

HR Performance Indicators and Compensation Policy: Towards an Integrated Strategic Model

مؤشرات أداء الموارد البشرية وسياسة التعويضات: نحو نموذج استراتيجي متكامل

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Abstract:

In today's dynamic business environment, Human Resource Management (HRM) is a crucial strategic lever. This article investigates the critical link between HR performance indicators and compensation policy. It argues that a structured HR dashboard, integrating relevant metrics, is fundamental for strategic alignment. Through a theoretical review and an empirical case study at SOMIZ company, the research demonstrates that effective measurement fosters a stronger connection between individual performance and financial recognition. The study highlights a positive correlation between performance scores and salary progression. The ultimate goal is to propose an integrated strategic model that synergizes performance, competencies, and compensation. This model aims to enhance transparency, equity, and motivation. It positions compensation not as a cost but as a strategic investment in human capital. The findings offer valuable insights for organizations seeking to optimize their human resources for sustainable competitive advantage.

Keywords: HR Performance Indicators, Compensation Policy, Strategic Integrated Model, HR Dashboard, SOMIZ .

Jel Classification Codes : J24.

ملخص :

في بيئة الأعمال الديناميكية الحالية، تُعد إدارة الموارد البشرية رافعة استراتيجية حاسمة، وعليه يدرس هذا المقال العلاقة بين مؤشرات أداء الموارد البشرية وسياسة التعويضات، مع التأكيد على أن لوحة تحكم هيكلية للموارد البشرية، تدمج مقاييس ذات صلة، وتعتبر عامل أساسي لمواكبة الاستراتيجية. من خلال مراجعة نظرية ودراسة حالة تطبيقية في شركة SOMIZ، يوضح البحث أن القياس الفعال يعزز ارتباطاً أقوى بين الأداء الفردي والاعتراف المالي، كما كشفت الدراسة عن وجود علاقة إيجابية بين درجات الأداء والتقدم في الراتب، مما يعزز اقتراح نموذج استراتيجي متكامل يجمع بين الأداء والكفاءات والتعويضات.

يهدف هذا النموذج إلى تعزيز الشفافية والإنصاف والتحفيز ويعتبر التعويضات استثماراً استراتيجياً في رأس المال البشري وليس تكلفة فقط، تقدم النتائج رؤية قيمة للمؤسسات التي تسعى لتحسين مواردها البشرية لتحقيق ميزة تنافسية مستدامة.

الكلمات المفتاحية: مؤشرات أداء الموارد البشرية، التعويضات، النموذج الاستراتيجي المتكامل، لوحة تحكم الموارد البشرية، الأجر المرتبط بالأداء، شركة سوميز.

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Introduction

The contemporary business landscape is characterized by intense competitive pressure, rapid technological advancements, and evolving employee expectations, making the pursuit of organizational performance a central concern for enterprises (Boxall & Purcell, 2000). Within this dynamic environment, the Human Resources (HR) function has undergone a significant transformation. Historically perceived as a purely administrative support unit, HR has evolved into a strategic function, now tasked with demonstrating its tangible and measurable contribution to the organization's overall performance (Ulrich, 1997; BCG, 2021).

This evolution has necessitated a new imperative: the systematic measurement of HR performance and its direct linkage to critical strategic steering decisions. Foremost among these decisions is the compensation policy, which has similarly transcended its traditional perception as merely a cost to be controlled. Compensation is now recognized as a powerful strategic lever for attracting, motivating, and retaining talent (Snell et al., 2013; BCG, 2021). It serves as an essential instrument for recognizing and valuing the diverse competencies possessed and the performance achieved by employees. Consequently, the precise articulation between HR performance indicators and compensation mechanisms has become a pivotal issue in modern Human Resources Planning approaches, the evaluation of individual contribution, and the implementation of compensation policies that are both equitable and incentive-based.

From this perspective, the development of a structured HR dashboard, which integrates pertinent indicators, is no longer merely advantageous but has become a fundamental necessity (Kaplan & Norton, 2001; Pichon, 2011). The purpose of such a dashboard extends beyond mere measurement; it is designed to produce actionable data essential for the strategic steering of human resources. This ensures enhanced transparency in evaluation processes, provides clearer visibility into employee efforts, and facilitates the ability to differentiate compensation policies effectively based on the added value created by employees (Boudreau & Ramstad, 2006; Delery & Doty, 1996).

This article aims to thoroughly explore the intricate interactions between HR performance indicators and compensation systems. It draws upon a robust theoretical framework, grounded in the principles of strategic HR management and the Resource-Based View (RBV) of the firm (Barney, 1991; Wernerfelt, 1984). This theoretical exploration is complemented by an applied case study conducted within the SOMIZ company. The overarching goal is to propose a comprehensive model for the articulation between HR performance and compensation policy, thereby deriving both conceptual and operational lessons. These lessons are intended to guide the integration of measurement tools into the strategic management of talent and the construction of recognition mechanisms that are precisely adapted to the contemporary requirements of organizations.

The necessity for HR to quantify its impact is paramount for maintaining and expanding its strategic influence within an organization. If HR cannot provide quantifiable evidence of its contributions, its strategic claims may be weakened, potentially leading to its re-categorization as a purely administrative function (Guest, 1997; Paauwe & Richardson, 1997). Therefore, adopting a data-driven approach, moving beyond anecdotal evidence to verifiable proof of

value creation, is crucial for HR to be recognized as a strategic partner rather than just a cost center. This shift inherently requires HR professionals to develop advanced analytical skills and strategic business acumen. Furthermore, the redefinition of compensation from a mere cost to a dynamic strategic investment in human capital is a critical paradigm shift (Lawler & Stewart, 2001; Snell et al., 2013). This perspective moves from a backward-looking, cost-control mentality to a forward-looking approach focused on optimizing returns on human capital. This redefines the collaborative relationship between HR and finance, transforming it from a discussion about cost containment to one centered on joint strategic investment planning. This also underscores the need for flexible and dynamic compensation models that can adapt to market fluctuations, evolving organizational priorities, and individual performance, rather than relying on static salary structures.

1. Conceptual and Theoretical Framework

In the prevailing knowledge-based economy, human resources are unequivocally recognized as a central lever for value creation (Barney, 1991; Wernerfelt, 1984). Organizational performance can no longer be comprehensively analyzed without a thorough consideration of the contributions made by individuals and teams. The strategic reorientation of human resource management is predicated on a fundamental principle: employees are not merely executors of tasks, but rather active participants in the development of organizational performance, embodying rare competencies and contextualized knowledge that are vital for competitive advantage (Boxall & Purcell, 2000; Snell & Dean, 1992). Consequently, the systematic assessment and integration of HR performance into strategic planning have become essential.

The analysis of HR performance is intrinsically linked to a strategic steering logic, operating at the intersection of HRM, social management control, and compensation systems. This perspective draws upon several established conceptual frameworks to comprehensively understand the intricate relationship between performance, key indicators, human capital management, and salary recognition. Prominent among these frameworks are the Resource-Based View (RBV) of the firm (Barney, 1991; Wernerfelt, 1984), various human capital approaches, and the contributions derived from management control principles applied specifically to the HR domain (Kaplan & Norton, 2001; Pichon, 2011). These theoretical lenses provide essential benchmarks for comprehending the strategic role that human resources play in contributing to the overall performance of an organization. The synergistic integration of these diverse management theories is crucial for a holistic understanding of HR's strategic role and its measurable impact. For instance, investing in training (human capital) without assessing its impact on competitive advantage (RBV) or controlling its costs (management control) would represent an incomplete strategic approach, underscoring the necessity of a multi-theoretical lens.

The inherent connection between HR performance and compensation is multifaceted, grounded in economic, psychological, and social principles. Economically, it involves recognizing and remunerating the effective contribution of each employee, typically based on achieved objectives or mobilized competencies (Lawler & Stewart, 2001). Psychologically, it aims to motivate individuals, guide their behaviors toward desired outcomes, and foster sustained

engagement (Zahirian, 1999; Clot, 1999). Socially, it is critical for retaining valuable talent within the organization (Becker & Huselid, 1996; Delery & Doty, 1996). Thus, compensation transcends its traditional role as a mere payout, transforming into a dynamic adjustment tool and a critical factor for achieving strategic alignment throughout the organization. This highlights compensation as a behavioral and cultural lever, extending beyond simple financial reward. A compensation model focused solely on economic efficiency risks unintended consequences, such as fostering short-termism, excessive internal competition, or neglecting teamwork (Monnier, 2011). Strategic compensation design, therefore, requires expertise in organizational psychology and sociology, not just finance, to ensure it aligns with and reinforces the desired organizational culture and strategic objectives.

Before delving into the specific types of indicators and operational measurement tools, it is imperative to clarify the fundamental notions of HR performance and to establish the theoretical foundations that justify their articulation with compensation policy. This initial section therefore lays out the conceptual bases upon which the subsequent analysis presented in this article is built.

1.1 From Organizational Performance to HR Performance

The understanding of performance, particularly in its organizational context, has undergone a significant evolution. Historically, it was predominantly approached through the lens of financial results, such as turnover, profitability, and market share. This narrow focus on economic indicators has progressively given way to a more comprehensive and global perspective, which now integrates intangible dimensions critical to long-term success (Kaplan & Norton, 2001). These include innovation, product or service quality, customer satisfaction, and the crucial mobilization and engagement of employees. Organizational performance is currently viewed as a complex interplay of economic, social, and environmental outcomes, emerging from a collective dynamic driven by the organization's internal resources (Barney, 1991). This evolution of performance measurement reflects a profound paradigm shift in how businesses perceive and create value, recognizing that sustainable competitive advantage in the knowledge economy is increasingly derived from intangible assets, with human capital at its core.

Within this expanded understanding, human resources are no longer considered merely a factor of production but are recognized as strategic capital (Wernerfelt, 1984; Becker & Huselid, 1996). HR performance, in this context, refers to the HR function's demonstrable capacity to directly contribute to the achievement of overall company objectives. This contribution is realized by effectively mobilizing competencies, enhancing employee engagement, and fostering a positive social climate within the organization. HR performance is thus measured not only through the efficiency of core HR processes—such as recruitment, training, and career management—but, more critically, by its measurable impact on the organization's overall performance (Boudreau & Ramstad, 2006; Guest, 1997).

Influential scholars have further refined the understanding of HR's strategic role. Ulrich (1997) famously identified four fundamental roles for the HR function within an enterprise: administrative expert, employee champion, change agent, and strategic partner. These roles

collectively signify a profound redefinition of the HR mission, shifting its focus squarely towards value creation. Building upon this, Boudreau and Ramstad (2006) advanced the conceptualization of HR performance evaluation by identifying three distinct levels:

- **Efficiency:** This level quantifies the economic utilization of resources, assessing the ratio between resources expended (e.g., time, budget, staff) and the operational activities carried out (e.g., number of recruitments processed, training participation rates, HR processing times).
- **Effectiveness:** This dimension evaluates the degree to which predefined HR objectives are successfully achieved. Examples include the success rate of training programs, the integration rate of new recruits, the absenteeism rate, or the retention rate of key talent.
- **Impact:** This represents the highest level of HR performance evaluation, focusing on measuring the ultimate effects of HR practices on the organization's overall performance. These indicators are inherently more complex to establish, as they necessitate demonstrating clear correlations between specific HR actions and broader strategic business results, such as productivity improvements, innovation rates, customer satisfaction scores, or overall turnover (Boudreau & Ramstad, 2006; BCG & WFPMA, 2009).

The "Impact" category is particularly significant as it represents the strategic differentiator for HR. While efficiency and effectiveness are internal HR operational metrics, impact metrics speak the language of business, directly linking HR to organizational success (BCG, 2021; Becker & Huselid, 1996). The inherent complexity in establishing these correlations underscores a critical challenge for HR: moving beyond easily quantifiable HR activities to rigorously proving their direct contribution to the organization's bottom line and strategic goals. Therefore, the implementation of robust indicators is essential. Such indicators enable the objectification of HR's contribution, provide justification for investments in human resources, and furnish the data necessary to inform critical decisions concerning compensation, employee development, and internal mobility (Kaplan & Norton, 2001; Pichon, 2011). HR departments must strategically invest in developing sophisticated analytical capabilities and fostering cross-functional collaboration (e.g., with finance, operations, marketing) to effectively measure impact. This requires a shift from simply reporting on HR activities to conducting robust HR analytics that can clearly articulate the return on human capital investments.

1.2 HR Performance and Compensation: Key Concepts

Compensation stands as one of the foundational pillars of human resource management. Historically, compensation models were predominantly rooted in a job-based logic, derived from Taylorism, which emphasized the detailed description of functions, the hierarchical structuring of responsibilities, and the required level of qualification for each role. However, this traditional model is increasingly encountering limitations within a rapidly changing business environment where agility, adaptability, and individual contribution have emerged as decisive criteria for organizational success (Zarifian, 1999). In response to these evolving demands, a competency-based logic, intrinsically linked to individual and collective

performance, is progressively asserting itself as a more relevant alternative framework for compensation (Le Boterf, 1996; Ardoïn, 2010). This represents a fundamental shift from rewarding static attributes (e.g., job title, qualifications) to dynamic contributions (e.g., results, behaviors, innovation, initiative), directly responding to the demands of an agile and adaptable environment.

HR performance, conceptualized as the ability to strategically mobilize the right competencies at the opportune moment to create value, necessitates a fundamental rethinking of the criteria used for employee appraisal. Organizations can no longer suffice with merely evaluating qualifications or adherence to prescribed tasks. Instead, they must comprehensively consider a broader spectrum of elements, including the results achieved, professional behaviors exhibited, and the capacity for innovation, collaboration, and initiative (Boudreau & Ramstad, 2006). These elements collectively define an expanded form of performance that transcends simple productivity measures.

From this perspective, compensation transforms into a potent strategic lever, provided it is precisely articulated with relevant performance indicators (Lawler & Stewart, 2001; Snell et al., 2013). The objective is to establish an incentive-based logic that is firmly grounded in the recognition of effort, demonstrated competence, and tangible contribution. Achieving this requires the deployment of appropriate instrumentation, such as structured annual appraisals, objective rating tools, comprehensive HR dashboards, and clearly defined competency frameworks (Kaplan & Norton, 2001). These tools collectively enable the objectification of salary decisions, enhance transparency throughout the recognition process, and solidify the legitimacy of the overall compensation system.

The connection between performance and compensation must also satisfy a dual imperative: internal equity and external competitiveness. Internal equity demands consistency, ensuring that the efforts expended, responsibilities assumed, and remuneration received are perceived as fair and proportionate within the organization (Monnier, 2011). External competitiveness, conversely, requires the organization to possess the capacity to attract and retain top talent within a highly competitive labor market (Becker & Huselid, 1996; BCG, 2021). It is through the effective reconciliation of these two critical logics that an organization can construct a compensation policy that is both effective and sustainable over the long term.

Thus, the concepts of HR performance and compensation are not independent entities; rather, their effective articulation is now at the very heart of modern HR strategies (Boxall & Purcell, 2000; Delery & Doty, 1996). This crucial interplay constitutes a privileged domain for ongoing managerial reflection and innovation. While the intent of performance-based pay is to enhance fairness and clarity, its implementation can inadvertently introduce complexity that undermines perceived equity and trust (Monnier, 2011). Therefore, designing effective performance-based compensation necessitates a delicate balance between methodological rigor and practical simplicity. Clear communication, comprehensive training for all stakeholders, and a user-friendly system interface are as important as the sophistication of the metrics. Overly complex systems, even if theoretically sound, can lead to distrust, demotivation, and resistance if employees and managers do not fully understand how decisions are made.

2. Methodology for Developing Indicators

The effective measurement of HR performance is predicated on the adoption of a rigorous, structured, and contextually adapted approach tailored to the unique reality of each organization. To establish a demonstrable and tangible link between HR practices and overall organizational performance, it is imperative to design indicators that are not only relevant but also highly contextualized and dynamic in nature (Kaplan & Norton, 2001; Pichon, 2011). This section delineates the methodological foundations necessary for developing such indicators, emphasizing the pivotal role of the HR dashboard in facilitating strategic steering.

2.1 Typology of HR Performance Indicators

HR performance indicators are not universal; their applicability and relevance vary significantly based on an organization's specific objectives, its industry sector, its prevailing managerial culture, and its overarching strategic challenges. Nevertheless, a common typology provides a structured framework for organizing these indicators around three fundamental dimensions, as conceptualized by Boudreau and Ramstad (2006):

- **Efficiency:** This dimension quantifies the organization's ability to mobilize its resources in an economical manner. Efficiency indicators assess the relationship between the resources invested (e.g., time, budget, staff headcount) and the operational results achieved (e.g., the number of recruitments completed, the participation rate in training programs, or the processing times for HR-related tasks).
- **Effectiveness:** This dimension evaluates the degree to which predefined objectives are successfully attained. Examples include the success rate of training initiatives, the integration rate of new hires, the absenteeism rate, or the retention rate of critical talent within the organization.
- **Impact:** This represents the most strategically significant dimension, focusing on measuring the ultimate effects of HR practices on the organization's overall performance. These indicators are inherently more complex to establish due to the need to demonstrate clear correlations between specific HR actions and broader strategic business outcomes, such as enhanced productivity, increased innovation, improved customer satisfaction, or overall revenue generation (Boudreau & Ramstad, 2006; BCG & WFPMA, 2009).

Beyond this three-dimensional classification, a fundamental distinction is drawn between:

- **Quantitative indicators:** These are readily measurable and comparable, often expressed as rates, ratios, or deviations (e.g., turnover rate, cost per hire).
- **Qualitative indicators:** While more challenging to objectify, these are essential for a comprehensive analysis, encompassing aspects such as employee satisfaction, engagement levels, and the overall social climate within the organization (Al-Hajj & Musa, 2022; Zahonogo, 2016).

The "Impact" category serves as the strategic differentiator for HR. The explicit mention that these indicators are "more complex to establish" because they require demonstrating correlations between HR actions and strategic results (Boudreau & Ramstad, 2006) highlights the critical gap HR often faces. While quantitative data offers objectivity and comparability, qualitative data provides richness, context, and insights into critical human elements like morale, culture, and innovation. The construction of these indicators relies not only on the availability and reliability of HR data but also crucially on their readability and comprehensibility for decision-makers. It is imperative that all indicators are understandable, actionable, and precisely aligned with the overarching objectives of the HR policy (Kaplan & Norton, 2001). Over-reliance on easily quantifiable metrics can lead to a reductionist view of human performance, potentially missing crucial drivers of long-term success. The challenge for HR is to develop innovative methods to quantify qualitative aspects or to integrate them effectively into a balanced scorecard approach without losing their nuanced value, ensuring a holistic view of human capital.

2.2 The HR Dashboard

The HR dashboard is recognized as the central and indispensable tool for steering human performance within an organization (Kaplan & Norton, 2001). It consolidates a comprehensive set of Key Performance Indicators (KPIs) that enable continuous monitoring, in-depth analysis, and informed guidance of strategic decisions pertinent to personnel management.

a) Objectives of the HR Dashboard

The primary objectives of implementing an HR dashboard are multifaceted and strategic in nature (Pichon, 2011; Tanguy, 2020):

- To provide a synthetic and shared vision of the company's social situation, fostering a common understanding across leadership.
- To facilitate the detection of dysfunctions or discrepancies between established objectives and actual achievements, enabling timely corrective action.
- To inform and guide decision-making processes concerning critical HR domains such as training programs, employee mobility, recruitment strategies, and compensation policies.
- To ensure the transparency and traceability of all HR actions, thereby building trust and accountability within the organization.

The HR dashboard is integral to a performance management philosophy, as it significantly strengthens the accountability of HR managers to general management, aligning HR activities directly with organizational outcomes (BCG, 2021). The objectives of the HR dashboard extend beyond mere data presentation; they are designed to be a tool for ongoing strategic conversation and mutual accountability between HR and senior leadership. Its value lies not just in what it displays, but in how it facilitates data-driven discussions and strategic adjustments.

b) Development Steps

The systematic development of an HR dashboard typically adheres to a structured five-step approach (Kaplan & Norton, 2001):

1. Identification of priority HR issues: These issues must be directly linked to the company's overarching strategic objectives.
2. Selection of relevant indicators: Indicators are chosen based on their explanatory value, reliability, and accessibility of the underlying data.
3. Definition of data sources: Data can be drawn from various origins, including the Human Resources Information System (HRIS), internal employee surveys, formal social reports, or HR audits.
4. Visual formatting: The collected data is presented in a clear and intuitive visual format, utilizing tables, graphs, or performance maps to enhance comprehension.
5. Regular analysis and dissemination: Reports derived from the dashboard are analyzed and disseminated on a regular basis, typically monthly or quarterly, to relevant decision-makers throughout the organization.

While these steps outline a seemingly linear process, the requirement for "regular analysis and dissemination" and the alignment with "overall strategy" implicitly suggest an iterative and adaptive process. Organizational strategies and priorities evolve, and consequently, the HR issues and relevant indicators within the dashboard must also adapt (BCG, 2021). An HR dashboard should not be viewed as a static product but as a dynamic system that requires continuous review, adaptation, and improvement to maintain its relevance and effectiveness.

c) Link with Compensation Policy

The HR dashboard serves as a crucial lever for enhancing both equity and objectivity within compensation policies (Lawler & Stewart, 2001; Snell et al., 2013). It facilitates the establishment of a direct and transparent link between individual and collective performance and the subsequent decisions regarding salary recognition. By making each employee's contribution visible and measurable, the dashboard actively fosters a performance culture that is grounded in objective, quantifiable criteria, thereby reducing reliance on subjective appraisals (Monnier, 2011).

3. The Articulation Between HR Indicators and Compensation Policy

When HR performance is accurately measured and consistently monitored, it establishes a valuable foundation for developing a compensation policy that is coherent, motivating, and strategically aligned with organizational objectives (Becker & Huselid, 1996; Lawler & Stewart, 2001). This precise articulation between HR indicators and the compensation system is integral to a management dynamic that prioritizes merit recognition, optimizes talent utilization, and drives overall value creation within the enterprise. This section explores the

specific modalities through which this articulation is achieved, along with the critical conditions necessary for its successful implementation.

3.1 From HR Performance to Salary Recognition

One of the foremost challenges confronting contemporary organizations lies in their capacity to effectively translate individual and collective performance into concrete management decisions, particularly those pertaining to compensation. The relationship between performance and remuneration cannot be automatic or arbitrary; rather, it must be firmly rooted in criteria that are objectified, transparent, and widely understood and accepted across the organization (Monnier, 2011; Snell et al., 2013).

a) A Recognition Logic Based on Evidence

The evolving landscape of HR practices increasingly mandates a requirement for traceability in the recognition process. The annual performance appraisal, for instance, has transformed into a strategic juncture where achieved results are systematically compared against predefined objectives, and mobilized competencies are rigorously analyzed in light of established internal frameworks (Boudreau & Ramstad, 2006). This data, meticulously collected and consolidated within an HR dashboard, enables the precise identification of each employee's actual contributions, thereby mitigating biases stemming from favoritism or subjective judgments.

Salary recognition can thus be strategically linked to several nuanced levels of analysis:

- Individual performance: Encompassing the quality of work, the successful attainment of objectives, and professional conduct.
- Collective performance: Reflecting team results, the generation of synergies, and effective inter-departmental cooperation.
- Mobilization of key competencies: Including technical expertise, leadership capabilities, and the capacity to solve complex problems.
- Involvement in organizational transformation: Such as participation in innovative projects, leadership in change management initiatives, or mentorship roles (Snell et al., 2013; BCG, 2021).

The article highlights the fundamental and often unresolved tension in performance management: the desire for objective, data-driven decisions versus the necessity of human judgment and nuanced qualitative assessment, especially for complex roles and behaviors (Monnier, 2011). Over-reliance on purely quantitative metrics can lead to a mechanistic and potentially demotivating system that fails to capture the full scope of an employee's contribution, particularly in areas like collaboration, creativity, or leadership. HR systems must be designed to allow for both data-driven insights and informed managerial discretion, ensuring that the human element of human resources is not lost in the pursuit of quantification.

b) A Differentiated Compensation Policy

The strategic linkage of HR indicators with compensation policy facilitates the implementation of a differentiated approach. This approach is designed to specifically value high-potential employees, acknowledge exceptional efforts, and stimulate overall organizational performance (Becker & Huselid, 1996; BCG, 2021). This differentiation can manifest through various modalities:

- Individual variable compensation: Such as bonuses directly tied to measured performance.
- Collective compensation: Including profit-sharing schemes, participation plans, or team-based bonuses.
- Personalized salary progression: Involving increases based on an individual's progression in competencies or their positioning within a dynamic salary scale (Lawler & Stewart, 2001; Snell et al., 2013).

Such a system fosters a climate of organizational justice, provided that the underlying rules are clear, readily accessible, and applied with unwavering consistency (Monnier, 2011). It also actively encourages the alignment of individual behaviors with the strategic priorities of the organization. This goes beyond simply rewarding past performance; it positions compensation as a potent tool for shaping desired behaviors and reinforcing organizational cultural norms. For example, if the system disproportionately rewards individualistic achievements, it will foster competition; if it balances individual and collective incentives, it will encourage collaboration and teamwork.

c) The Limits of a Purely Quantitative Logic

Despite the advantages of objective measurement, a compensation policy based solely on quantitative indicators can inadvertently lead to adverse effects. These may include work overload, excessive internal competition among employees, or the neglect of crucial qualitative dimensions such as team spirit or innovation (Monnier, 2011). Consequently, it is imperative to complement purely quantitative measurement tools with a qualitative appraisal. This qualitative assessment should be grounded in direct observation, constructive managerial dialogue, and the overarching corporate culture (Zarifian, 1999; Clot, 1999).

Therefore, the successful articulation between performance and compensation necessitates a delicate balance: one that harmonizes objective indicators with human appraisal, standardizes criteria while allowing for the personalization of career trajectories, and integrates financial incentives with symbolic recognition (Boxall & Purcell, 2000; Monnier, 2011).

3.2 Modeling a Convergence Scheme: Performance & Compensation

To further illuminate the articulation between HR performance and compensation, a schematic model based on a three-tiered logic is proposed:

- a) Measurement of HR Performance: This initial tier involves the systematic collection of both individual and collective data. Based on this data, indicators of efficiency,

effectiveness, and impact are developed. The tools utilized in this phase include performance appraisals, Human Resources Information Systems (HRIS), benchmarking data, and internal surveys (Boudreau & Ramstad, 2006; Kaplan & Norton, 2001).

- b) Analysis and Interpretation of Results: The second tier focuses on the meticulous analysis and interpretation of the collected data. This involves identifying any deviations from established objectives, pinpointing high-contributing individuals and teams, and cross-referencing HR data with broader business results to derive meaningful insights (Pichon, 2011).
- c) Decision-making regarding Compensation: The final tier translates the analysis into concrete compensation decisions. This includes the allocation of variable compensation or bonuses, differentiated salary revisions based on performance, and the construction of a comprehensive, multi-dimensional recognition system (Lawler & Stewart, 2001; Snell et al., 2013).

A critical element of this model is the integration of feedback loops. These loops enable employees to clearly understand the rationale behind their salary evolutions, fostering transparency and perceived fairness (Monnier, 2011). Simultaneously, they allow managers to adjust their practices based on the observed effects of their decisions, facilitating continuous improvement and adaptation of the system. This goes beyond a one-way communication of decisions; it establishes a two-way dialogue. Without clear, consistent, and understandable feedback, even the most objectively fair system can be perceived as opaque or arbitrary, leading to distrust, demotivation, and reduced engagement among employees (Al-Hajj & Musa, 2022).

4. Case Study: Application in the SOMIZ Company

4.1 General Presentation of SOMIZ

SOMIZ is a prominent subsidiary of the Sonatrach group, specializing in industrial maintenance activities, with a particular focus on the demanding oil and gas sector. The company employs over 2,000 individuals and operates across multiple sites throughout the national territory. Its core mission is to ensure the unwavering reliability, safety, and operational efficiency of industrial facilities. In response to a broader context of managerial transformation, SOMIZ has embarked upon a profound revision of its human resource management system, strategically positioning HR performance at the very core of its evolutionary strategy.

SOMIZ's context as an industrial maintenance company in the oil and gas sector, and its status as a subsidiary of the Sonatrach group, significantly influence its HR system design. Industrial sectors often feature hierarchical structures, a strong emphasis on operational efficiency and safety, and potentially unionized workforces. Being part of a large group, likely state-owned, may also introduce specific corporate governance or social responsibility considerations. The article later mentions the system being "validated by social partners" (Monnier, 2011), reinforcing the importance of this context. This highlights that the success of the SOMIZ model, while illustrative, may require significant adaptation for direct transferability to other

organizational contexts, as cultural, regulatory, industry-specific, and ownership-related factors play a crucial role in system design and reception.

4.2 HR Performance Measurement System

SOMIZ has implemented a robust HR performance measurement system, which is based on a comprehensive battery of indicators. These indicators are strategically organized around four key dimensions (inspired by Boudreau & Ramstad, 2006; Kaplan & Norton, 2001):

- Individual performance: Measured by the attainment of specific objectives, individual productivity levels, and adherence to established deadlines.
- Collective performance: Assessed through metrics related to cooperation, team effectiveness, and the achievement of operational results by teams.
- Competency development: Quantified by the number of training hours undertaken by employees and the breadth of versatility acquired.
- Engagement and stability: Monitored via key indicators such as absenteeism rates, employee turnover, and participation levels in innovation projects (Al-Hajj & Musa, 2022; BCG, 2021).

These diverse indicators are consolidated into a quarterly HR dashboard, which is regularly presented to the management committee. This dashboard serves as a critical tool, enabling the company to meticulously monitor developments in human capital, proactively anticipate any deviations from strategic targets, and inform crucial decisions concerning compensation policy, the development of targeted training plans, and internal promotion opportunities (Pichon, 2011). SOMIZ's system explicitly includes metrics for both individual and collective performance. This is a critical design choice, as while individual performance often directly informs personal compensation, many organizational outcomes are the result of collaborative teamwork. By including both, SOMIZ aims to mitigate the adverse effects of purely individualistic systems, such as excessive internal competition, thereby fostering a more holistic and collaborative performance culture (Boxall & Purcell, 2000).

4.3 HR Dashboard – Simplified Example

Table 1: Simplified Example of SOMIZ's HR Dashboard

Indicators	Unit A	Unit B	Unit C	Target Objective
Absenteeism Rate	3.2%	2.5%	4.1%	< 4%
Objective Achievement Rate	95%	89%	92%	≥ 90%
Training Hours / Employee	18h	22h	15h	≥ 20h
Staff Stability Rate	97%	95%	93%	≥ 95%

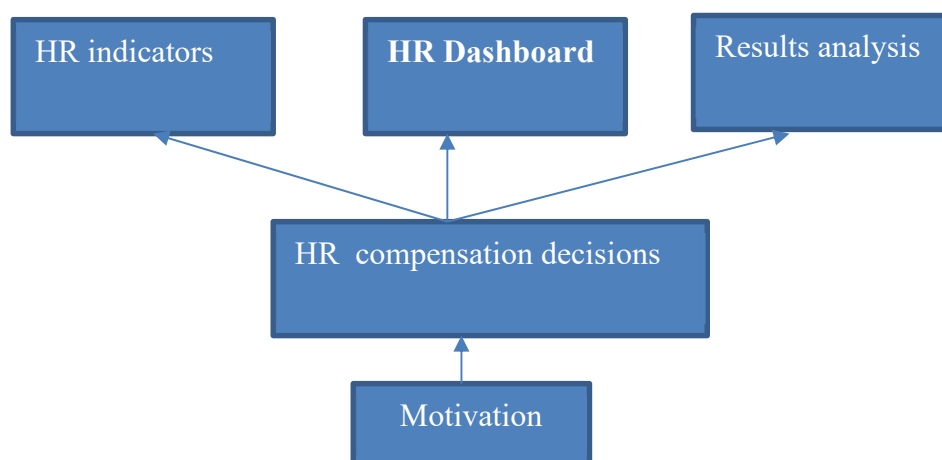
Source: SOMIZ

This table provides a simplified example of the HR dashboard utilized at SOMIZ, illustrating the type of indicators tracked across different organizational units and against target objectives. This table serves as a concrete illustration of how such indicators are structured and tracked within a real company, allowing for immediate visual comparison of performance across different organizational units and against clear benchmarks. This highlights the goal-oriented nature of the dashboard and its role in performance management.

4.4 HR Evaluation System Diagram

The figure 1 illustrates the interconnected stages of SOMIZ's HR evaluation process. This would encompass an input stage, where data is collected from various sources such as individual performance appraisals, the HRIS, and training records. This is followed by a processing and analysis stage, where the data is aggregated and analyzed to calculate the HR performance indicators. The output and decision stage then utilizes these indicators to inform strategic HR decisions, particularly concerning compensation, training, and promotions. Crucially, the diagram also depicts feedback loops, illustrating how the outcomes of decisions are fed back into the system for continuous improvement and adjustment, reflecting the iterative nature of performance management.

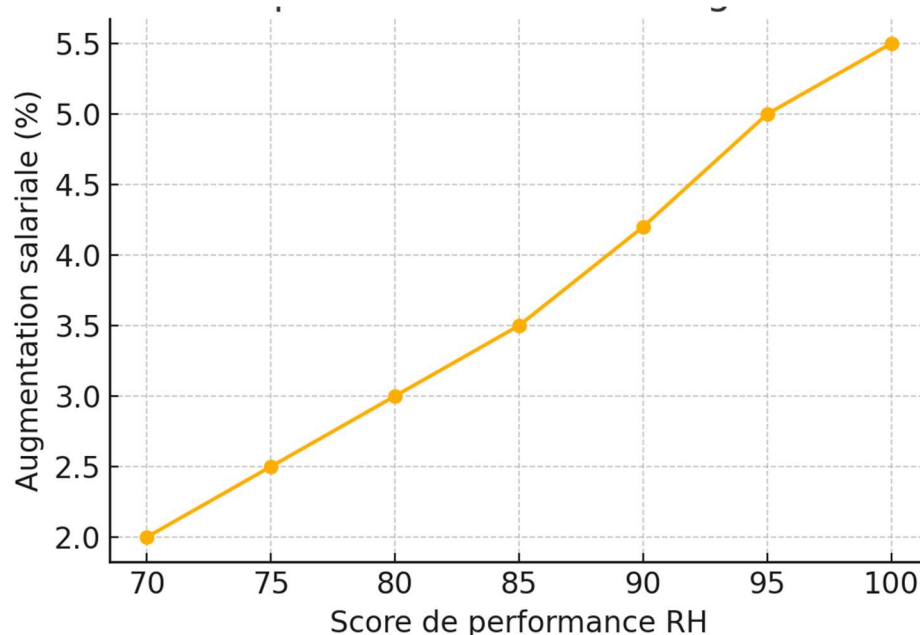
Figure 1. HR evaluation process



4.5 Correlation between HR Performance and Salary Progression

The figure 2 highlights a positive correlation between HR performance scores and the salary increases awarded to employees at SOMIZ, it demonstrates a trend where higher performance scores consistently correspond to more substantial salary increases. This serves as crucial empirical evidence, validating the core argument of the article regarding the direct and tangible link between measured performance and compensation within the SOMIZ context. This finding moves the discussion from conceptual possibility to demonstrated reality within a specific organizational context, reinforcing the idea that SOMIZ's implemented system is indeed functioning as intended, successfully linking employee effort and results to tangible financial rewards.

Figure 2. Correlation between HR Performance and Salary Progression



Source: SOMIZ

4.6 Analysis of Obtained Results

An in-depth analysis of the data derived from SOMIZ's HR dashboard reveals several significant findings. Firstly, a strong correlation is observed: the organizational units that consistently demonstrate the best objective achievement rates and the lowest absenteeism rates are concurrently those that record the highest levels of staff stability. This suggests a robust positive relationship between organizational commitment, the quality of managerial leadership, and overall organizational performance. This is more than a simple correlation; it suggests a virtuous cycle where high individual and collective performance, coupled with low absenteeism, likely contributes to a positive work environment and strong organizational commitment, which in turn fosters higher staff stability. This stability then provides a consistent foundation for sustained high performance.

Secondly, the results unequivocally demonstrate that investments in training directly influence both individual productivity and the adaptability of teams. For instance, Unit B, which significantly exceeded the target of 20 hours of training per employee, also exhibited the lowest absenteeism rate. This correlation suggests a perceived value of training by employees, contributing not only to skill enhancement but also to strengthening both motivation and a sense of belonging within the organization. This moves beyond the traditional view of training solely as a means for skill development or compliance. It suggests that investment in employee development is also a powerful tool for psychological recognition, fostering a sense of value, growth, and belonging within the organization, which directly impacts engagement, motivation, and retention.

The comprehensive cross-referencing of these diverse data points empowers SOMIZ's HR management to more effectively target corrective actions. This includes, for example,

intensifying training efforts in specific units where needs are identified or providing tailored support to managerial teams grappling with high turnover or temporary demobilization. This results-driven steering approach significantly enhances HR responsiveness and the organization's capacity to make data-informed decisions, thereby optimizing human capital management.

4.7 Link between HR Performance and Compensation Policy at SOMIZ

At SOMIZ, the compensation policy has been strategically designed to be partially indexed to the performance results derived from the HR dashboard. This integrated approach includes a collective bonus system, which is directly tied to shared organizational objectives, alongside individual bonuses that are awarded based on performance measured against predefined indicators.

This comprehensive compensation system has undergone a rigorous validation process, notably by social partners, which underpins its inherent logic of transparency and the objectification of compensation decisions. Specifically, the system relies on three key components:

- A meticulously designed weighting grid for various HR indicators.
- A robust cross-evaluation system that combines assessments from hierarchy with self-evaluation inputs.
- A clearly defined minimum performance threshold that determines eligibility for bonuses.

The implementation of this model has successfully introduced a logic of perceived equity, which has significantly strengthened employee adherence and buy-in. Furthermore, it has facilitated the establishment of profit-sharing plans for strategic projects, thereby encouraging widespread employee mobilization around ongoing organizational transformations and strategic initiatives. The explicit mention that "This system, validated by social partners," is highly significant, particularly in an industrial context like SOMIZ. This validation is critical for the system's "perceived equity" and for "strengthening employee adherence." Without buy-in and formal agreement from employee representatives, such a performance-based system could face significant resistance, industrial disputes, and ultimately undermine trust and effectiveness.

4.8 Limits and Prospects for Improvement

Despite the encouraging results and advancements achieved, several limitations have been identified within the implemented HR performance and compensation system at SOMIZ:

- **Qualitative Measurement Difficulty:** Qualitative indicators, such as employee engagement, cooperation levels, and the overall social climate, remain challenging to objectify and quantify rigorously, even with the use of internal surveys. This highlights a persistent gap between theoretical aspiration and practical measurement capabilities within HR.

- **Perceived Equity Concerns:** Some managers have expressed reservations regarding the perceived equity in the distribution of bonuses, attributing this concern to the inherent complexity of the system. This suggests that while the intent is transparency, the implementation can inadvertently introduce complexity that undermines perceived fairness.
- **Technological Constraints:** The current data processing capabilities necessitate more advanced digitalization of the Human Resources Information System (HRIS) to ensure optimal reliability and real-time usability of information for decision-making. In terms of future prospects and continuous improvement, several actions are currently being envisaged:
- **AI Integration:** Exploring the integration of artificial intelligence into the processing of predictive indicators to enhance analytical capabilities and foresight.
- **Manager Training:** Strengthening the training provided to managers in HR analysis and objective-based management to improve their ability to interpret and utilize performance data effectively.
- **Employee Involvement:** Increasing the involvement of teams in the definition of evaluation criteria to further bolster the legitimacy and acceptance of the system across the workforce.

While technology can streamline processes and provide data infrastructure, it is not a standalone solution. Human factors—such as managerial capability, effective communication, and cultural readiness—are equally, if not more, critical for successful implementation. SOMIZ currently possesses a solid foundation for performance-oriented HR management. However, the long-term sustainability of this model is critically dependent on its inherent capacity to remain agile, participatory, and continuously evolving in response to changing organizational needs and external dynamics. Organizations investing in HR technology must ensure these investments are accompanied by parallel investments in human capabilities and change management initiatives.

Conclusion

In a contemporary organizational landscape where sustained performance increasingly hinges on the strategic mobilization of human capital, the Human Resources function is compelled to undergo a continuous reinvention, positioning itself as a genuine and indispensable lever for value creation. This article has rigorously demonstrated, through both a comprehensive theoretical framework and an empirical case study, the profound relevance of HR steering that is firmly based on objectified indicators and directly linked to compensation policies.

The in-depth case study of SOMIZ, a leading Algerian industrial company, provides compelling evidence that the implementation of an integrated HR evaluation system yields significant benefits. This system, articulated around a robust dashboard, clear decision-making diagrams, and well-defined indicators, not only enhances the efficiency of personnel management but also actively supports the development of a compensation policy that is more equitable, highly motivating, and precisely aligned with the strategic objectives of the enterprise. The empirically observed positive correlation between HR performance scores and individual salary increases concretely illustrates this virtuous dynamic, validating the efficacy of such an integrated approach. This strong statement about the future direction of the HR profession implies that HR decisions, traditionally sometimes based on intuition or past practices, must increasingly be informed by rigorous data analysis and empirical evidence to be truly strategic and impactful.

More broadly, the SOMIZ model exemplifies the tangible contributions of evidence-based HRM. In this paradigm, performance is not confined to mere quantitative results but comprehensively integrates behavioral, collaborative, and developmental dimensions of human capital. The strategic valuation of competencies, the transparent recognition of merit, and the consistent application of transparent remuneration processes are now recognized as essential conditions for effectively attracting, mobilizing, and retaining talent within a fiercely competitive environment.

However, it is also acknowledged that this sophisticated approach, despite its successes, remains perfectible. The identified limitations—particularly those related to the persistent subjectivity inherent in certain aspects of evaluation, internal resistance to change, or existing technological constraints—serve as crucial reminders that performance management cannot be entirely automated. It necessitates a delicate and continuous balance among the effective utilization of digital tools, astute managerial discernment, and active employee involvement. This highlights the enduring human element in a data-driven performance management system, emphasizing that while data provides invaluable insights and efficiency, human leadership, empathy, ethical considerations, and nuanced judgment are indispensable for creating a truly effective, fair, and motivating performance culture.

Ultimately, when the link between HR performance and compensation is meticulously constructed upon solid methodological foundations and deeply embedded within an organizational culture that champions accountability, it transforms into a formidable catalyst for sustainable performance (Barney, 1991; Wernerfelt, 1984). This integrated approach offers a promising new perspective for Algerian companies and, more broadly, for organizations in

emerging economies that are striving to simultaneously achieve operational excellence and strategically value their human capital.

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