
Designing an Effective Performance Evaluation System for Saman Bank Employees

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ABSTRACT

The optimization of human resources is critical for organizational success, particularly in competitive sectors like banking. This study aimed to design an effective performance evaluation system for employees of Saman Bank's Grade 2 branches in Mazandaran Province, Iran, during 2020–2021. Employing a descriptive survey method, the research involved 40 employees and utilized literature reviews, expert opinions, questionnaires, and interviews to identify key performance indicators (KPIs), determine their weights, and develop an executable evaluation framework. Fourteen KPIs were selected, with “work conscientiousness” and “work quantity” ranked as the most significant. The proposed system includes a three-month evaluation cycle, clear guidelines for evaluators, and structured feedback mechanisms to enhance employee performance. Results indicate that a well-implemented evaluation system can improve organizational efficiency, employee motivation, and alignment with strategic goals. The study offers practical recommendations for Saman Bank to refine its performance evaluation processes, contributing to human resource development and organizational competitiveness. This research underscores the importance of systematic, transparent, and objective performance evaluations in fostering employee growth and organizational success.

KEYWORDS: Performance Evaluation, Human Resource Management, Saman Bank, Key Performance Indicators, Employee Performance, Banking Sector

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1. Introduction

In today's competitive business environment, organizations increasingly rely on human resources to achieve strategic objectives. Effective performance evaluation systems are essential for assessing employee contributions, identifying areas for improvement, and aligning individual efforts with organizational goals (Armstrong, 2006). In the banking sector, where service quality and operational efficiency are paramount, robust performance evaluation systems can enhance competitiveness and customer satisfaction (Diwandari et al., 2008).

Saman Bank, a prominent private bank in Iran, has recognized the need to optimize its performance evaluation processes to maintain its reputation as an innovative financial institution.

The proposed system introduces a more participatory approach, incorporating self-evaluations and regular feedback, which research suggests enhances motivation and performance (Smith et al., 2000). Unlike the Kenyan Tea Development Agency's system, which linked performance to financial incentives (Kamencu & Messah, 2021), this study focuses on non-monetary outcomes like career development and organizational alignment, reflecting the bank's strategic priorities. Recent literature indicates a shift away from traditional annual reviews toward continuous, development-focused conversations, with over a third of U.S. companies abandoning annual appraisals by 2023 (Cappelli & Tavis, 2023).

This study focuses on designing a performance evaluation system tailored for employees of Saman Bank's Grade 2 branches in Mazandaran Province. The research addresses three primary questions: (1) What are the key performance indicators for employees in these branches? (2) What are the weights and importance of these indicators? (3) What are the executable guidelines for implementing the evaluation system? By identifying critical KPIs, assigning appropriate weights, and proposing a practical framework, this study aims to enhance employee performance, improve organizational efficiency, and contribute to the bank's strategic objectives. The research is grounded in the principles of human resource management (HRM) and draws exclusively from the content of the provided thesis document, supplemented with recent literature from 2020–2024 to reflect current trends.

2. Literature Review

Significance of KPIs

The prioritization of work conscientiousness and work quantity aligns with HRM literature emphasizing ethical behavior and productivity as drivers of organizational success (Noe et al., 2003). These KPIs reflect Saman Bank's focus on reliability and operational efficiency, critical in a competitive banking environment. The lower ranking of suggestion receptivity suggests that the organizational culture may not yet fully embrace employee feedback, a potential area for

improvement. Recent studies highlight the growing importance of continuous feedback and employee engagement in performance management (Awan et al., 2020), suggesting that Saman Bank could enhance its system by incorporating more frequent, real-time feedback mechanisms to foster a culture of openness and development.

Effectiveness of the Proposed System

The proposed three-month evaluation cycle ensures regular feedback, addressing the limitations of annual evaluations noted by Clausen et al. (2008). The inclusion of self-evaluations (20% of the score) fosters employee engagement, consistent with management by objectives (MBO) principles (Saadat, 1996). Recent research supports this approach, indicating that frequent feedback significantly enhances employee engagement and performance, with 43% of highly engaged employees receiving weekly feedback compared to only 18% of disengaged employees (Blue Lion, 2025). However, the reliance on managerial evaluations risks subjective bias, a common challenge in performance appraisals (Levy & Williams, 2004). The system's emphasis on transparency and structured feedback mitigates this risk, aligning with best practices in HRM. Additionally, the use of technology, such as AI-driven performance management tools, could further reduce bias and improve accuracy, as noted in recent trends (Shiftbase, 2025).

Comparison with Existing Systems

The current evaluation system at Saman Bank, as described in the thesis, is primarily top-down, with limited employee involvement. The proposed system introduces a more participatory approach, incorporating self-evaluations and regular feedback, which research suggests enhances motivation and performance (Smith et al., 2000). Unlike the Kenyan Tea Development Agency's system, which linked performance to financial incentives (Kamencu & Messah, 2021), this study focuses on non-monetary outcomes like career development and organizational alignment, reflecting the bank's strategic priorities. Recent literature indicates a shift away from traditional annual reviews toward continuous, development-focused conversations, with over a third of U.S. companies abandoning annual appraisals by 2023 (Cappelli & Tavis, 2023). This trend supports the proposed system's frequent evaluation cycles and emphasis on employee development.

3. Methodology

This study adopted a descriptive survey design to investigate the performance evaluation system for Saman Bank employees. The research was conducted in 2020–2021 and focused on Grade 2 branches in Mazandaran Province, Iran. A mixed-methods approach was employed, combining quantitative data from questionnaires with qualitative insights from interviews to ensure a comprehensive analysis.

The study population comprised 40 employees from Saman Bank's branches, including managers, banking officers, and support staff. The sample was selected purposively to represent the diverse roles within these branches, ensuring the findings were relevant to the entire workforce.

Data were collected using two primary tools:

1. **Questionnaires:** A structured questionnaire was designed to identify and prioritize performance indicators. The questionnaire used a seven-point Likert scale (ranging from "extremely important" to "not important") to assess the importance of 19 potential KPIs. Responses were analyzed using fuzzy logic to convert qualitative data into quantitative scores.
2. **Interviews:** Semi-structured interviews with experts and branch managers were conducted to develop executable guidelines for the evaluation system. The interviews explored system objectives, scope, responsibilities, and implementation procedures.

Quantitative data from the questionnaires were analyzed using descriptive statistics, including frequency distributions and mean scores. Fuzzy logic was applied to calculate the weights of KPIs, using the Minkowski formula to convert fuzzy numbers into crisp values. The Cronbach's Alpha coefficient (0.732) confirmed the reliability of the questionnaire. Qualitative data from interviews were thematically analyzed to formulate the evaluation system's guidelines. The software SPSS was used to process quantitative data, ensuring accurate ranking and weighting of KPIs.

The questionnaire's validity was established through expert reviews, ensuring content and face validity. Reliability was confirmed using Cronbach's Alpha, indicating strong internal consistency. Interview data were validated by cross-referencing responses with existing literature and organizational policies.

4. Finding

Key Performance Indicators (KPIs)

Nineteen potential KPIs were initially identified through literature reviews and expert consultations. Following questionnaire analysis, 14 KPIs were selected based on their importance scores (Table 1). The top-ranked KPIs included "work conscientiousness" (weight: 0.082) and "work quantity" (weight: 0.079), while "suggestion receptivity" and "precision in using public assets" were ranked lower.

Table 1: Selected KPIs and Their Weights

KPI	Weight	Rank
Work Conscientiousness	0.082	1
Work Quantity	0.079	2
Work Quality	0.076	3
Planning	0.074	4
Activity Effectiveness	0.072	5
Organization	0.070	6
Innovation and Entrepreneurship	0.068	7
Effective Communication	0.067	8
Participation and Teamwork	0.066	9
Job Knowledge	0.065	10
Conflict Management	0.064	11
Commitment to Orderliness	0.063	12
Precision in Using Public Assets	0.062	13
Suggestion Receptivity	0.061	14

Weighting and Importance of KPIs

The sample included 72.5% male and 27.5% female employees. Education levels were predominantly bachelor's degrees (70%), with 17.5% holding associate degrees and 12.5% holding master's degrees. Work experience varied, with most employees having 5–10 years of service.

The weights of the 14 KPIs were calculated using fuzzy logic, with responses normalized to determine their relative importance. The results indicate that ethical behavior (work conscientiousness) and productivity (work quantity) are prioritized, reflecting the bank's emphasis on reliability and efficiency. Lower-ranked KPIs, such as suggestion receptivity, suggest that employees' openness to feedback is less critical in this context.

Executable Guidelines

The proposed performance evaluation system includes the following components:

1. **Objective:** To assess and enhance employee performance across managerial, banking, and support roles, supporting HRM functions such as recruitment, training, and career development.

2. **Scope:** Applicable to all employees in Grade 2 branches, categorized into managerial, banking officer, and support staff roles.
3. **Responsibilities:** The HRM unit oversees system implementation, while branch managers conduct evaluations. The HRM unit is also responsible for periodic reviews and strategic decisions.
4. **Implementation Process:**
 - Compile a list of job roles and organizational hierarchies.
 - Design distinct evaluation forms for managerial, banking, and support staff.
 - Conduct evaluations every three months, adjustable to two-to-six-month cycles based on job requirements.
 - Ensure evaluators inform employees of scoring criteria before and after evaluations.
 - Provide ongoing feedback between evaluation cycles to support performance improvement.
 - Calculate performance scores as a percentage of the maximum possible score, with 20% of the score derived from self-evaluations.
 - Analyze annual performance trends to identify strengths, weaknesses, and improvement areas.
5. **Reporting:** Annual performance reports, including trend analyses and improvement proposals, are submitted to senior management for strategic planning.

5. Conclusion

This study successfully designed a performance evaluation system for Saman Bank's Grade 2 branches in Mazandaran Province, identifying 14 critical KPIs and proposing a structured, transparent framework. The emphasis on work conscientiousness and work quantity underscores the bank's commitment to ethical and productive performance. The proposed three-month evaluation cycle, combined with self-evaluations and ongoing feedback, enhances employee engagement and organizational efficiency. Recommendations include regular training for evaluators, increased employee involvement in system design, and adoption of participatory management practices to sustain motivation. The integration of technology, such as AI-driven tools, could further enhance the system's effectiveness (Shiftbase, 2025). Future research should explore the system's applicability to other bank branches and incorporate longitudinal data to assess its long-term effectiveness. This study contributes to HRM literature by offering a practical, context-specific performance evaluation model for the banking sector, updated with contemporary insights from 2020–2024.

The study's reliance on questionnaires introduces potential biases due to subjective responses. The focus on Grade 2 branches in Mazandaran limits generalizability to other regions or bank types. Additionally, the lack of longitudinal data restricts insights into the system's long-term impact. Recent critiques of performance management systems highlight the challenge of ensuring

fairness, with only one-third of employees feeling their efforts are evaluated fairly (SHRM, 2023). Future iterations of the system should incorporate advanced analytics and employee input to enhance objectivity.

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ETHICAL CONSIDERATION

Authenticity of the texts, honesty and fidelity has been observed.

CONFLICT OF INTEREST

Author/s confirmed no conflict of interest.