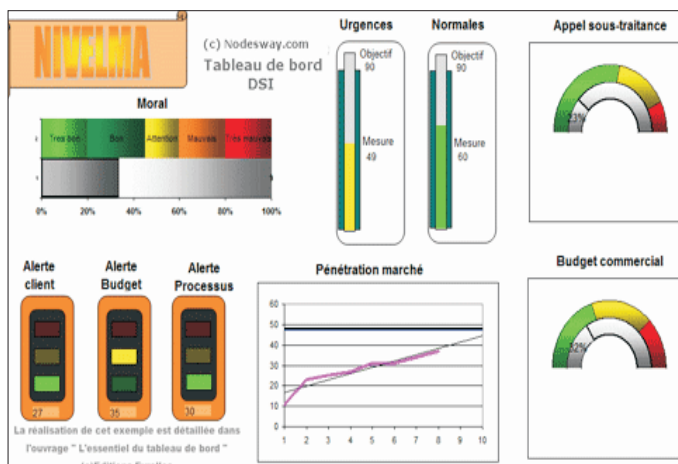


MEASURING THE ORGANISATIONAL PERFORMANCE: TRENDS AND TECHNIQUES

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ABSTRACT

This paper aims to discuss the subject of Organizational Performance, the performance measurement of organizational to effectiveness, efficiency organization. It focuses on the objective, Criteria of Performance measures and also important and objective of performance evaluation and process and models of performance evaluation.

KEY WORDS:

Performance, Performance Measurement, Effectiveness, Efficiency, Organization.

INTRODUCTION:

Organizations have a major role in our daily lives and therefore, successful organizations are a key element for the development of a nation. Thus, many economists consider the organizations and institutions as a driving force in determining economic, social and political progress.

Organizations can be perceived as a system composed of interrelated subsystems (Burke & Litwin, 2001). Continuous performance is the focus of any organization because only through performance, organizations are able to grow and progress.

The first condition necessary to improve and achieve business excellence is developing and implementing a system for measuring organizational performance. According to the RSA, (Royal Society of Arts, Manufactures and Commerce) in order to ensure its success, a company must use the relevant systems to measure its performance. Therefore, any organization whether it's a private or public corporation or a mixed company must implement a system to measure performance because both the success and continuity of an organization depend on its performance.

Performance measurement is necessary because it gives organizations the ability to determine whether objectives have been achieved to assess their performance and develop future initiatives to improve their performance. Performance measurement and hence organizational performance has become a topic of growing interest.

THEORETICAL FRAMEWORK

1.1 ORGANIZATION

Organization is an entity comprising multiple people, such as an institution or an association that has

a collective goal and is linked to an external environment, the word is derived from the Greek word organon, which means "organ" (Mukherjee, 2005).

A social unit of people that is structured and managed to meet a need or to pursue collective goals, all organizations have a management structure that determines relationships between the different activities and the members, and subdivides and assigns roles, responsibilities, and authority to carry out different tasks.

1.2 ORGANIZATIONAL GOALS

There are many advantages for establishing organizational goals: They guide employee efforts, justify a company's activities and existence, define performance standards, provide constraints for pursuing unnecessary goals and function as behavioral incentives.

There are two main types of organizational goals; official and operative. Official goals detail a company's aims as described in their public statements, such as the corporate charter and annual reports. They help to build the organization's public image and reputation. Operative goals are the actual, concrete steps a business intends to take to achieve its purpose. A company's operative goals often do not parallel its official goals; for example, while a nonprofit volunteer organization's main official goal may be community service, limited funding might mean that its operative goal of fund raising will take precedence (Rainey, 2003).

Organizations should clearly communicate organizational goals to engage employees in their work and achieve the organization's desired ends. While an organization can communicate its organizational goals through formal channels, the most effective and direct way to do so is through employees' direct supervisors. This allows managers to work with their staff to develop SMART goals that align with the organization's goals.

The Managers began to understand that an organization is successful if it accomplishes its goals (Effectiveness) using a minimum of resources (efficiency). Thus, organizational theories that followed supported the idea of an organization that achieves its performance objectives based on the constraints imposed by the limited resources (Rainey, 1993; Simon, 1973).

1.3. THE DEFINITION OF PERFORMANCE:

The dictionary defines performance as follows:

1. "The act or process of performing or carrying out"
2. "The execution or fulfillment (of a duty) etc"
3. "A person's achievement under test conditions etc" (Thompson Ed. 1995, p, 10-15).

The definition alludes to some sort of attainment or reaching of a standard in the output to a process. They suggest that a wide range of things may perform, including processes, actors or products. Performance is a level of achievement of specific task or job implementation. The performance of organization is the accumulation of all organization units' performance (summation of everyone's performance). The performance is a result of the quality and quantity of work achieved by one employee in the performance of his duties in accordance with the responsibilities given to him.

The research team of Development of Accountability System for Performance (DASP) (2000: p.8) gives the definition of the performance, i.e. "Performance is the degree of effectiveness and efficiency and ability in the achievement of the objectives by the management and the divisions that exist within an organization". According to the Indonesian dictionary (2002, p.570) "Performance is defined as something that is achieved, achievement and demonstrated ability to work."

According to Prabu (2002, p.67), Performance is the result of the quality and quantity of work achieved by an employee in carrying out their duties in accordance with the responsibilities assigned to him.

Sulistiyani (2003, p.223) asserts that a person's performance is a combination of ability, effort and opportunity that can be judged from his work ". Whereas Hasibuan (2007, p.34) suggests that the performance is a result of work which is accomplished by person in carrying out the duties charged to him based on the skills, experience and time commitment. Irham Fahmi (2010, p.2) says that performance is the result obtained by an organization that is profit oriented and nonprofit oriented which produced during the period of time. According to Soeprihanto (2000, p.7), says that the performance of an employee is essentially the work of a person during a certain period in comparison with the various possibilities.

1.4. DEFINITION AND CONCEPT OF PERFORMANCE MEASUREMENT

A performance measure is defined by Neely et al. (2005) as: "a metric used to quantify the efficiency and/or effectiveness of an action".

Performance measurement is the process of collecting, analyzing and or reporting information regarding the performance of an individual, group, organization, system or component. It can involve studying processes/strategies within organizations, or studying engineering processes, parameters and phenomena, to see whether output are in line with what was intended or should have been achieved.(Skevington,1999).

Performance measurement is generally defined as regular measurement of outcomes and results, which generates reliable data on the effectiveness and efficiency of programs (Kariuki, 2011).

1.5. IMPORTANT OF MEASURING PERFORMANCE

Osborne and Gaebler (1992), explained the importance of measuring performance as follow:

- * To improve delivery of public services
- * What gets measured, gets done
- * To detect errors
- * To recognize success
- * To allow for organizational learning and improvement
- * To mobilize support
- * To improve accountability for budget expenditures
- * To improve public communication.

1.6. CRITERIA OF PERFORMANCE MEASURES

Hatry (1999) actually suggested such criteria as

- * Validity
- * Understandability
- * Timeliness
- * Potential for encouraging perverse behavior
- * Uniqueness
- * Data collection cost
- * Controllability
- * Comprehensiveness for selecting a set of performance measures.

1.7. TYPES OF PERFORMANCE MEASURES.

According to Hatry(1999b) & Poister(2003), the choice of performance measures is dependent upon our objectives, and there are several types of performance measures such as:

- * cost effectiveness measures
- * workload-accomplished measures

- * outcome measures
- * efficiency measures
- * productivity measures
- * service quality measures

1.8. PURPOSE OF CRITERIA MEASUREMENT

Before choosing a performance measure, organization managers must first decide their purpose. Kravchuk and Schack note that no one measure or even one collection of measures is appropriate for all circumstances. Thus, they advocate "an explicit measurement strategy" that will "provide for the needs of all important users of performance information" (Kravchuk and Schack 1996, p.350).

1) TO EVALUATE

Evaluation requires a comparison. To evaluate the performance of an organization, its managers have to compare that performance with some standard. Such a standard can come from past performance, from the performance of similar organization, from a professional or industry standard, or from political expectations. But without such a basis for comparison, it is impossible to determine whether the organization is performing well or poorly. To compare actual performance against the performance criterion it requires a variety of outcome measures, combined with some input (plus environmental, process, and output) measures. The focus, however, is on the outcomes.

To evaluate an organization and determine whether it is achieving its organization purpose or not, it requires some measure of the outcomes that the agency was designed to affect.

2) TO CONTROL

To control the behavior of organizations and employees, officials need input requirements. Indeed, whenever you discover officials who are using input measures, you can be sure they are using them to control. To do this, officials need to measure the corresponding behavior of individuals and organizations and then compare this performance with the requirements to check who has and has not complied do not be fooled. These guidelines are really requirements, and these requirements are designed to control. The measurement of compliance with these requirements is the mechanism of control.

3) TO BUDGET

To use performance measures for budgeting purposes, organization managers need measures that describe the efficiency of various activities. Then, once political leaders have set macro budgetary priorities, agency managers can use efficiency measures to suggest the activities in which they should invest the appropriated funds (Coe 1999, 112; Joyce 1997, 53, 56; Thompson 1994).

To use performance measures to budget, however, managers need not only data on outcomes (or outputs) for the numerator in the efficiency equation; they also need reliable cost data for the denominator. These cost measures have to capture not only the obvious, direct costs of the organization or program, but also the hidden, indirect costs.

4) TO MOTIVATE

To motivate employees to work harder or smarter, organization managers need almost-real-time measures of outputs to compare with production targets. Organizations do not produce outcomes; organizations produce outputs. To motivate an organization to improve its performance, managers have to motivate it to improve what it actually does. Consequently, as organizations managers want to use outcome data to evaluate their organizations performance, they need output data to motivate better performance.

Managers cannot motivate employees to do something they cannot do; managers can't motivate people to affect some- thing over which they have little or no influence; managers cannot motivate people to produce an outcome they do not themselves produce (Bardach 1998; Sparrow 2000).

5) TO PROMOTE

To convince citizens their organizations is effective and efficient, organizations managers need easily understood measures of those aspects of performance about which many citizens personally care. such performance may be only tangentially related to the organization purpose.

6) TO CELEBRATE

Before an organization can do any celebrating, its managers need to create a performance target that, when achieved, gives its employees and collaborators a real sense of personal and collective accomplishment. This target can be one that has also been used to motivate; it can be an annual target, or one of the monthly or quarterly targets into which an annual target has been divided. Once an agency has produced a tangible and genuine accomplishment that is worth commemorating, its managers need to create a festivity that is proportional to the significance of the achievement (Behn 1991, 103-11).

7) TO LEARN

To learn, organization managers need a large number and wide variety of measures—measures that provide detailed, disaggregated information on the various aspects of the various operations of the various components of the organization.

When seeking to learn, caution Kravchuk and Schack, public managers need to "avoid excessive aggregation of information" (Kravchuk and Schack ,1996, 357). Benchmarking is a traditional form of performance measurement that is designed to facilitate learning (Holloway, Francis, and Hinton 1999). Benchmarking, write Kouzmin et al., is "an instrument for assessing organizational performance and for facilitating management transfer and learning from other benchmarked organizations" (1999, 121). It is a continuous, systematic process of measuring products, services and practices against organizations regarded to be superior with the aim of rectifying any performance 'gaps'" (123), Thus, they conclude, "benchmarking as a whole can be seen as a learning strategy" (131).

Nevertheless, they caution, for this strategy to work, the organization must become a learning organization. Consequently, they conclude, "the learning effects of benchmarking are, to a very high degree, dependent on adequate organizational conditions and managerial solutions" (132).

8) TO IMPROVE

To ratchet up performance, organization managers need to understand how they can influence the behavior of the staff inside their organization (and its collaborative) who produce their outputs and how they can influence the conduct of citizens who convert these outputs into outcomes. They need to know what is going on inside their organization including the broader organization that consists of everything and everyone whose behavior can affect these outputs and outcomes. They need to know what is going on inside their entire, operational black box. They need inside-the-black-box data that explains how the inputs, environment, and operations can change (influence or inspire) do (can, or might) cause (create, or contribute to) improvements in the outputs and outcomes (National Academy of Public Administration), (NAPA, 1994).

1.9. PERFORMANCE APPRAISAL.

The term "performance appraisal" refers to the process by which an individual's work performance

is assessed. Performance appraisal has been defined as the process of identifying, evaluating and developing the work performance of employees in the organization, so that the organizational goals and objectives are more effectively achieved, while at the same time benefiting employees in terms of recognition, receiving feedback, catering for work needs and offering career guidance (CIPD, 2013). Performance appraisal is the formal process of observing and evaluating an employee's performance (Kumari & Malhotra, 2012, p.78).

According to Meenakshi (2012), Performance appraisal is not just about rating employees. Organisations carry out Performance Appraisal as a basis for administrative decisions such as promotion, allocation of financial rewards, employee development and identification of training needs.

1.10. OBJECTIVES OF PERFORMANCE APPRAISAL

Appraisal is preceded by establishing general objectives or a description for the job, identifying specific job expectations, providing feedback and, when necessary, coaching' (Hillman, Schwandt & Bartz, 1990, p.20). Fletcher (2004) believes that the general aims of Performance Appraisal includes Motivating staff, Succession planning and identifying potential, promoting manager subordinate dialogue and formal assessment of unsatisfactory performance. However, Khan (2007) states that the fundamental objective of performance appraisal is to facilitate management in carrying out administrative decisions relating to promotions, firings, layoffs and payment increases. From carrying out the performance appraisal, management then has to make choices in relation to retention, future assignments and training and developmental needs (Hillman et al, 1990). According to Obisi (2011, p.92), 'Organisational performance and its resultant efficiency and effectiveness can only be achieved when individuals are continuously appraised and evaluated. This explains why almost every organisation carries out some form of performance appraisal either on its own or as a part of their performance management system '.

1.11. IMPORTANCE OF PERFORMANCE APPRAISAL

Effective performance appraisal system will bring benefits to the staff member being appraised, the manager completing the appraisal and the organisation as a whole.

For the Organisation, benefits include the following (Fisher, 1995):

- * Improved Performance due to effective communication, increased sense of cohesiveness and better management-staff relationships
- * Training and Development needs identified more clearly
- * A culture of kaizen -Continuous improvement
- * Competitive Advantage in the Market place
- * Employee Satisfaction as a sense that employees are valued is spread
- * For the staff being appraised, the benefits can include (Fisher, 1995; Sudin, 2011; CIPD, 2012):
- * Enhanced relationships with line managers
- * Increased job satisfaction
- * A better understanding of expectations
- * Greater knowledge of strengths and weakness
- * For the Manager carrying out the appraisal, the benefits can include (Fisher, 1995; CIPD, 2012):
- * Better relationship with employees – trust.
- * Stronger knowledge of what is going on in the organization
- * Better knowledge of employees–knowing their individual strengths and weakness
- * Facilitate management in decisions including pay rises, promotions, redundancies etc.

1.12. MODELS OF PERFORMANCE EVALUATION SYSTEM

In modern method of performance evaluation is use as:

- * Quantitative models such as productivity criteria with value-added approach, efficiency criteria with effectiveness approach and efficiency, criteria of the profitability with performance auditing approach;
- * Qualitative models such as descriptive and evaluative criteria approach, organizational commitment and organizational ethics, and several other criteria.

There are seven scales for evaluating the performance of an organization which are not necessarily distinct from each other. These scales include:

- * Effectiveness
- * Efficiency
- * Profits
- * Profitability
- * Advantage productivity
- * Quality of job life
- * Creativity and innovation and quality.

1.13. TECHNOLOGY

Technology and performance have been intertwined since the dawn of human civilization. In learning to create and exploit new technologies, humankind has been able to powerfully influence the world. Try to imagine the performance of workers levels, without such technologies, it will be difficult.

Economic historian, Paul David has shown how new technologies can make organizations much more productive, but only after they've learned how to best utilize those technologies.

A March 2007 article on the New York Times Website mentions a 2007 report on the role of technology in the US economy found that "money spent on computing technology delivers gains in worker productivity that are three to five times those of other investments." Issued by the Information Technology and Innovation Foundation, a research organization backed by IT companies, online auction site eBay, and the communications workers of America, the study suggests that the performance of certain industries-including health care, electric utilities, education and transportation-could be raised through the wise use of information technology.

1.14. CONCLUSION

This paper has been presented to define Performance and performance evaluation that role the effectiveness and efficiency organization. This could be done according to all frameworks described, and according to views of many experts in the field of features performance and performance evaluation.

Performance should be derived from the organization objectives. Otherwise, the system may to support organization activities that can have a positive effect on organization. In addition, it should be noted that if performance of employees change, some performance of organization will also change. Therefore, the performance evaluation system is always consistent with organizational goals.

Because performance evaluation has influence on employee's behavior, inappropriate set of evaluation may be lead to non-functional behavior by employees. In other words, employees who seek only to improve their own performance indicators may make decisions that are in conflict with the demands of managers and improve in performance of their department lead to damage other parts or even the overall performance of the organization and a performance evaluation system should be prevent such optimization.

The purpose of a performance evaluation is to give important information at the right time to the right person. Therefore, the important thing about this system is that it should be designed so that the

information is easily improved, available, and easy to be understood. Performance evaluation should have a specific purpose. In addition, it is essential that specific goal for each evaluation is defined and timelines determine to achieve its goal.

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