

**Research Article**

## **RELATIONSHIP BETWEEN THE MANAGEMENT OF PERFORMANCE AND KEEPING COMPETENT FORCES (CASE STUDY: KHORAM SANAT MANUFACTURING COMPANY)**

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### **ABSTRACT**

This research aims to study the relationship between managing performance evaluation and maintaining competent work forces. The statistical population includes all managers, supervisors, shift heads and generally all officials (40) of Khoram Sanaat Company. All 40 were selected by experts as the research sample. Here, objectives were first determined, the performance was evaluated based on settled criteria and indices, and employees' weaknesses and strengths were identified. To test the research hypotheses, a researcher-developed questionnaire including 84 questions was employed with its face validity and reliability calculated by Cronbach's alpha at 0.81. Data were then analyzed by SPSS19. Results showed that there was a significant correlation between managing performance evaluation and maintaining competent work forces, creating competitive advantages and teaching and motivation. No significant correlation, however, was found between managing performance evaluation and the closeness of personal purposes to organizational objectives. Using the feedback of such evaluation, employees' motivation in having healthy competition have been raised, and more efforts are put into increasing the quantity and quality of work than before, employees find more affinity to their organizations and given higher objectives the organization tries more actively to fulfill its objectives. On the other hand, as knows its employees, the organization tries to keep them by financially supporting them and considering their well-being, motivation and competitive objectives.

**Keywords:** *Performance Evaluation, Human Resource, Maintenance and Competitive Advantage*

### **INTRODUCTION**

All managers of economic enterprises, industrial and producing bodies, and service organizations work first and foremost with the aim of improving and efficiently using different resources such as work force, capital, energy, and information.

A well-defined organizational structure, efficient implementation methods, healthy equipment and tools, balanced working space and most importantly competent human resources are of necessities that can be considered by managers in order to reach objectives.

Human resources, undoubtedly, are the most important, the most honorable, and the most valuable factor in proceeding organizational affairs. By good behavior and making correct decisions, a committed human resource can prevent from material loss and make value and money for organizations.

Undoubtedly, employees' job satisfaction is in direct relation with their productivity and consequently with organizational productivity. Thus, employees' satisfaction is a key factor in organizational success and should be considered by leaders.

Human resource managers and researchers stress on this fact that human resource function plays an important role in organizational performance. Most of companies' annual reports are focused on the importance of employees as an organizational capital.

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The main problem now is that how the competence, aptitude and generally the positive characteristics of human resource should be determined as to be trusted and considered as a measure for subsequent activities and planning. One way to study and identify human resource is, in no doubt, evaluating and managing evaluation to improve it.

The evaluation of employees' performance is considered in most organizations and state-owned or private companies under the titles of promotion systems, competence identification and/or performance evaluation.

For human resource management, evaluation is an effective tool, in case of correctly applied, allowing organizations to fulfill their objectives efficiently and satisfy their employees' interests. During performance evaluation, managers assess employees' working behaviors by praising and comparing them with predefined criteria, record results and inform organizations of them (Robins, 1998).

If employees conclude that offering promotions, competence and rewards are not based on performance standards and a real appraisal principle, this will bring about harmful and destructive effects on their performance (including, delayed work, absence, work leaving and resource waste) and imposes a huge amount of loss to organizations.

Weak performance also has negative and harmful effects on leadership and other employees. An important part of managers' time is now allocated to thinking about how to behave with inefficient employees. Using a correct system of performance appraisal helps organizations to relatively alleviate these problems, achieve their goals and elevate employees' attitude to try harder.

Prominent authors such as Longenecker and Nykodym (1996) believe that performance evaluation system: (1) provides a certain performance feedback to improve employees' performance; (2) determines apprenticeship requirements for employees; (3) provides the ground for developing employees; (4) creates a link between personnel's conclusion and performance; and (5) elevates employees' attitude and productivity. According to Roberts and pavlak (1996), performance evaluation is applied to various development and supervision practices including (A) evaluating personal performance in terms of organizational needs, (B) predicting feedback to employees in order to modify or improve their behaviors, and (C) designing a reward and promotion system. Many of human resource systems are not considered as much effective and regarded as inefficient old models.

Many organizations, during last decade, have found out that they are practically lack of a good performance evaluation system to communicate and improve their preferences and objectives. Due to the extensiveness of cognition areas and using different tools such as feeling, observation, perception, experience, power of belonging, and thinking over different subjects, human being is sensitive in evaluating and interpreting employees' behavior and performance and a collection of these factors affect managers' works to evaluate employees' performance (Stredwick, 2005).

We are, thus, trying to answer this question that what relation exists between performance evaluation management and keeping competent work forces.

### **Research Literature**

#### *Performance Evaluation*

Wooder and Davis believe that performance evaluation is a process defining the individual or group performance in relation to appointed tasks. Performance evaluation is stated in the dimension of using resources and facilities are considered as an efficiency measure.

Performance management is a public term for those organizational activities dealing with the management of employees' career tasks and behavioral matters. Performance management is a way to facilitate communication between employees and supervisors and create a more favorable environment and more commitment to service quality (Abili and Movafaghi, 2012).

#### **Advantages and Disadvantages of Different Methods of Performance Evaluation**

Any method of evaluating performance has its own advantages and disadvantages summarized in the following table.

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**Table 1: a summary of advantages and disadvantages of different methods of evaluating performance**

Description	Advantages	Disadvantages
Feature Methods	<ol style="list-style-type: none"> <li>1. cost effective to be design</li> <li>2. apply significant dimensions</li> <li>3. easy to apply</li> </ol>	<ol style="list-style-type: none"> <li>1. high potential rating error</li> <li>2. not useful for consulting with employees</li> <li>3. not useful for allocating reward system</li> <li>4. not useful for making decision about promotion</li> </ol>
Behavioral Methods	<ol style="list-style-type: none"> <li>1. apply specific performance dimensions</li> <li>2. acceptable for employees and managers</li> <li>4. useful for making decision about promotion and reward</li> </ol>	<ol style="list-style-type: none"> <li>1. time-consuming to be designed and applied</li> <li>2. cost-intensive to be designed and applied</li> <li>3. probable rating errors</li> </ol>
Result-based Methods	<ol style="list-style-type: none"> <li>1. less mental orientation</li> <li>2. link individual performance to organizational performance</li> <li>3. encourage regulating two-fold objectives</li> <li>4. useful for making decision about reward and promotion</li> </ol>	<ol style="list-style-type: none"> <li>1. time-consuming to be designed and applied</li> <li>2. may include a short-term perspective</li> <li>3. may apply incorrect criteria</li> <li>4. may apply inefficient criteria</li> </ol>

Some features of effective performance evaluation systems include (Bernardin, 2003; Esnel and Bolender, 2007):

1. Trying to provide more accurate definition and measure performance dimension as good as possible;
  - 1.1. Defining performance by concentrating on evaluated outcomes;
  - 1.2. Predicting outcomes based on frequency and iteration of the related behavior
  - 1.3. Defining performance dimensions using a combination of work with different aspects of value (including quality, quantity, proportionality, etc.)
2. Linking performance dimensions to meeting internal and external customers
3. Combining the measurements of situation limits
  - 3.1. Concentrating on limitations of performance
4. Mutual trust between supervisors and subalterns
5. Measuring and directing employees' performance generally and tangibly
6. A type of proportionality between organizational culture and policies of evaluation
7. Supervisors like to explain evaluation system and the way of implementation to employees
8. Performance evaluation facilitate professional growth and communicating this culture
9. Employees have enough time to comment on issues and discuss about aims and programs
10. Employees receive sufficient and continuous feedback from different resources to achieve the required awareness about their situation relating to the expected performance
11. Self-evaluation is a part of official feedback
12. Any increase in payments is based on individual's and group performance

How to evaluate employees and its outcomes are of important and effective factors in motivation, efficiency and keeping human resource, but it is not considered in the appointment and promotion of employees and meritocracy due to lack of a correct performance evaluation system.

**Most Important Goals of Performance Evaluation**

Performance evaluation aims to achieve or at least approach important goals. The most important purposes of performance evaluation include improving satisfaction, improving performance and finally

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making organizational activities effective. Put it differently, the main goals relating to this is to take steps toward growing and developing individual and organizational activities in which judgment and ambushing having no place. Such efforts would results in self-evaluation, creating a correct reward and punishment system, directing organization toward superiority, and finally fast-fulfillment of organizational objectives.

There are different methods for evaluating performance most of which are independent and only used for assessment. However, some others are a part of a comprehensive performance management system.

Performance evaluation is incentive when there is an observable relation between performance-effort and performance-reward. Accordingly, individuals should

- Know their expectations
- Know how their performances are evaluated
- Be assured that if they apply what they have, it would result in an acceptable performance (Parsae and Arabi, 2012)

### **Performance Evaluation Errors**

Several ordinary errors have been identified in performance evaluations (Bayers and Row, 2008; Ivansevich, 2007; Nou *et al.*, 2008) including a weak design for evaluation system, applying weak evaluation criteria, applying onerous techniques and designing a system more important than the nature of performance evaluation (Ivansevich, 2007). The identified errors in performance evaluation systems include (1) standards of evaluation; (2) Halo effect; (3) leniency or harshness; (4) central tendency error, (5) recency of events error; (6) contrast effects; and (7) Personal bias (stereotyping or similar to me). In the following section, some of the most important errors are explained.

1. Standards of Evaluation: this problem happens when perception difference is applied to the meaning and concept of terms used in evaluation of employees. Thus, words like good, accurate, satisfying and excellent may have different meanings in different evaluations (Ivansevich, 2007).

2. Halo Effect: Halo effect error in rating employees is believed to be an important issue. It occurs when an assessor is responsible for evaluating several dimensions of people's performance. Accordingly, the assessment would be subjective. Such error may happen both in negative and positive sides. In other words, the primary feeling can be the foundation of good or bad evaluations (Bayers and Row, 2008; Ivansevich, 2007; Nou *et al.*, 2008).

3. Leniency or Harshness: performance evaluation requires assessor to objectively assess individuals' performance. It is difficult to be objective about anyone. When assessors objectively behave with subalterns, they are wearing their own colorful glasses. This error may occur in evaluating subalterns (Bayers and Row, 2008; Ivansevich, 2007).

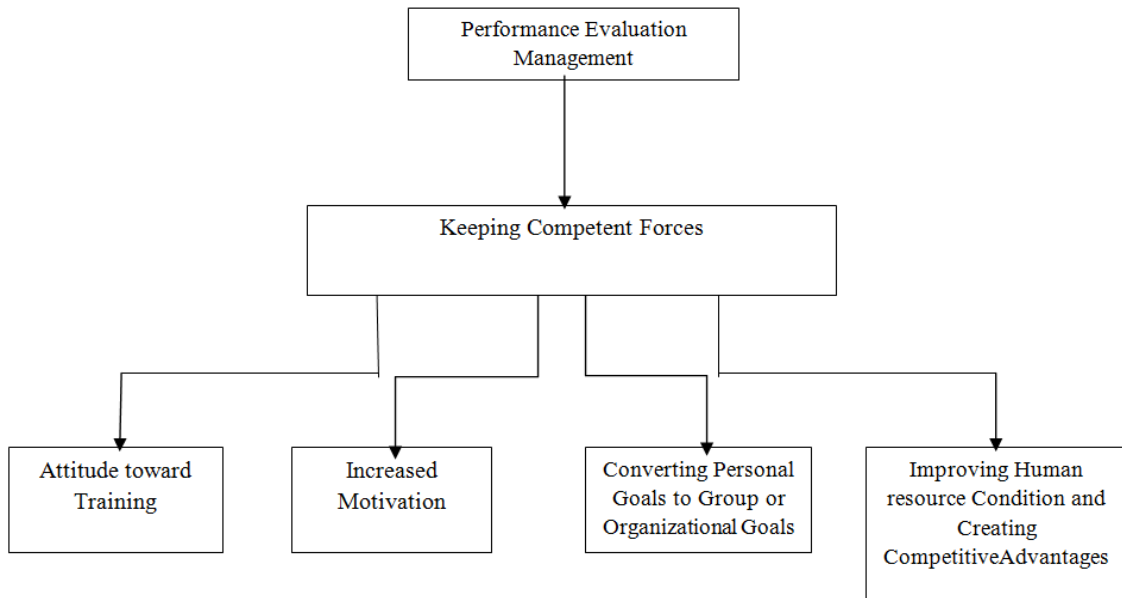
4. Central Tendency Error: this error happens when assessors avoid using high or low scores and consider average scores. For example, they consider 4 for the scale of 1 to 7. Such approach is useless for evaluation and does not consider the distinctness of people (Bayers and Row, 2008; Ivansevich, 2007).

5. Recency of Events Error: one problem with evaluation system is the time framework of the evaluated behavior. Assessors usually forget individuals' previous behaviors relative to their current behavior. Thus, people are usually evaluated based on the results of their behavior in previous weeks not based on the average of their behavior in last 6 months (Bayers and Row, 2008; Ivansevich, 2007).

6. Contrast Effects: one technique in performance evaluation is that an employee should be assessed regardless of other employees' performance. If an assessor evaluates an employee affected by other employees' scores, contrast effect will occur (Bayers and Row, 2008; Ivansevich, 2007; Nou *et al.*, 2008).

7. Personal Bias (stereotyping or similar to me): this error refers to applying personal orientation from supervisor. Personal orientation, bias, attitudes and prejudgments consciously or unconsciously affect decisions. For example, this occurs when assessor evaluates the performance of people with characteristics and features similar to him/her as high or vice versa (Ivansevich, 2007; Nou *et al.*, 2008).

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**Figure 1: Research conceptual model**

**Research Hypotheses**

1. There is a significant correlation between performance evaluation management and keeping competent employees.
2. There is a significant correlation between performance evaluation management and reaching organization goals.
3. There is a significant correlation between performance evaluation management and creating competitive advantages.
4. There is a significant correlation between performance evaluation management and people’s motivation.
5. There is a significant correlation between performance evaluation management and people’s attitude toward training.

**MATERIALS AND METHODS**

This is a practical research study considered as a descriptive study in terms of methodology and research design. To carry out this research, we used library method and field studies.

The statistical population includes all managers, supervisors, and all officials (40) of Khoram Sanaat Manufacturing Company. As the population is small, no sampling was done.

To collect data, a researcher-developed questionnaire including 84 questions (based on Likert 1 to 5 scale) was employed with its face validity and reliability calculated by Cronbach’s alpha at 0.81. The validity and reliability of the quality and quantity of questions were confirmed according to comments offered by professors, experts, scholars and researchers. After several modifications, the results were provided for the researcher.

To reach real and true results, validity and reliability should be confirmed in all phases of research. The reliability was verified by Cronbach’s alpha. Test-retest method was also used considering the small research sample. The output of SPSS19 shows that scales are acceptably reliable and appropriate structures have been used.

**Data Analysis**

Here, the researcher tries to find the correlation between performance evaluation management and keeping competent employees. This is done by collecting information through questionnaires. The analysis results are as follows.

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**Table 2: Correlation matrix of research variables**

	Fulfilling Objectives	Training	Motivation	Competitive Advantages	Keeping Competent Employees	Performance Evaluation Management
Fulfilling Objectives	1	0.134	-0.023	-0.056	-0.255	0.139
Training	0.134	1	0.793	0.452	0.302	0.618**
Motivation	-0.230	0.793**	1	0.514**	0.493**	0.697**
Competitive Advantages	-0.0560	0.452**	0.514**	1	0.461**	0.587**
Keeping Competent Employees	-0.255	0.302	0.493**	0.461**	1	0.628**
Performance Evaluation Management	0.139	0.618**	0.697**	0.587**	0.628**	1

\*\*significant level of 1%

Above table shows the correlation matrix of all research variables. In the next section, regarding the defined hypotheses, table data are used.

**First Hypothesis:** There is a significant correlation between performance evaluation management and keeping competent employees.

**Table 3: significance matrix for evaluation and keeping employees**

Keeping Competent Employees	Correlation	Sig
Performance Evaluation Management	0.628	0.000

The above table shows the correlation between keeping competent employees and performance evaluation management. Given the above variable are spatial, Pearson correlation test was practices. As it is observed, regarding the correlation (0.628) and the level of significance (0.000), there is a significant correlation between keeping competent employees and performance evaluation management.

**Second Hypothesis:** There is a significant correlation between performance evaluation management and reaching organization goals.

**Table 4: Significance matrix for evaluation and objectives**

Reaching Organizational Objectives	Correlation	Sig
Performance Evaluation Management	0.139	0.418

The above table shows the correlation between reaching organizational goals and performance evaluation management. Given the above variable are spatial, Pearson correlation test was practices. As it is observed, regarding the correlation (0.139) and the level of significance (0.418), there is no significant correlation between reaching organizational goals and performance evaluation management.

**Third Hypothesis:** There is a significant correlation between performance evaluation management and creating competitive advantages.

**Table 5: Significance matrix for evaluation and competitive advantage**

Creating Competitive advantage	Correlation	Sig
Performance Evaluation Management	0.139	0.418

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The above table shows the correlation between competitive advantage and performance evaluation management. Given the above variable are spatial, Pearson correlation test was practices. As it is observed, regarding the correlation (0.587) and the level of significance (0.000), there is a significant correlation between competitive advantage and performance evaluation management.

**Fourth Hypothesis:** There is a significant correlation between performance evaluation management and people’s motivation.

**Table 6: Significance matrix for evaluation and people’s motivation**

People’s Motivation	Correlation	Sig
Performance Evaluation Management	0.697	0.000

The above table shows the correlation between people’s motivationand performance evaluation management. Given the above variable are spatial, Pearson correlation test was practices. As it is observed, regarding the correlation (0.697) and the level of significance (0.000), there is a significant correlation between people’s motivationand performance evaluation management.

**Fifth Hypothesis:** There is a significant correlation between performance evaluation management and people’s attitude toward training.

**Table 7: Significance matrix for evaluation and people’s attitude toward training**

People’sAttitude toward Training	Correlation	Sig
Performance Evaluation Management	0.618	0.000

The above table shows the correlation between people’s attitude toward training and performance evaluation management. Given the above variable are spatial, Pearson correlation test was practices. As it is observed, regarding the correlation (0.618) and the level of significance (0.000), there is a significant correlation between people’s attitude toward training and performance evaluation management.

**RESULTS AND DISCUSSION**

Performance is what is left from a person as a work experience. Management team has to systematically and regularly assess employees’ works and the results are used for giving tasks and determining the existing potential and improving and assessing employees. This is an official process to give feedback to employees and organization to help employees know how their performances have been. Additionally, it affects their effort and advancement route in future. On the other hand, it helps organizations to find their value and competence. As organizations have to identify competent employees and keep them, performance evaluation management should be correctly done, because the loss resulting from selecting an incorrect model not matching with organizational culture is higher than not carrying out it. According to research findings, there is a significant correlation between performance evaluation management and training. This correlation comes from this fact that employees should improve their skills in order to progress and take reward and promotions. This skill should affect both knowledge and practices. Analysis results revealed that there is a significant correlation between performance evaluation management and motivation. As increased knowledge, strengthened motivation is an internal factor to do works and it is a concrete matter for employees. Additionally, there is a correlation between performance evaluation management and competitive advantages. If employees are well-educated, have high knowledge, and are motivated to do their jobs, a good competitive advantage is expected after evaluating performance and reporting results. Competitive advantage is virtually a condition for keeping employees, because the person considers his/her organization in higher position in terms of this. A point that attracted the researcher’s attention was this fact that why no significant correlation was verified between performance evaluation management and the closeness of individual and organizational objectives. It was then concluded that organizational objectives were not defined for employees and they usually searching for some particular matters such as increasing their knowledge, receiving salary, etc. In fact, it is difficult for

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them to understand organizational goals and they should look for a solution for this. Note also that performance management is a new era of human resource management. So, by careful planning, accurately following results, in time responding, and using the power of coaching, we can both respect our competent human force and motivate them and we can also take steps toward fulfilling organizational objectives.

### Suggestions

- To fulfill top organizational objectives, assessor should be trained for all phases of evaluation. All criteria and standards should be defined and investigated by skilled advisors and by brainstorming, because when employees are supposed to engage in such a plan, their power and capabilities can be used to reach the goals.
- When reporting the evaluation results, instead of employees' scores, you can use other techniques such as using colors. For example, among three colors of green, yellow and red, green means passing score, yellow refers to trying to reach the passing score and red is a warning. These colors should be always seen by employees to see their situation and how much effort they need have in order to reach the desired situation.
- Reward and punishment system should be immediately run, because any interval between action and reward and punishment system may neutralize measures done in this regard.

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