Original Article

Designing a competency system model with emphasis on employee dignity using the grounded theory approach

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Abstract

Background: In today's complex and competitive organizational environments, designing competency systems that enhance performance while upholding employee dignity has become a strategic priority in HR management. *Employee dignity*, defined as the recognition of individual worth, respect, and fair treatment in the workplace, is a multidimensional concept influencing motivation and organizational commitment. This study, using the grounded theory approach, aimed to develop a competency system model that integrates and promotes the principles of employee dignity within organizational practices.

Methods: This research employed a mixed-methods design (qualitative–quantitative). In the qualitative phase, grounded theory (Strauss and Corbin approach) was used to analyse data from semi-structured interviews with 18 HR managers and experts. In the quantitative phase, the proposed model was tested using structural equation modelling (SEM) on a sample of 260 employees, and further validated through a nonlinear Bayesian model. Model fit was assessed using indices such as RMSEA, CFI, and TLI. Integration of qualitative and quantitative findings was performed through a comparative analysis, ensuring theoretical saturation aligned with empirical validation.

Results: The qualitative results led to the identification of seven causal categories within the competency system, including professional, cognitive, and organizational competencies. In the quantitative prioritization, professional, cognitive, and organizational competencies received the highest weights. Path analysis revealed that these competencies significantly impacted job dignity and, subsequently, organizational performance. Model fit indices confirmed the high predictive power and accuracy of the conceptual model.

Conclusion: The developed model presents a comprehensive and localized framework for a competency system that can serve as a foundation for human resource policies aimed at enhancing employee dignity and productivity.

Keywords: Cultural Competency; Efficiency, Organizational; Grounded Theory; Respect; Workforce.

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Introduction

In today's competitive world, organizations should pay special attention to their human capital to maintain and improve productivity. In this regard, the competence system is considered a strategic tool for developing human resources and improving organizational performance. Competence is

a combination of knowledge, skills, attitudes, and individual characteristics leading to effectiveness in performing job duties (1). Focusing merely on technical and professional competencies without considering the status and dignity of employees cannot guarantee the long-term success of the organization. Employee status is a multidimensional concept that includes respect, social status, job satisfaction, and perception of organizational justice. It has a direct impact on motivation, organizational commitment, and the desire to remain in the organization. Studies have revealed that employees' perception of organizational justice, especially distributive and procedural justice, plays a key role in reducing turnover tendency and enhancing job satisfaction. For example, a study in China found that organizational justice, especially distributive and procedural justice, significantly reduced the turnover tendency among primary healthcare workers (2).

Ignoring employee dignity can cause dissatisfaction, burnout, and reduced productivity. Burnout, caused by chronic stress in the workplace, results in decreased motivation, increased absenteeism, and a decline in performance quality (3). Based on a report by the American Psychological Association, burnout is a job-related syndrome caused by chronic stress in the workplace and have negative impacts on employees' mental and physical health (4, 5).

Designing a competency system model that integrates both performance-oriented criteria and employee dignity is essential. Given its critical role in the country's economic infrastructure, the Tax Administration must enhance human resource effectiveness by developing employee competencies while simultaneously fostering a respectful and dignified work environment.

In this regard, to design a competence system model with an emphasis on the status of employees in the Kerman Province Tax Affairs Organization, the present study employed the qualitative approach of grounded theory to present a local and realistic model by exploring the opinions of experts. Grounded theory is a qualitative approach in research that relies on the systematic collection and analysis of data to develop a coherent theory arising from reality. The use of this approach in the present study has provided the possibility of identifying and explaining the dimensions and components of the competence system with an emphasis on the status of employees deeply and locally. Accordingly, the way can be paved for designing more effective policies and interventions in the field of human resource management in government and service organizations.

Theoretical Framework

Designing a competency system that both enhances performance and upholds employee dignity requires a multi-layered theoretical foundation. This study draws on key insights from competency-based human resource management, organisational justice, and dignity-centred work environments. The framework is supported by empirical and theoretical contributions in the areas of human resource development, leadership, ethics, and employee well-being (6).

1. Competency Models in Human Resource Management

Competency-based approaches have long served as the backbone of effective human resource practices. Spencer and Spencer (2025) defined competencies as a set of motives, traits, self-concept, knowledge, and skills that lead to superior job performance. Their model, widely applied in organisational settings, has shaped modern HR systems seeking to align individual capabilities with organisational goals (1).

Ulrich and Dulebohn (2015) emphasised that future-focused HR systems must evolve beyond static competency models and focus on integrating competencies with strategic planning, employee engagement,

and adaptability. Hafeez and Essmail (2007) applied the Analytical Hierarchy Process (AHP) to evaluate organisational core competencies alongside individual ones, highlighting the importance of alignment between personal and institutional capabilities (7).

2. Organisational Justice and Employee Dignity

Dignity at work—understood as the recognition of individual worth, respect, and fairness—has been closely tied to the concept of organisational justice. Greenberg (2011) outlined how perceptions of distributive, procedural, and interactional justice influence employee attitudes, behaviours, and feelings of dignity in the workplace. When justice is perceived as lacking, employee morale and motivation tend to decline (2).

Maslach and Leiter (2016) further connected dignity with psychological well-being, arguing that the erosion of dignity contributes to burnout and disengagement (3). In the Iranian public sector, Elmi Hoseini et al. (2025) developed a conceptual process model linking the protection of employee dignity with the reduction of anti-citizenship behaviours, through mechanisms such as ethical culture and participative management (4).

Additionally, Alimohammadi et al. (2025) presented a model of third-generation human resource management in Iranian medical sciences universities, emphasising the strategic role of employee dignity in fostering innovation, accountability, and sustainable HR development (9).

3. Grounded Theory Applications in Dignity Research

Grounded theory has proven to be a powerful methodological approach in exploring the nuanced, context-dependent aspects of dignity in professional environments. Franco et al. (2025) conducted a grounded theory study on nursing students and found that dignity is learned and internalised through a developmental and interactive process in clinical settings (5).

Zhang et al. (2022) proposed a caring leadership model grounded in dignity, empathy, and respect in the nursing sector. Barile et al. (2023) applied grounded theory to construct a corporate training framework that integrates dignity, employee engagement, and continuous learning as key dimensions of workforce development.

These studies support the use of grounded theory to uncover dignity-related dimensions of competency, especially in culturally and professionally sensitive contexts.

4. Competency–Performance Relationship

Several empirical studies have confirmed the strong relationship between human resource competencies and organisational performance. Indiyati et al. (2021) demonstrated that HR competencies positively influence employee effectiveness and are mediated by organisational culture (6). Similarly, Long et al. (2018) confirmed that competencies play a vital role in driving performance outcomes in Nigeria's banking sector (8).

This reinforces the idea that competencies are not only technical or task-specific but are also embedded in values and behaviours that promote long-term organisational success.

5. Analytical Modelling Approaches in HR Research

To rigorously validate the proposed model, this study employs Structural Equation Modelling (SEM) and nonlinear Bayesian modelling. As Hair et al. (2021) explain, SEM is suitable for examining complex cause-effect relationships among latent constructs, while Bayesian approaches offer flexibility in incorporating prior knowledge and addressing model uncertainty. These advanced statistical tools enable the integration of theory-driven

and data-driven approaches, ensuring robust and reliable model testing (14).

Methods

Research environment and population

This study was conducted at the national level to examine human resource competence focusing on organizations and institutions. Its emphasis was on the status of employees. The statistical population in the qualitative section included experts and specialists in the field of human resource management, university faculty members, and human resource managers with practical and scientific experience in developing competence models. The statistical population in the quantitative section included managers, experts, and employees in the field of human resources in selected organizations and institutions across the country. The criteria for selecting participants in the qualitative section included:

• Acceptable understanding of the concepts of human resource competence

• Professional experience in the field of human resource management

• Participation in research or thesis supervision in the field of competence and human resources

Sampling in the qualitative section was performed purposefully and by snowball method and continued until theoretical saturation was reached. In the quantitative section, the purposeful sampling method was used based on the characteristics of the statistical population.

Data Collection Method

In the qualitative section of the study, data were collected through semi-structured interviews. The interviews were conducted in person or online and immediately after implementation, initial implementation and coding were performed on them. Open-ended interview questions were designed based on theoretical foundations and research objectives, and new questions were raised during the interview if needed. In the quantitative section, data were collected through a questionnaire designed based on concepts extracted from the qualitative section. The questionnaire was provided to the participants after confirming its face and content validities (using the CVR index) and reliability (through Cronbach's alpha test and Delphi analysis).

Statistical Analysis

In the qualitative section, the data obtained from the interviews were analyzed using the Grounded Theory method. In this analysis, three stages of open, axial, and selective coding were performed to extract concepts, and categories, and develop a theoretical model. The intra-subject agreement method of two coders was used to ensure the accuracy and precision of the analyses. In the quantitative section, the structural equation modeling (SEM) approach was used to analyze the data using SmartPLS software. The Analytic Hierarchy Model (ISM) and the Analytic Network Approach (ANP) were used to explain the structure of the relationships between variables. These methods provided the possibility of the identification of key components and the causal relationships between them.

Results

Causal factors affecting the development of the competence model

Seven primary categories were identified as causal factors according to the analysis of semi-structured interviews with 22 experts and open and axial coding. The results of prioritizing these factors with four methods AHP, ANP, best-worst, and nonlinear Bayesian showed that the nonlinear Bayesian model with a kappa coefficient of 0.911 has higher accuracy Table 1.

Table 1 shows that professional competence (Priority 1) with components such as “identifying value-creating resources” and “developing job paths” has

the highest impact on the design of the model. This emphasizes the importance of expertise and technical skills in the competence system. Mental competence (Priority 2), which includes "creativity and data analysis", plays a key role in formulating organizational strategies and indicates the necessity of analytical and innovative thinking in employees. Organizational competence (Priority 3), focusing on the components of "change management" and "accountability", acts as a base for the successful implementation of the competence model. This highlights the importance of the individual's alignment with organizational goals and values. These results indicate that all three professional, mental, and organizational dimensions should be considered simultaneously to design a comprehensive competence system.

Drivers and Inhibitors

a) Drivers:

• Support from leaders (mean Delphi score: 7.72) including motivational policies and positive attitudes of managers.

• Rules and regulations (score: 7.17) such as easing existing laws.

• Young human resources (score: 7.08) with high education and motivation characteristics.

b) Inhibitors:

• Power concentration (score: 7.47) including nepotism and centralized management.

• Cultural weakness (score: 7.37) such as resistance to meritocracy.

Table 2. Comparison of drivers and inhibitors

Factor type	Key Components	mean Delphi score	Results
Driver	Support from Leaders	7.72	High agreement
Driver	Rules and Regulations	7.17	Moderate agreement
Inhibitor	Power centralization in organization	7.47	primary challenge

As shown in Table 2, leadership support with the highest score (7.72) acts as the most important driver of the competence model implementation. This emphasizes the important role of senior managers in creating an appropriate environment for the establishment of the competence system. Also, rules and regulations with a score of 7.17 were identified as a moderate driver, indicating the need to review and update organizational policies in this area. In contrast, the power concentration in the organization with a score of 7.47 was the primary inhibitor and key challenge of the competence system. This highlights the need to reform decision-making structures and reduce centralized and hierarchical approaches for the success of the proposed model. These results indicate that organizations should simultaneously focus on strengthening the drivers (especially senior management support) and removing the inhibitors (especially concentration of power) for the successful implementation of the competence system.

Table 1. Prioritizing causal factors using a nonlinear Bayesian approach

Causal factors	Priority	Posterior probability	Posterior coefficient
Specialized competence	1	0.971	0.412
Mental competence	2	0.963	0.476
Organizational competence	3	0.916	0.611
Individual competence	4	0.862	0.457
Executive competence	5	0.823	0.408
Interpersonal competence	6	0.805	0.555
Environmental analyst competence	7	0.791	0.115

Model Validity and Reliability

a) Cronbach's alpha and composite reliability for all variables were above 0.7 in Table 3.

b) Convergent validity:

• Average variance extracted (AVE) for variables was less than 0.5, indicating good validity.

Table 3. Model Validity and Reliability

Variable	Cronbach's alpha	composite reliability	AVE
Causal Conditions	0.893	0.889	0.693
Strategies	0.885	0.901	0.513
Outcomes	0.790	0.848	0.609

Table 3 demonstrates that the designed model possesses acceptable validity and reliability. The values of Cronbach's alpha for all constructs exceed 0.78, indicating strong internal consistency of the measurement scales. Similarly, composite reliability (CR) values are all above 0.84, confirming the high reliability and internal coherence of the measured indicators.

Moreover, the Average Variance Extracted (AVE) values for all constructs are above the recommended threshold of 0.5. This indicates that each construct explains more than half of the variance in its observed indicators, confirming adequate convergent validity. Among the constructs, "Causal Conditions" has the highest AVE (0.693), suggesting a stronger explanatory relationship between the latent variable and its indicators.

Overall, all the reported indicators in Table 3 exceed the commonly accepted minimum thresholds, supporting the reliability and convergent validity of the model for further structural analysis.

Structural Equation Results

Structural Model Testing

In this stage, the level of relationship between the explanatory variables and the dependent variable was examined, and its output consisted of two major parts. The sign of the coefficient indicates the type of relationship, and the size of the coefficient indicates the intensity of the relationship between the two variables.

Figure 1 shows the path coefficients. The range of the coefficient is -1 and 1. The higher the coefficient is toward +1, the stronger the relationship between the explanatory and dependent variables is. The higher the coefficient is toward -1, the stronger the relationship between the explanatory and dependent variables is. If there is a strong relationship between the research variables, the explanatory power of the dependent variable increases. One of the disadvantages of the coefficient of determination is that it does not consider the sample size and study variables. To overcome this problem, the adjusted coefficient of determination must be calculated.

Table 4 shows the results of the coefficients of determination.

The adjusted coefficient of determination of strategies is 94.3 percent. This means that the variables affecting strategies can explain 94.3 percent of the changes in strategies and the remaining changes are explained by factors not considered in the model.

Table 4. Coefficient of Determination

Indicator	Coefficient of Determination	Adjusted Coefficient of Determination
Strategies	0.943	0.937
Outcomes	0.823	0.819
Core Phenomenon	0.833	0.820

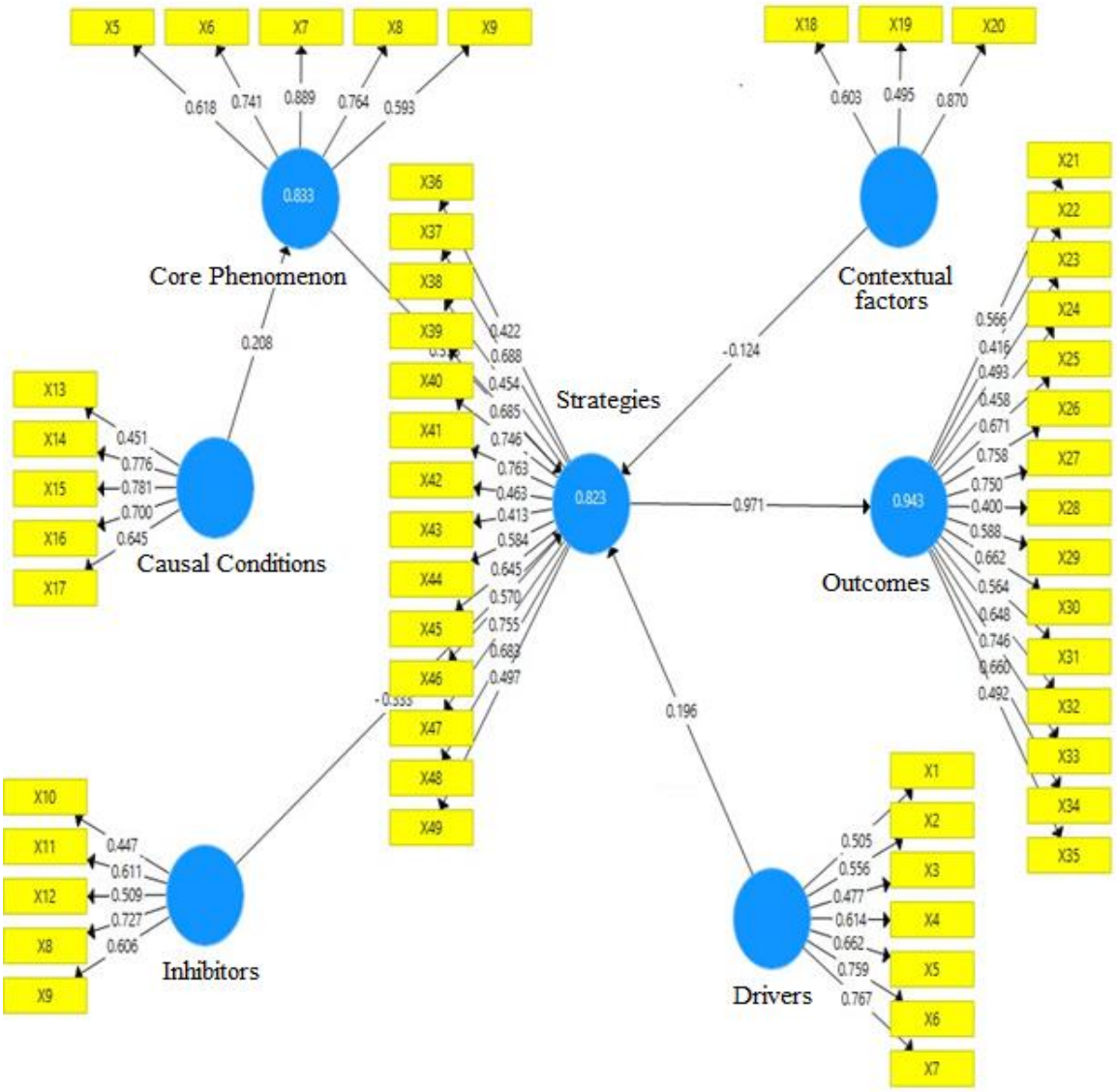

Figure 1. Path coefficients diagram

Discussion

Using mixed qualitative and quantitative methods, the findings offer a comprehensive and multi-layered understanding of the dimensions of competence and their role in enhancing organisational performance. The qualitative analysis of semi-structured interviews with human resource experts led to the identification of seven primary categories functioning as causal conditions in the development of the competency model: specialised, mental, organisational, individual, executive, interpersonal, and environmental analytical competencies. Among these, specialised competence, mental competence, and organisational competence were prioritised due to their higher impact and explanatory strength.

These three dimensions functioned as key antecedents in the model's explanatory structure. The nonlinear Bayesian model confirmed their central role, with the highest predictive accuracy (kappa coefficient = 0.911). In particular, specialised competence, encompassing elements such as identifying value-creating resources and designing career paths, emerged as the most influential factor. Mental competence, including analytical ability, critical thinking, and creativity, proved essential in facilitating strategic decision-making. Organisational competence supported system-level

coherence and aligned HR practices with broader institutional goals.

In the structural equation modelling (SEM) phase, these competencies demonstrated significant causal effects on the model's central components: strategies, core phenomenon, and outcomes. The path coefficients linking specialised, mental, and organisational competencies to strategic mechanisms were both statistically significant and strongly positive, indicating that these constructs serve as primary drivers of dignity-based HR practices. The adjusted R^2 value of 0.937 for the "strategies" construct confirmed that the selected competencies possess high explanatory power in accounting for strategic developments within the organisation.

Thus, the model presents a coherent causal pathway in which foundational competencies directly shape strategic actions, which in turn influence key outcomes such as employee dignity, engagement, and performance. This logic is fully consistent with both grounded theory principles and previous literature on competence-performance relationships.

These results indicate that the designed competence model has a theoretical basis and sufficient empirical validity. Thus, it can be used as an applied model in human capital development and organizational performance improvement. Past studies have also emphasized the importance of the professional and mental dimensions of competence in improving performance. For example, Spencer & Spencer, emphasized that technical and cognitive competencies play a key role in job success and the achievement of organizational goals (1). This consistency between the results of the present study and those of previous results strengthens the validity of the proposed model.

These results are also in line with those of a study by Indiyati et al., as it emphasized that technical and analytical competencies of employees play a key role in shaping job status, improving organizational decision-making, and increasing productivity. These competencies are more critical in situations where there is a need to solve complex problems and make data-based decisions as they provide the condition for strengthening the analytical power, job responsibility, and professional perception of employees (6). In this regard, technical competence has been defined as specialized knowledge and skills and analytical competence has been defined as the capability to process and interpret data. Both of them are considered key components of human capital (7).

Also, a study by Long et al., in the field of human resources highlighted the importance of organizational competence in aligning individual and organizational goals. The results of their study revealed that organizations that pay more attention to the development of organizational competencies such as mission understanding, commitment to organizational values, and inter-unit coordination can better promote employees' intrinsic motivation and strengthen their role in achieving strategic goals (8). The results of the structural equation model showed that organizational competence significantly promotes job status with a path coefficient of 0.38. This emphasizes that macro- and systemic competencies can play a mediating role in the relationship between individual competencies and organizational outcomes such as performance or job status (9).

The qualitative results of this study regarding driving and inhibiting factors are considered an important complement to the quantitative and structural explanations. At this stage, the most important driving factor was "support from senior leaders." This result indicates that organizational leadership plays a strategic role in the effective implementation of competence systems and acts as a facilitator in empowering human resources and creating alignment between individual and

organizational goals. This result is in line with the study by Ulrich & Dulebohn, who showed that committed and participatory leadership is a vital element in the establishment of competence models. The process of competence development at the employee and organizational levels will face serious challenges without the support of senior management (10). Additionally, "power concentration" and "nepotism" were identified as the most important inhibiting factors. These negative factors weaken meritocracy, reduce employee motivation, and lead to the inability to maintain capable human capital in the organization (11). The results are in line with the study by Zolak et al., who reported that hierarchical structures, power concentration at high levels, and unprofessional relationships such as nepotism cause ineffective human resource policies and challenge the process of institutionalizing competence (12).

In the structural model test section, the adjusted determination coefficients for three key constructs including strategy (0.937), core phenomenon (0.820), and outcomes (0.819) were very high, indicating a very favorable fit of the conceptual model of this study. These coefficients of determination (Adjusted R^2) indicate that the variables identified in the previous stages of the study can explain a large part of the variance of the main constructs and that the model has an acceptable predictive power (13). These results are in line with the results of the study by Hair et al., in the field of structural equation modeling as this study emphasized that high R^2 coefficients, especially above 0.75, indicate high predictive power and adequacy of the model at advanced levels of data analysis (14). Additionally, regarding the reliability and validity of the constructs, the indicators related to Cronbach's alpha coefficient ($\alpha > 0.78$) and the average variance extracted (AVE > 0.5) exceeded the threshold values. This confirms that the research measurement tool has appropriate accuracy, stability, and convergence, and the collected data gave the necessary quality for analysis. The desirable reliability and validity give credibility to the results and provide an appropriate condition for generalizing the results and designing evidence-based organizational interventions.

Conclusion

Using a mixed qualitative-quantitative method, the results provided a deep and structured insight into the dimensions of competence and its role in improving organizational performance. In the qualitative stage, the identification of seven primary categories as causal factors provided the conditions for designing a comprehensive model of competence. The specialized, mental, and organizational competencies were highlighted as key components affecting job status and organizational performance. In the quantitative stage, the results of nonlinear Bayesian model analyses and structural equation modeling indicated the high explanatory power of the model and the validity and reliability of the research tool while confirming the significance of the impact paths. Strategically, senior management support was identified as the most important driver, and power concentration and nepotism were identified as serious barriers to the implementation of competence systems. This indicates that the success of HR systems requires organizational will and a change in management culture in addition to the scientific design of models. Providing a theoretical and empirical model of competencies affecting job status and organizational performance, the present study can serve as a practical reference for HR managers, organizational policymakers, and management researchers. Its results can be a basis for formulating policies to promote human capital, design employee evaluation, train systems, and improve organizational structures for higher effectiveness.

Author's contribution

Fatemeh Shahrokhi sardoo and Saeed Sayadi developed the study concept and design. Amin Nikpour and Shiva Madahian acquired the data. Hamidreza Molaei and Fatemeh Shahrokhi sardoo analyzed and interpreted the data, and wrote the first draft of the manuscript. All authors contributed to the intellectual content, manuscript editing and read and approved the final manuscript.

Informed consent

Questionnaires were filled with the participants' satisfaction and written consent was obtained from the participants in this study.

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Conflict of interest

The authors declare that they have no conflict of interests.

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