support a mediating relationship. First, the independent variable must be significantly associated with the mediator. Second, the independent variable must be significantly associated with the dependent variables. Finally, the relationship between the independent and dependent variables should either disappear (full mediation) or significantly diminish (partial mediation) after the mediator is entered in the regression model.

## Results

### Principal Component Analysis

The principal component analysis (see Appendix) of self-reported measures revealed that all six of the independent variable items loaded onto a single factor, with the loadings for all items above .50. Thus, the independent variable scale was computed with all six items. All eight measures of perceived social

exchange relationships loaded onto the target factor, with all loadings above .50. Accordingly, the scale for perceived social exchange relationships was computed with all eight items. Five of the eight measures of perceived economic exchange relationships loaded onto the target factor, all with loadings above .50. The scale for perceived economic exchange relationships was thus computed with these five items. The employability orientation and employability activities scales were computed with all intended items, as each loaded onto the target factor with loadings above .50. The principal component analysis of the supervisor-reported measures supported that all items loaded exclusive onto the target factors with values above .50. Accordingly, the job-performance measure, consisting of both work-effort and work-quality scales, and the OCB scale were computed with all intended items.

Table I reports the means, standard deviations, and bivariate correlations for all the variables. Coefficient alphas indicating scale reliabilities for all computed scales are provided in parentheses.

### Regression Analysis

All independent variables were inspected by collinearity diagnostics prior to regression analysis. The lowest tolerance value was .63, well above the commonly accepted threshold value of .10 (Hair, Black, Babin, Anderson, & Tatham, 2010). Results from the regression models are presented in Tables II and III.

The direct-relationship hypotheses (Hypotheses 1–4) predicted a positive relationship between perceptions of competency model relevance and fairness of rewards and job performance, OCB, employability orientation, and employability activities. The regression analysis revealed that perceptions of competency model relevance and fairness was positively related with all dependent variables, excluding the work-quality dimension of job performance. Coefficients for each significant relationship were as follows: work effort,  $\beta = .12$ ,  $p < .05$ ; OCB,  $\beta = .20$ ,  $p < .01$ ; employability orientation,  $\beta = .21$ ,

**T A B L E I** Descriptive Statistics, Correlations, and Scale Reliabilities

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12
1. Tenure <sup>a</sup>	6.06	7.20												
2. Gender <sup>b</sup>	.26	.44	.04											
3. Education <sup>c</sup>	3.35	1.04	-.31**	.01										
4. Level <sup>d</sup>	.52	.50	.38**	-.02	-.11									
5. PCM	3.34	.67	.01	.12	-.07	.02	(.86)							
6. PSER	3.48	.69	-.02	.04	-.05	-.04	.52**	(.87)						
7. PEER	2.26	.79	-.20**	-.16**	.07	-.19**	-.22**	-.35**	(.82)					
8. Employability orientation	3.84	.64	-.15*	.11	-.10	-.07	.23*	.22*	-.05	(.80)				
9. Employability activities	3.13	.66	-.05	.17**	.02	-.06	.23**	.23**	-.10	.41**	(.79)			
10. Work effort	3.98	.73	.02	.00	-.05	.02	.12*	.27**	-.28**	.03	.21**	(.91)		
11. Work quality	3.75	.70	-.05	-.06	.04	-.01	.06	.16**	-.17**	-.06	.14*	.68**	(.92)	
12. OCB	3.42	.73	-.08	.09	.08	-.04	.21**	.35**	-.26**	.14*	.22**	.65**	.52**	(.93)

N = 278. Coefficient alphas indicating scale reliabilities are in parentheses.

\**p* < .05.

\*\**p* < .01.

\*\*\**p* < .001.

<sup>a</sup>Tenure with the organization, in years.

<sup>b</sup>Gender: female = 1 and male = 0.

<sup>c</sup>Highest education completed: grade school = 1; high school = 2; bachelor's degree = 3; master's degree = 4; PhD = 5; other education = 0.

<sup>d</sup>Junior or senior level in the organization: senior = 1 and junior = 0.

PCM = perception of the competency model.

PSER = perceived social exchange relationship.

PEER = perceived economic exchange relationship.

OCB = organizational citizenship behavior.

**TABLE II** Results of Regression Analysis Testing the Independent Variable With Mediating Variables<sup>a</sup>

Variable	Perceived Social Exchange Relationships	Perceived Economic Exchange Relationships
Tenure	-.01	-.13*
Gender	-.02	-.14*
Education	-.02	.00
Level	-.05	-.14*
Perceptions of the competency model	.52***	-.20**
<i>R</i> <sup>2</sup>	.28	.12
<i>F</i>	20.75	7.31

\**p* < .05.\*\**p* < .01.\*\*\**p* < .001.<sup>a</sup>Reported values are standardized regression coefficients.*N* = 278.**TABLE III** Results of Regression Analysis Testing the Direct and Mediation Models<sup>a</sup>

Step and Variable	Work Effort		Work Quality		OCB		Employability Orientation		Employability Activities	
	1	2	1	2	1	2	1	2	1	2
Tenure	.00	-.03	-.04	-.06	-.06	-.08	-.19**	-.19**	-.03	-.04
Gender	-.02	-.04	-.06	-.08	.07	.05	.10	.10	.14*	.16**
Education	-.04	-.04	.03	.03	.07	.08	-.14*	-.14*	.02	.03
Level	.02	-.01	.01	-.01	-.01	-.02	-.01	.00	-.05	-.03
PCM	.12*	-.03	.07	-.02	.20**	.03	.21***	.14*	.21***	.13
PSER		.21**		.12		.27***		.14		.15*
PEER		-.23**		-.16*		-.18**		.01		-.01
<i>R</i> <sup>2</sup>	.02	.12	.01	.05	.06	.16	.10	.11	.08	.09
$\Delta R^2$		.10		.04		.10		.01		.02
<i>F</i>	.94	5.06	.61	2.21	3.43	7.50	6.02	4.89	4.48	4.01

\**p* < .05.\*\**p* < .01.\*\*\**p* < .001.<sup>a</sup>Reported values are standardized regression coefficients.*N* = 278.

PCM = perception of the competency model.

PSER = perceived social exchange relationship.

PEER = perceived economic exchange relationship.

OCB = organizational citizenship behavior.

*p* < .001; and employability activities,  $\beta = .21$ , *p* < .001. Accordingly, these findings provide full support for Hypotheses 2–4 and partial support for Hypothesis 1, in that employees' perceptions of competency model relevance and fairness were positively related with the work-effort dimension of job performance but not work quality.

The mediation hypothesis (Hypotheses 5a–d) predicted that the relationship between perceptions of competency model relevance and fairness and the dependent variables would be mediated by exchange-relationship perceptions. The results in Table II reveal that the first condition for mediation was met, in that perceptions of competency model

relevance and fairness were positively related to social exchange relationship perceptions ( $\beta = .52, p < .001$ ) and negatively related to economic exchange relationship perceptions ( $\beta = -.20, p < 0.01$ ), when controlled for tenure, gender, education, and level. The second condition for mediation, that perceptions of competency model relevance and fairness be directly related to the dependent variables, was confirmed in testing Hypotheses 1–4 for all variables except work quality.

Table III provides the data used to assess the third condition for mediation, showing how the relationships between perceptions of competency model relevance and fairness and the dependent variables were affected after

<p style="text-align: center;"><i>The relationship between perceptions of competency models and employability orientation was only marginally and nonsignificantly mediated by perceptions of social exchange relationships.</i></p>	<p>perceptions of social and economic exchange relationships were entered in the regression model. Although standardized betas were reduced among all dependent variables after exchange relationships were included in the model, the only relationships that turned insignificant and implied full mediation were those between competency model perceptions and work effort and OCB (work effort from <math>\beta = .12, p &lt; .05</math> to <math>\beta = -.03, p = .64</math>; OCB from <math>\beta = .20, p &lt; .01</math> to <math>\beta = .03, p = .68</math>). The relationships between competency model perceptions and the employability outcomes were reduced when exchange relationships were entered into the model, but only marginally (employability orientation from <math>\beta = .21; p &lt; .001</math> to <math>\beta = .14; p &lt; .05</math>; employability activities from <math>\beta = .21; p &lt; .001</math> to <math>\beta = .13; p &lt; .10</math>). Further, the relationships between perceptions of exchange relationships and the employability outcomes were not significant except between social exchange relationships and employability activities (<math>\beta = .15; p &lt; .05</math>). The relationship between social exchange relationships and employability orientation was marginally significant (<math>\beta = .14; p &lt; .10</math>). Sobel tests (Preacher &amp; Leonardelli, 2001) using the computer software MedGraph</p>
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(Jose, 2003) revealed that the relationship between perceptions of competency models and employability activities was partially mediated by perceptions of social exchange relationships ( $Z = 2.10, p = .04$ ). The relationship between perceptions of competency models and employability orientation was only marginally and nonsignificantly mediated by perceptions of social exchange relationships ( $Z = 1.88, p = .06$ ). Accordingly, only partial support was obtained for Hypothesis 5.

## Discussion

The purpose of the present study was to explore the relationships between employee perceptions of competency models and various performance and employability outcomes. Perceptions of competency models were conceptualized as the degree to which employees perceive the organization's competency model to be both strategically and personally relevant and that they are fairly rewarded for displaying the behaviors outlined in the competency model, based on Bowen and Ostroff's (2004) perceptual metafeatures influencing behavior adoption. It was hypothesized that employees perceiving the organization's competency model as both strategically and personally relevant and fairly rewarded would display higher levels of work effort, work quality, OCB, employability orientation, and employability activities. Exchange relationships were explored as a mediator in these relationships. Among the key findings, employee perceptions of competency models were positively related to work effort, OCB, employability orientation, and employability activities, but not work quality. Exchange-relationship perceptions fully mediated the relationships between competency model perceptions and work effort and OCB. Social exchange relationships partially mediated the positive relationship between competency model perceptions and employability activities. The relationship between perceptions of competency models and employability orientation was only marginally and nonsignificantly mediated by perceptions of social exchange relationships.

These findings provide the most robust empirical evidence to date of how employees perceive and respond to competency models. The relatively high mean value of competency model perceptions (3.34) suggests that the respondents generally reacted positively to their organizations' competency models. Thus, there was no evidence that the competency models employed in any of the participating organizations were poorly designed or implemented. On the other hand, the relatively high variance in employee responses to the competency model measure ( $SD = .67$ ) suggests that competency models have only varying success on the individual level. Such findings stress the importance of targeting multiple respondents when assessing HR practices, in order to account for variance in individual experiences (Arthur & Boyles, 2007; Wright et al., 2001).

It has been suggested that competency models encourage positive employee outcomes by outlining the behaviors required for effective performance (Campion et al., 2011), encouraging contextual work behaviors (Sanchez & Levine, 2009), facilitating organizational growth and change (Campion et al., 2011; Rodriguez et al., 2002), and providing employees with the knowledge of what to focus on in order to succeed in the organization (Derven, 2008). The direct, positive relationships observed between perceptions of competency models and all dependent variables except work quality provide empirical support for such normative assumptions. However, the findings further suggest that employee perceptions that the competency model is both strategically and personally relevant, and that they are fairly rewarded for displaying the behaviors outlined in the competency model, are essential in influencing employees to adopt the in-role, contextual, and future-focused behaviors that the competency model outlines.

Although the direct relationship hypothesis between competency model perceptions and work effort was supported, no direct relationship was found between employee perceptions of competency models and work quality. Previous empirical studies investigating the relationships between employee

perceptions of HR practices and performance outcomes have resulted in similar findings (e.g., Dysvik, Kuvaas, & Buch, 2010). Such findings provide further indication that work quality is more likely a result of individual differences in the form of knowledge, skills, and abilities than something influenced by HR practices (Sonnentag & Frese, 2002). In the present study, work quality could be interpreted as a function of individually held competencies, rather than a result of performing in line with an organization's competency model.

This study contributes to the wider HRM literature by responding to the request for empirical investigations assessing how specific HR practices influence employee outcomes (Wright & Boswell, 2002). Specifically, this study contributes to our understanding of the relationship between employee perceptions of competency models and employee outcomes through an investigation of the underlying mechanisms of an exchange relationship.

In the present study, perceptions of a social exchange relationship were found to fully mediate the positive relationship between competency model perceptions and work effort and OCB, and economic exchange relationships were found to fully mediate the negative relationship between competency model perceptions and work effort and OCB. This suggests that employees who perceive their organization's competency model to be both strategically and personally relevant and fairly rewarded should, in turn, perceive a social exchange relationship with the organization, and reciprocate by increasing their efforts to perform well, both in and beyond their assigned work tasks. Likewise, competency models not perceived as relevant or fairly rewarded could result in a perceived economic

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*Employee perceptions that the competency model is both strategically and personally relevant, and that they are fairly rewarded for displaying the behaviors outlined in the competency model, are essential in influencing employees to adopt the in-role, contextual, and future-focused behaviors that the competency model outlines.*

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exchange relationship, and work effort and OCB could suffer as a result of the “tit-for-tat” attitude that generally characterizes such relationships. The present findings are in line with previous studies exploring the mediating role of exchange relationships between employee perceptions of HR mechanisms and employee outcomes. For example, Song, Tsui, and Law (2009) found that social exchange relationships partially mediated the positive link between employee perceptions of supportive HR mechanisms and task performance, while economic exchange relationships partially mediated the negative link between perceptions of nonsupportive HR mechanisms and task performance and OCB.

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*The findings of the present study do suggest that employability orientation and activities are value-added outcomes when competency models are perceived as strategically and personally relevant and fairly rewarded.*

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On the other hand, the findings suggest that only perceptions of social exchange relationships explain variance in the display of employability outcomes, and, even then, only marginally. Only partial mediation was indicated between social exchange perceptions and employability activities, and only marginal, non-significant mediation was indicated between social exchange perceptions and employability orientation. Such findings suggest that employability outcomes could be driven out of more than a felt obligation to reciprocate. These findings should be considered alongside the previous findings of Van Dam (2004), who observed a negative relationship between POS and employability outcomes. While the present findings refute the negative relationship, they do suggest that the relationship between POS, social exchange perceptions, and employability outcomes is not clear-cut. Provided that employability attitudes and activities are considered necessary to ensure one’s long-term employment within the organization, such outcomes could result as much from self-interest to remain with the organization as a felt obligation to reciprocate organizational support. Regardless of motive,

however, the findings of the present study do suggest that employability orientation and activities are value-added outcomes when competency models are perceived as strategically and personally relevant and fairly rewarded.

### *Limitations*

The contributions of this research should be viewed in light of several limitations. First, the research model was cross-lagged but not longitudinal, making it impossible to draw inferences of causality or rule out the possibility of reverse causality. Future research that incorporates longitudinal designs would be necessary to test the various alternatives.

Second, the data could be inflated by single-source bias, as employee responses were used to collect data for both independent and some of the dependent variables. However, only the paths leading to the employability outcomes may be in question. Supervisor ratings of job performance and OCB were used rather than employee reports in order to reduce the presence of response bias, in line with recommendations from Podsakoff, MacKenzie, Jeong-Yeon, and Podsakoff (2003). Further, an attempt was made to reduce common methods variance among the self-reported measures by distributing the perceptions scales and the employability outcomes scales at two different time periods. Results of a Harman’s one-factor test (Podsakoff & Organ, 1986) revealed that common methods variance was not a serious threat in this study. Confirmatory factor analysis of all self-reported measures against a one-factor solution indicated that the single factor explained only 23.5 percent of the variance in the model.

Finally, data were obtained from employees in Norwegian service organizations, limiting the generalizability of the findings. The high level of education present (55 percent of employees held a master’s degree or equivalent) also suggests a particularity of the sample that could limit its generalizability. However, as Lawler (1994) claims, the move to competency-based organizing is a result of the rapidly growing knowledge-based,

service-oriented work economy. Such work relies on the knowledge and skills of employees, competencies that are typically provided for by higher education. As such, it is possible that levels of education could generally be higher in organizations using competency models.

### *Suggestions for Future Research*

Beyond conducting similar studies with the use of longitudinal designs, an interesting avenue for future research would be to conduct multilevel research in order to examine the relationships between competency model perceptions and employee outcomes at multiple levels of analysis. Focal competencies often vary within a single organization, in relation to particular teams or processes (Athey & Orth, 1999), and managerial competencies can vary from the competencies promoted among nonmanagerial staff (Campion et al., 2011). Further, the individual psychological climate perceptions explored in the present study only contribute to a “strong” organizational climate to the degree that such perceptions are shared among units and organizations (Bowen & Ostroff, 2004). Although the present research found competency models to be generally well received among individuals, and related with individual-level outcomes, future research is needed to make appropriate cross-unit and cross-level assessments of competency model perceptions.

A second avenue for future research would be to explore the role perceptions of supervisor support play in the relationship between competency model perceptions and employee outcomes. Research indicates that organizations increasingly rely on line managers to implement HR practices, and that variation in manager implementation is related with variations in employees’ perceptions of HR practices (e.g., Purcell & Hutchinson, 2007). Accordingly, there is a growing need to understand how line managers influence the relationship between organizational-level HR practices and individual-level responses. Exploring perceived supervisor support is particularly

interesting within the current context as empirical studies indicate that supervisors help foster shared climate perceptions (Naumann & Bennett, 2000) and that employees perceiving high-quality relationships with their supervisors have more positive climate perceptions than employees who perceive low-quality relationships (Doherty & Kozlowski, 1989).

### *Practical Implications*

If the associations between competency model perceptions, perceptions of exchange relationships, and the dependent variables do in fact represent causal relationships, the present findings may have important implications for practice. These findings suggest that competency models perceived as strategically and personally relevant and fairly rewarded enhance perceptions of social exchange relationships, which, in turn, increase employees’ work effort and contextual behaviors, and partially contribute to employees’ proactive self-development. Further, competency models perceived as strategically and personally relevant and fairly rewarded have the added value of increasing employees’ attitudes toward work-related changes and directly influence employee engagement in developmental activities beyond the influence of social exchange reciprocations. Accordingly, perceptions of relevance and fairness of rewards associated with the organization’s competency model are particularly valuable in achieving higher levels of such outcomes, and efforts to increase such perceptions would be well directed.

Research suggests that agents implementing competency models (e.g., HR managers, line managers) could largely influence employee perceptions of the competency model (e.g., Purcell & Hutchinson, 2007). Bowen and Ostroff (2004) suggest that

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the perceived relevance of an HR practice is largely dependent on the perceived capabilities an employee believes the agent has in aiding them toward goal achievement as well as the likelihood that the agent will use these capabilities accordingly. Capabilities that foster perceived relevance include the prestige of the agent and his or her ability to provide expert knowledge, allocate resources, or apply sanctions. Agents can also foster perceptions of fairness toward HR practices by being transparent about the rules of reward distributions. Accordingly, sufficient training should be provided to those managers who implement competency models, to inform them of the role they play in fostering employee perceptions and provide them with the skills necessary to do so effectively.

## Conclusion

This study has looked at the relationship between employee perceptions of competency models and employee outcomes, and the mediating role of exchange relationships. The findings support that competency models perceived as strategically and personally relevant and fairly rewarded are positively related to employee work effort, OCB, employability orientation, and employability activities, providing empirical support for

the normative assumptions of competency model effectiveness (Campion et al., 2011; Derven, 2008; Rodriguez et al., 2002; Sanchez & Levine, 2009). Exchange relationships were found to fully mediate the relationship between competency model perceptions and work effort and OCB. Social exchange relationships were found to partially mediate the positive relationship between competency model perceptions and employability activities, but only marginally the relationship between competency model perceptions and employability orientation. Together, the mediation model provides a better understanding of how perceptions of competency models relate to employee outcomes. Future research should continue to assess employee perceptions of competency models in order to improve the usage of competency models in practice. Specifically, exploring multilevels of analysis and the role of perceived supervisor support as a moderating variable are two suggested paths for future research.

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**APPENDIX Principal Component Analysis With Promax Rotation**

Self-rated scales						
Items	PCM	PSER	PEER	EO	EA	
<b>PCM2:</b> Adopting the knowledge, skills, and behaviors outlined in the organization's <i>competency model</i> help me to meet the needs of my organization	<u>.89</u>					
<b>PCM3:</b> Adopting the knowledge, skills, and behaviors outlined in the organization's <i>competency model</i> help me to meet my own needs for professional development	<u>.83</u>					
<b>PCM1:</b> The knowledge, skills, and behaviors outlined in the organization's <i>competency model</i> are well suited for attaining the organization's strategy and goals	<u>.79</u>					
<b>PCM4:</b> My personal values and goals are compatible with the organization's <i>competency model</i>	<u>.76</u>					
<b>PCM5:</b> I am rewarded fairly for displaying the knowledge, skills, and behaviors expressed in the organization's <i>competency model</i>	<u>.58</u>	.31				
<b>PCM6:</b> The rewards attached to the organization's <i>competency model</i> are applied consistently within my work group	<u>.55</u>					
<b>PSER1:</b> I will gladly work extra hard today as I am sure that the organization will eventually reciprocate this effort		<u>.81</u>				
<b>PSER4:</b> Although the organization may not always give me the recognition I think I deserve, I choose to see the bright side anyway because I will probably get something back in the long run		<u>.79</u>				
<b>PSER7:</b> I try to help safeguard the interests of the organization because I trust that it will take good care of me		<u>.78</u>				
<b>PSER8:</b> I think that the effort I put into work today will be beneficial to my position in the organization in the longer term		<u>.76</u>				
<b>PSER5:</b> My relationship with the organization is based on mutual trust		<u>.72</u>				
<b>PSER3:</b> My relationship with the organization is very much based on mutual helpfulness; sometimes I give more than I get, other times I get more than I give		<u>.70</u>				
<b>PSER6:</b> My organization has invested a lot in me		<u>.59</u>				
<b>PSER2:</b> I am concerned that all I have done for this organization will never be reciprocated [rev]		<u>.51</u>				
<b>PEER1:</b> The best description of my work situation is that I do that which I am paid for			<u>.84</u>			
<b>PEER4:</b> I do that which is required of me, mainly because I get paid for it			<u>.77</u>			

Self-rated scales					
Items	PCM	PSER	PEER	EO	EA
<b>PEER3:</b> I make an extra effort for my organization if I know it will do something extra for me			<u>.65</u>		
<b>PEER2:</b> My relationship with the organization is impersonal—I have little emotional involvement with my job		-.33	<u>.59</u>		
<b>PEER7:</b> My relationship with the organization is primarily economic-based—I work and they pay me			<u>.55</u>		
<b>PEER 5:</b> I do not care what my organization does for me in the long run, only what it does right now					
<b>PEER 6:</b> I watch very carefully what I get from my organization, relative to what I contribute					
<b>PEER 8:</b> All I really expect from my organization is that I be paid for my work effort					
<b>EO5:</b> If the organization offered me a possibility to obtain new work experiences, I would take it				<u>.77</u>	
<b>EO2:</b> I find it important to develop myself in a broad sense, so I will be able to perform different tasks or jobs within the organization				<u>.77</u>	
<b>EO4:</b> I am willing to start in another job within the organization				<u>.74</u>	
<b>EO1:</b> If the organization needs me to perform different tasks, I am prepared to change my work activities				<u>.71</u>	
<b>EO3:</b> I find it important to participate in development activities regularly in order to make myself more employable within the organization				<u>.71</u>	
<b>EA4:</b> I proactively take on assignments and roles in addition to my normal job duties					<u>.81</u>
<b>EA2:</b> I make sure to be informed about internal job vacancies					<u>.79</u>
<b>EA5:</b> I try to gain a wider understanding of the business by taking on additional assignments and projects					<u>.77</u>
<b>EA1:</b> I do a lot to manage my career within the organization					<u>.64</u>
<b>EA3:</b> I seek out developmental activities that make it easier to take on different jobs in the organization				.33	<u>.57</u>
Eigenvalues	3.54	7.53	2.71	2.04	1.77
% of variance	11.06	23.53	8.45	6.36	5.54

Factor loadings less than 0.30 are not shown; underlined loadings are included in the final scales.

PCM = perception of competency model relevance and fairness.

PSER = perceived social exchange relationship.

PEER = perceived economic exchange relationship.

EO = employability orientation.

EA = employability activities.

PEER5, 6, and 8 included for reference to full scale tested; these items did not load onto the target factor, or any other factor included in the model.

(Continued)

**APPENDIX Principal Component Analysis With Promax Rotation (continued)**
**Supervisor-rated scales**

Items	SWE	SWQ	SOCB
<b>SWE1:</b> He/she tries to work as hard as possible	<u>.78</u>		
<b>SWE2:</b> He/she intentionally expends a great deal of effort in carrying out his/her job	<u>.71</u>		
<b>SWE3:</b> He/she often expends extra effort in carrying out his/her job	<u>.90</u>		
<b>SWE4:</b> He/she often expends more effort when things are busy at work	<u>.83</u>		
<b>SWE5:</b> He/she usually does not hesitate to put in extra effort when it is needed	<u>.91</u>		
<b>SWQ1:</b> The quality of his/her work is usually high		<u>.88</u>	
<b>SWQ2:</b> The quality of his/her work is top-notch		<u>.87</u>	
<b>SWQ3:</b> He/she delivers higher quality than what can be expected		<u>.72</u>	
<b>SWQ4:</b> He/she rarely completes a task before he/she knows that the quality meets high standards		<u>.92</u>	
<b>SWQ5:</b> Others in my organization look at his/her work as typical high quality work		<u>.84</u>	
<b>SOCB1:</b> He/she volunteers to do things for the organization that are not required			<u>.68</u>
<b>SOCB2:</b> He/she helps orient new employees into the organization, even though it is not required			<u>.82</u>
<b>SOCB3:</b> He/she attends functions that help the organization, even though they are beyond the formal requirements of the job			<u>.89</u>
<b>SOCB4:</b> He/she assists others with their work for the benefit of the organization			<u>.82</u>
<b>SOCB5:</b> He/she gets involved in order to benefit the organization			<u>.91</u>
<b>SOCB6:</b> He/she helps others in the organization to learn about the work			<u>.71</u>
<b>SOCB7:</b> He/she helps others in the organization with their work responsibilities			<u>.73</u>
<b>SOCB8:</b> He/she makes innovative suggestions to improve the organization			<u>.81</u>
Eigenvalues	1.13	2.25	9.56
% of variance	6.29	12.48	53.11

Factor loadings less than 0.30 are not shown; underlined loadings are included in the final scales.

SWE = supervisor-rated work effort.

SWQ = supervisor-rated work quality.

SOCB = supervisor-rated organizational citizenship behavior.