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### Analyzing Theories of the Employee Performance in Firms

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#### Abstract

Human resources are the key factor affecting the development of a firm. They are people who have been working in many different positions in an organization. Therefore, they are directly responsible for business and creative activities, creating competitive advantages for the enterprise. Therefore, given the importance of human resources, human resource management is always given top priority. All members, from management to employees, need to grasp basic knowledge about their work as well as their responsibilities towards the company's common goals. In addition, company leaders must be able to motivate employees to best complete the set goals. This study systematizes perspectives and theories on employee

performance in firms to help firms improve the quality of their human resources and thereby contribute to achieving their goals. Building a theoretical basis for employee performance and human resource quality depends on the support of the manager, the views of the manager, the head of the human resources department, the regulations on human resource management, the development of information technology, and the attitudes of users and workers. This research is not only meaningful for firms in improving employee performance, thereby improving the quality of human resources to improve business performance and expand business scale, but also has meaning for researchers when studying human resources.

**Keywords:** Theory, Employee Performance, Firms, Human Resources

**JEL codes:** F66, J01, O15

#### 1. Introduction

Campbell *et al.* (1993) <sup>[6]</sup> believe that work performance is explained from two perspectives: Behavior and results. From a behavioral perspective, work performance refers to what employees do or how they behave while at work.

Business ethics play an important role and cannot be ignored in the modern business environment. Business ethics involves conducting business properly, honestly, and responsibly toward all stakeholders, including customers, employees, communities, and the environment.

The authors used qualitative research methods based on in-depth interviews with five lecturers who have extensive experience in human resource management at enterprises of the National Economics University, the University of Labour and Social Affairs, and Hanoi University of Industry. At the same time, the authors conducted in-depth interviews with five experts working as human resource managers at firms. Content of interviews about employee performance.

The goal of this research is to learn, analyze, and discuss perspectives and theories about employee performance in firms.

#### 2. Perspectives on employee performance

An individual's work performance indicates how well he or she performs in the workplace. According to Campbell (1990) <sup>[5]</sup>, work performance described as personal is a specific event created by an independent individual during the work process.

Babin and Boles (1998) <sup>[2]</sup> assert that employee performance measures an individual's productivity compared to peers at the same level, measured on work-related behaviors and outcomes.

Allen and Griffeth (1999) <sup>[1]</sup> believe that individual work performance measures the work results that an individual achieves compared to the expectations or predetermined targets of the organization.

Motowidlo (2000) <sup>[14]</sup> divides the assessment of completion beyond specific assigned tasks into two smaller parts: (i) dedication, expressed in the spirit of hard work and commitment to the organization; (ii) relationships at work, expressed in attitude, spirit of cooperation, helping, and supporting colleagues.

Motowidlo (2003) <sup>[15]</sup> believes that work performance refers to the activities that workers perform to accomplish the goals of the firm, depending on the value that the firm wants from the results of the workers' activities over a period of time. Work results are all activities that employees contribute to the overall goals of the firm, including in-role results (in-role) and non-work/voluntary results (extra-role) (Borman & Motowidlo, 1993) <sup>[4]</sup>.

Hsu and Chiu (2004) <sup>[10]</sup> also divide individual work completion results into two parts: (i) Task performance; (ii) Contestual performance. Task performance is an assessment of how well an employee has performed a specific assigned job task. Contestual performance is expressed in enthusiasm, a cooperative attitude at work, and how well the process is implemented according to regulations and processes in the organization.

Employee performance was studied by Yavas *et al.* (2013) <sup>[19]</sup> in the banking sector, divided into two parts: (i) psychological results: Showing how satisfied bank employees are with work, job stress level, and commitment to the organization; (ii) behavioral results: Shown in the turnover rate and job completion results according to the employee's job description.

Hoang (2015) <sup>[10]</sup> believes that employee performance measures work-related behaviors and outcomes. This result can be quantified in terms of productivity and attitude to complete work compared to assigned plans, compared to expectations, compared to colleagues, and compared to the individual's basic role in the organization. However, this study was conducted in the banking sector.

### 3. Theory of employee performance

#### 3.1 Knowledge Based

Knowledge-based indicates that knowledge is a special resource that impacts all other resources. Knowledge combines the movement of all other organizational resources so that these resources become valuable (Lee, 1991) <sup>[12]</sup>. Thus, if there is no knowledge about how to use an asset effectively, that asset is not considered a resource because it has no value (Lee, 1991) <sup>[12]</sup>. In other words, assets will have no value without knowledge.

Knowledge is the subject of many separate studies, especially organizational learning, technology management, and administrative cognition. One of the first studies on the theory of intellectual resources was the study of Grant (1996) <sup>[9]</sup>. In his research, Grant (1996) <sup>[9]</sup> made four assumptions, including: (i) organizations apply knowledge in the production of goods and services; (ii) knowledge is the most important strategic resource of an organization; (iii) knowledge is created and held by individuals rather than by organizations; and (iv) organizations exist because markets themselves do not have the ability to combine the specialized knowledge of each individual. This combination is the administrative function of the organization.

While organizational theory is more concerned with the difficulty of achieving cooperation between employees and organizational owners because of the differences in goals to be achieved between them, resource theory points out that

the possibility of the transfer of an organization's resources and capabilities is an important factor in the organization's ability to obtain a sustainable competitive advantage (Barney, 1986) <sup>[3]</sup>.

Knowledge resource theory suggests that even if there is cooperation in an organization, combining specialized knowledge is very difficult. Grant (1996) <sup>[9]</sup> points out that different mechanisms can be used to combine the specialized knowledge of individuals within an organization. The simplest way is that an organization can use rules, guidelines, accepted conventions, or processes to combine specialized knowledge. Another way to combine specialized knowledge is for each individual to self-adjust, coordinate, and support each other to complete the common work of the group or department. With the above two methods, individuals seek efficiency by minimizing exchanges.

Grant (1996) <sup>[9]</sup> recommended that organizations practice problem-solving and decision-making in groups. The important issue for each group is to create close coordination appropriate to the group size. However, it should be noted that the combination is not always effective. The greater the differences in specialized knowledge between two individuals, the more complex the communication between them. When the purpose of communication is to share specialized knowledge, if two people have the same knowledge, knowledge integration is not valuable (Choo & Bontis, 2002) <sup>[7]</sup>. But if two people have completely different knowledge, there is almost no ability to integrate; if there is, it can only be at a very basic level (Choo & Bontis, 2002) <sup>[7]</sup>.

Research related to knowledge management theory itself goes beyond the traditional concerns of strategic management (strategic choice and competitive advantage) and addresses further fundamental concerns in an essay on organizational theory. In particular, knowledge source theory addresses the nature of coordination between organizational departments, organizational structure, the function of administration, the degree of centralization or decentralization when making decisions, and organizational boundaries and theories of creativity (Porter & Liebskind, 1996) <sup>[16]</sup>. The purpose of these studies is to make a step forward in the development of some important elements of resource theory.

#### 3.2 Ethical Climate Theory

Ethical climate theory in an organization was first studied by Victor and Cullen in 1988 by combining Kohlberg's (1984) <sup>[11]</sup> operational research on ethical development and Schneider's operational sociological theories of organization (1983) <sup>[17]</sup>. Victor and Cullen (1988) <sup>[18]</sup> view ethical climate as the shared perception within an organization of what is right and reasonable behavior and how an organization can control the situations related to it regarding ethical issues.

Mayer *et al.* (2009) <sup>[13]</sup> point out that there are at least two ambiguities in Victor and Cullen's (1988) <sup>[18]</sup> concept.

(i). Victor and Cullen (1988) <sup>[18]</sup> used correct and reasonable behavior but did not clearly explain what is considered correct and reasonable behavior according to social standards or in different types of organizations. How are right and reasonable behavior determined?

(ii). Second, an ethical climate is a type of environment within an organization. In other words, the ethical environment is related to specific issues within the organization. For example, climate focuses on employees'

feelings about the policies, actions, and processes that encourage, motivate, and support something within the organization. Victor and Cullen's (1988) <sup>[18]</sup> concept of ethical climate, although referring to a shared feeling within an organization, does not refer to any policies, activities, or processes.

Dickson *et al.* (2001) <sup>[8]</sup> used the phrase ethical environment to replace correct and reasonable behavior. According to the authors, when an organization chooses behaviors that they consider correct and reasonable for the organization (as conceptualized by Victor & Cullen, 1988) <sup>[18]</sup>, they may not be consistent with social norms and values.

The principles of business ethics provide guidance to firms in determining right and wrong and shape their operations and decisions. Business ethical principles include: (i) Honesty and transparency: Firms should always act honestly and transparently in transactions and relationships with customers, business partners, and the community. Honesty and transparency build trust and long-term relationships. (ii) Respect for partners: Business ethics includes respect for business partners, including customers, suppliers, employees, and the community. This includes showing respect, listening to the opinions and perspectives of others, and maintaining relationships that are fair and respectful of both parties' interests. (iii) Social responsibility: Firms need to be aware of their social responsibilities and conduct business activities in a sustainable and environmentally conscious manner. This includes promoting beneficial social activities, ensuring employee rights, and maintaining a safe and fair working environment. (iv) Service quality: Business ethics requires firms to commit to ensuring the quality of the products and services they provide. This means meeting customer needs, keeping promises and delivering, and treating customers and consumers fairly. (v) Compliance with the law: An important principle of business ethics is compliance with the laws and regulations of authorities. Firms need to act within legal limits and ensure compliance with tax, labor, environmental, and other regulations.

#### 4. Conclusions

This study has presented and analyzed employee performance and two background theories related to employee performance in firms.

The results of the above studies on theories related to employee work performance show that when firms improve the quality of human resources through inheriting which theory is the basis, it depends on the characteristics of the firm, the support of the board of directors, the director's decisions, and regulations related to employees, such as labor laws and salary policies in the firm.

Applying business ethics not only helps firms build trust and reputation but also contributes to creating a healthy business environment and sustainable development for both firms and the surrounding community.

This research is not only meaningful for firms in improving employee performance, thereby improving the quality of human resources to improve business performance and expand business scale, but also has meaning for researchers when studying human resources.

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