Measuring organizational performance

Business, Organization

Measurement is an important facet in an organization. An organization's measurement system does not only affect the behavior of people within and outside of it. While some try to evade implanting measurements and benchmarking, measurement s are critical for without it, controlling, managing and improving are not possible (Bowsher 2005; Harrington 2001). In order to survive and thrive in this competitive global age, performance measurement systems must be put in place and executed.

One common organizational source for evaluating performance is appraisal methods, which may be formal, or informal (Carell, Jennings & Heavrin 1997). Performance appraisals are critical in sustaining employees by keeping them motivated, providing them feedback and giving out rewards (if necessary). There are two objectives in conducting performance appraisals-evaluative and developmental (1997). Evaluative pertains to an employee's performance with regards to decision making intended for promotions, bonuses, and terminations (1997).

On the other hand, developmental refers to performance improvement by means of giving feedback, identification of strengths and weaknesses, and giving further trainings (1997). Likewise, benchmarking job performance is essential in organizational performance. Benchmarking enables organizations to match up their performances vis-a-vis other organizations. Robert Camp, a benchmarking specialist from Xerox, lists down 10 steps in accomplishing benchmarking job performance: 1. Determination of what to benchmark 2. Identification of organizations that excel in those areas.

3. Data collection to measure against each other 4. Identification of gap in performance 5. Foreseeing performance levels that will be the new

benchmark 6. Communicationand exchange of findings to obtain recognition and approval 7. Setting up functional objectives 8. Building doable action plans 9. Implementation and monitoring progress 10. Adjusting benchmarks (Bowsher 1998). Benchmarking job performance is usually conducted on organizational items such as structure, financial information and administrative systems (Bowsher 1998).

What Camp created, as stated before, may be used to gauge how an organization performs in contrast to another organization that has the same functional structure and utilizes more or less, the same business processes. Bateman and Shell (2002) state that in a bureaucratic control system, which is how most organizations are structured, organizational performance, is managed to ensure that functions are in line with the organizational objective. In such setting, four steps follow: 1. establishing performance standards;

2. measuring performance; 3. evaluating performance against the standard; and 4. Engaging corrective measures, if needed (2002). The control cycle is similar to benchmarking job performance in such a way that both do not only set standards but do comparisons. In a control cycle, comparisons are done against a standard, which is defined as the anticipated performance for a specific goal (2002). Furthermore, standards serve as performance targets that will act as benchmarks to gauge actual accomplishments.

These standards may pertain to various activities regarding finances, operations, and other legalities, depending on what the organizations wishes to measure. Additionally, performance standards may be determined with regards to quality, quantity, cost, and time (2002). For instance, the

performance target of a production enterprise may be set to include the yield (quantity), flaws and other shortcomings (quality), time used to manufacture the goods (time), and labor and expenses (cost). Performance targets are unique for an organization.

In benchmarking, comparisons are done against organizations with the samegoalsand business processes. Basically, the control system does comparisons with itself, unlike benchmarking which sets it against other organizations. In step 2, measuring performance, observations and reports are useful (2002). Here is where written and oral reports become of value. Performance data may either be written down or relayed to a manager verbally. It may cone in the form of units sold, number of absent days, or revenues for the certain period.

Personal observations complete the angle obtaining performance data. A manager can simply go to the activity area and observe not only the employees' work methods but their nonverbal communication as well. While personalobservationdepicts a vivid picture of what is happening, it may be subjective. Data gathered from observations are quantitative in nature since it may become hard to qualify it. In addition, some employees may react differently when they are being observed. Some may view it as a sign of lack of trust from the management.