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The qualitative study on inequitable bonuses and performance evaluation

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ABSTRACT

The human element is what determines an organization's success. Most people would agree that one of an organization's most important assets is its human capital. In order to gain a sustainable competitive advantage, the most important and evident trend is to establish and validate the relationship between organizational performance and human resource management practices. This involves significant efforts to link human resource management and organizational performance. The purpose of study is addressing inequitable bonuses and performance evaluation gaps in software firms. The current study's research technique aims to resolve disparities in performance evaluations and unfair bonuses at the companies. Three participants who worked for the three software companies were interviewed in order to get the data. The findings demonstrated that there is no connection between performance management and bonuses, awards, or recognition. The results also show that despite efforts to increase capacity for its execution, performance appraisal is still done ineffectively.

Keywords: bonus, reward, human resource management, human resource performance

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1. INTRODUCTION

Human resources are widely regarded as one of an enterprise's most valuable assets. High-performing human resources are critical assets for gaining a competitive advantage in the market (Nguyen and Kien Dao, 2023). According to research, efficient performance appraisal and feedback systems benefit enterprises as well. Because of the importance of human resource management in businesses, experts have conducted several studies on the subject in recent decades (Nguyen and Kien Dao, 2023). Employee performance evaluation is an important part of organizational management, and it has been extensively researched in recent years (Thayumanavar and Reekanth, 2023).

The most critical and obvious trend is to establish and validate the relationship between human resource management practices and organizational performance by making significant efforts to link human resource management and organizational performance in order to gain a sustainable competitive advantage (Ahmad et al., 2021). Each organization must constantly try to grow its business in order to reap the maximum possible benefits. With the correct technique, an initiative can obtain the best investment results. The Department of Human Resources is critical in assisting the company's goal-achieving strategy (Lohana et al., 2021). The section focuses on resolving human factors issues in the business. An organization's success is determined on the human factor. The performance assessment is critical for the firm since it may be used to gauge progress (Lohana et al., 2021).

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Furthermore, managers are hesitant to tell the truth about the performance of the employees they supervise, so it is not uncommon for nonperformers to be promoted and retained in the Public Service, providing no incentive for employees to improve their performance (Musubira and Karyeija, 2020). Policymakers, such as upper managers and human resource managers, plan intended human resource practices, which might take the form of a system that includes training, remuneration, appraisal, recruiting, and selection. Public management experts and researchers have focused their attention on the ineffective implementation of performance appraisal.

Human resources are also viewed as a type of human capital that increases productivity and improves firm performance. By using a resource management system, businesses can improve their market position and competitiveness (Nguyen and Kien Dao, 2023). Because of the critical significance of human resource management in business, this topic has sparked several studies by various experts in recent decades. Recently, there has been an increase in research on the relationship between high-performance human resource management and corporate performance. Because a high-performance human resource management system is a collection of distinct human resource practices, activities, and procedures that work together to recruit, retain, and develop an organization's human capital. This system tries to promote long-term corporate development in a variety of business operations, rather than only financial efficiency, as the traditional approach does. A high-performance human resource management system is a flexible system that enhances company performance and represents a trend in human resource management activities in modern businesses (Nguyen and Kien Dao, 2023).

According to Boyd and Gessner (2013), questions regarding distributive justice in the performance metric literature often arise when employees believe they are not obtaining acceptable outcomes in the form of money, recognition, or decisions that directly affect them. From this standpoint, the main premise of a distributive problem is that emotions of discomfort push employees to restore cognitive equity by changing their behaviors, attitudes, or both. Distributive justice necessitates that "performance metric ratings meet employee expectations, outcomes are based on the ratings, and outcomes meet the expectations of employees" when it comes to performance metrics. In terms of outcomes, employees must believe that monetary or social outcomes are closely related to evaluation criteria. For example, if a monetary outcome was promised as a result of an evaluation, the monetary gain must be sufficient to meet employee expectations of fairness. The purpose of the study is to address inequitable bonuses and performance evaluation gaps in software firms.

1. LITERATURE REVIEW

2.1 Human resource management

Human resource management is described as a system for making proper and appropriate use of human resources in order to achieve set organizational goals. The most important and visible tendency is to develop and validate the linkage between human resource management practices and organizational performance by making significant efforts to link HRM and organizational performance in order to gain a sustainable competitive advantage (Swanson, 2009). Using excellent human resources as a competitive weapon to improve organizational performance is a novel approach to organizational behavior management (Torrington et al., 2008). Human resource management is described as a system for making proper and appropriate use of human resources in order to achieve set organizational goals. Researchers define human resource management goals as policies, practices, and systems that influence employee behavior, attitudes, and performance. Therefore, when assessing the performance results in today's world, all signals of role centrality are considered. Humans and human resources narrate the story of breaking down barriers, developing technology, and manufacturing a variety of products (Torrington et al., 2008). In fact, an organization's success and well-being are dependent on the availability of competent and sufficient human resources.

2.2 Bonus

Swanson (2009) states that organizations that pay more attention to their workforce, pay higher salaries and benefits than the average of other organizations, prioritize internal justice in compensation, and provide better job security for their employees can hire more employees with more prominent characteristics. Many people do labor to satisfy a need. People consider the yield or reward of their effort before doing it. The practice of providing employees with monetary and non-monetary advantages in accordance with the worth of their contributions (performances) is known as employees' compensation (Samuel et al. 2014). The types of rewards that a corporation can provide to employees are far more complicated than most people believe. The entire service compensation provided by an employer for a

person's job might be either financial or non-financial (Swanson, 2009). It's a common adage that "what gets rewarded gets done," thus it's critical that incentives represent the organization's priorities. For instance, bonuses may be based on the quantity of products produced if production workers place the highest value on output quantity. Bonuses may be based on the reject rate or customer complaint rate if quality is the top priority. If managers are solely compensated for achieving their personal goals, there could be issues if the company depends significantly on teamwork (Torrington et al., 2008). Bonuses are expressed as a percentage of base salary, share options may be allocated as a declared multiple of basic pay and, commonly, pension will be a proportion of final salary (Armstrong, 2006).

Swanson (2009) rewards divided to intrinsic rewards and extrinsic benefits. Intrinsic rewards, also known as instantaneous or intrinsic rewards, are those that offer comfort and satisfaction to the recipient's heart and make him feel as if he has accomplished them. Methods or tactics such as job enrichment or the organization's restructuring measures can boost an employee's personal value and make him more content with his work and performance (Swanson, 2009). Extrinsic benefits include direct and indirect rewards, as well as aspect rewards. They do not have any money. Employees typically anticipate their direct rewards to be proportional and equivalent to those of their colleagues; in other words, fair and effective service remuneration should be considered for employees who participate in the organization's activities and goals (Swanson, 2009). While experience-based compensation has historically been used in conjunction with performance-based compensation, most modern compensation schemes are focused on the abilities and competencies of the employee. Remarkably, a comparative analysis of the roles of human resource managers revealed that public organizations favor more conventional remuneration schemes, whereas private-sector businesses typically employ competency- or skills-based appraisal techniques (Samuel et al. 2014).

Torrington et al (2008) explain that some organizations pay bonuses direct to employees on the basis of their attendance records. However, some managers do not support attendance bonuses as they feel that employees are already paid to turn up, and they are effectively being paid twice. Managers also believed that attendance bonuses sent a message to staff members that they had no control over the work environment and had given up on controlling absences. Conversely, managers believed that attendance bonuses were unfair because they penalized staff members who were actually sick. Moreover, there is a concern that these rewards could incite sick workers to report for duty, which would be detrimental to both the company and the individual (Torrington et al., 2008). It defines retention as incentives used by managers to retain human resources and keep them from leaving the organization, such as rewarding effective job performance, fostering harmonious working relationships between managers and employees, and creating a healthy and safe work environment. Although retention is crucial for competition, financial incentives are not often the key motivator for staff retention. In other words, how people feel about their salary is more significant than how much they get (Swanson, 2009).

2.3 Human resource performance

Human resources are also viewed as a type of human capital that increases productivity and improves corporate performance. As a result, strengthening the high-performance human resource management system can help firms improve their market position and competitiveness (Nguyen and Kien Dao, 2023). The Public Service is still criticized for being slow, corrupt, inaccessible, and rigid, and for being unresponsive to the needs of the people. These gaps have the potential to negatively impact the effectiveness of the Performance Appraisal system and can be partially held accountable for the current ineffectiveness and inefficiencies in public service delivery (Musubira and Karyeija, 2020). Identification, assessment, and payment of employees' works (efforts) inside a business are done through performance appraisals (Samuel et al. 2014). The purpose of a performance review is to evaluate an employee's work in order to provide fair remuneration for their efforts (Samuel et al. 2014).

The most significant aspect of practical firms is human resource performance appraisal (Quan et al., 2018). Companies can reward and reprimand employees based on their performance appraisal findings (Quan et al. 2018). Swanson (2009) notes that the human resource performance paradigm received fresh attention in the 1990s. Human resource performance paradigm has significant origins in historical training approaches. The Performance Appraisal's goal is to evaluate an employee's performance and to guide decision making in human resource development practices such as promotions, demotions, compensation, job design, transfers, and terminations in order to improve the quality, effectiveness, and efficiency of public service delivery. Furthermore, while the appraisal system is supposed to be objective, it is mostly subjective in practice (Musubira and Karyeija, 2020). Performance appraisals are used to evaluate an employee's work over a specified period of time, accounting for various circumstances. Any corporate organization needs an inventive performance appraisal system since it provides justification for employee pay, promotions, demotions, and selection validations (Samuel et al. 2014).

Performance is defined as achieving units of mission-related outcomes or outputs. A performance system was defined as any system that is arranged to achieve a specific aim or purpose. It is worth noting that the word performance system was employed rather than organization (Swanson, 2009). Performance systems are essentially purposeful systems with a defined mission. All organizations are performance systems; nevertheless, some performance systems are not organizations. If a community embraces a mission, it may transform into a performance system (Swanson, 2009).

An organizational performance measurement and management system is defined as an integrated system that supports decision-making by utilizing a set of performance measurements on both tangible and intangible assets. This system provides feedback to employees on the outcomes of actions that represent the procedures utilized to accomplish corporate strategy (Garengo et al., 2021). Results from performance reviews can be used in a variety of ways, including managing employee compensation, promoting or terminating personnel, measuring equality of treatment, determining the effectiveness of training programs for staff, and assisting with layoffs in order to keep more valuable employees. As such, the outcomes of appraisals play a critical part in an organization's HRM operations (Samuel et al. 2014).

2. RESEARCH METHOD

The purpose of study is addressing inequitable bonuses and performance evaluation gaps in software firms. The research methodology involved in the present study purpose to addressing inequitable bonuses and performance evaluation gaps at the firms. The data was collected through interviews with three participants who were employees of the three software firms.

3. FINDINGS

The interview was in two sections and subjects as reward and bonus and performance evaluation process. The interview questions and answers added in appendix.

There is no link between performance management and reward, bonus or recognition. Also, they are not done fairly or does not encourage or motivate high performance. Participants mentioned that performance evaluation is happening once a year to comply with the Organization's rules. Based on findings and analysis data gathered through interview Fig. 1 provided as below:

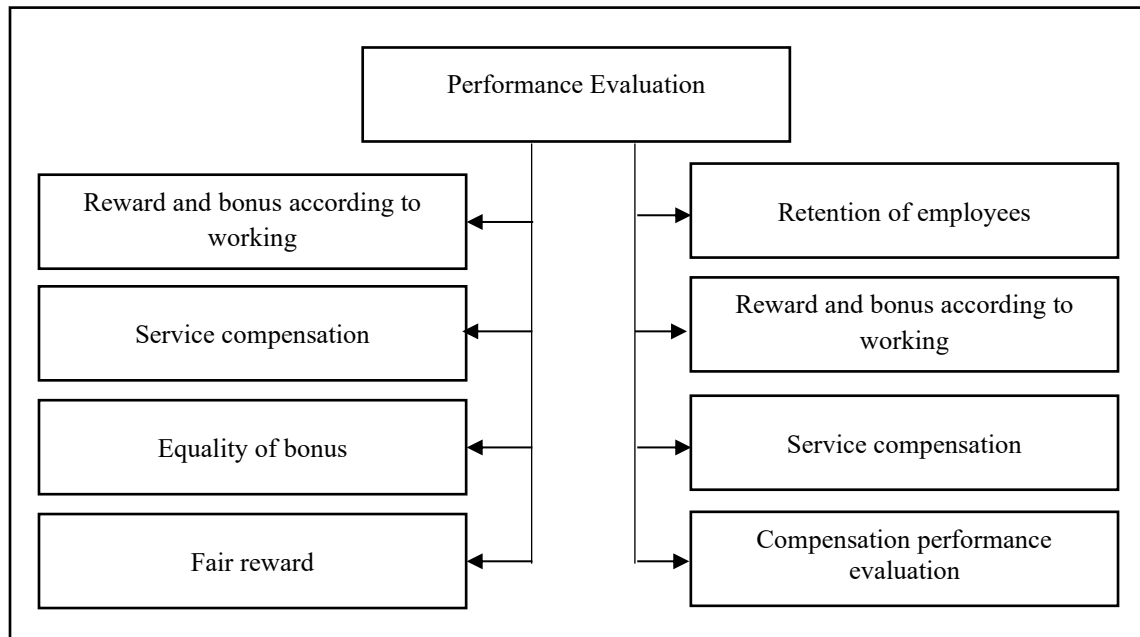


Fig. 5: The model of performance evaluation

4. CONCLUSIONS

The purpose of this paper was to addressing recruitment misalignments, inequitable bonuses, and performance evaluation gaps at the software firms. The findings indicate that performance appraisal in at the software firms remains ineffectively implemented despite the efforts to build capacity for its implementation. The ineffective implementation has been linked with recruitment misalignments and inequitable bonuses. This despite the fact that the strategy map on human resources focuses on the vision, goal and strategy of the organization.

It is suggested that the system of evaluating the performance of human resources in this organization be implemented in a way that: allows for the identification of employees with high potential and ability within the organization; allows for the presentation of performance evaluation results to them for the development and advancement of employees; and takes into account the fact that a small number of experts and employees of software firms were satisfied with the current conditions of evaluating the performance of human resources.

Given that only a small percentage of software firms experts and employees were content with the hiring process based on the model of job qualification conditions, it is recommended that a job analysis database be established in order to adhere to the models of individual job suitability and organizational individual suitability. This database can assist human resource managers in the hiring process by providing the ability to search for and update organizational information.

Assessing the effectiveness of human resources is a procedure that ought to be carried out consistently. In fact, studies have shown that no form of development is possible without proper evaluation because development means moving from the existing situation to the desired situation, and evaluation means identifying the existing situation. Managers who wish to improve their performance and accomplish organizational goals must inevitably perform a complete and more accurate evaluation of their performance. This is because performance evaluation improves customer satisfaction, citizens and stakeholders' satisfaction, and public trust. We cannot proceed in the direction of the intended state until we ascertain the existing one.

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Appendix

Reward and bonus

When participants ask:

1- In relation to unfair awards, what is the gap in the evaluation performance?

Participant A answered:

There is no link between performance management and reward, bonus or recognition. Employees in my firm feel that their payments, bonuses and service compensation are not done fairly.

Then added that:

Managers feel that there is no other way to truly show recognition than to give an 'outstanding performance' rating to supervisees.

Participant B answered:

The current model is seen as unfair as it does not encourage or motivate high performance; certain senior stakeholders stated that they were worried this has the possibility of leading to retention issues of junior and talented staff.

Participant C answered:

The Reward and Recognition Program is interesting but is very limited and not necessarily incentivizing performance across the Organization, due to the limited proportion of the total workforce being rewarded every year. But in this firm, employees feel that their wages are equal to similar employees.

Performance evaluation

When participants ask:

2- In your opinion, what gap should be considered and investigated regarding the firm performance human resources?

Participant A answered:

.... Performance Management was considered as a tick-in-the-box exercise happening once a year to comply with the Organization's rules.

Then added:

... The experience depends heavily on the manager's management skills and organizational policy.

Participant B answered:

It is extremely difficult to terminate a contract for lack of performance and managers often do not want to face conflicts or difficult situations in cases of appeal.

Participant C answered:

The process is seen as being formal and requires heavy documentation and legalistic by many.

Then added that:

... The performance process is too long, especially for the performing for some persons.

The added:

.... The current process is only carried out for accountability purposes instead of being a tool for development, career progression and success planning.

Also said that:

... That it is difficult to effectively address underperformance with the current model; most managers choose not to tackle underperformance since it implies complexity and heavy burden on managers. In this firm, they do not use retrenchment to maintain the balance of supply and demand of human resources.

Then added that:

The current performance process is seen as very traditional and homogenous, rendering it difficult to reflect the diverse jobs and backgrounds.

... Consequently, managers exhibit less support to the process or conduct appraisals less objectively and as a result of this, some performance appraisal systems face lack of adequate support.

... The firm can improve their performance by properly handling gaps through a practical understanding of human resource and performance evaluation.