

Staff Incentives Based on Kpi Principles

Zulunov Ravshanbek

TUIT Ferghana Branch, Uzbekistan

E-mail: zulunovrm@gmail.com

Xadjayev Saidakbar

TUIT Ferghana Branch, Uzbekistan

E-mail: bredy.bredy@mail.ru

ABSTRACT

Key performance indicators (KPI) - performance indicators of a unit (enterprise) that help the organization achieve strategic and tactical (operational) goals. The use of key performance indicators gives an organization an opportunity to assess its condition and help in assessing the implementation of the strategy.

ARTICLE INFO

Received: 11th February 2023

Revised: 11th March 2023

Accepted: 17th April 2023

KEY WORDS:

Promotion, Proper
Orientation, Eatability,
Success, Limitation,
Comparison, Consistency.

In the 1960s and 1970s, the method of management by objectives (Management by Objectives - MBO) has become very popular in developed countries. It is used to periodically assess the individual contribution of each employee, usually at the end of one year. It became a universal method of motivating and evaluating employees until the 1970s. By 1980, Performance management (PM) was created, i.e. "Performance management or KPI system is a method for evaluating the achievement of a goal." The goal is the result. Thus, KPI emerged as a performance management and evaluation system. This is not only an assessment of efficiency, but also of how it was achieved, that is, the personal qualities of the employee are evaluated. The KPI system differs from Management by Objectives (MBO) in that it has extensive employee feedback.

Based on the assessment of the performance of employees, the company's management must adopt and develop a motivation strategy in the remuneration system, which does not depend on the requirements of the position held by the employee, and it is important to identify aspects that are no less important. This not only improves management efficiency, but also leads employees to a better understanding of the relationship between the definition of their responsibilities and the strategic goals of the enterprise.

Unlike older systems, the modern KPI system is limited to:

- evaluation of achieved results;
- Feedback;
- Evaluation of the performance of the task, evaluation of the planned task required to achieve the goals.

The Harvard Business Review has been studying effective methods for determining and motivating its results for several years with the participation of more than a thousand employees and company managers and published these studies in 2004. According to him, the reason for using them is that the company should always set the right goals and set control requirements for achieving them, so that 5% of employees always perform well, 5-7% always perform poorly, and the remaining 88% perform effectively. .

It is considered very important to tie the material incentives of employees to the achievement of goals and the solution of the task. At present, the organization of material incentives is defined based on the KPI - Key Performance Indicator method. Stimulation (motivation) is to make the employee want to do something, influencing his inner desire through some kind of influence, some kind of factor. How to increase the employee's interest in their work? Inner choice prompts a person to do something, so it is necessary to influence this feeling.

Employees are important to the company at all levels, and the use of their wide opportunities will benefit the company. This can only be achieved if employees are financially motivated:

- achieving proportionality (equality) between the goals of the company and the wishes of employees in this process;

- impact on the performance of employees in achieving the company's goals;

- to create a single process environment for the interests of the company and employees, that is, the achievement of one and the interest of the other.

It is very important here that all employees of the company understand that the purpose of the company can be achieved by achieving their goals. That is, the profit of the company should be a source of additional remuneration. Understanding that the lack of benefits may lie in the non-receipt of additional rewards for employees. Therefore, goals should be defined first when setting KPIs.

Today, in most cases, KPI indicators are used to evaluate employees and individual processes. Restricting the goal-setting process to a simplified set of indicators can have serious negative consequences. KPIs are more than just metrics!

The KPI system is effective based on:

- Address orientation. As part of the business plan, each important indicator should be directed to a specific person or group, and the results should belong to the responsible person.
- Correct orientation. The effectiveness of key indicators always depends on the goals of the team's strategy, key business processes and development projects.
- Availability. Approved indicators and standards must be achievable. The proposed force must exactly match the goal to be achieved, and the time to achieve it must be at least 70-80%.
- Openness for execution. Calculation of performance values of important indicators based on relevant (actual) results, which allows the user to influence the process, improve work results, without wasting time.
- Early warning. Evaluate the effectiveness of key performance indicators with real quantitative values that affect the value of the business when they are indicators of future performance.
- Limitation. The user should focus their energy and attention on completing important metrics without including too many metrics while still doing a few high priority tasks.
- Easy to accept. The performance of important indicators should be easily understood.
- Equality and dependency. KPIs should be equal and complementary, not in conflict with each other.
- Initiative in change. When measuring the effectiveness of key indicators, positive results should lead to a chain reaction in the organization, especially if this process is controlled by the company's management.
- Simple measurement. The user should have a process to periodically quantify the performance of key performance indicators in place.
- Relationship of compliance with personal incentives. Metrics should be a way to motivate an employee. The organization should consider the motivation of the individual employee, focusing on the impact of important indicators on performance when setting KPIs.
- Validity. No matter how high the effectiveness of key indicators, they can weaken over time, so they need to be periodically reviewed and "mastered".
- Comparison. It is necessary to compare indicators in two homogeneous cases.
- Suitability. Any indicator should be understandable for analysis.

Paid employee incentives based on KPIs differ from salary payments, which are aimed at achieving the long-term and short-term goals of the company, and orient the employee to "performance of job duties."

World experience shows that with the introduction of the KPI system, the company's profit increased from 10 to 30%. KPI-based motivation and system implementation management require specialist knowledge

from the company's management, which is achieved through corporate research. A performance-based pay system that determines the share of pay based on overall and individual work prevents dissatisfaction and pay cuts during the global economic crisis and increases productivity.

Applying the KPI system to the five principles of employee motivation:

–100% result orientation - when an employee achieves a result and performs work, he receives a reward for the indicator that should lead to a result;

–Manageability - when changes occur in the market environment, this does not force employees to spend a lot of effort on adjusting the system;

–Fairness - when achieving overall success, the company evaluates the contribution of the employee, and in case of failure (between the employee and the company), it fairly distributes the risks;

–Clarity - the employee understands what the company is ready to reward him for, for what result and how much to pay;

–Immutability - any employee directs his work to the motivation system. If the system is changed at the time of discovery, some of the employee's momentum will come out with a dry hand. The company defines the “rules of the game” for the employee, and if it changes them in heaven, it destroys the trust of the “toys”.

Evaluation of KPI performance is carried out using a special table "KPI Matrix". In Western companies, this is assessed as "Purpose Agreement" + "Production Agreement". Most companies use the "KPI matrix" method for a comprehensive assessment.

Financial incentives for employees according to KPI:

The standard determines the procedure for remuneration of employees according to the contribution of the material incentive system (KPI) to the achievement of target indicators set by the enterprise, and comes into force from the date of approval.

The purpose of the enterprise is the material incentives for the work of employees:

- provide genuine encouragement for each employee for the results of his work;

- improving the increase in the payment of wages to employees of the enterprise;

- provide a system of rewards for the work of employees based on their contribution to the performance indicators of the enterprise (KPI).

It is used to assess the material incentives for all employees, determine their contribution to the fulfillment of KPI-key indicators for achieving the goals set by the enterprise and the payment of additional remuneration.

Appraiser (foreman, foreman, production technologist, head of department, heads of departments and departments, directors, deputy general director and general director):

-every day evaluate the employee according to the indicators of each criterion important for achieving the company's goals that are determined to be fulfilled (based on the task of the activity), and based on the confirmation of the summary of the results of the management, hand over the new month to the personnel development department before the 3rd working day of the month.

- taking into account the fact that incentives up to 30% of the monthly salary are provided according to the " KPI " system when determining remuneration.

According to the results of the certification of employees, approved by the management of the personnel development department, the preparation of an order and approval to the higher management before the 5th working day of the new month on the payment of monthly compensation to them. According to the order approved by the management of the accounting department and based on the results of the assessment of employees, ensure that the monthly bonus is credited to their accounts by the 10th business day of the new month.

Monthly KPI assessment shown in the Table 1.

Table 1.

No.	Tab. No.	Evaluation criteria and full name employees	Days of the month					Total (o)	Premium %
			1	3	.	.	.		

one		The loss working days (LWD)								
1.1		1 employee	o	o	o	o	o	63	3	
1.2		2-employee	o	o	o	o	o	63	3	
1.3		3-employee	o	o	o	o	o	63	3	
2		Compliance technology security								
2.1		1 employee	o	o	o	o	o	63	3	
2.2		2-employee	o	o	o	o	o	63	3	
2.3		3-employee	o	o	o	o	o	63	3	
3		Attendance								
3.1		1 employee	o	o	o	o	o	63	3	
3.2		2-employee	o	o	o	o	X	60	0	
3.3		3-employee	o	X	o	o	o	60	0	
4		Participation in studies and meetings								
4.1		1 employee	o	o	o	o	o	63	3	
4.2		2-employee	o	o	o	o	X	60	0	
4.3		3-employee	o	o	o	o	o	63	3	
5		non-compliance								
5.1		employee...								
6		Troubleshooting								
6.1		employee...								
7		Order fulfillment								
7.1		employee...								
8		Execution of SPC and MSA								
8.1		employee...								
9		Ensuring comparability								
9.1		employee...								
10		Do not exceed the norm								
10.1		1 employee	o	o	o	o	o	63	3	
10.2		2-employee	o	o	o	o	o	63	3	
10.3		3-employee	o	o	o	o	o	63	3	

1. "Loss of working day (LWD)" - determines the loss of a working day due to industrial injuries. For evaluation - O (does) / X (does not).
2. "Safety Compliance" - daily checks that employees comply with safety requirements in accordance with labor protection instructions. For the assessment, grades O (passed) / X (failed) are used. If an employee does not comply with labor protection requirements once a month, he is charged a bonus in the amount of 0% for this item.
3. "Attendance" - the daily attendance of employees is determined. This includes unexplained late arrivals and early departures. For the assessment, grades O (passed) / X (failed) are used. If an employee did not go to work once within a month, fell ill, took administrative leave of his own free will, quit the company, is on study leave (regardless of the reason), he receives a 0% bonus for this item. Does not affect demotivation if the employee was on vacation, labor leave, internship or business trip (he receives a bonus based on the number of working days in a month) or if he received official permission from management to be late and leave early.
4. "Participation in training and meetings" - employees are checked against the schedule of training and participation in meetings. For the assessment, grades O (passed) / X (failed) are used. An employee who is absent from a training or meeting without a valid reason receives a bonus of 0% for this item.
5. "Non-compliance" - if an employee in the course of his work does not comply with one or more requirements of the law, regulations and organizational standards, he is charged a bonus in the amount of 0% for this item.

6. "Elimination of non-compliance" - in the course of work, if the employee fails to comply with the requirements of legislation, regulatory documents and organizational standards, if a non-compliance is detected and its timely elimination. , he will receive a 0% bonus on this item.
7. "Order Fulfillment" - if an employee does not complete this order for tests, measurements and comparisons within the specified period, he will receive a 0% surcharge for this item.
8. "SPC and MSA Compliance" - if an employee does not meet the SPC and MSA schedule, he receives a 0% bonus for this item.
9. "Ensuring comparability" - if the employee does not ensure that the order of comparison, the measuring, testing or calibration tools used by him are compared on time, he receives a 0% premium for this item.
10. "Do not exceed the standard consumption" - if the employee exceeds the standard consumption of materials, allows the use of electricity during non-working hours, he receives a 0% surcharge for this item.

The final score for each item will be entered in the table. Then the total amount in % is calculated. The head of the department fills out the schedule for employees, then the quality director checks and approves.

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