

Measuring and Managing Individual and Organizational Performance

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Abstract: The individual performance appraisal system, as one of the defining elements of the human resource system, is becoming more and more important in the life of organizations nowadays. In order to measure and increase performance at the organizational level, it is necessary to look for elements that create added value for stakeholders based on employee competencies. In order to measure organizational level performance, it is also essential for modern corporate operations to measure individual performance. To learn about individual performance, you need to define your organization's expectations of the system, with a particular focus on your organization's core business.

Key words: performance management; individual performance; incentive

JEL codes: L94, L97, M59

1. Introduction

Today, meeting the expectations of changing environments requires each organization and expert to utilize the knowledge of the entire human resource profession, to develop supportive methods that are strategically important to the company. The removal of resource constraints and the applicability of efficiency measures focus on actions that go beyond human factors, and the development of a system of metrics that can be assigned to them is of paramount importance. In a market environment, defining or improving company-level performance based on the performance of individuals can lead to market gain.

2. The Performance Appraisal System

2.1 System Goals

As early as 1964, Vroom developed a formula that states that performance is the result of the product of two factors, motivation and ability. Based on this, performance is perhaps most simply defined as the acquisition and accumulation of acquired and accumulated knowledge, that is, the ability and skill of individuality to some degree and quality in the course of work. The sum all the knowledge, skills and experience required for the performance normally expected in a given job. No matter how this knowledge is acquired, it must meet the needs of the job. And the ability comes from the transfer of knowledge, which enables a person to fulfill certain working conditions. (ability = knowledge + skills) Approached differently, the ability to express something is an endowment, the ability to do something, and the intention and willingness to do so is expressed by the skill. Among the elements that determine the development of performance, the knowledge, ability and skill defined so far are the components

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of suitability, which are determined by selection and development. Since performance is always interpreted as the level of fulfillment of a specific or expected requirement, we can see that it is determined by suitability, motivation, and opportunity. Motivation can stem from an individual's personality, intrinsic motivation motivates many of us to deliver maximum performance, we have been raised to get the most out of ourselves under any circumstances. The incentive techniques used at the organization (fringe benefits, bonus system, etc.) also contribute greatly to the employee's delivery of the performance expected of him or her.

2.2 System Introduction

In the event that an organization's management decides to implement and operate a performance appraisal system, there are a number of factors or questions that need to be answered to eliminate the risks posed by system deficiencies. What is needed for the applied methodology, process and system to work effectively? First of all, the common management value system must be formulated, of which performance evaluation, people management and the related remuneration system must form an integral part. One of the cornerstones of the introduction of performance appraisal should be that all users, both appraisers and evaluators, understand and accept what they know is its purpose, why it is good for them, and know their own responsibilities in operating it. The goals set in the system must be measurable, specific, challenging, and at the same time achievable in order to increase the level of motivation of individuals. As an HR function, it should be related to other systems already in use or also under implementation, such as training development or just incentive. It can be useful if its operation is also supported by an IT system, which can be a facilitation in its acceptance and transparency.

During the introduction of the individual performance appraisal system, it is worth examining along several dimensions and parameters whether its functions fit the set goals, it will be a really useful element of the HR strategic system. Based on the answers given along the individual dimensions, we can formulate the expectations and the individual steps of the design based on the individual needs of the company and the management. In the case of a performance appraisal strategy, a technological environment dimension, are we looking for the answer to what should be the purpose of our appraisal, evaluate individual goals or organizational goals, or possibly both? What should the review give feedback on? For the set goals, we can only get an indication of the tasks performed in projects, or we can measure them on the basis of the outstanding behavior, attitude and tasks performed. It is also necessary to determine the frequency of evaluation. Typically, the period over which organizations measure performance is defined in an annual cycle, which is often in line with the company's annual economic performance, especially when applying organizational indicators. It is essential that we know what the purpose of the operation of the system will be, the input side of developments or whether we want to determine material or non-material recognitions based on it, or we will use the ones recorded in it during the career management. It is also necessary to clarify that the operation of the evaluation system is primarily the responsibility of managers and employees, HR professionals provide professional support to it, and not provide content and quality outputs to those involved.

During evaluations, it can be decisive on what basis the evaluation is based, on the pre-set goal tasks, on the subjective feedback of others, or on the basis of the individual's self-evaluation. It is necessary to fix in advance along the individual goals and objectives what is the cornerstone of the achievement, in which cases we consider it fulfilled, whether there is a possibility to accept the subtasks and achievements, or whether there is a way to overperform, to recognize individual outstanding performance. Prior to the introduction of the system, it should also be clarified whether, following the evaluation of the results, the recognized recognitions, which may be

material or non-material, will be recognized on the basis of percentages completed or whether there will be a related performance category in benefits. The extent of the available incentives must be determined taking into account economic indicators and plans, which may even differ from job to job and position to position. It is important that assessment period, are aware of the amount of benefit available. In addition to the level of benefits, it is worth linking the frequency of payments to the pace of the assessment period, provided that these periods are neither too frequent nor too long.

3. Organizational Performance

The alpha and omega of the definition of organizational behavior is organizational performance. Performance consists of qualitative and quantitative elements related to the performance of the tasks assigned to the organization (Bakacsi Gy., 2004). This sets normative requirements for organizational actors; this must be in line with their individual goals and aspirations; they plan their action programs on this basis; and evaluate their (individual) contributions on the basis of actual performance. Based on this, we can consider it successful and to be strengthened, to continue to follow the actions taken so far, and to be unsuccessful and to change, at the same time formulating the need to develop new forms of behavior and the requirement of learning. Organizational performance is usually the result of the performance and implementation of the tasks formulated to achieve the goals of the organization, which can be characterized by qualitative and quantitative indicators (Bakacsi et al., 2006, p. 184). With quantitative indicators such as sales revenue, profit, sales volume and EBITDA, we can measure the fulfillment of expectations formulated along objective parameters. When defining quality indicators, the goal can be to measure productivity, efficiency and economy, with which organizations can purposefully define the framework within which they can make measurable factors that are more difficult to grasp. In order to determine and measure all these indicators, it is necessary to take into account the life cycle of the organization, the organizational culture and the activities of the company (Poór, 2004).

The Key Performance Indicator is a measurable value that shows how effectively a company is working towards its goals. Companies are looking at different KPIs on several levels to see how effective they are in achieving these goals. High-level KPIs show the performance of the company as a whole, while lower-level indicators show the efficiency of smaller organizational units (e.g., production, sales, marketing, HR, etc.). It can be a fundamental mistake to use performance indicators used in the industry as your own indicator, with the risk of leading to the detection of useless data that does not help the company achieve its goals (Máté, 2017). An effective KPI, if it contains concise, clear and relevant information, is clear to stakeholders, because without it, the achievement of the related objectives may not achieve the expected impact.

Max Weber expects the purpose of organizations from the outside: the goal set for an administrative organization is a political issue formulated by the appointed leader or a decision-making political body. An ideal bureaucratic organization performs any task that helps to achieve a goal (Bakacsi, 2004). Organizational growth, more complex internal organizational and external social relations, and the political organizations of organizational actors, such as trade unions, have made the above model more complex. Ownership and management roles are separated — the interests, bargaining and control relationships thus separated are described by the superior-agent theory. Increasingly, they are also forced to take into account the interests of employees, the simplest form of which is reflected in Fayol's principle of fairness (Fayol H., 1984), an advanced model reflected in the system of labor relations that has developed today.

Today's perception of the organization has further expanded the range of stakeholders, the participants of the increasingly complex bargain, the stakeholders and critical actors (stakeholders) of the organization. Its manifestations are: social responsibility; interest groups seeking to pass on the social costs of externalities to companies, an organizational interest group that is increasingly taking on (forced to take) local (municipal) tasks and taking into account its high political expectations, while at the same time constantly negotiating with them. In parallel with this extensive involvement (and interest integration), the organization receives the critical resources needed from its stakeholder holders to survive and develop (resource dependency theory) (Pfeffer J. & Salancik G. R., 1978). This bargaining is also a dynamic process in which the advocacy capacity of different actors is constantly rebalanced. Organizations break down their goals into organizational units, and at the end of the broken down goal hierarchy, the individual himself stands with his goals. The cooperation between the organization and the individual can also be seen as a kind of contract, in which both parties have their own motivations and goals based on it (Barnard C., 1938).

4. Conclusion

In each case, performance indicators should be linked to a specific task or process, with specific and comprehensible criteria so that, once completed, they can be an objective measure of evaluations. In the long term, it is recommended to periodically review each performance dimension and measure its applicability and effectiveness. However, measuring indicators alone is not enough, they also need to be managed. In a real challenging environment that sets goals together and supports the learning of performance appraisal methodology, the operation of a performance management system can add value to all stakeholders and can be a long-term success for the organization.

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