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Kpi as an Effective Tool for Achieving Company Goals

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Abstract: *The concept of performance management is used by most of the organizations to ensure that either they are going on the right path or not. For managing the performance the organizations are required to know about the performance indicators. This paper explores the key performance indicators (KPIs) and impact of these KPIs on the overall organizational performance. KPI's serve as early warning signs for the enterprise and if they are treated properly, they can improve the overall company performance. The Key Performance Indicators (KPI's) are considered instrument measurements that evaluate and demonstrate how effectively a company is achieving their business objectives and goals. The aim of this paper is to better understand what are the critical indicators that need to be identified, measured, reported and managed so that the company, the department or the project will be viewed as a success in order to better achieve the objective propose by the company initially.*

Keywords: *Enterprise efficiency, KPI, company performance, KRI, quality management, KPI system.*

1. INTRODUCTION

Efficiency is usefulness, productiveness. It is known that in order to achieve some result, you need to work, produce products or provide services and spend a certain amount of money. In order to determine efficiency, the result should be compared with the costs or resources that had been spent to achieve this result. So, efficiency is the proportion of labor, material and financial resources that is spent on the results of production activities to achieve them.

Economic and social efficiency of production is distinguished. Dividing efficiency into economic and social types is a conditional division. All the results that arise in the process of material production and are related to labor costs can be said to be economic and social results. It should be mentioned here that it is possible to argue about the artificial division of economic and social concepts. However, just as the economy does not exist outside of social life, social life does not exist without the economy. So, they cannot be separated from each other. Because every work carried out brings both economic and social benefits at the same time.

Economic efficiency shows the economic result of production. For example, the result of product production, management, introduction of new techniques and technology, improvement of labor quality, etc. Economic efficiency is the amount achieved due to the saving of material, labor, money and other resources, saving time, shortening the construction period, saving labor costs, reducing the wastage of working time, accelerating the turnover of funds, increasing the volume of production, improving the quality of work and others. characterized by results.

Social effectiveness represents the effectiveness of activities that help a person to develop in all aspects. It is reflected in the improvement of working and living conditions, in the improvement of the qualifications of employees, and is characterized by an increase in the per capita consumption of basic food and industrial goods, allowances and benefits from social consumption funds, and personnel training.

Environmental efficiency. Due to the deterioration of the environmental situation in the world, a number of international agreements, conventions and large projects have been formed. The Republic of Uzbekistan is also an active participant of such international agreements. Investment projects to be implemented in the territory of our country are recommended for implementation after they have been studied by experts for compliance with the terms of international conventions and agreements.

2. LITERATURE REVIEW

Today, in the existing scientific literature, enterprise efficiency is a comprehensive assessment of the final results of enterprise activity over a certain period of time.[1] Until now, a number of definitions of efficiency have been developed. For example, P. Drucker in his work "Management Practice" emphasizes efficiency as the highest profitable ratio of economic indicators and total costs for the enterprise.[2] Scientists such as R. Kaplan and D. Norton also agree with this point of view and define efficiency as "a relative indicator defined as the ratio of results to costs, the maximum efficiency of the process."[3] F. Taylor, in turn, emphasized that "maximum efficiency for the commercial structure and its team, as well as for shareholders, investors, the state, employees, customers - all interested parties is a derivative indicator of the enterprise's results." [4]

According to the statistical terminology of the Organization for Economic Cooperation and Development (OECD), efficiency is an indicator that represents the level of achievement of the intended goals of a certain activity, or the achievement of the maximum production or sales volume using the given resources. productivity is an indicator that expresses the ratio of the result (volume of production, revenue, net profit, etc.) to the resources spent (raw materials, wages, funds allocated to a specific field, and other costs)[5]

Western management has a long history of using performance indicators in management concepts - from the system of indicators (Tableau de bord) developed by the French economist J.L. Malo in 1932 to the goals created by P. Drucker in 1954 up to the management system (Management by Objectives). Currently, the modern concept of "tableaudebord" has been formed and it is defined by the French authors I. Chiapello and M. Lebas as a correlation between financial and non-financial indicators for "selection, documentation and interpretation". Each indicator shows the status of a certain part of the business to be managed; that is, "tableaudebord" in team management is a general model of business as a system. P. Drucker described the importance of using a control panel in business as follows: "target indicators in the main areas are as important as the equipment panel for the "pilot" of the enterprise." P. Drucker first used the concept of key performance indicators (KPI) in 1954.

3. METHODOLOGY

Key Performance Indicators (KPI) are tools used to determine if an organization is meeting the requirements of ISO 9001. ISO-9001 is the world's most famous standard of the International Organization for Standardization, based on which the quality management system is created and certified.[6] Such a system is implemented in companies to facilitate the measurement of the performance of individual employees, departments and the entire enterprise. In today's modern market economy, where competition is developing, the importance of effective use of human resources is increasing more and more. In this regard, special attention should be paid to the assessment of the effectiveness of the organization (office, institution and enterprise) and employees. In this regard, in the international experience, the performance indicators of the public service are evaluated through KPI - Key Performance Indicator - Most Important Performance Indicators.

The International Organization for Standardization is an international organization that sets standards representatives of various national standardization organizations are included. This organization was founded on February 23, 1947 promotes proprietary, industrial and commercial standards worldwide. Headquartered in Geneva and operates in a total of 164 countries.

In this case, efficiency is determined by the result achieved by the organization in relation to the cost spent to achieve the goal during a certain period of time. KPI is also referred to as an efficiency or effectiveness indicator that monitors and evaluates the performance of organizations (departments, institutions and enterprises) and employees at the level of the specified requirements or the achievement of the specified goal. Simply put, a KPI is a "measuring device" against a defined goal. Therefore, it is impossible to define KPIs through indicators that are not related to the goal.

In English, these concepts are expressed through terms such as "performance indicators", "key results indicators - KRI" and "critical success factors".

David Parmenter's book "Key Performance Indicators: Developing, Implementing and Using" defines these terms as follows: "Performance indicators" - represent what needs to be done in daily work to increase efficiency;

"Key results indicators - KRIs" - represent what needs to be done in the future to increase efficiency;

"Key performance indicators - KPI" - represent what needs to be done to dramatically increase efficiency.

The first concepts of KPI began to be formed in the 50s of the 20th century through the idea of "Management by Objectives" by Peter Drucker.

In his opinion, in order to achieve results, it is necessary to deal with performance indicators separately, and he stressed that it is necessary to deal with indicators that are effective in order for leaders to carry out activities towards the set priorities and the main goal, without busying them with daily work.

4. RESULTS AND ANALYSIS

The system of further increasing work efficiency through material incentives of managers and employees based on KPI was first created in Europe during the economic crisis in the 1970s. The reason is that in European countries such as France, Germany, and Portugal, the salaries of civil servants are much lower than those in the private sector. In order to increase wages, further tax increases were required.

It's no secret that during the economic crisis, it is not appropriate to increase taxes, but rather to boost the economy by giving incentives to the private sector. In such a complex situation, the transition to a new management system has become the demand of the times in order to maintain qualified personnel in the state system and further increase the work efficiency in the state management system.

In the early days, that is, in the 1980s, most of the Western European countries used the methods of appointing civil servants to higher positions rather than financial incentives for the high performance of civil servants. Financial incentives were applied only to top managers.

Finally, by the 1990s, in countries such as Great Britain, the Netherlands, Canada, and the United States, financial incentives for high and middle-level civil servants also began. Since 2004, all the countries of the European Union have switched to this system.

In order to implement the KPI system in every organization (department, enterprise and institution), it is necessary to follow the following algorithm:

Development of a detailed plan for the implementation of the KPI system (designation of responsible persons, determination of the organization, determination of implementation deadlines, etc.);

Creating a legal basis for implementing the KPI system (choosing a suitable model, improving the legal framework, optimizing the structure, developing KPI reporting forms, etc.);

Creating an automated program based on the KPI system (developing a program based on the selected KPI model, training program managers, etc.);

Implementation of the KPI system (separation of organizations and regions on the basis of selection, phase-by-step implementation in the rest, system operation, training of employees according to the purpose, etc.);

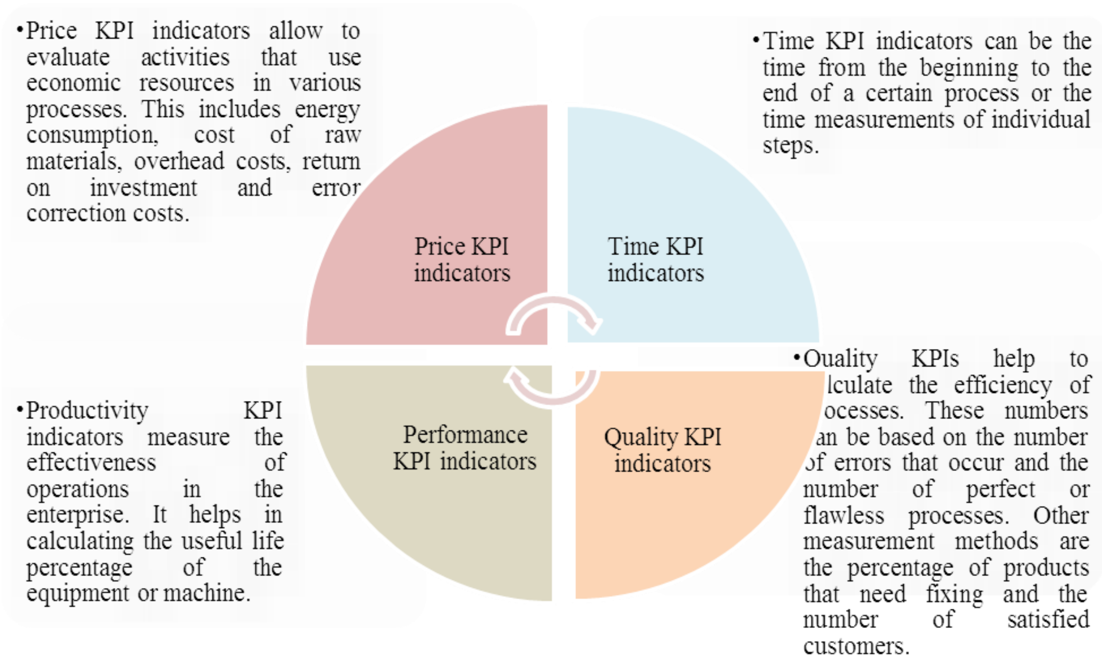
KPI system performance monitoring (collecting and analyzing data on system performance and effectiveness, studying whether indicators are selected correctly or incorrectly, eliminating identified errors and deficiencies, etc.).

It should be taken into account that this system is effective only for a certain period of time. Therefore, it is necessary to constantly monitor the system and, if necessary, update the most important indicators.

Also, it is necessary to pay special attention to the resource used for the KPI's high efficiency. If you don't pay attention to the resources that are being spent only after the result, you can be left without the resources that will give the result. On the contrary, it is not possible to achieve a high result only by saving resources. That is, high efficiency occurs as a result of the interdependence of the expected result and the minimum spent resources. Therefore, it is necessary to take into account both efficiency and effectiveness, and always maintain a balance between them.

Each organization should determine which KPI indicators are suitable for the nature of the industry and its goals. For example, if the enterprise is engaged in the organization of large-scale production, then on-time delivery is the key to success, and measuring the time to create a product before delivery can be a KPI indicator. KPI should be based on the objectives of the enterprise's SMT (quality management system). KPI indicators are of great help in evaluating the efficiency of the enterprise and in the effective implementation of control by the top management. KPI indicators are used in various areas of management, but on a global scale, it is mainly used in the strategic management system (less percentages) and business processes (more percentages).[6]

The most widely used KPI indicators for measuring enterprise efficiency include price, time, quality and productivity KPI indicators (Picture 1.).



Picture 1. The most widely used KPI indicators for evaluating the efficiency of the enterprise

Source: https://the9000store.com/articles/iso-9001-key-performance-indicators/ prepared by the author based on collected data.

The following types of KPIs can be distinguished:[7]

- ✓ Targeted (indicators of approaching the target)
- ✓ Process (as criteria for evaluating economic efficiency)
- ✓ Project (project effectiveness, project manager's expectations)

5. CONCLUSION

An effective KPI system should have the following characteristics[8]

- ✓ Correct direction;
- ✓ Availability of access;
- ✓ Open to practice;
- ✓ Correct positioning;
- ✓ Limited tasks;
- ✓ Ease of understanding;
- ✓ Balance and interdependence;
- ✓ Ability to make changes (accept them);
- ✓ Strengthening with appropriate individual benefits;
- ✓ Importance;
- ✓ Comparability;
- ✓ Rationality;
- ✓ It is the simplicity of measurement.

Therefore, it is possible to come to a general conclusion that it is appropriate to use KPI indicators in measuring the efficiency of the enterprise, because KPI indicators have the ability to include both financial and other quality indicators, and innovations (product and process innovations)) has the possibility to embody the results of application.

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