



# Personnel Performance Evaluation based on Balanced Scorecard (BSC) in Iran Health Networks

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## Abstract

*Performance appraisal is an important part of organizational life because it can serve a number of functions/purposes. Efficiency increasing is among the goals of every organizations and it depends on the development of personnel's performance. To this objective, the personnel's performance must be investigated and controlled in order to be improved and this can't be done without measurement and evaluation. Therefore a system of performance evaluation is necessary for the organization. Due to the fact that performance evaluation is a difficult aspect of human resource management, a logical procedure must be designed considering the work conditions and human resource arrangement. In this research, the balanced scored card (BSC) was considered as an evaluation model and appropriate criteria of personnel's performance appraisal were selected due to its four perspectives afterwards the weight of each criteria was achieved using Factor Analysis. For studying the research collected views of 40 experts about performance appraisal. The data collection instrument for designing the questionnaire was a 101-question questionnaire includes 39 closed questions that measured by Likert's scales, 61 ranking question by selective and one open question. This research can specify personnel performance rank and be a strategy of motivation and efficiency job promotion for each of them.*

**Keywords:** Performance Evaluation, balanced scorecard (BSC), Health Network, Iran.

## Introduction

Human Resource Management is the new approach to managing people in any organization<sup>1</sup>. Performance refers to the degree of accomplishment of tasks that make up an individual job<sup>2</sup>. Performance appraisals provide a formal, recorded, regular review of an individual's performance, and a plan for future development<sup>3</sup>.

The most important dependent variable in industrial and organizational psychology is job performance. Good management and effective leadership help to develop team work and the integration of individual and group goals. Leaders have to sustain performance, sustaining and improving performance for the future is essential for the survival of the organisation<sup>4</sup>.

Performance appraisal is important to manage employee's work effectively. Armstrong, told performance as behavior<sup>5</sup>. Mooney suggested that performance relates with activities and behaviours of employees<sup>6</sup>. Dessler defined performance appraisal as "comparing the employee's present and past performance to his/her performance standards"<sup>6</sup>.

Grubb says performance appraisal is a procedure to evaluate how individual personnel are performing and how they can improve their performance and contribute to overall organizational performance. Performance appraisal is the

systematic evaluation of employees according to their job and potential development<sup>7</sup>.

Performance appraisal refers to a process, which studies and evaluated the job performance of personnel formally<sup>8</sup>. The high performance is the goal that an organization pursues. A rational and scientific method of performance evaluation, not only can carry out effective measurement to the past organization's performance, but also help to offer decision support to improve and optimize the performance for the future<sup>9</sup>.

There are a variety of methods for evaluating of employees' performance. Obviously, no method can claim that it has an integrated approach in performance appraisal. Therefore, human resource managers should select an appraisal method which is most efficient in their organizations<sup>10</sup>.

One of the most important methods for the appraisal of employees' performance is the balanced scorecard (BSC), that it is an instrument of strategic learning about the validity of the strategy and the quality of its execution. In this approach, strategic objectives are formulated looking from four perspectives (financial, customer, internal business, and innovation and growth)<sup>11</sup>.

The balanced score card was developed by Robert Kaplan and David Norton as a performance measurement framework that

added strategic non-financial performance measures to the traditional financial metrics to give managers and executives a more balanced view of organizational performance<sup>12</sup>. They (Kaplan and Norton) add that, “The four perspectives of the scorecard permit a balance between short-and long-term objectives, between outcomes desired and the performance drivers of those outcomes, and between hard objective measures and softer, more subjective measures”. In Kaplan and Norton’s view, strategies are developed following a cause and effect approach. In this vein, “The measurement system should make the relationships (hypotheses) among objectives (and measures) in the various perspectives explicit so that they can be managed and validated”<sup>12</sup>. For example, investments in learning will lead to a better internal business process, which, in turn, is likely to improve a customer’s satisfaction and loyalty, and therefore result in a higher return on investments, which would satisfy shareholders<sup>13</sup>.

Henri uses the BSC to evaluate the performance measurement diversity. The diversity of performance measurement is important because it makes cause-and-effect relationships transparent and keeps managers from sub optimizing by improving one measure at the expense of others<sup>14</sup>. Hoque and James found that firm performance is significantly and positively associated with the diversity of performance measurement<sup>15</sup>.

Employee performance is related to job duties which are expected of a worker and how perfectly those duties were accomplished<sup>16</sup>.

The objective of this study was to establish the application of BSC in Iran health networks.

## Material and Methods

The present research is an applied and descriptive analytical study that was implemented in 2013- 2014. The research populations were 40 experts who work for medical sciences in all over of Iran.

This research inquires views’ these experts about BSC model by Delphi methods. For starting a questionnaire with 4 tables has sent them by email in two steps at time research and data were collected. The data collection instrument was a questionnaire includes 101 questions.

After gathering the questionnaires, the necessary data were obtained from them. Various statistical tools were used in order to analyze the data. The views’ experts Categorized based on BSC.

## Results and Discussion

From the total number of respondents, 18 were males (45%) and 22 were females (55%). The average age of the sample was 40.80 (s.d. =6.48). The average years of work experience (tenure) in their current organizations was 15.75 years (s.d. =6.83). The average educational levels was 6.15 (s.d. = .98). To do this research we calculate statistics for criteria BSC model in table-1. According to table-2, 45 percent of respondents selected BSC model for first and second priorities. Next tables (Table 3-6), show priorities indicator or criteria of BSC model for employee performance appraisal.

**Table-1**  
**Descriptive- Statistics for criteria BSC model**

		BSC Model	Learning and growth perspective	Internal process perspective	Customer perspective	Financial perspective
N	Valid	40	40	40	40	40
	Missing	0	0	0	0	0
Mean		2.75	2.35	3.15	1.90	2.60
Std. Error of Mean		.228	.209	.233	.204	.285
Median		3.00	3.00	3.50	2.00	2.00
Mode		2	3	4	1	4
Std. Deviation		1.020	.933	1.040	.912	1.273
Variance		1.039	.871	1.082	.832	1.621
Range		4	3	3	3	3

**Table-2**  
**Priorities BSC model of performance appraisal**

Priority BSC model	Frequency	Percent	Valid Percent	Cumulative Percent
First	2	5.0	5.0	5.0
Second	16	40.0	40.0	45.0
3rd	16	40.0	40.0	85.0
4th	2	5.0	5.0	90.0
5th	4	10.0	10.0	100.0
Total	40	100.0	100.0	

**Table-3**  
**Priorities of learning and growth perspective (criteria of BSC model of performance appraisal)**

Priorities of learning and growth perspective	Frequency	Percent	Valid Percent	Cumulative Percent
1	10	25.0	25.0	25.0
2	8	20.0	20.0	45.0
3	20	50.0	50.0	95.0
4	2	5.0	5.0	100.0
Total	40	100.0	100.0	

**Table-4**  
**Priorities of Internal process perspective (criteria of BSC model of performance appraisal)**

Priorities of Internal process perspective	Frequency	Percent	Valid Percent	Cumulative Percent
1	4	10.0	10.0	10.0
2	6	15.0	15.0	25.0
3	10	25.0	25.0	50.0
4	20	50.0	50.0	100.0
Total	40	100.0	100.0	

**Table-5**  
**Priorities of Customer perspective (criteria of BSC model of performance appraisal)**

Priorities of Customer perspective	Frequency	Percent	Valid Percent	Cumulative Percent
1	16	40.0	40.0	40.0
2	14	35.0	35.0	75.0
3	8	20.0	20.0	95.0
4	2	5.0	5.0	100.0
Total	40	100.0	100.0	

**Table-6**  
**Priorities of Financial perspective (criteria of BSC model of performance appraisal)**

Priorities of Financial perspective	Frequency	Percent	Valid Percent	Cumulative Percent
1	10	25.0	25.0	25.0
2	12	30.0	30.0	55.0
3	2	5.0	5.0	60.0
4	16	40.0	40.0	100.0
Total	40	100.0	100.0	

In this paper, a BSC based subcontractor performance evaluation model is presented. The results indicate that BSC, is useful instrument for evaluating, motivating and decision making about employee promotion. In this case Kang concluded that BSC can help rationalize the decision process by providing a much better guideline as to the standard required for each performance level. This could eliminate the reliance on

subjective judgement as characterised in the current subcontractor performance appraisal practice.

Analyzing the data shows that BSC model is an important method in performance appraisal so that 5 percent respondents selected this model for first priorities, 40 percent for second and 40 percent for third priorities, and in total 85 percent of these

respondents selected this method for first to third priorities and only 15 percent chosen it for 4th and more priorities. Kang and Fredin stated the use of a balanced scorecard (BSC) for performance evaluation is meant to help evaluators make more complete decisions, as they have a variety of financial and non-financial measures to assess<sup>17</sup>.

Balanced Scorecard (BSC) as a model of performance, is effective in that "it articulates the links between leading inputs (human and physical), processes, and lagging outcomes and focuses on the importance of managing these components to achieve the organization's strategic priorities"<sup>18</sup>.

The BSC is a tool for performance management and performance evaluation<sup>19</sup>. According to Hodgkinson and Kelly (2007), a BSC can be seen as a strategic management system, the model facilitates the translation of an organization's vision and strategy into objectives, measures and targets in four different areas: the financial perspectives, the customers' perspectives, the internal business perspectives and the innovation/Learning and growth perspectives<sup>18</sup>.

Finding of this research showed 25 percent (N (Total) =40) respondents chosen learning and growth criteria for the first priorities, therefore facilities for training and learning should be provided for all employees. Service and support personnel have fewer training that should be predicted courses for them. Ardekani has reached the conclusion that in learning and growth criteria with regard to the importance to promote professional management knowledge, to conduct educational training inside the company and manage manufacturing process, the corporate owners paying attention to the mentioned issues should put extra effort to attract and preserve skilled managers and employees so that by having work forces, they can acquire a competitive position in ceramic and tile industry<sup>20</sup>.

Also 10 percent respondents chosen internal process's perspective criteria for the first priorities. Ardekani showed that from internal process's perspective, companies should give special attention to employee job satisfaction, performance management and amount of internal regulations. To be successful in this field, the managers have to pay special attention to their employees as their internal customers and to meet their materialistic and non-materialistic demands and needs and to provide satisfaction which could cause the employee to put their entire effort to improve the company's performance and acquire competitive advantage in the industry<sup>20</sup>.

Based on the research Salehi and Ghorbani, in the view of internal processes, the organizations should determine the strategies that can make value for customers and share holders by being superior in them. Meeting any of these goals that are determined in customer view, necessitates using one or some operational processes should be determined in internal processes view and some suitable criteria should be developed for controlling their development. For meeting the expectations of

customers and shareholders, completely a new collection of operational processes is needed<sup>21</sup>.

Finding of this research showed 25 percent respondents selected financial perspective criteria for the first priorities.

Salehi as saying financial criteria are important parts of BSC, especially in non- state organizations .The criteria of this view tell us that the successful operation of the goals that have been determined in three other views, will lead to what results and achievement at the end. We can do our best to improve and optimize the level of customers' satisfaction, raising the level of quality, easing the products and services time of us, but if these one do not lead us into some solid results in our financial reports, they won't worth at all<sup>21</sup>.

Finally, the research findings suggest that 40 percent respondents selected Customer perspective criteria for the first priorities. For reaching goals organization should pay attention to interests and opinions customers. Organizations that choose their customer correctly, they increase customers' satisfaction and improve their products and services. It should be noted that employees are internal customers and they are important as well as external customers. Then, organizational productivity will increase by using their views and innovations.

One of the most important developments in the field of quality improvement approaches in the last decade of the twentieth century was measurement of customer satisfaction as one of the core requirements of quality management systems such as ISO 9000 or excellence awards, as Foundation for Quality Management model in Europe was also in Iran over the past decade with the introduction of quality management models and tools which have been developed to meet customer demands, issues such as customer satisfaction and attention to their needs have been emphasized<sup>22</sup>.

## Conclusion

Analyzing the research findings can also lead us to the conclusion that according to a majority of the respondents, the current appraisal method will go on to evaluate performance personnel by BSC model if pay attention to criteria and some status. About these Steven et. al. have stated an appropriate appraisal technique should be selected; the appraisal system should be performance based and uniform. The criteria for evaluation should be based on observable and measurable characteristics of the behavior of the employee. The appraisal techniques should be easy to administer, implement and economical to undertake<sup>14</sup>.

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