



# Investigate the Effect of Services Compensation System on Employee Performance in Forensic of Kohgiluyeh and Boyerahmad Province.

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## ABSTRACT

**Objective:** The aim of this study is investigate the effect of services compensation system on employee performance in Forensic of Kohgiluyeh and Boyerahmad province. In present research independent variables are services compensation system, salary and benefits, incentive payment, annual salaries increase, provision of services and additional payments and donation and various facilities and dependent variable is employee's performance. **Methodology:** This study based on objective is correlational and descriptive. The population of the study consisted of all employees of forensic in Kohgiluyeh and Boyerahmad province which 41 persons were selected as the subjects of the study. With regard to the limitation of studied community, used the census method. Data collection is in the form of documentary and field. In this research, questionnaire was used as a data collection tool. For analyzing data is used descriptive and inferential statistics by using the SPSS software. In order to evaluate the validity of the data achieved through instrument (questionnaire) readers, advisors, and experts. The internal reliability of the items was verified by computing the Cronbach's alpha. **Results:** Research findings are as follows: Services compensation system has a significant impact on employee performance; Salary and benefits has a significant impact on employee performance; Incentive payment has a significant impact on employee performance; Annual salaries increase has a significant impact on employee performance; Provision of services and additional payments has a significant impact on employee performance and finally donation and various facilities has a significant impact on employee performance. **Conclusion:** According to the obtained results, the following suggestions are presented: Designing and development of employees services compensation system so that employees receive more salaries and benefits for more activities within the framework of statutory duties.

## 1. Introduction

### 1.1 Introduction and Problem Statement

The mission of management and main objective of managers on the organization is effective and efficient use of various resources Such as labor, capital, materials, energy and information. In line with this mission, efficient use of human resources (human resources performance) have a particular importance because unlike other resources, human has wisdom and discretion and manager cannot easily use them. More importantly, Human resources is not only an organizational resource but is only factor that takes other factors (Singer, 1990).

In human resources must always emphasis on increase of the job efficiency and attempting to examine the factors influencing on efficiency and human performance, but one of the major problems in modern organizations is the poor performance of human resources in organizations. Poor performance have a negative effects on leadership and organization employees that is unpleasant for both leadership and employees. Unfortunately, current knowledge about

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how to deal with poor performance of employees is minimal. It is obvious that poor performance of employees should be corrected and leads to increasing employee efficiency and effectiveness of organization (Irannejad-e-parizi, 2003).

The services compensation system in payments is beyond the concept of salary payment system. In actual, services compensation received to any value that employer or organization pay to employees for work in organization. The most important and most sensitive areas in human resource management is related to services compensation system and objectives of an organization from designing the services compensation system is maintaining the appropriate specialist forces and increasing the job motivation of human resources.

On the other hand, the employee's performance include complex dimensions of instincts, natural, social and economic culture that reflects the spiritual and material aspects of the organization.

In fact, widespread and rapid environmental changes in organizational activity provided the requisites in the field of diversity and appropriate policies and strategies to the conditions. In this regard, services compensation of human resources as a horizontal integration factor of organizations and as an effective strategy is important.

Therefore, the establishment of a proper payment system in any organization and create of primary facilities in various fields is among the important issues that must be seen as the important foundation in manage of any organization. For achieving success in any organization is required that consciously attempts managers of organization for maintaining the human resource and enhancing the productivity and efficiency of their employees. Proper management in any organization is done when paid suitable salaries and benefits to employee according to the quality of their duties and responsibilities.

According to discussions provided above, researchers seek to uncover the fact that investigate the effect of services compensation system of the organizations on organization performance. Thus, the aim of this study is investigate the effect of services compensation system on employee performance in Forensic of Kohgiluyeh and Boyerahmad province (Drummond and Stone, 2007).

## **1.2 Research purposes**

Investigate the effect of services compensation system on employee performance in Forensic of Kohgiluyeh and Boyerahmad province.

### **1.3 Sub- objectives**

Investigate the effect of salary and benefits on employee performance

Investigate the effect of incentive payment on employee performance

Investigate the effect of annual salaries increase on employee performance

Investigate the effect of provision of services and additional payments on employee performance

Investigate the effect of donation and various facilities on employee performance

### **1.4 Objectives of the services compensation system**

Organizations in the design of services compensation system follow the various objectives and human resource professionals of organization must have the necessary recognition about goals and how to achieve it. Basically, the goal of designing a services compensation system is attract and retain of qualified personnel and increase of their motivation. The objectives described in this section:

#### **1.4.1 Attracting qualified applicants**

Job applicants usually gain the information about amount of various organizations payments for similar jobs and compare the amount of payments. Also, many applicants who have expertise and experience attention to other services compensation such as promotional opportunities and services that organization offers (Seyedjavadin, 2002).

#### **1.4.2 Retaining qualified employees**

After the organization attract and recruit the appropriate applicant, services compensation system must retain the qualified, innovative and productive people. Many factors may cause that employees to leave the organization, but the most important causes of turnover and transmission system is inadequate services compensation. For this reason, human resource professionals must ensure that services compensation system is fair and incentives (Tomer, 2001).

#### **1.4.3 Increase employee motivation**

Employees are expected to receive bonuses that is directly associated with performance. As observed, initially demands or expectations of employees is formed about the amount of bonuses that they can receive a higher payment in condition of better performance. These expectations regulate the goals or performance levels for them (De Cenzo and Robbins, 1989).

#### **1.4.4 Legal considerations**

The latest goal of designing services compensation system is that the system should not be incompatible with government regulations. Usually governments influence on structure of organizations payment with determine the level of payment especially in government agencies. Government regulations generally pay to determine the minimum wages, the amount of work hours, minimum age for employment, physical condition of the workplace, etc.

## **1.5 The benefits of employee performance evaluation**

Determining the appropriate increase of wages and benefits based on employee performance measurement.

Identifying people who should be transferred or moved.

Identifying training needs of employees.

Identifying people who may have the ability to promote and implement the appropriate positions.

Recognition of behavioral characteristics and maturity of people to adjust the optimal connection (Seyedjavadin, 2002).

### **1.6 Performance evaluation model**

Performance evaluation model has a 5 stage process as follows:

#### **1.6.1 First stage: Identifying performance evaluation purposes**

there is consensus in case of performance evaluation on the following objectives: Identify the training needs of manpower; creating a rationally system of reward and punishment; creating a rationally system of manpower planning; creating a rationally system of salary payment; creating a system of career planning; creating logical connection system between the human resources and creating a system of rationally motivation and development of human resources.

#### **1.6.2 Second Stage - job analysis**

In performance evaluation in stage of job analysis is proposed three arguments: Review and update the job description; document the human resource performance and perform the constructive discussion about the human resource performance.

#### **1.6.3 The third stage: to measure the performed work**

At this stage, the performed work by human resources during a certain period is examined according to anticipated compiled duties and responsibilities in the job description of different fields of job evaluation scheme.

#### **1.6.4 The fourth stage: implementation of performance evaluation**

According to the anticipated standards, at this stage management seeks to implement the goals outlined in Identifying performance objectives of human resource according to the evaluation criteria.

#### **1.6.5 The fifth stage: end-of-period evaluation interviews with human resources**

In the interview is discussed about past performance of human resources and exploration takes place on the strengths and weaknesses of human resources (Karimi, 1999).

### **1.7 Theoretical Foundations of employee performance**

	References	Factors affecting on employees performance
1	Toric & Giion (1997)	Alignment, organizational learning, organizational resources, vision and leadership
2	Khandekar et al (2006)	organizational learning
3	chand et al (2007)	Human resource management
4	Hiuze (1998)	Accountability, deregulation, decentralization, transparency, director public policy and result-oriented
5	Mayga (2004)	Organizational size, organizational commitment, and competitive analysis
6	Tomas (1991)	Workforce diversity
7	Nad et al (2003)	Performance appraisal system
8	Abdo et al (2003)	Organizational culture, organizational commitment
9	Leen et al (2007)	Organizational learning and knowledge management capacity
10	Zenito et al (2006)	Transformational leadership
11	Terziusci et al (1999)	Total Quality Management
12	Vagner (1994)	Participation
13	Lucus (2005)	Information technology and information systems
14	Moulin (2007)	Stakeholder expectations
15	Lavler (1996)	Empowerment

### **1.8 Research Literature**

Aghazadeh and Seyedian (2004) in research with title " Culture's consequences in controlling agency costs: Egyptian evidence " examines the business environment of Egypt, a nation at the beginning of its transition to a market economy, to determine whether national culture is associated with the use of accounting based debt covenants in debt agreements. The results indicated that cultural dimensions are significantly different between the three periods, suggesting that national culture changes with economic development. Three of the four cultural dimensions are significant when regressed on the number of accounting-based debt covenants in debt agreements. This indicates that as a country develops, national culture is associated with the control and understanding of the business process.

Aringo (2003) in research with title "A study of Taiwan's travel agent salary system: an agency theory perspective" utilizes agency theory in assessing the role of various factors that determine performance pay within Taiwanese travel agencies. Dimensions that emerged from a factor analysis include

programmable job elements, principal supervision, agent expertise, time spent and the size of the transaction. The role of the principal was found to be a major determinant of performance pay.

Armstrong (2003) in research with title "Reflections on the generalization of agency theory: Cross-cultural considerations" argue that cultural differences may attenuate those assumptions and thereby temper agency theory predictions. With regard to this research culture may align goals between employers and employees, change a company's preference for behavior- versus outcome-based pay, require higher incentives before employees will accept outcome-based pay, and lower the moral hazard concerns associated with outcome based pay. Based on those arguments, we develop propositions that can be tested empirically.

Arthur (1994) in article with title "In search of best practices for designing and provide scientific and practical recommendations in order to optimize use of personnel in organizations" recommends the following personality tests in arrival of people to Organizations: 16 personality test (Kotel); Fitness of job and employed (Holland); teamwork Skills test; Jones Irrational Beliefs Test.

Castka et al (2001) in their research in relation with the investigating employee's performance evaluation and presenting the best model in social security organization of the Khuzestan province has mentioned performance evaluation of employee as effective tools of human resource management. Also, he believes that with the correct application of these tools is realized the purpose and mission of the organization about optimal efficiency,

Charles (1985) because of the critical importance of compensation system among the functions of human resource management and in larger scale, the importance of compensation strategies within business strategies conducted extensive studies to design effective compensation system and advocate of strategies with different perspectives and one of the most important perspectives is the agency theory.

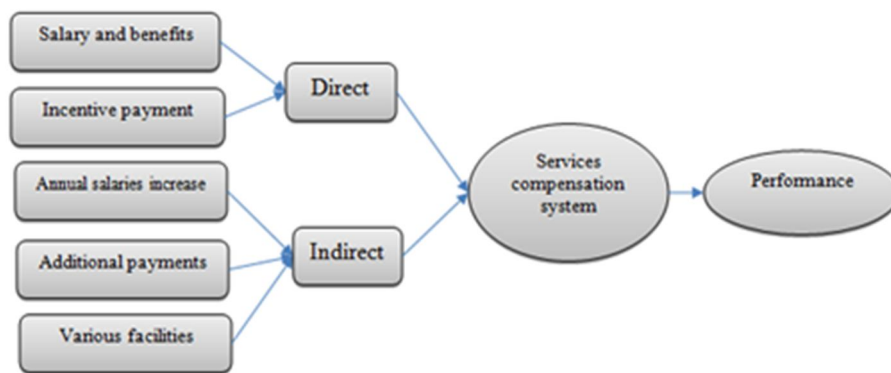


Figure 1. conceptual model

### 1.9 Main hypothesis

Services compensation system has a significant impact on employee performance.

### 1.10 Sub-hypothesis

#### First sub-hypothesis

Salary and benefits has a significant impact on employee performance.

#### Second sub-hypothesis

Incentive payment has a significant impact on employee performance.

#### Third sub-hypothesis

Annual salaries increase has a significant impact on employee performance.

#### Fourth sub-hypothesis

Provision of services and additional payments has a significant impact on employee performance.

#### Fifth sub-hypothesis

Donation and various facilities has a significant impact on employee performance.

## 2. Materials and methods

### 2.1 Research Methodology

The aim of this study is investigate the effect of services compensation system on employee performance in Forensic of Kohgiluyeh and Boyerahmad province. In present research independent variables are services compensation system, salary and benefits, incentive payment, annual salaries increase, provision of services and additional payments and donation and various facilities and dependent variable is employee's performance. This study based on objective is correlational and descriptive. The population of the study consisted of all employees of forensic in Kohgiluyeh and Boyerahmad province which 41 persons were selected as the subjects of the study. With regard to the limitation of studied community, used the census method. Data collection is in the form of documentary and field. In this research, questionnaire was used as a data collection tool. To collect information about the compensation system, according to the indicators of model, a questionnaire containing 10 questions is designed. About measuring the second variable namely performance was used the annual employee evaluation form. For analyzing data is used descriptive statistic, Kolmogorov-Smirnov test and inferential

statistic by using the SPSS software. In order to evaluate the validity of the data achieved through instrument (questionnaire) readers, advisors, and experts. The internal reliability of the items was verified by computing the Cronbach's alpha (Senger, 2005).

**Table 1. Cronbach's alpha coefficient**

Questions	Cronbach's alpha
1 and 2	0.831
3 and 4	0.731
5 and 6	0.792
7 and 8	0.727
9 and 10	0.757
total	More than 0.70

## 2.2 Data Analysis

### Descriptive Data

Gender of respondents are: 30 people man (%74.4) and 11 people female (%41.6).

**Table 2. Gender of respondents**

Gender	Frequency	%
man	30	78.4
female	11	21.6
Total	41	100

Age of respondents is: 20 people less than 30 years (% 48.8), 10 people 31 to 45 years (% 24.3), 5 people 45 to 51 years (% 12.1), 3 people 51 to 55 years (% 7.3) and 2 people more than 55(% 7.3).

**Table 3. Age of respondents**

Age	Frequency	%
under 30 years	20	48.8
31 to 45 years	10	24.3
45 to 51 years	5	12.1
51 to 55 years	3	07.3
More than 55	3	7.3
Total	41	100

The educational background of the participants are; 28 people under diploma and diploma, 9 people have Bachelor, 4 people Master degree and higher.

**Table 4. educational background**

educational background	Frequency	%
Diploma and under-diploma	28	50.7
Bachelor	9	41.9
Master and higher	4	7.4
Total	41	100

4 people believed that their salaries and benefits is low (%9.7), 10 people believed that their salaries and benefits is medium (%24.3), 12 people believed that their salaries and benefits is high (% 29.2) and finally 15 people believed that their salaries and benefits is very high (% 36.5).

**Table 5. salaries and benefits**

salaries and benefits	Frequency	%
low	4	9.7
medium	10	24.3
high	12	29.2
very high	15	36.5
Total	41	100

4 people believed that their incentive payments is low (% 9.7), 10 people believed that their incentive payments is medium (% 24.3), 21 people believed that their incentive payments is high (% 51.2) and finally 6 people believed that their incentive payments is very high (% 14.6).

**Table 6. incentive payments**

incentive payments	Frequency	%
low	4	9.7
medium	10	24.3
high	21	51.2
very high	6	14.6
Total	41	100

7 people believed that their annual salaries increase is low (% 17), 18 people believed that their annual salaries increase is medium (% 43.9), 12 people believed that their annual salaries increase is high (% 29.2) and finally 4 people believed that their annual salaries increase is very high (% 9.7).

**Table 7. annual salaries increase**

annual salaries increase	Frequency	%
low	7	17
medium	18	43.9
high	12	29.2
very high	4	9.7
Total	41	100

3 people believed that provision of services and additional payments is low (% 7.3), 5 people believed that provision of services and additional payments is medium (% 12.1), 21 people believed that provision of services and additional payments is high (% 51.2) and finally 12 people believed that provision of services and additional payments is very high (% 29.2).

**Table 8. provision of services and additional payments**

provision of services and additional payments	Frequency	%
low	3	7.3
medium	5	12.1
high	21	51.2
very high	12	29.2
Total	41	100

4 people believed that donations and various facilities is low (% 9.7), 7 people believed that donations and various facilities is medium (% 17), 20 people believed that donations and various facilities is high (% 48.8) and finally 10 people believed that donations and various facilities is very high (% 24.3).

**Table 9. donations and various facilities**

donations and various facilities	Frequency	%
low	4	9.7
medium	7	17
high	20	48.8
very high	10	24.3
Total	41	100

2 people believed that Services compensation system is unfavorable (% 4.8), 10 people believed that Services compensation system is medium (% 24.3), 25 people believed that Services compensation system is good (% 60.9) and finally 4 people believed that Services compensation system is very good (% 9.7).

**Table 10. Services compensation system**

Services compensation system	Frequency	%
unfavorable	2	4.8
medium	10	24.3
good	25	60.9
very good	4	9.7
Total	41	100

5 people believed that employees performance is unfavorable (% 12.1), 7 people believed that employees performance is medium (% 17), 15 people believed that employees performance is good (% 36) and finally 14 people believed that employees performance is very good (% 34).

**Table 11. employee's performance**

employees performance	Frequency	%
unfavorable	5	12.1
medium	7	17
good	15	36
very good	14	34
Total	41	100

### 3. Discussion and results

#### 3.1 Inferential statistics

Services compensation system has a significant impact on employee performance.

**Table 12. Test of main hypotheses**

variables	Pearson correlation	Sig	Number
Effect of Services compensation on performance	0.433	0.000	41

The table 6 shows the results of the data analysis. Results indicated that Pearson correlation between Services compensation system and employee performance is 0.433. So, Services compensation system has a significant impact on employee performance with 95% confidence.

#### 3.2 Sub-hypothesis

##### 3.2.1 First sub-hypothesis

Salary and benefits has a significant impact on employee performance.

**Table 13. Test of first Sub-hypothesis**

variables	Pearson correlation	Sig	Number
Effect of Salary and benefits on performance	0.430	0.000	41

The table 6 shows the results of the data analysis. Results indicated that Pearson correlation between Salary and benefits and employee performance is 0.430. So, Salary and benefits has a significant impact on employee performance with 95% confidence.

##### 3.2.2 Second sub-hypothesis

Incentive payment has a significant impact on employee performance.

**Table 14. Test of second Sub-hypothesis**

variables	Pearson correlation	Sig	Number
Effect of Incentive payment on performance	0.268	0.000	41

The table 6 shows the results of the data analysis. Results indicated that Pearson correlation between Incentive payment and employee performance is 0.268. So, Incentive payment has a significant impact on employee performance with 95% confidence.

##### 3.2.3 Third sub-hypothesis

Annual salaries increase has a significant impact on employee performance.

**Table 15. Test of third Sub-hypothesis**

variables	Pearson correlation	Sig	Number
Effect of annual salaries increase on performance	0.229	0.000	41

The table 6 shows the results of the data analysis. Results indicated that Pearson correlation between annual salaries increase and employee performance is 0.229. So, annual salaries increase has a significant impact on employee performance with 95% confidence.

##### 3.2.4 Fourth sub-hypothesis

Provision of services and additional payments has a significant impact on employee performance.

**Table 16. Test of fourth sub-hypothesis**

variables	Pearson correlation	Sig	Number
Effect of services and additional payments on performance	0.305	0.000	41

The table 6 shows the results of the data analysis. Results indicated that Pearson correlation between provision of services and additional payments and employee performance is 0.305. So, provision of services and additional payments has a significant impact on employee performance with 95% confidence.

### 3.2.5 Fifth sub-hypothesis

Donation and various facilities have a significant impact on employee performance.

**Table 17. Test of fifth Sub-hypothesis**

variables	Pearson correlation	Sig	Number
Effect of donation and various facilities on performance	0.334	0.000	41

The table 6 shows the results of the data analysis. Results indicated that Pearson correlation between donation and various facilities and employee performance is 0.334. So, donation and various facilities have a significant impact on employee performance with 95% confidence.

## 4. Conclusion

One of the most significant roles of human resources management is administrating the services compensation system; salary and benefits; incentive payment; annual salaries increase; provision of services and additional payments and donation and various facilities. The aim of this study is investigate the effect of services compensation system on employee performance in Forensic of Kohgiluyeh and Boyerahmad province. Research findings are as follows: Services compensation system has a significant impact on employee performance; Salary and benefits has a significant impact on employee performance; Incentive payment has a significant impact on employee performance; Annual salaries increase has a significant impact on employee performance; Provision of services and additional payments has a significant impact on employee performance and finally donation and various facilities has a significant impact on employee performance. According to the obtained results, the following suggestions are presented: Designing and development of employees services compensation system so that employees receive more salaries and benefits for more activities within the framework of statutory duties. Also, It is suggested that be considered appropriate assistance and facilities for critical situations such as times of work peak in organization or special occasions such as the first week of the year for employees who voluntarily and without coercion to attend in organization and perform tasks. Furthermore, Employees should be reassured that positive and productive performance increases the annual salaries and their benefits. So, serious consideration is required to implement this important issue. Also, research limitations include: A number of respondents did not have the enough tolerance for responding to the questionnaire; the lack of enough confidence on employees about impact of these surveys and investigations in their job and organization; distrust or indifference towards the study objectives and the poor performance of previous researchers in the privacy and integrity.

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