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CORRELATION ANALYSIS BETWEEN CORE COMPETENCY AND EMPLOYEE PERFORMANCE (CASE STUDY: "XYZ FOUNDATION")

Jefta Harlianto

Management Department, BINUS Business School Undergraduate Program,
Bina Nusantara University, Jakarta, Indonesia 11480

jefta@binus.edu

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Abstract

In a competitive globalized world, human resource holds important roles to move the company. To be able to compete with other companies, employees need to have better competency. Competency consists of knowledge, skill, and attitude. These three aspects determine behaviors that will support the employee performance in a company. XYZ Foundation is a foundation that pays big attention to their employee competency development because XYZ Foundation realizes how important employee competency is to achieve vision and mission of the organization. XYZ Foundation wants to know if there is a correlation between competencies that have been set to the employee performance improvement. Researcher collects Core Competency and Key Performance Indicator score from 1075 of XYZ Foundation employees. Based on correlation analysis using Pearson Correlation and Test of Significance, researcher concluded that there is strong correlation (0.959) and significance (0.000) between employee Core Competency and Key Performance Indicator score. In addition, there is strong correlation between each component in Core Competency to Key Performance Indicator of the employees: Business Acumen (0.952), Innovation (0.951), Operation Excellence (0.954), Personal Development (0.953), Service Excellence (0.951), with significance of 0.000 for each component, and there are strong correlation and significance between each component in Code Competency with the Core Competency score in XYZ Foundation Employee: Business Acumen (0.993), Innovation (0.991), Operation Excellence (0.993), Personal Development (0.994), Service Excellence (0.993), with level of significance 0.000 for each component.

INTRODUCTION

Background

In a competitive globalized world, human resources play important roles to move the company. Employees need to have better competency to be able to compete with other companies.

Competency consists of knowledge, skill, and attitude. These three aspects determine behaviors which will support the employee performance in a company. Every company has general basic competencies, namely: managerial, specific skill, personality, etc. However, some companies make a specific competency that is needed by the company, called Core Competency. This is because each company has its own uniqueness compared to other company. The Core Competency is something different in their competitive advantage in the industry. Moreover, competency is very important in a company, because if the company does not know what competency needed for the company and their employee, the company will be hard to compete with the competitor, how good or bad employee competency will have effects to reach company's goal. The company goal is not achieved because of employee performance from various level is not achieved. Therefore, competency holds a very important role to support company performance.

XYZ Foundation is a foundation that pays big attention to employee competency development because XYZ Foundation realizes how important employee competency in achieving vision and mission of organization. Currently, XYZ Foundation has identified the competency needed. The core competency reflects their competitive advantage compared to other companies. This Core Competency also becomes the base of employee competency development. To monitor the employee performance for achievement, the company uses Key Performance Indicator that is monitored periodically.

Employee performance appraisal in XYZ Foundation is performed every end of the year by evaluating Key Performance Indicator and Competency Assessment. The evaluation result becomes the input in employee development for the following year. This process has been done for several years, however, no deeper research has been done whether or not there is correlation between determined competency with employee performance increment. Therefore, this research is aimed to examine it.

Problem Identification

Based on the background, the hypotheses are (1) is there any correlation between core competency of employee in XYZ foundation with employee performance result? and (2) which core competency has strong correlation with employee performance result?

Purpose and Benefit

The purpose of this research is to find if there is correlation between employee core competency score with employee performance achievement in XYZ Foundation. Moreover, this research is aimed to find which core competencies have strong correlation with employee performance achievement in XYZ Foundation.

This research will benefit directly to XYZ Foundation and Human Capital Division. XYZ Foundation will get information about the correlation between employee's core competency score and performance result and will get input in planning employee competency development. Then, human capital division will gain input program development that is related to performance evaluation, training and development, career development, and other systems.

LITERATURE REVIEW

Human Resource Management

Human Resource Management (HRM), according to Marwansyah, is the usage of Human Resource in an organization, which is done by the function of Human Resource planning, recruitment and selection, human resource development, career planning and development, compensation and welfare, workplace security and welfare, and industrial relationship.

Cushway (1994) defines HRM as a part of process that helps the organization achieves its objectives.

According to Dessler (2008), HRM is the policies and practices involved in carrying out the people or human resource aspects of a management position, including recruiting, screening, training, rewarding, and appraising.

Based on those experts' definitions, it can be concluded that Human Resource Management is an effective human resource management based on existing functions, namely: recruitment, selection, performance appraisal, training, career development, and compensation which are expected to give contribution in achieving organization purposes.

Employee Competency

According to Wibowo (2012), competency is the ability to carry out work or tasks based on skills and knowledge and are supported by a work attitude that is defined by job. Competency shows knowledge, skill, and a certain attitude of a profession in certain skill traits which characterize a professional.

Furthermore, Becker and Ulrich (in Suparno, 2005) state that competency refers to an individual's knowledge, skill, ability or personality characteristics that directly influence job performance.

According to Spencer and Spencer (1993), competency consists of five characteristics:

- 1. Motives.** It is where someone consistently thinks until he/she acts. Spencer and Spencer (1993) state that motive is drive, direct, and select behavior toward certain actions or goals and away from others. For example, someone has a motive to perform consistently and develop purposes that give a challenge for them and is fully responsible for achieving the purpose and expecting some feedbacks to improve them.
- 2. Traits.** It is a character that makes someone behave or respond to something in a specific way. For example, self-confidence, self-control, persistence, or resistance.
- 3. Self-Concept.** It is an attitude or value possessed by someone. Attitude and value are measured by tests to respondent, to know the value possessed by someone and what makes a person is interested in doing something.
- 4. Knowledge.** It is information that a person has for a particular area. Knowledge is a complex competency. The knowledge test measures someone to choose the correct answer, but it cannot be used to check if that person able to do work based on their knowledge.

5. Skills. It is the ability to do certain job, physically or mentally. By knowing the level of competency, human resource planning will give a better result.

Spencer and Spencer (1993) divide competency into six groups to achieve high for technician and professional, sales, helping and human service, manager or businessman. Table 1 shows the competency group.

Table 1. *Competency Group*

No.	Competency Group	Competency
1	Achievement and Action	<ul style="list-style-type: none"> ● Achievement orientation, (ACH) ● Concern for order, (CO) ● Initiative, (INT) ● Information seeking, (INFO)
2	Helping and human service	<ul style="list-style-type: none"> ● Interpersonal understanding, (IU) ● Customer service orientation, (CSO)
3	Influence	<ul style="list-style-type: none"> ● Impact and influence, (IMP) ● Organizational awareness, (OA) ● Relationship building, (RB)
4	Managerial	<ul style="list-style-type: none"> ● Developing others, (DEV) ● Directedness, (DIR) ● Teamwork, (TW) ● Team Leadership, (TL)
5	Cognitive	<ul style="list-style-type: none"> ● Analytical thinking, (AT) ● Conceptual thinking, (CT) ● Expertise, (EXP)
6	Personal effectiveness	<ul style="list-style-type: none"> ● Self-control, (SCT) ● Self-confidence, (SCF) ● Flexibility, (FLX) ● Organizational commitment, (OC)

Employee Performance

According to Mangkunegara (2002), job performance (or Actual Performance) is the quality and quantity of the result achieved by someone in doing the assignment based on the responsibility.

According to (Dessler, 2008), performance is the work achievement, comparison based on the work result to the desired standard.

According to Mangkunegara (2002), several factors that affect the performance are:

1. Ability

Psychologically, ability of an employee consists of potential ability (IQ) and reality (knowledge and skill). It means that employees who have IQ above average (IQ 110-120) with enough education for their position and skillful in daily work, they will easily get the expected performance.

2. Motivation

Motivation comes from employee attitude in facing work situation. Furthermore, motivation is the condition that moves the employee toward organization purpose (work purpose).

Performance Indicator

Bernardin, Russell & Kane (2003) state several criteria in measuring employee performance, such as:

1. **Quality.** It is a level that the process or result of activity is close to perfection.
2. **Quantity.** It is the product result shown in the form of money, unit, or activity cycle that has been done completely.
3. **Timeliness.** It is where the activity can be completed, or the production result that is achieved, which is set at the beginning with the coordination of other product and maximized the time available for other activities.
4. **Cost Effectiveness.** It is a level which organization resource, such as human, finance, technology, and material, can be maximized in the purpose of having the highest profit with minimum loss or cost from each unit or usage of the resource.
5. **Interpersonal impact.** It is a level that an employee can develop mutual respect, good intention, and cooperation with each other and subordinates.

Employee Performance Appraisal

Dessler (2008) stated that performance appraisal is a form of evaluating an employee's current and/or past performance related to their performance standards.

Moreover, according to The Chartered Institute of Personnel and Development, performance appraisal is an opportunity for individual employees and those concerned with their performance, typically line managers, to engage in a dialogue about their performance and development, as well as the support required from the manager.

Employee Performance Appraisal Models

According to Wirawan (2009), general model and instrument used for performance appraisal are:

1. **Essay Model.** It is a performance appraisal where the appraiser formulates their appraisal in essay form. The content of the essay describes the activity and weakness of performance indicator.
2. **Critical Incident model.** It is the notable event that has been done by the employee while doing his tasks.
3. **Ranking Method.** It is a method to sort the employee from the highest score to the lowest score. This method starts by observing and appraising each employee performance before ranking their performances.
4. **Checklist Model.** It is a list of indicators of work result, behavior, or personal traits that are needed in doing their job.
5. **Graphic Rating Scale Model.** It is performance appraisal by creating a performance indicator along with a short definition in which the level describes in scalable level in numbers.

6. **Forced Distribution Model.** It is a model to classify employee to 5-10 groups in normal distribution from the lowest to the highest.
7. **Forced Choice Scale Model.** It is where the appraiser chooses few sets of four behaviors that are called tetrads.
8. **Behaviorally Anchor Rating Scale (BARS) Model.** It combines working behavior approaches grouped in rating dimension.
9. **Behavior Observation Scale (BOS) Model.** It is almost the same as BARS; the difference is the appraiser needs to state how many times the behavior showed up.
10. **Behavior Expectation Scale (BES) Model.** It is an appraisal based on organization expectation toward the employee.
11. **Management by Objectives (MBO).** It is an appraisal based on target achievement.
12. **360 Degree Performance Appraisal Method.** It is to use essay evaluation, MBO, BARS, Checklist, etc. The appraisal can be a direct supervisor, subordinates, peers, customer, client and self-appraisal. The form is usually distributed to the appraisal in different workplace.
13. **Model Paired Comparison.** It is to compare each employee's performance pair by pair.

State of the Art

Here are some references to previous research results from scientific journals that will support this research:

Author	Journal	Findings
So, Idris Gautama; Noerlina; Djunggara, Amanda Aubrey; Fahrobi, Rehan; Simamora, Bachtiar H.; Ruangkanjanes, Athapol (2018)	<i>Effect of Organizational Communication and Culture on Employee Motivation and Its Impact on Employee Performance. Pertanika J. Soc. Sci. & Hum. 26 (2): 1133 - 1142 (2018)</i>	Employee motivation significantly influenced employee performance i.e. by increasing employee motivation within the organization, companies will improve employee performance
Kolibáčová, Gabriela (2014)	<i>The Relationship between Competency and Performance. Acta Universitatis Agriculturae Et Silviculturae Mendelianae Brunensis, 62(6). (2014)</i>	From the practical point of view, it makes sense to invest time and finances in increasing employee competencies, as they will contribute to higher performances.

RESEARCH AND METHODS

This research uses the quantitative and qualitative methods with associative research approach that states relationship (cause and effect), and

descriptive research that describes a problem in the variable (mean, median, mode, etc.). It is because the research wants to prove and support the previous research. Data in this research are employee performances that consist of Key Performance Indicator and Core Competency.

Analysis methods used in this research are:

1. Pearson Correlations

It is to find out the correlation between employee competency and their performance appraisal.

Table 2. *Correlation Coefficient Criteria*

Coefficient	Criteria
0	No Correlation
0.0 - 0.25	Very weak correlation
0.25 - 0.50	Moderate correlation
0.50 - 0.75	Strong correlation
0.75 - 0.99	Very strong correlation
1	Perfect correlation

2. Testing of Significance

To test the significance of correlation between tested variables, hypothesis statement is used.

Testing of Significance Hypothesis:

Ho: there is no significant correlation between tested variables.

Ha: there is significant correlation between tested variables.

- If Sig > 0.05, Ho is accepted
- If Sig < 0.05, Ho is rejected

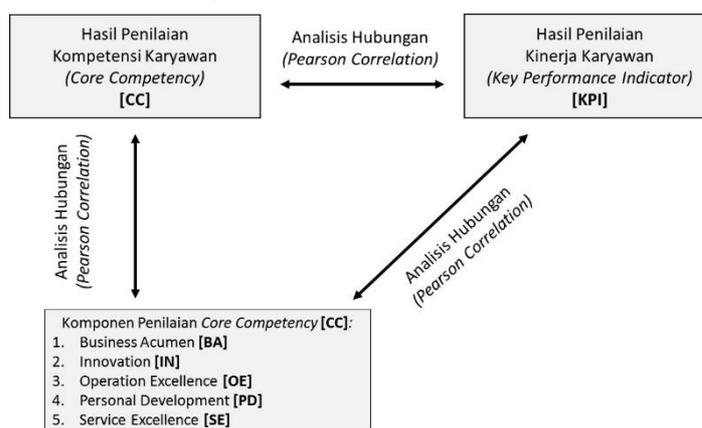


Figure 1. Theoretical Framework

RESULTS AND DISCUSSION

The result of this research is the correlation analysis between employee Core Competency and employee Key Performance Indicator. The relations of each component in Core Competency are Business Acumen, Innovation, Operation Excellence, Personal Development, Service Excellence with Key Performance Indicator, and the correlation between each component in Core Competency with the Core Competency. Correlation analysis is conducted

in two steps: 1) data collection and information related to scoring scheme of Core Competency and Key Performance Indicator in XYZ Foundation, and 2) correlation analysis and significant relation for each variable.

Core Competency and Key Performance Indicator Scoring Scheme

Data and information were collected by interviewing the leader of Human Capital division of XYZ Foundation. Data and information collected are related to the mechanism and employee Competency and Key Performance Indicator:

Core competency

Employee Core Competency appraisal is conducted by each unit leader in XYZ Foundation every end of the year. The Core Competency consists of five components: 1) Business Acumen, 2) Innovation, 3) Operation Excellence, 4) Personal Development, and 5) Service Excellence. Each component has different performance standard based on level and position of each employee. The scale for each standard performance ranges from 1 to 6.

Key performance indicator

Key Performance Indicator is performed by every leader in each unit in XYZ Foundation every end of the year. Everyone has their performance indicator based on the area and workflow that has been set in the beginning of the year. The scale ranges from 1 to 6. Based on the scheme of Core Competency and Key Performance Indication described, data that have been collected to analyze correlation between the variables are: 1) Each employee Core Competency score; 2). Each employee Core Competency score per component (Business Acumen, Innovation, Operation Excellence, Personal Development, Service Excellence); 3) Key Performance Indicator for each employee. The data used are from existing 1075 employees.

Correlation between Variables of Core Competency and Key Performance Indicator

To find the correlation between variables tested in this research, Pearson Correlation is used before conducting the test of significance.

In this section, the variables tested are Core Competency and Key Performance Indicator. The correlation and Test of Significance of the two variables are as follows:

Correlation coefficient

Correlation coefficient result between Core Competency and Key Performance Indicator shows the correlation coefficient of **0.959**. It shows **very strong correlation (0.75 – 0.99)** between two variables.

Test of significance

Test of Significance correlation coefficient between Core Competency with Key Performance Indicator is done by the following hypothesis:

Test of significance hypothesis

Ho: there is no significant correlation between variables of Core Competency and Key Performance Indicator.

Ha: there is significant correlation between variables of Core Competency and Key Performance Indicator.

Result interpretation

- If Sig > 0.05, Ho is accepted
- If Sig < 0.05, Ho is rejected

The result is 0.000. Because **0.000 < 0.05**, then Ho is rejected, which means there is **significant correlation** between variables of Core Competency and Key Performance Indicator.

Table 3. *Correlation Coefficient and Significance between variables of Core Competency and Key Performance Indicator*

Correlation Variable	Variable Code	Item	Pearson Correlations	sig
Core competency and Key Performance Indicator	CC and KPI		0.959 Very strong correlation	0.000 significant

Correlation between Each Core Competency Components and Key Performance Indicator

In this section, the variable is each component of Core Competency, namely: Business Acumen, Innovation, Operation Excellence, Personal Development, and Service Excellence with Key Performance Indicator. Correlation results and test of significance for each component are as follows:

Correlation Coefficient

The results for each of Core Competency components with Key Performance Indicator are as follows:

- Correlation Coefficient of Business Acumen and Key Performance Indicator is **0.952**, which means there are **strong correlation (0.75 – 0.99)** between the two variables.
- Correlation Coefficient of Innovation and Key Performance Indicator is **0.951**, which means there is **strong correlation (0.75 – 0.99)** between two variables.
- Correlation Coefficient of Operation Excellence with Key Performance Indicator is **0.954**, which means there is **strong correlation (0.75 – 0.99)** between two variables.
- Correlation Coefficient of Personal Development and Key Performance Indicator is **0.953**, which means there is **strong correlation (0.75 – 0.99)** between two variables.
- Correlation Coefficient of Service Excellence and Key Performance Indicator is **0.951**, which means there is **strong correlation (0.75 – 0.99)** between two variables.

Test of significance

Test of Significance correlation coefficient between each component of Core Competency with Key Performance Indicator is done by the following hypothesis:

Business Acumen and Key Performance Indicator

Test of significance hypothesis

Ho: there is no significant correlation between variables of Business Acumen and Key Performance indicator.

Ha: there is significant correlation between variables of Business Acumen and Key Performance indicator.

Result interpretation

- If Sig > 0.05, Ho is accepted
- If Sig < 0.05, Ho is rejected

The result is 0.000. Because **0.000 < 0.05**, then Ho is rejected, which means there are **significant correlation** between variables of Business Acumen and Key Performance Indicator

Innovation and Key Performance Indicator

Test of significance hypothesis

Ho: there is no significant correlation between variables of Innovation and Key Performance indicator.

Ha: there is significant correlation between variables of Innovation and Key Performance indicator.

Result interpretation

- If Sig > 0.05, Ho is accepted
- If Sig < 0.05, Ho is rejected

The result is 0.000. Because **0.000 < 0.05**, then Ho is rejected, which means there are **significant correlation** between variables of Innovation and Key Performance Indicator

Operation Excellence and Key Performance Indicator

Test of significance hypothesis

Ho: there is no significant correlation between variables of Operation Excellence and Key Performance indicator.

Ha: there is significant correlation between variables of Operation Excellence and Key Performance indicator.

Result interpretation

- If Sig > 0.05, Ho is accepted
- If Sig < 0.05, Ho is rejected

The result is 0.000. Because **0.000 < 0.05**, then Ho is rejected, which means there are **significant correlation** between variables of Operation Excellence and Key Performance Indicator

Personal Development and Key Performance Indicator

Test of significance hypothesis

Ho: there is no significant correlation between variables of Personal Development and Key Performance indicator.

Ha: there is significant correlation between variables of Personal Development and Key Performance indicator.

Result interpretation

- If Sig > 0.05, Ho is accepted
- If Sig < 0.05, Ho is rejected

The result is 0.000. Because **0.000 < 0.05**, then Ho is rejected, which means there are **significant correlation** between variables of Personal Development and Key Performance Indicator

Service Excellence and Key Performance Indicator

Test of significance hypothesis

Ho: there is no significant correlation between variables of Service Excellence and Key Performance indicator.

Ha: there is significant correlation between variables of Service Excellence and Key Performance indicator.

Result interpretation

- If Sig > 0.05, Ho is accepted
- If Sig < 0.05, Ho is rejected

The result is 0.000. Because **0.000 < 0.05**, then Ho is rejected, which means there are **significant correlation** between variables of Service Excellence and Key Performance Indicator.

Table 4. *Correlation Coefficient and Significance of each components of Core Competency (Business Acumen, Innovation, Operation Excellence, Personal Development, Service Excellence) and Key Performance Indicator*

Correlation Variable	Variable Item Code	Pearson Correlations	sig
Business Acumen and Key Performance Indicator	BA and KPI	0.95 2	very strong correlation 0.00 0
Innovation and Key Performance Indicator	IN and KPI	0.95 1	very strong correlation 0.00 0
Operation Excellence and Key Performance Indicator	OE and KPI	0.95 4	very strong correlation 0.00 0
Personal Development and Key Performance Indicator	PD and KPI	0.95 3	very strong correlation 0.00 0
Service Excellence and Key Performance Indicator	SE and KPI	0.95 1	very strong correlation 0.00 0

Correlation between Each Component of Core Competency and Core Competency

In this section, the variable tested is each Core Competency component, namely: Business Acumen, Innovation, Operation Excellence, Personal Development, and Service Excellence with Core Competency. Correlation testing and test of significant for each component are as follows:

Correlation Coefficient

The result for each of Core Competency components with Core Competency are as follows:

- Correlation Coefficient of Business Acumen and Core Competency is **0.993**, which means there are **strong correlation (0.75 – 0.99)** between two variables.
- Correlation Coefficient of Innovation and Core Competency is **0.991**, which means there are **strong correlation (0.75 – 0.99)** between two variables.
- Correlation Coefficient of Operation Excellence with Core Competency is **0.993**, which means there are **strong correlation (0.75 – 0.99)** between two variables.
- Correlation Coefficient of Personal Development and Core Competency is **0.994**, which means there is **strong correlation (0.75 – 0.99)** between two variables.
- Correlation Coefficient of Service Excellence and Core Competency is **0.993**, which means there is **strong correlation (0.75 – 0.99)** between two variables.

Test of Significance

Test of Significance of correlation coefficient between each component of Core Competency with Core Competency is done by the following hypothesis:

Business Acumen and Core Competency

Test of significance hypothesis

Ho: there is no significant correlation between Business Acumen and Core Competency.

Ha: there is significant correlation between Business Acumen and Core Competency.

Result interpretation

- If Sig > 0.05, Ho is accepted
- If Sig < 0.05, Ho is rejected

The result is 0.000. Because **0.000 < 0.05**, then Ho is rejected, which means there are **significant correlation** between Business Acumen and Core Competency.

Innovation and Core Competency

Test of significance hypothesis

Ho: there is no significant correlation between Innovation and Core Competency.

Ha: there is significant correlation between Innovation and Core Competency.

Result interpretation

- If Sig > 0.05, Ho is accepted
- If Sig < 0.05, Ho is rejected

The result is 0.000. Because **0.000 < 0.05**, then Ho is rejected, which means there are **significant correlation** between variables Innovation and Core Competency

Operation Excellence and Core Competency

Test of significance hypothesis

Ho: there is no significant correlation between Operation Excellence and Core Competency.

Ha: there is significant correlation between Operation Excellence and Core Competency.

Result interpretation

- If Sig > 0.05, Ho is accepted
- If Sig < 0.05, Ho is rejected

The result is 0.000. Because **0.000 < 0.05**, then Ho is rejected, which means there are **significant correlation** between Operation Excellence and Core Competency

Personal Development and Core Competency

Test of significance hypothesis

Ho: there is no significant correlation between Personal Development and Core Competency.

Ha: there is significant correlation between Personal Development and Core Competency.

Result interpretation

- If Sig > 0.05, Ho is accepted
- If Sig < 0.05, Ho is rejected

The result is 0.000. Because **0.000 < 0.05**, then Ho is rejected, which means there is **significant correlation** between Personal Development and Core Competency

Service Excellence and Core Competency

Test of significance hypothesis

Ho: there is no significant correlation between Service Excellence and Core Competency.

Ha: there is significant correlation between Service Excellence and Core Competency.

Result interpretation

- If Sig > 0.05, Ho is accepted
- If Sig < 0.05, Ho is rejected

The result is 0.000. Because **0.000 < 0.05**, then Ho is rejected, which means there is **significant correlation** between Service Excellence and Core Competency.

Table 5. *Correlation Coefficient and Significance of each components of Core Competency (Business Acumen, Innovation, Operation Excellence, Personal Development, Service Excellence) and Core Competency*

Correlation Variable	Variable Item Code	Pearson Correlations	sig
Business Acumen and Core Competency	BA and CC	0.993 very strong correlation	0.000 significant

Innovation and Core Competency	IN and CC	0.991	very strong correlation	0.000	significant
Operation Excellence and Core Competency	OE and CC	0.993	very strong correlation	0.000	significant
Personal Development and Core Competency	PD and CC	0.994	very strong correlation	0.000	significant
Service Excellence and Core Competency	SE and CC	0.993	very strong correlation	0.000	significant

CONCLUSIONS

Based on correlation analysis using Pearson Correlation and Significance of correlation coefficient, it can be concluded that there is a **very strong correlation (0.959) and significant (0.000)** between employee Core Competency score with Key Performance Indicator in XYZ Foundation (see **Table 3**). **Also**, there is a **very strong correlation and significant** between employee's Core Competency score and Key Performance Indicator in XYZ Foundation (see **Table 4**). **It can be seen from** Business Acumen (0.952), Innovation (**0.951**), Operation Excellence (**0.954**), Personal Development (**0.953**), Service Excellence (**0.951**), with significance of 0.000 for each component. Lastly, there is a **very strong correlation and significant** between employee Core Competency score with Core Competency in XYZ Foundation (see **Table 5**). **It shows from** Business Acumen (**0.993**), Innovation (**0.991**), Operation Excellence (**0.993**), Personal Development (**0.994**), Service Excellence (**0.993**), with significance of **0.000** for each component.

SUGGESTIONS

With the strong correlation between core competency and employee performance, here are the suggestions taken from the analysis. First, XYZ foundation needs to plan and implement training for employee focusing on core competency. Second, XYZ foundation needs to invest time and money to increase employee core competency. Lastly, head of departments and leaders of XYZ foundation need to give coaching and feedback periodically with their team members.

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