

Peculiarities of Staff Performance Appraisal with the Use of Balanced Scorecard in the Area of Public and Corporate Management

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Abstract

The total globalization of all aspects of the modern society's life changes paradigm of the traditional management. In contrast to the views of F. Taylor, H. Gantt, P. Drucker, R. Kaplan, D. Norton and other recognized guru of management, in the modern context the public and corporate management face a primary target to develop organization's internal resources. It becomes more and more important to maximize the use of internal potential which is possible only with the application of up-to-date management innovations such as the balanced scorecard strategy and KPI which is a basis of the modern appraisal of staff performance.

Keywords: performance appraisal, KPI, management, balanced scorecard, regional management

1. Introduction

The traditional management by itself does not meet the economic tendencies of the modern world. The most reputed theoretical and practical experts of management worked out a concept "Management 2.0: The new version for a new century" with 25 most long-term tasks the management of the 21st century face (Harvard Business Review, 2009). The most important task of the new version was a task "to work out complex systems for appraisal of performance both of the organization as a whole and of its separate subsystems including a system of salaries and bonus payments". The traditional systems for performance appraisal have a lot of disadvantages, e.g. there is no regard for personal qualities which have an influence on success in a new innovation economy; a quick profit earning is excessively evaluated to the detriment of other important tasks such as search for new directions of growth; that is why managers need to stop sacrificing long-term goals for momentary profit as well as they need to stimulate a process of search for new ways of mobilization and organization of human resource capabilities. This task is especially actualized with the fact that for efficient work of 88-90% of typical company's staff members it is necessary to set goals and tasks correctly and it is obligatory to control their implementation (Harvard Business Review, 2004).

A need for new relevant methods for staff performance appraisal determines scientific and practical significance of the problem under study.

2. Method

Studies on industrial enterprises of the Astrakhan region and public authorities (Akmaeva, 2007; Akmaeva et al., 2011; Lunev et al., 2011; Bulatov et al., 2011; Epifanova, 2013) on the basis of joint use of different analytical methods (questionnaire surveys, statistical methods of multidimensional analysis: cluster and factor analysis, correlation and regression analysis, analysis of operations functions, etc.) allowed to mark out key factors determining efficiency of regional companies' activities.

These studies allowed to conclude that in the context of innovation economy the main source for companies' development would be internal resources which depend on management and full use of staff's potential because only effective transformation of their personal and professional characteristics can lead to a progressive development of organizations. Today both in corporate and public companies, constant adoption of management innovations is a sustainable source of development.

The factor analysis proved a conclusion that regional enterprises did not master all range of analytical methods for strategic management, such as balanced scorecard, interrelation between strategic goals and key performance

indicators (KPI), modern approaches to performance appraisal. At the same time, it should be noted that a specific feature of management innovations is staff's high resistance to changes.

Here we face a paradox. On the one hand, the company's development requires adoption of advanced management instruments including the issues of individual performance appraisal of staff members who are the main source of development. On the other hand, staff "sabotages" innovations. The authors revealed a psychological nature of staff's resistance to changes: firstly, it is a fear to lose powers of authority, secondly, it is a fear of impossibility to make a career in new conditions, and thirdly, it is a fear of changes in the company. A modern manager should study papers of such authors as B. Kaye, Sh. Jordan-Evans, J. Maxwell, D. Hall, O. Mineva where algorithms of staff adaptation to changes are described.

It should be noted that according to the results of the study carried out in 2008-2010 (Epifanova, 2013), the most successful regional enterprises typically focus on goals related to stakeholders' interests, e.g. guaranteed employment in conjunction with high salaries and business reputation of the company.

The task for a modern manager is to transform a potential team into a high-performance team. To fulfil the task it is necessary to study successful experience of KPI use which allows to mark out significance of positions for a company, to work out measured points of staff performance, to demonstrate relation between work results of certain executives and company's development. Adoption of any innovations in the area of staff performance appraisal will always cause potential fear among employees. J. Kotter believes that to adopt any management innovation one should gain support of key inspirers and executives who are in charge of implementation of changes and their promotion among staff members (John P. Kotter). A significant factor is availability and timeliness of comprehensive information on innovations, transitional time for its adoption, availability of training and development of staff members as well as leaders' readiness to support these changes financially.

3. Results

Results of the comprehensive analysis of activities carried out by regional enterprises and public authorities indicate a low level of staff performance appraisal, lack of cascading of organization's strategic goals into strategic indicators of strategic business units, weak interrelation between available instruments of performance appraisal and individual key indicators.

As far back as 50-s, P. Drucker said that a goal by itself is "outside worker's scope". A worker can fulfil tasks which lead to achievement of a goal or result but no one can give 100% guarantee that a result will be obtained. Drucker insisted that focusing on current events managers should not forget to fulfil their tasks aimed at achievement of results, i.e. goals (Drucker, 1954).

Traditional systems of bonus payments, which are currently used by regional enterprises, are of low efficiency and can be often considered by staff members and managers not as an instrument of management aimed at real performance appraisal but as an element of economic formalism.

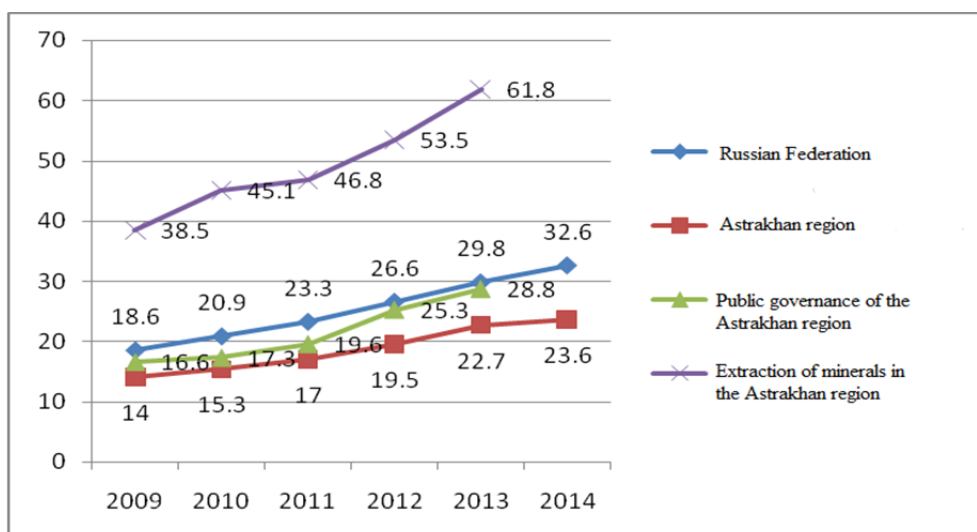


Figure 1. An average monthly salary of workers in the economy of the Russian Federation, in the Astrakhan region, in the public governance area of the Astrakhan region, in the area of extraction of minerals in the Astrakhan region in 2009-2014 (thousand of roubles)

When an average monthly salary of workers is compared one can notice its relatively low rate which does not allow to provide an objective appraisal of staff performance. At the same time there are high salaries on the regional industrial enterprises (extraction of minerals); that fact demonstrates availability of potential pilot platforms for adoption of up-to-date approaches to appraisal of workers' individual performance. Public authorities also must become pilot platforms for KPI adoption in Russia, as President of the Russian Federation Vladimir Putin obliged public authorities to work out such systems for appraisal of public officers' performance.

Therefore, one can draw a conclusion that in the region and countryside, there are rather big pilot platforms for adoption of advanced management instruments in the form of KPI which are modern systems for staff performance appraisal.

There is no doubt that business sphere and state government have different strategic goals but KPI is a unique management instrument which is necessary for ranking of each worker concerning his relevance to tactical and strategic goals that are crucial for current and future growth of a company.

With the use of KPI indicators, which are closely related to strategic goals, it is possible to create a perfect system for performance appraisal of company's staff members with a powerful motivational effect because it is transparent, available for understanding, there is a clear relation between organization's strategic goals, strategic indicators, individual key indicators of performance and rate of compensation which can be received by every worker according to his/her contribution to achievement of these goals.

4. Discussion

Both in classical management by objectives (MBO) and in balanced scorecard (BSc) strategy, KPI is a core element and modern embodiment of the MBO method. Many modern western scientists and staff managers refer the MBO method not only to the traditional performance appraisal method but to the integral performance management system. That is why in the international practice there is more and more frequent use of a term "performance management" – a system of performance management instead of a system of management-by-objectives, though both systems have similar basic principles. Both systems allow to systematize management process through determination of goals and to carry out appraisal of staff performance; they orient on achievement of results, lead to growth of efficiency of company's activities and business as a whole.

Therefore, as a result of BSc and KPI application, companies get an opportunity to unite activities orientation of workers and units with strategic goals of an organization as a whole and to provide fulfilment of the adopted strategy. However, little experience of the BSc use among regional companies shows that within the application of KPI indicators managers make many mistakes. They promote development of an organization; its economy is improved under direct influence of certain directive effects of management. The imperfection of certain areas (non-fulfilment of adopted strategies, discord in balancing of strategic organizational goals and goals of an individual worker, inappropriate motivation of staff members and so on) is explained exclusively with low qualification of managers, lack of regard for a set of effective factors which determine performance of human resources.

5. Conclusion

According to the authors, the efficiency of staff performance appraisal can be assessed from two aspects because of dual nature of human essence which also depends on external factors – an organization where a person works – and on internal factors related to specific peculiarities of an individual worker. It is impossible to consider a concept "efficiency of staff performance appraisal" beyond the system of work relations, strategic goals and a level of organization's market opportunities. This aspect of efficiency of staff performance appraisal – "goal and strategic aspect" – consists in a constant search for the best ways, forms and instruments of management stimulating influence on staff members in an organization towards achievement of organization's strategic goals through elaboration of an efficient system of KPI indicators, achievement of staff performance appraisal relevance to organization's strategic goals.

The achievement of "goal strategic" aspect of management efficiency largely depends on leaders, i.e. where they want to lead their organization to, how they see their mission and strategic goals, whether they act as owners. To our opinion, it is very difficult to separate this goal-oriented or strategic aspect of staff performance from the second (internal) aspect of staff performance related to specific features of an individual worker.

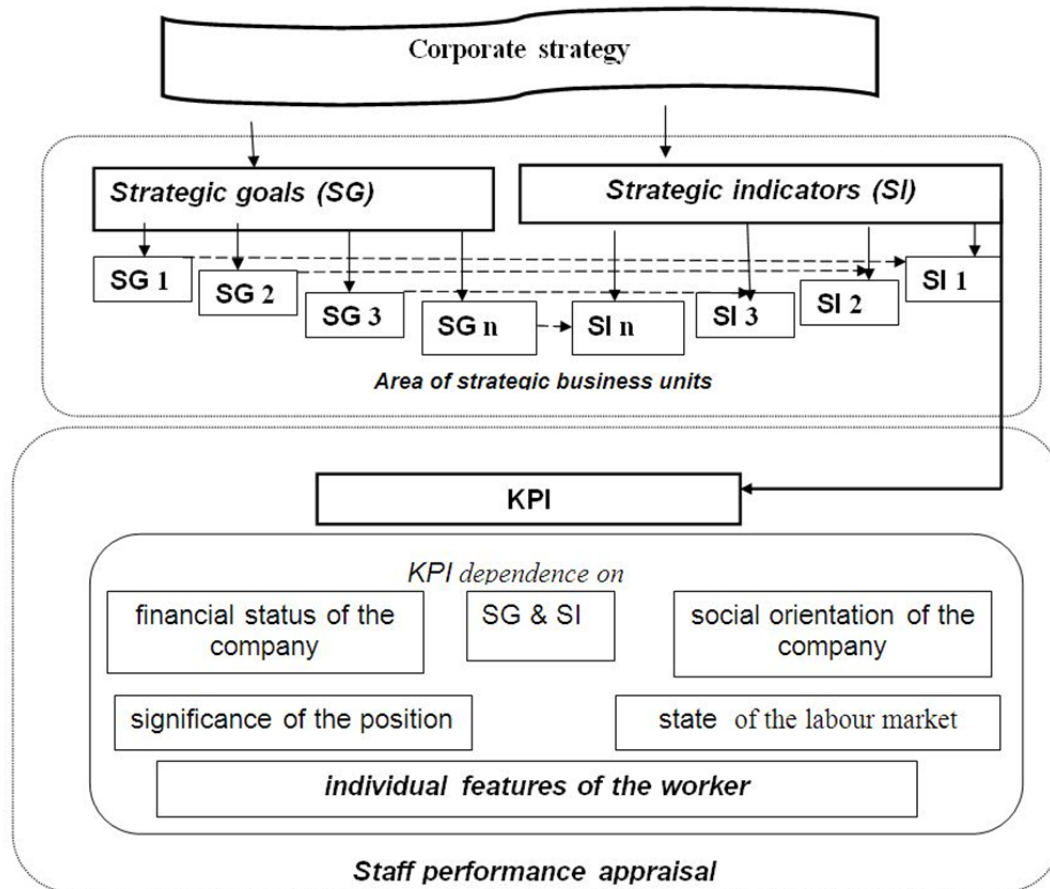


Figure 2. Modern approach to performance appraisal

Meanwhile, the analysis of experience of the KPI application on Russian enterprises indicates insufficient theoretical and practical regard for a concept of dual nature of staff performance appraisal which is determined, on the one hand, by strategic goals planned by the organization and, on the other hand, by specific social and psychological peculiarities and aims of certain groups of people caused by varied factors (from national and historical to psychological ones). If the first aspect of the staff performance appraisal duality is fully represented by a lot of approved KPI indicators in other organizations which adopted the KPI, the second aspect – regard for historically formed social directives and aspirations of staff members in a certain organization – was barely taken into account during the determination of composition and content of the KPI indicators. To our opinion, that is why many projects of KPI-based adoption of BSc strategy failed and, as a consequence, it is necessary to propose existing measures for overcoming of this discrepancy through more frequent application of testing and change of KPI indicators in order to choose those indicators that will be the most relevant and appropriate to social and psychological aims and preferences of social groups in the organization.

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