

THE IMPACT OF COMPETENCY-BASED PERFORMANCE MANAGEMENT OF STAFF ON ORGANIZATIONAL PERFORMANCE (CASE STUDY: ENTEKHAB INDUSTRIAL GROUP)

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Abstract: *The purpose of this study was to determine the impact of staff competency-based performance management on organizational performance in Entekhab industrial group. The population of the study was a group of 550 of industrial workers. Simple random sampling was used. The minimum number of sample was 230 using Morgan table. Based on the literature and previous research in this area, the key indicators to evaluate performance based on staff competency were identified as the knowledge, skill, attitude and work style, and working results. Using expert opinion, a standard questionnaire was developed and the data were analyzed by SPSS and AMOS. The results of the analysis indicate that all the research hypotheses are supported, meaning that the factors had a positive and significant effect on organizational performance with regression coefficient as follows: the knowledge of employees in Entekhab industrial Group 0.48, staff skills 0.28, attitude and style of working 0.18, the staff work results 0.42.*

Key words: *performance, performance management, staff competency, knowledge, skill, attitude and working style, working results (Outcomes).*

INTRODUCTION

Organizations need continuous improvement of performance to survive and thrive in today's competitive world. Reforming individual and organizational performance is the key to success. Factors such as rapid change, budget deficit, shrinking and restructuring, social pressure for organizations' higher accountability for their performance have placed greater emphasis on performance management. "Performance management begins with interpretation of the goals, organizational strategies, and paying attention to individual staff objectives and performance standards." This has led organizations and businesses to design

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approaches and models to evaluate and review their performance (Bazaz Jazayeri, 2007: 17). Performance management is a process using which managers verify that the employees output matches overall business goals. Thus, if a company is aiming to succeed in competition, performance management is vital. Performance management must enter all aspects of the organization. It should be viewed as a disposable technique, but a continuous process in which people freely advance to reach the goals of the organization. Performance management is of such an importance today that a large number of the world's leading organizations are based on designing and implementation of an effective performance management system that can achieve the organization, the team and individual goals.

Since this research in Entekhab Industrial Group is conducted on home appliance manufacturer brands Snowa / Daewoo / Best / Techno Gas, various meetings with deputies, administrators and experts were held and important cases arose indicating the importance and necessity of this research as follows:

Job promotion, sense of identity and value in employees, considering the individual, unit and organizational performance help build and strengthen the organizational justice, a sense of contribution to improve the performance and reduce the gap between managers and employees, equitable distribution of services, achieving great organization goals, job mobility, employees reward and punishment, quality improvement and staff development.

THEORETICAL LITERATURE

Before defining performance management of the concept of "performance" should be mentioned. The performance of any organization is based upon its human resources performance. Armstrong identifies performance as a strategy that is based on the analysis of key success factors and performance levels achieved by those factors. In his view, what improves performance includes education, training, organizing, developing performance management processes, and business process of reengineering or reducing the cost of activities (Armstrong, 2002). It is a process through which coordination and alignment between organizational performance and human resources performance is created. Performance management is a way to create alignment between organizational and individual goals, which leads to improvement, growth, development and excellence of the organization. In other words, performance management is a set of tools and approaches that will help the organization achieve its objectives (Bazaz jazayeri, 2007).

In another definition, performance management is a process in which managers ensure that employees' outcomes are in agreement with organizational goals (Bloisi, 2007). It plays an important role in motivating individuals by creating an infrastructure that can establish many to non-financial incentive approaches (Armstrong, 2011). In performance management, performance appraisal plays a

significant role as one of the categories of performance management. Performance appraisal will be more successful and sustainable when it is done according to performance management, and this is because performance is a supporting umbrella for performance appraisal (Soltani, 2002).

The purpose of performance appraisal is assessment of individuals while performance management focuses on improving their quality and development. Performance appraisal is to systematically measure the performance of each individual's work in relation to the task assigned, and to determine the potential of the jobs for growth and improvement (Mirsepasi, 1995).

In general it can be said that in the concept of performance appraisal recognizing and rewarding the strong staff and through this, creating an incentive for them and also other employees to improve their performance are the main reasons of performance evaluation. Performance appraisal is a part of operational processes in human resources management and in fact a form of control and feedback. Performance appraisal is a critical assessment of different activities of an organization that is both preventive and diagnostic. Appraisal is a subsection of performance management in which the implementation of a series of systems and methods follow strategic management objectives as concrete actions through human resource management (Soltani, 2004: 5).

One of the most common applications of performance management is in career development which includes self-development, leadership development, management improvement and identification of training needs of managers. The purpose of the evaluation is identifying strengths and weaknesses and development needs of the learner. Learner, then, benefits an increase in self-perception (McCarthy, 2002). Performance appraisal in the form of performance management seeks to build new competencies in human resources and also to discover the staff hidden talents and help to develop them (Soltani, 2003: 37).

Competency means individuals' being competent enough for their work. It is a set of the factors that a person has that ensure us that the work is done safely and well according to the expectations and the standards. Competency is defined as a person's level of knowledge, skills and personal characteristics that allow him/her to perform above average (Abol'alaei, 2004: 11). Competency refers to "those characteristics that underly the successful behavior of employees in their job" (Khorasani and Eidi, 2010: 41).

In another definition, competencies are those skills and abilities that a person has which help him/her do his/her job (Bloisi, 2007: 257). The competencies can be used on job design, employee recruiting and selection, employees' performance management, training and development, career, and services compensation. Performance management considers relating the person's competencies and their actual performance besides improving the current competency and quality of

individuals and the whole system for better performance (Soltani, 2002). Competency approach and its related models are among the new approaches in human resources management. In this section some of these patterns are introduced.

Crawford Competency Model

According to Crawford three aspects of knowledge competency, performance competency and personal competency were raised and the relationship between the three dimensions was shown in a model. He believes that if managers have a proper combination of the competencies mentioned, they are competent (Javan Jafari / Soltan Abadi, 2012).

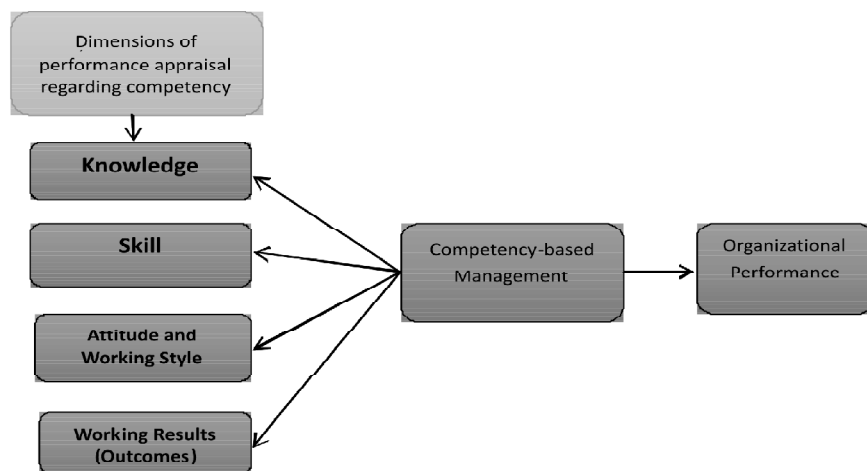
Brophy and Kiely Competency Model

Brophy and Kiely, define of competencies as factors related to performance, and also present it as a model at the technical, technical - strategic and strategic levels (Javan Jafari / Soltan Abadi, 2012).

Situational Model of Establishing Competency-Based Management in Organizations

Stewart and Lindsay, in a model, identify competency components as subordinate to organizational competency, and the organizational competency as subordinate organizational environment and organizational (Javan Jafari / Soltan Abadi, 2012).

This study examines competency-based performance management, including 4 competencies which are knowledge, skill, attitude, work style and the results and their impact on organizational performance in Entekhab Industrial Group.



Conceptual Model

HYPOTHESES

Main Hypothesis: Dimensions of competency-based management significantly impact organizational performance.

Secondary Hypothesis

- In competency-based management, knowledge indicators h significantly impact organizational performance.
- In competency-based management, skill indicators h significantly impact organizational performance.
- In competency-based management, attitude and working style indicators h significantly impact organizational performance.
- In competency-based management, working results (outcomes) indicators h significantly impact organizational performance.

METHODS

This study is applicative regarding goals. Furthermore, since it describes the current situation and collects data on an existing company, it is considered a descriptive survey regarding method. The population for the study was composed of 550 individuals. Among the various sampling methods, random sampling was selected. Since the population was finite, Morgan Table was used to determine sample size, yielding 230. Secondary sources including books and articles were used to conduct a review of subject literature. Key indicators for performance appraisal were identified and divided into four categories: knowledge, skills, attitude and working style, and outcomes. A questionnaire constituted the data collection instrument. Answers were given on a Likert scale of one to five. The questionnaire was administered to the individuals in the sample and the results were analyzed using statistical software packages. The questionnaire consisted of 45 items, whose content validity was verified by experts in the field. The final edition of the questionnaire was prepared by applying their critiques. Moreover, construct reliability was verified using confirmatory factor analysis. Cronbach's alpha was calculated using SPSS software package, yielding 0.93, which demonstrated the reliability of the study. In order to analyze the collected data according to the hypotheses and construct structural equations we employed SPSS and Amos respectively.

FINDINGS

Main Hypothesis

The overall fit indices of the main hypothesis, which considers the relationship between competency-based management and organizational performance, are shown in Table 1.

Table 1
Overall fit indices for the main hypothesis

Hypothesis	CMIN/DF	TLI	GFI	IFI	RMR	CFI	RMSEA
Between 1 and 5		0.90>	0.90>	0.90>	0.90>	0.90>	0.08<
Main Hypothesis	3.51	0.91	0.93	0.094	0.93	0.94	0.07

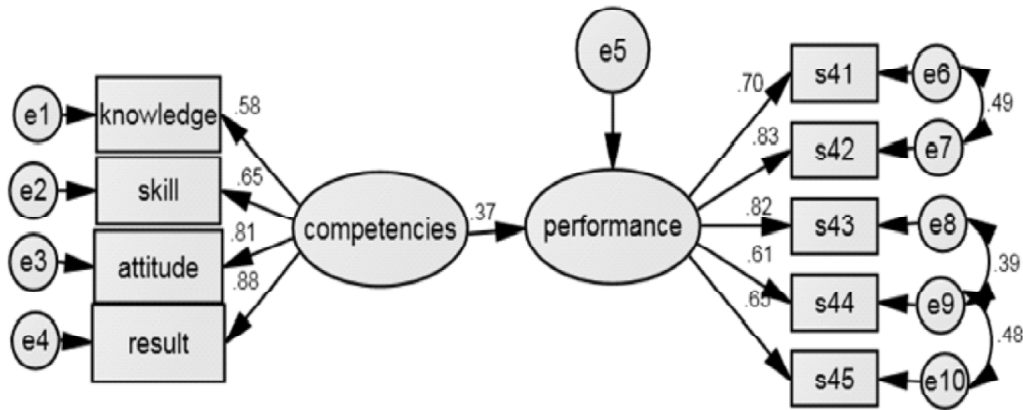


Figure 1: Structural Equations Model to test model fit and the main hypothesis

According to the fit indices and their acceptable ranges, the model has adequate fit. Table 2 shows the regression coefficients as well as partial indices.

Table 2
Regression Coefficients (Main Hypothesis)

No	Hypothesis	Regression Coefficient	Critical Value	P	Result
			1.96>	0.05<	
1	competency-based management → Organizational Performance	0.37	4.6	0	Supported

After determining model fit, hypotheses were tested using the critical value, the standardized regression coefficient, and P-value. The critical value equals 4.60, which is larger than 1.96. Furthermore, P-value equals 0.00 which is smaller than 0.05. Thus, it can be concluded with 0.95 percent certainty that performance indicators in competency-based management impact organizational performance in Entekhab Industrial Group with a 0.37 coefficient. Therefore, the main hypothesis is supported.

Secondary Hypotheses

Table 3
Overall fit indices for the secondary hypotheses

<i>Hypothesis</i>	<i>CMIN/DF</i>	<i>TLI</i>	<i>GFI</i>	<i>IFI</i>	<i>RMR</i>	<i>CFI</i>	<i>RMSEA</i>
	Between 1 and 5	0.90>	0.90>	0.90>	0.08<	0.90>	0.08<
Secondary Hypothesis 1	3.08	0.90	0.90	0.91	0.05	.91	0.07
Secondary Hypothesis 2	2.20	0.91	0.91	0.93	0.05	0.93	0.07
Secondary Hypothesis 3	2.31	0.90	0.90	0.93	0.05	0.92	0.07
Secondary Hypothesis 4	2.65	0.90	0.90	0.92	0.04	0.92	0.07

According to the fit indices and their acceptable ranges, the model has adequate fit. Table 4 shows the regression coefficients as well as partial indices.

After determining model fit, hypotheses were tested using the critical value, the standardized regression coefficient, and P-value. The critical value equals 4.60, which is larger than 1.96. Furthermore, P-value equals 0.00 which is smaller than 0.05. Thus, it can be concluded with 0.95 percent certainty that knowledge, skill, attitude, and working styles, and outcomes in competency-based management impact organizational performance in Entekhab Industrial Group with a 0.37 coefficient. Therefore, the secondary hypotheses are supported.

CONCLUSION

This paper aimed to determine the impact of dimensions of competency-based management on organizational performance in Entekhab Industrial Group. After analyzing the collected data, it was concluded that all the hypotheses in the model were supported. With a coefficient of 0.48, knowledge has a significant impact on organizational performance. The same is true for skill, with 0.28. Furthermore, the coefficients for attitudes and working styles and outcomes were 0.18 and 0.42, respectively, indicating their significant impact on organizational performance. Thus, according to the results, knowledge has the highest impact on organizational performance in Entekhab Industrial Group (48 percent) while outcome has the lowest (18 percent).

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