



New Times in Performance Evaluation

Zsolt Barna

Ph.D. Student University MATE Gödöllő, Hungary

Abstract: The research topic focuses on performance evaluation in business organizations with varying ownership structures. Fundamentally changed planning cycles, epidemics, war, raw material shortages, and energy crises have rewritten the everyday life and planning cycles of controlling and HR. The unified labor market and companies' preparedness for the new situation, the constraints of project-based short planning periods, have led to exciting results in performance assessment. The questionnaire research aimed to shed light on the need for performance appraisal, the demand for it on the part of employees and employers, and the methods and time intervals that are not appropriately used, showing this for different company sizes and ownership structures.

Keywords: Evaluation, Efficiency, Public sector, HR and controlling research

1. Timeliness of the Research Topic

Self-awareness is the cornerstone of firms' competitiveness in the market, whether it is the knowledge of the characteristics that define their organization and management or, by comparison, the similar characteristics of their competitors. In Hungary today, we are witnessing a steady increase in the number of company managers who recognize the importance of human resource management and can place it in its proper place in terms of importance. Finding and, above all, retaining a workforce with the right skills and experience is essential to the effectiveness of an organization. Not so long ago, the process was simply about filling vacancies as quickly as possible. In today's environment, this means rapid change, often requiring knowledge of new technologies and the possession of specific skills and competencies, so it is increasingly important not only to fill the gaps that arise but also to recruit the right people with the right human and professional competencies.

Reducing staff turnover, developing a compelling motivation and compensation system, and organizing replacement are significant challenges and must also take account of the fact that workers' needs in terms of employment have changed, for both technical and social reasons, as they are more skilled, innovative, and mobile than before, and therefore have higher financial and moral expectations.

As they say today, "There are two certainties, uncertainty, and constant change," neither of which - in a micro- or macroeconomic context - supports the feasibility of sustainable employment in the long term, and therefore a strategic approach to human resource management is needed, in addition to carefully planned and implemented human resource management. Given the importance of this topic, the research aims to develop an HR controlling model that reflects the integration of human resources and controlling processes in a company, which can become an effective corporate governance tool beyond the traditional accounting-based metrics (Szűcs, 2017).

Previously, there have been domestic studies on human resource management and the organizational role and competencies of HR in Hungarian business organizations (Bokor, 2007). In this context, a good starting point is a 1999 study entitled "Competing with the World," which presents the results of microeconomic research on the international competitiveness of the Hungarian economy, indicating that firms typically place organizational development, human resource management, and marketing under the direct control of their first- or second-line managers, thus suggesting the importance of these areas (Czakó – Wimmer – Zoltayné, 1999 and 2004). Research by Professor Poór et al. supports this

with their finding that many Hungarian business organizations have a strategic plan for human resources. For example 2000, 70.4% of the firms surveyed had a written HR strategy (Karoliny et al., 2000; Poór, 2003).

In addition to implementing systems, it is necessary to define the expectations. These managerial and professional competencies are indispensable for HR to function as a recognized and influential business value-creating partner, both within and outside the organization, by continuously meeting expectations (Bokor, 2005).

Digitalization, the development of technology related to the activities of companies, innovative processes, and the various processes of globalization have also reached the field of human resource management. As a result, its approach and functions have been affected, and, in addition to the traditional functions already known, new areas of expertise have emerged or become more important, such as HR (employer) branding, health promotion, HR controlling, knowledge management, retention management, generation management, competence management, talent management, and diversity management.

Responses to a changing environment have significantly renewed the field of human resource management over the past more than a century. If we look at the representatives of the classical management school (Fayol, Taylor, Weber), we can see that already at the beginning of the twentieth century, traditional HR functions such as performance appraisal (here still as a time norm), selection, motivation, development or retention, the role of loyalty can be identified (Dajnoki – Héder, 2017). In addition to performing administrative tasks (PA), HR has gradually gained a more critical role in organizations. Typically, American models have emerged, and HR management is nowadays referred to as strategic human resource management, where employee competencies are also a vital issue.

Human capital is playing an increasingly important role in determining the market value of companies, and the concept of continuous training and development, life-long learning, is slowly becoming part of the everyday life of organizations.

As a result of these developments, new HR functions have emerged alongside traditional areas of activity in response to environmental challenges and have been closely integrated into HR strategy. In addition to the classic HR functions (recruitment, selection, performance appraisal, motivation, development, job design, job security, and industrial relations), the existing areas of expertise have been extended, and sometimes the focus has shifted to other activities in response to the changing environment. In addition to recruitment and selection, the process of staff turnover has seen the introduction of a placement and onboarding program, even as part of the HR partner function. Nowadays, we see performance management systems rather than performance appraisal as part of an integrated systems approach, which again confirms the 'everything is connected' view. Training and development have always been central to business organizations. The development of career planning systems, which can now be seen as a function, is linked to this, as are career management and knowledge management.

From a controlling perspective, the only way to efficiently perform the expanding tasks - if there is no way to increase the available resources drastically - is to outsource recurring tasks and automate routine processes (Kovács, 2019). According to Osmanagić Bedenik and Lalovac (2007), the mission of controlling is to introduce and effectively apply tools that improve the transparency of business processes and sufficiently support management responses to external and internal changes, which results in strengthening the viability of the company (Vuko – Ojvan, 2013)

HR Controlling has become a close part of the HR function because the indicators used for analysis provide information for headcount planning and management decision-making. Today, regardless of ownership structure, competitive organizations are evaluated at multiple levels and in many areas (e.g., competitors, stakeholders, target group members, or market researchers), on which the success and popularity of the evaluated organization depend to a large extent. This evaluation affects both the products and services offered by the company and the image of the employer/employee brand. Suppose opinion leaders highly rate the organization's image. In that case, employees have a favorable opinion of the organization and thus find it easier to work with daily.

A good employer brand makes attracting the most talented employees easier, ensuring that talent is valued and compensated appropriately within the organization. Strengthening the employer brand positively impacts the organization by enhancing the organization's ability to retain talent, building employee commitment, and increasing organizational attractiveness (Mosley, 2009). Therefore, building a well-branded employer brand increases workforce productivity, thereby contributing to organizational competitiveness. Image, moreover, determines individuals' perceptions of the products and services offered by organizations, thus influencing the consumption of products/services, i.e., profit production.

To remain competitive today, a company must compete for talented professionals. This is particularly important for companies where employee competence is the basis of operations. In today's labor market, one of the most dominant tools in the "battle" to attract talent has become employer branding. Meanwhile, the employee values company performance as part of the employer brand (sectoral attractiveness, company reputation, product quality, working environment, benefits, perks, organizational culture, work-life balance, and corporate responsibility) (Figurska - Matuska 2013).

By reinforcing loyalty with these factors, employers can help to ensure that employees do not only perform their daily tasks within the organization for financial reasons but also for reasons of making a living and that they develop an internal attachment to the organization so that they are happy to come to work and experience the work as an experience.

The development of the HR brand is becoming increasingly important, as in addition to attracting a skilled and talented workforce, the problems of retaining key employees are also being addressed. Retention management is trying to address this as a new area, as failing to do so is costly, time-consuming, and energy-intensive because the lost workforce has to be replaced, where recruitment, selection, and onboarding are all costly, plus the uncertainty about the new candidate and the lost knowledge (which is taken away by the departing colleagues, usually straight to the competition). The continuing 'aging' of society is reducing the pool of employees that can be attracted - so demographic changes are also affecting organizational operations - which places a premium on human capital and excellence. Consequently, fewer workers are required to do more work than before, but employees also have higher expectations of employers (Canton, 2013).

Employee retention rates and loyalty are affected by employee satisfaction. Previous research has found that companies need to focus on five key aspects to retain their best employees, and these are.

- An appropriate working environment
- Clear goals and expectations, well-functioning organizational communication
- Open working environment and regular feedback
- Support for training and development, challenging and stimulating work tasks.
- Recognition, appreciation, and reward for good work (Thomas, 2017)

The ability of organizations to retain staff is influenced by the manager's approach through the role and location of HR in the organization and the quality of HR systems. Performance management and bonus schemes are the most common retention tools, while specific training programs and individual development plans are critical in attracting and retaining talented employees. Innovative ideas positively impact the loyalty of talented employees if the organization provides opportunities for feedback and implementation of these ideas (Csendő et al., 2016). Generation management, or the effective use of a changing age workforce, where the retention and motivation of employees are hampered by the fact that the organization must face the different expectations of the generations.

2. Research Methodology

The focus of my thesis is on human performance appraisal and performance controlling systems within companies that have diverse ownership backgrounds.

When preparing a research project, the choice of topic is on the agenda and the choice of the appropriate methodology. Of course, the primary aim is always to obtain and analyze the broadest possible range of relevant data to obtain genuinely relevant information. An essential element of this is to choose the correct format for conducting the survey. In addition to quantity, obtaining qualitative data is just as important as evaluating, concluding, and summarising opinions after processing.

This chapter aims to provide an overview of the research design, including the reasons for the choice of method and the processing and analysis of the data received. In the context of questionnaire research design, the evaluation characteristics or criteria focus on three directions, design issues, data collection, and data analysis (Dube' and Pare' 2003; Arnold et al., 2016), with a particular focus on qualitative sampling (Becker - Schmid, 2019).

2.1. The Research Design

The labor market affects all employing organizations, from public administrations to SMEs and large companies, regardless of their ownership structure. The digital strategy of SMEs is often still in its early stages, with the IT focus still working on solutions related to the core business. However, the research also seeks to map the state of these organizations in terms of controlling and HR, focusing on performance evaluation. The situation is different in public administrations or large enterprises, where the level of Digitalization allows these core business support functions to run their day-to-day operations on a much more advanced IT basis, not to mention their essential role in corporate governance and planning.

To obtain quality information material, a structure was needed to guide the respondent through a questionnaire covering different areas and topics, with multiple-choice or Likert-scale questions, while allowing for the expression of personal opinions in a closed and informal format. The questionnaire structure was designed to bring the quality and complexity of the responses up to the interview level in terms of content.

A common technique in contemporary information society research is the use of qualitative interview methods, which allows the investigation of a variety of current relevant research topics (Eisenhardt and Graebner, 2007), especially in areas where little prior research currently exists (Siggelkow, 2007). This concept follows the approach of Eisenhardt (1989) and Yin (1989) (2014). In contrast to the individual case, this approach can derive much more general results on a more substantial basis by using interview data from several companies in several different situational contexts (Eisenhardt, 1989; Yin, 2014). The sets of questions shed a different light on the situation in the field, the methods used, and even the personal opinions and mindsets of the respondents. This research approach allows us to explore areas of research that are still at an early stage of the investigation, using detailed questions such as "how," "who," and "why" (Yin, 2014). This information is characterized by a high level of detail and quality, as it is drawn from a much smaller sample than in quantitative research; it, therefore, has a higher intrinsic value.

2.2. Sampling

The academic literature suggests a case number of 4-10 interviews for qualitative research due to complexity (Eisenhardt, 1989). This number has been deliberately exceeded to holistically examine the research area of digital strategies in SMEs and SMEs.

Weighing up the possibilities, I opted for mixed-methods research, i.e., a combination of qualitative and quantitative methods. Combining qualitative and quantitative research is difficult because research questions are formulated in different paradigms. Judit Simon points out in her study, "While quantitative research is a structured method, typically carried out on a large and representative sample to statistically characterize the population under study and quantify the relationships identified, qualitative research does not seek to quantify and generalize." (Simon, 2016).

In connection with this research, the questionnaire format was chosen in a hybrid way, aiming to obtain quantitative and qualitative data and information. Hybrid research means the simultaneous use of different research methodologies. "Hybrid research can be carried out by combining several different but exclusively qualitative or quantitative approaches/data collection, or by combining qualitative and quantitative methodologies" (Neulinger, 2016).

In addition to the questions to be answered in the blocks, there were Likert-scale response options for the topic's characteristics. The questions and groups of questions were built on each other, and I also considered it essential to obtain adequate, sufficiently homogeneous, complete, and well-processable answers. Accordingly, both multiple-choice and scaled questions were compulsory. I gave respondents a different opportunity to express their thoughts on the Performance Evaluation System (PES) in a free-form format, independently of the practices of the business organization they had described, and their opinions based on the questions I had identified.

Table 1: Detailed structure and characteristics of the 36-question questionnaire

HR and Controlling research - Doctoral thesis			
Number of repondents: 157			
Section name	Questions		
	Number	Nature	Sub-questions
Informatics	4	Multiple choice	0
HR	1	Multiple choice	0
	1	Likert scale	16
Characteristics of the business organisation in the answers	3	Multiple choice	0
	1	Likert scale	6
	1		15
Respondents' opinion	6	Multiple choice	0
Typical practice of the responding entity in performance appraisal	7	Multiple choice	0
Performance Appraisal system (PES)	3	free text	0
Demographic issues	10	Multiple choice	0

Source: My editing

This free-text section is characterized by a high level of detail and the high quality of the information obtained, even though it is drawn from a much smaller sample than the quantitative study. The relevance of the information is further enhanced by internal and external data, including the questionnaire itself and related professional articles, research, and expert opinions, to ensure the soundness of the research.

3. Questions and Answers of the Survey

3.1. IT

70% of the respondents work in a company with a good IT background, as the company has a corporate governance system, more than half of them have a controlling module, and 7.6% have a controlling module in place, but it is "isolated." The figures are similar for the HR module, but the "isolated" solution accounts for 12.7%, which shows that not all companies with a large size and advanced IT background can afford to have all the main modules contributing to the Functioning of the organization available within the ERP system. This leaves the interface and other IT solutions to use the appropriate databases. Where the HR module is part of the enterprise ERP system, nearly 60% of the companies have a performance appraisal module in the system, as is the case for the HR department, which in 60% of cases has between 1 and 5 staff performing its daily tasks.

3.2. HR

Looking at the answers to the questions, the classical tasks such as job security, staff planning, recruitment-selection, training-development-education, and health maintenance are typically the most important in the HR function, while more modern human resources tasks are in the following category in terms of importance. Such as hiring a human partner, employer branding, and arrival-leaving tracking are rare in the companies surveyed.

As regards the age of the employees, companies have members of the Baby Boom generation and the X, Y, and Z age groups, with different needs, of course, to which employers have responded with different motivation models that work well in practice. Accelerated technological development and an ever-changing market environment have changed - and in many cases magnified - these expectations and differences. HR professionals must meet these needs to make the company attractive to the new generations without losing the older generation. To summarise these so-called generational characteristics (Ms. Kiss, 2013), the

- Baby boomers are still looking for new ways, knowledge, information, and careers, while their behavior is characterized by discipline, respect, and perseverance. Their knowledge, experience, and loyalty make companies of all shapes and

sizes the best. They must be more flexible, resistant to change, and accept hierarchical structures. They are afraid of their jobs being taken away by the next generation.

- Generation X is the transition generation, having been exposed to IT and the internet from a young age, which has shaped their working and living patterns. Most of them work with someone telling them what to do and how to do it. They are better educated than their predecessors and have experienced the technological revolution, the regime change, and the economic crisis. They are less committed to their employer but adapt quickly to change.
- Generation Y was born under the previous socialist system but grew up in an emerging democracy. They are open to new ideas, agile, ambitious, and aspire to high material esteem. They are the first wave of the digital generation, who are highly confident in challenging the rules set by the previous generation. They have high expectations of the workplace, wanting their work to fit their lives and not vice versa. They are less loyal than their parents. They are quick to make decisions and leave when they get a better offer.
- Generation Z is already the world's first global generation, born into a world of digital technology and in constant contact with each other. They instinctively acquire skills such as multitasking, collaborative learning, and self-regulated learning. They live at a much faster pace than their predecessors. They move on if they do not like something; changing jobs comes naturally. The phenomenon of job-hopping is also linked to this generation.

A significant challenge for HR professionals is that these generations have different characteristics and needs, so building and encouraging intergenerational cooperation, creating satisfaction among the different generations, and attracting and retaining key people also play a role in building the HR brand. In addition, companies are often faced with a change in the organizational culture, new types of job design, managing age-related knowledge transfer and avoiding age discrimination, and managing generational diversity.

Challenges such as limited resources and an aging society are inherent to the 21st century, as are globalization, increasing employer expectations, and technological advances, which have increased the importance of talent management at the organizational level to overcome these obstacles. Meanwhile, the global marketplace has created a situation where even small and medium-sized companies compete at this level to survive. Multinational companies have doubled since 1990, but the growth is in company size and consumer expectations. According to some research, the potential consumer size will increase by 172% between 2010 and 2030 (Krell, 2013). One important corporate goal is to find employees who can achieve the business goals they have set themselves, despite dwindling human capital. Thus, if the prerequisite for achieving business objectives is attracting employees with the necessary talent, the focus on talent becomes central, and its management becomes more strategic than a very HR issue.

In addition to evaluating the tasks performed, the importance of work experience is also on the agenda, which indicates an expected trend in the labor market. In Deloitte's 2017 Global Human Capital Trends, one of the four leading consultancies noted that in today's advanced Digitalization environment, employees' general expectation is that work should be results-oriented but also engaging and enjoyable. The trend is that, alongside employee engagement and workplace culture, companies seek to develop a complex system that impacts the overall employee experience - bringing together HR, workplace, and leadership practices that impact the work experience. Thanks to modern technology, HR has several tools to make this experience a decisive factor for employees. Workplace wellness or fitness apps are increasingly popular, which come with an extensive feedback toolkit.

According to Deloitte's research, 80% of employers surveyed considered guided workplace experiences meaningful (Deloitte, 2017). However, the research shows that the practical application of this novelty is still to come, as only 22% of decision-makers surveyed said they have implemented this type of solution in their company. The result supports that 56% of respondents believe they still need to or are only partially ready to implement work experience.

This is linked to formulating precise organizational goals, employee support, a coaching system, and an agile performance management system. As with most disciplines, human resource management has undergone many necessary changes recently due to changes in the economic, social, and labor market environment, among other factors. These changes and the arrival of new trends have had an impact on the transformation and development of previously well-established fields, as well as on the creation of entirely new ones. Human resources are a crucial part of organizations, and meeting their changing needs will determine the success of different organizations in a general sense.

Job design and planning are typical HR activities, which respondents also consider to play an important role. It is sometimes the case that the job holders themselves draw up job descriptions. This also impacts the structure and functioning of the other HR functions for a job. Improvements in this area include training in applying the job analysis methodology and constant quality assurance of processes.

There needs to be more application of most organizational - and individual - competencies at the skill level linked to the proper flow of human resources, which is linked to the need for more job analysis and planning functions. This can lead to further anomalies in recruitment and selection not aligned with job expectations.

The interviewees need to perceive more scope for career development, and career planning and management need to be a better-defined area of HR. The regulation of development and training opportunities is also different, as this is the case, for example, in the public sector, with the Government Decree 273/2012 (28.IX.) on the further training of civil servants, the career development examination system, or the existence of a legal framework for the operation of managing databases.

3.3. Characteristics of the Business Entity Included in the Responses

50 % of the companies in the questionnaire are manual workers, the remaining half are manual workers, and the other half are manual and non-manual workers. Overall, 70% of the companies surveyed use the performance appraisal system. Three-quarters of the companies surveyed reported staff shortages. For a third of them, high wages and declining creativity are additional difficulties. For a third, this impacts competitiveness, productivity, and the quality of customer service. Turnover makes recruitment difficult, and in addition to these difficulties, lower commitment and reduced creativity are also evident.

3.4. Questions of own Opinion Block

A significant result of the HR and controlling research is that almost all respondents (96.8%) consider it necessary to evaluate performance. In comparison, 89.2% think this should be implemented throughout the company and should be to the advantage or disadvantage of the period under review. The annual interval is typically considered optimal (40%), while almost a third prefer the six-monthly and a quarter the quarterly version. As regards evaluation, 80% consider their line manager to be a competent person.

3.5. Corporate Practices in the Answers to Questions the PES Block

Three-quarters of respondents work in companies where performance is evaluated, and its advantages and disadvantages - typically on an annual basis - and nearly 60% of these companies also evaluate their departments. Notably, almost half of the companies take stock of the results achieved in the previous period at the individual level, in addition to half-yearly or quarterly cycles. However, at the organizational level, 22% also show a continuity of assessment and monitoring of results, with similar rates.

Interpreting results and expectations are mainly the responsibility of line managers (80%), with the remaining fifth being carried out by senior managers or HR. In the case of orientation at the organizational level, it is senior managers, direct line managers, and only 8% of HR at the end of the period concerned.

3.6. PES - Free Text Question

An essential aim of the questionnaire survey was to obtain qualitative, homogeneous, and evaluable answers to the questions on predefined professional topics.

The other aspect was to gather opinions, thoughts, and suggestions on the performance appraisal system (PES), which was the backbone of the research, and the possibility of expressing opinions based on predefined principles. Here, respondents were asked to give three thoughts on what the term "PES" means to them and what they think when they hear it.

If we were to use a pie chart to divide up the responses and opinions received, we could see that around two-thirds of the responses were positive. At the same time, one-third were either negative, fuzzy, question-answering, or wishful thinking.

There is a clear sense that positive thoughts about the question are dominant, whether we look at the most common terms used, the subject matter, which is either built around the keywords mentioned, or the objectives, the individual, and to a lesser extent the organization and the practical nature and features of the evaluation system itself.

3.7. Most Common Words in the Answers Given

The most used acronyms are performance and value assessment, followed closely by feedback, development, motivation, and effectiveness. In this context, the respondents did not stop at the above evaluation system but immediately associated it with development, motivation, and effectiveness. Thus, as an added value, not only is the Functioning of the system itself an additional charge in the life of the individual or the company, but also the return intended to improve both individual and overall organizational and corporate performance, along with the appropriate feedback.

The importance of goals has been conceptualized in many ways, from defining and understanding them - individual, corporate, organizational, or economic - to comparing goals and results, and thus to the evaluation itself.

3.8. Positive Items for the Individual

More than half of the respondents are concerned with the individual - much more so than with organizational or corporate goals - and have accordingly put their thoughts on the "GOAL" on paper.

Naturally, individual employees were linked to various benefits, whether material in nature, such as financial rewards, appreciation, recognition, or others, which also positively impact the organization's overall Functioning through the individual's development.

Improving diligence and development skills, and recognizing the need for individual training, which can also be seen as part of self-awareness, helps to confront, adapt, stimulate, and simultaneously show areas for improvement, be it the host approach or working more independently. The ability to move through succession planning, career management, and structured feedback gives employees a vision of where they can go, inside or outside the company, and what doors may open for them. Punctuality, deadlines, expertise, competence, discipline, and representing company values are all essential elements of long-term commitment and loyalty.

From the individual's point of view, if it is sufficiently transparent, objective, and well communicated, it strengthens the relationship between the manager and the employee, i.e., it is positive and supportive and moves them forward. It helps to meet higher expectations, gives feedback, makes comparisons, and helps people to think and express their views appropriately.

3.9. Corporate Aspects

Only a few percent of the respondents considered it necessary to note the impact of the "PES" system on the organization, even though its existence is an integral part of the company's life and was even interpreted by one respondent as a pillar of the company culture. At the organizational level, aligning values and developing cooperation within or outside the company is fundamental for staff retention. It also helps to optimize resources and prepare decisions. Well-functioning HRM continuously improves efficiency and customer satisfaction by supporting responsible work.

3.10. Evaluation System

Almost half of the respondents to the survey were concerned with the mention and description of the evaluation system, either describing the principle of measurement itself or the impact of this measurement on the individual or organization, whether it be material or some other long-term impact.

In addition to mentioning measurement scales, indicators, KPIs, 360 degrees, or SWOT analysis, the focus was on a system of financial rewards, such as monthly salaries and annual bonuses linked to performance or simply extra pay. The approach of the bonus payout period was linked to the time-consuming task of collecting and uploading ideas and evidence into the system used for this purpose, which is also said to be in a state of constant change.

A new dimension is added to the measurement, analysis, evaluation, and feedback of employee performance to discuss expectations (by both parties) and performance (by both parties). This is done as a developmental discussion with high trust, where the employee can finally express himself. With effective communication and support, identifying skills to be developed and improving effectiveness with regular feedback can significantly improve the balance of individual

expectations - individual results, as motivation, can be individualized by setting individual goals. The right attitude can turn goals into results, telling the employee, "I am listened to by my superiors; I am important in the organization!". Respondents had different opinions on the system's effectiveness at different organizational sizes and the extent to which it results in additional knowledge or income. One commentator said, "For small company size, it does not play a big role because the family atmosphere means that negative performance is discussed/improved, while outstanding positive performance is rewarded with an appropriate bonus." Some different structures and frameworks allow for a differentiated reward system.

For each department, the same approach is taken to monitoring and follow-up, mainly based on annual results, for which time interval TMR (Performance Management Review) systems have been developed. Based on the typically large company methodology, the 360-degree method is used, which assesses both individual and organizational performance over the period and does so across multiple departments. This adds new participants and elements to the assessment process, such as direct reports or stakeholders, with KPIs already defined. Various professional development projects can be built on this, which, once the areas for improvement have been identified, can also be used as a form of reward, both within the organization and for individual employees. Of course, there is always the question at the time of the evaluation if it is beneficial, "Is there a consequence for poor performance?"

Alongside the words "Performance, Cooperation, Initiative," a new approach has emerged, which has become a fundamental issue for business organizations today: sustainability. The question may arise about what sustainability means in the context of the "PES" system.

3.11. Negative - reactions

The research showed that respondents fundamentally believe in performance appraisal and its importance for individual employees and companies, even if they disagree with its form.

The comments are more nuanced regarding objectivity, as many people consider the method subjective. In such cases - because there are bound to be some - the 360-degree approach can assess the worker in question substantially more objectively. The situation is more nuanced in the case of state-owned enterprises and even more difficult within the public sector administration. The assessment itself is mandatory, but it is not a true reflection of the results in many cases because the framework and the measurement can be subjective. This is sometimes coupled with unnecessary administration and is usually perceived by managers as an unnecessary nuisance because well and good, but there are only so many resources for it.

It only fulfills its role if measurement and opinion-forming are subjective and formal. And it is no worse if a measurement system that is fundamentally intended to improve and increase efficiency is seen as a burden - let's get on with it, it's fine - whether it is the employee or the role of the professional manager assessing the process. If a system is poorly implemented, we can be sure that those involved will find it an unnecessary, time-consuming, and pointless task.

As a professional opinion, it was reported from the respondents' side that only one of the 40 companies seen internally and externally had a well-integrated "PES" system as part of performance management. Only 10-15% of the companies described were seen to build results back into the operational improvement, and only 10% of managers could set targets, evaluate and effectively use the opportunities provided by "PES."

In today's economic environment, parameterization, the constantly changing external environment, and capacity constraints make it difficult for even a well-constructed system to work.

The organizational structure also creates an insurmountable challenge for managers conducting appraisals, as it is difficult to apply in a flat organization, where the appraised high-performing employee has a right to expect positive changes in his/her career.

Many companies use the method of distributing a certain amount of money at the end of the year. However, there is no specific appraisal methodology, so the employee needs to receive accurate feedback, and typically the associated bonus is almost automatically expected by all concerned.

Subjectivity as a damaging accusation is coupled with the emergence of relational capital, which, if exploited well enough, can also be an advantage in the outcome of performance appraisals. This view is countered by the respondents' view that, although the system itself is indispensable, it needs to be taken more seriously and transparent in the form it is usually used.

3.12. Uncertain, Questioning, Wishful

For me, the most exciting group of responses. Where some uncertainty, questioning back, and achieving a desired state was evident from the responses. When referring to the size of large companies, there was a comment, "I need to be able to measure performance well, but will it motivate others if I highlight the better performers among them?" However, there was also the view that the small size of the workforce is not justified, so the SME sector, for example, is also an issue in this way, according to the respondent's thinking.

Several opinions say that it is worth doing if you are serious about the system and its potential, not just setting expectations but also providing direction for the future, which will provide real opportunities. Where there is none, there is a lack, but to be run well, results should be seen, not automatic bonuses or other benefits.

For public companies and public administration, the legal environment provides the framework; there can be no derogation if someone does not receive additional income - as a reward for their work - this must be justified in writing in the case of public administration.

I have worked in an organization where all this worked well, and the "FAST and SMART target setting" worked well. However, at the middle management level, there needed to be more knowledgeable and will to ensure that managers - after proper training - knew how to conduct these discussions and not just link the annual performance appraisal to pay increases. The results of the appraisal must also be known to the employee.

3.13. Demographic Block Questions

Over 60% of respondents are male, most over 40 years old. In terms of education, 90% of the respondents have a tertiary education and have been working for the companies mentioned in the responses for more than seven years, and 40% have been working for the companies mentioned in the responses for between 1 and 6 years and only 10% who have not yet completed their first year in the company at the time of the response. Typically, representing a quarter of the respondents, it was middle or senior managers, or possibly owners, who completed the questionnaire.

In terms of location, more than two-thirds of the respondents were in the capital, and a further 15% were in the agglomeration of Pest County. Nearly half of these companies are Hungarian private companies in terms of ownership, 26% are foreign, 21% are state-owned, and the remaining 6% have a mixed ownership structure. In terms of activity, a quarter of them operate internationally, 58% nationally, and almost 13% locally or at the county level. In terms of size, large enterprises with 250 or more employees account for 45% of respondents, with one-fifth in the SME sector and 12% in the micro-enterprise sector, with up to 9 employees.

4. Summary, Concluding Thoughts

The interdependent elements of HR provided by IT are available, and its potential uses are equally well-known in organizations with different ownership structures. The interdependent process of an integrated HR system needs to be more utilized. However, more than half of the respondents use IT for performance appraisal, which is a good result given the current domestic context. Organizational and human resources strategies are not or only partially in place, and the latest HR trends are not being applied everywhere, as the sector is concentrating on its traditional tasks.

In the public sector, whether the legal framework primarily determines a company or a public administration, human resource management. The focus is on legal compliance. In this direction, HR organizations try to put into practice in a compliant, law-enforcing manner, such as the task of performance appraisal. This is partly an obstacle to the operation of modern HR tools (e.g., onboarding and exit interviews, outplacement activities). Previous research has shown that, except in one area of the central government, these organizational development tools are either nonexistent or only sporadically found. "Among the HR managers, executives, and HR staff working in central public administration surveyed, the need to use modern and interdependent HR tools has already emerged, especially among those who previously worked in the private sector or HR management or other managerial positions in multinational companies." (Bokodi, Szabó, Stréhli-Klotz, Petró, 2013)

The opportunity for improvement is different, as privately owned firms can move forward at the cost of further IT improvements and management training. However, the same can be done within the framework of state-owned enterprises or public administration by rethinking relevant legislation, regulations, and internal rules. In this area, therefore, there is a need for greater proactivity on the part of HR. This means not forcing HR processes into the available

legal framework, not waiting for the legislator to create the operating conditions for the legislative environment in every detail, and only then starting to develop methodologies, but developing and putting in place its operating mechanisms where it has the opportunity within its institutional framework. Of course, the practical implementation of this kind of proactive thinking depends mainly on the HR field's mindset and the organization's or institution's senior management.

Based on our own experience and the feedback from the survey, more than half of the respondents said yes, the IT conditions necessary for HR controlling and monitoring are typically in place. Management data repositories based on data extracted from IT systems are known at HR management and executive levels. However, they are not used regularly and are unstructured, so the results must be integrated into day-to-day HR activities and management decisions. Where ERP systems are absent or only partially available - not for all modules - human controlling functions operate at the level of ad hoc statistics due to the "insular" nature of the operation. There is a lack of centralized data repositories and HR staffing systems which would allow identical queries on the same IT databases, or at least by ensuring data interchange. In addition to providing the IT background, developing a controlling-monitoring system and measurement methods is also a fundamental prerequisite for the effective operation of the sector and for meeting today's requirements.

The annual performance appraisal is the best-known HR tool, thanks to the system introduced. What the responsible professional manager is expected to do during the performance appraisal is basically in place. However, there is a legitimate fear when talking only about an administrative role, whether the current or the future situation, about the "PES." The fear is that the outputs (reward, promotion, and development tools) are unavailable, regardless of the ownership structure. Performance appraisal is seen as something other than an applied management style and method. However, simply as a task, and in many cases, the professional manager in charge has never received such training, does not know what to do, or does not want to confront the colleagues to be appraised. At the same time, subordinates need, expect, and accept the purpose and content of performance appraisals, as feedback is essential for them, both from a human and a professional point of view.

The situation is different in practical implementations, where the performance quality is very variable, and the people concerned do not trust objective evaluation.

Of course, there is no such thing as complete objectivity - not even among the benchmarking solutions known in the literature. Organizational goals, expectations, and self-assessments are the factors that would make the system more objective. No self-evaluation, 360-degree evaluation is considered unthinkable. There is a fear that evaluations will become formalized, losing their role in supporting the quality of work and future work. Managers need to gain experience and practical knowledge of performance appraisal. The cultural and technical elements of the feedback need to be included. There are few organizational benchmarks—lack of key achievable and challenging objectives and quality-based organizational evaluation systems. The attitude of identification with evaluation and feedback needs to be improved. There is also a cultural basis for feedback, which needs to be taught and universally accepted as a management attitude. With the emergence of Generation Y, it is necessary to adapt methods and tools to their expectations and values and to strive for the best solutions, including meeting their information needs.

4.1. Findings on the Functioning of Performance Management

The research has allowed free expression of opinion, so due to the nature of the organizations and their ownership structure, various approaches, methodologies, and IT solutions are available to support performance management. In addition, it is also clear that more knowledge of the human factor, managerial attitudes, and managerial roles and responsibilities is needed to maximize efforts to exploit the full benefits of the function. Performance appraisal is used in various administrative areas subject to regulation but only sometimes achieves its real purpose.

Apart from the idea that the 'PES' should support the current remuneration system, the essential purpose of performance appraisal is to give - and receive - feedback from colleagues on how they are doing their job, how well it is aligned with management expectations, and if we look at the public administration, how well it is in sync with its values. As was evident in the free-form comments, managers, in many cases, need to put more emphasis and time into constructive (evaluative) conversations with colleagues. When they criticize colleagues, they do so inappropriately, making constructive criticism extremely rare. Improving and developing this would require a level of change in people's minds that would take a long time to get them to accept the essential purpose of performance appraisal. A centralized solution, such as that used in local government, must still achieve its developmental purpose.

Looking at other government areas, such as law enforcement, there is a yearly performance appraisal, which requires serious management preparation. With mandatory performance appraisals outside the civil service, the developmental goal should also be set. Individual performance appraisals are carried out along defined objectives, while little is known about organizational performance appraisals.

Another research in the field of public administration highlights that the current performance appraisal system is perceived as a formal system, i.e., the "PES22" system is not used because of the system's usefulness but rather because of the legal obligation. The improvement is seen in the 360-degree evaluation. This way, colleagues would evaluate colleagues and colleagues' managers (Bokodi, Tsai, 2013). It is not possible to find a system that is good for everyone. The evaluation is subjective, as those who only get 85% may be offended. A negative is if the objectives set need to be sufficiently prepared. There are also things in the current "PES" system that cannot be judged or are unrealistic. For those colleagues whom the manager knows well, it is easy to assess, but not all colleagues are seen in such detail.

In some areas, such as defense, two performance appraisal systems operate almost parallel because one applies to government officials and the other to soldiers. Only the manager carries out the evaluation activity, as in the classic manager-assigned system.

The systems used need a customer perspective, as the people they serve are not consulted. The legal environment is the basic framework for the organization's operations, so other departments and collaborating partners are not consulted. The system is also linked to the system of career development and appraisal.

The annual evaluation is a feature of law enforcement. It is essentially a rating and summative evaluation for staff and self-evaluation, although there is little knowledge of performance evaluation and self-evaluation. They tend to use the available tools spontaneously rather than consciously.

In the current legislative environment, performance must always be evaluated by a deadline. Despite its positive reception, the introduction of the new "PES" system has some shortcomings, such as the fact that the TAB result is not linked to the level of possible deviation, so it is not possible to track the level of performance required in each job to have a positive impact on the level of pay.

There was also feedback from the public administration that the 'PES administrator,' although having received the necessary training, would only deal with the concrete operational mechanisms in the field at the time of the evaluation. Managers need to have as much evaluation experience and knowledge as possible, as staff expects factual rather than emotional evaluation, as inadequate evaluations can affect the future of the people concerned. Eliminating mistakes such as giving more favorable appraisals to those close to the manager - or whose work they know better - is a vital interest.

From a management point of view, the "PES" system forces managers to carry out evaluations, as the IT system logs all activities, so the practice of previous years of sliding the completion of evaluations to the next calendar year is no longer possible. Like everything else, evaluation has two sides, so if the managers do not take it seriously, the subordinate will not. So, the evaluation remains formal rather than informal, which is a sensitive area anyway, and there are examples where it has resulted in a labor dispute. The public sector research also reports that in the defense sector, feedback suggests that the new competency-based performance appraisal needs to be fixed. One shortcoming is that it does not include self-assessment, so it is feared that the HR department will have to do it. Incentives, both financial and promotion, are an essential element, but their absence reduces the system's value and effectiveness. In other similar areas, such as law enforcement, it was seen that the previous performance appraisal needed to be taken more seriously because no motivation and training system were assigned, so the task was administrative rather than helpful.

The situation is more manageable for those in the current public sector who have previously worked in the private sector and have already encountered performance appraisal. The appraisal had already become part of their previous employment, although they also said in their responses that they had not found the TÉR methodology entirely objective there either. For the system to have the desired effect, it is essential not only that the employee receives feedback on the extent to which he or she meets the expectations of the line manager and whether he or she is capable of performing his or her duties at a higher level, but also that he or she has the opportunity to express his or her views on the evaluation during the evaluation.

In summary, identification with the message of the "TIR" must not cause problems for both the evaluators and the evaluated. Another survey of Hungarian organizations (n=328) found that performance management and bonus schemes are the most used retention tools in practice. A well-designed training program and a personalized development plan are

essential in attracting and retaining talented employees. In addition, providing a framework for feedback and implementation of innovative ideas will also have a positive impact on strengthening the loyalty of talented employees (Csendő et al., 2016). Generational management will be the necessary solution to effectively employ a changing age workforce, as the need to face the different expectations of generations is a factor that makes it challenging to retain and incentivize employees.

Let us remember the critical requirement that IT tools match performance appraisal and new expectations in the human resources area. Möller and Illich-Edlinger, Kovács (2019) present a process model of controlling.

Thanks to the impact of Industry 4.0, the amount of data available has increased dramatically, making data management a new process. Information storage has also been completely transformed by the emergence of the Cloud, which has given controllers a new role in building and working with systems to manage, evaluate and analyze large volumes of data. Controlling and within it, the controller is responsible for guaranteeing the data's quality and extracting the information needed for business decisions. The business partnership has also been added to the list, emphasizing the advisory role of controllers. While the planning, budgeting, and forecasting processes have been brought together at one point, the project and investment control line has been split into two processes. Functional controlling appears as the second dimension. Management controlling appears in the model as an iteration of planning, controlling, and goal setting (Möller-Illich-Edlinger, 2019).

References

- Arnold, C., D. Kiel, and K.-I. Voigt. (2016). How the Industrial Internet of Things changes business models in different manufacturing industries. *International Journal of Innovation Management* 20 (8): 1–25. [CrossRef](#)
- Becker, W. – Schmid, O. (2019) The right digital strategy for your business: an empirical analysis of the design and implementation of digital strategies in SMEs and LSEs *Business Research* [CrossRef](#)
- Bokodi, M. – Szabó, Sz. – Stréhli-Klotz, G. – Petró, Cs. (2013) Közszolgálati Humán Tükör Kutatás Strukturált interjú „Közszolgálati Humán Tükör 2013” résztanulmány ISBN 978-615-5269-39-4
- Bokor, A. (2007) Záró Kutatási Tanulmány – Humán Tükör Kutatás eredményei – visszajelzések a HR szervezetek működéséről (2007 évi kutatási forduló)
- Bokor, A. – Bíró, K. – Kovács, G. – Takács, S. – Toarniczky, A. (2005/1): Humán Tükör- körkép a hazai szervezetekben a HR tevékenységre vonatkozó elvárásokról és annak megítéléséről. *Vezetéstudomány* [CrossRef](#)
- Canton, J. (2013). *Global Futures Forecast 2013: The Top Trends That Will Shape the Coming Year*. Institute for Global Futures.
- Csendő Cs. – Frajna Piller A. – Horváth A. – Kolbe T. – Kovács T. – Poór J. (2016): Szakemberhiány és munkaerő-megtartás a kulcsmunkakörökben 2016. Kutatási zárójelentés, Budapest, 25. p. ISBN: 978-963-269-591-4
- Czakó, E. – Wimmer, Á. – Zoltayné, Paprika, Z. szerkesztette, (1999): *Versenyben a világgal– A magyar gazdaság nemzetközi versenyképességének mikrogazdasági tényezői*, p. 25-30. Czakó, E. – Wimmer, Á. – Zoltayné, Paprika, Z. szerkesztette (2004): *Versenyben a világgal– A magyar gazdaság nemzetközi versenyképességének mikrogazdasági tényezői*. (kéziratban)
- Dajnoki, K. – Héder, M. (2017) „Új szelek fújnak” – a HR válasza a globalizáció és a változás kihívásaira DOI 10.17047/HADTUD.2017.27.E.84 <http://real.mtak.hu/72149/1/dajnoki.pdf>
- Deloitte (2017): *Rewriting the rules for the digital age. 2017 Deloitte Global Human Capital Trends* <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/human-capital/hc2017-global-human-capital-trends-us.pdf> 2 017.09.27.
- Dube', L., and G. Pare'. 2003. Rigor in information systems positivist case research: current practices, trends, and recommendations. *MIS Quarterly Executive* 27 (4): 597–636. <https://www.jstor.org/stable/30036550> [CrossRef](#)
- Eisenhardt, K.M. 1989. Building theories from case study research. *Academy of Management Review* 14 (4): 532–550. [CrossRef](#)
- Eisenhardt, K.M., and M.E. Graebner. 2007. Theory building from cases: opportunities and challenges. *Academy of Management Journal* 50 (1): 25–32. [CrossRef](#)
- Figurska, I. – Matuska, E. (2013): Employer branding as a human resources management strategy. In *Human Resource Management & Ergonomics*, vol. VII./2.
- Karoliny, M. - Poór, J. - Spisák, Gy. (2000): Az emberierőforrás-menedzselés az üzletiszférában – tapasztalatok magyarországi nagyvállalatoknál, in: *Vezetéstudomány*, p. 13-22;

- Kissné András, K. (2013): A Magyar Honvédség hivatásos és szerződéses állományának, valamint a versenyszféra motiváltságának összehasonlító elemzése (Doktori (Phd) értekezés), Nemzeti Közszerzői Egyetem, Hadtudományi Doktori Iskola, Budapest, 2013, p.166 DOI azonosító: 10.17625/NKE.2014.002
- Kovács, B. (2019) A controlling-folyamatok hatékonyságának mérése és növelése E-CONOM Online tudományos folyóirat http://publicatio.uni-sopron.hu/1746/1/03_KovacsB_Econom_VIII1.pdf ISSN 2063-644X
- Krell, E. (2013). Exploring What It Takes to Lead in the 21st Century, Baylor Business Review, <http://bbr.baylor.edu/exploring-leadership/> 2017.09.11.
- Mosley, R. (2009). Employer Brand. The Performance Driver No Business Can Ignore—a Shoulders of Giants Publication.
- Möller, K. – Illich-Edlinger, S. (2019): Controlling-Prozessmodell 2.0. CFO aktuell 1/2019 [CrossRef](#)
- Myers, M.D. (2009). Qualitative Research in Business & Management. Sage Publications, Thousand Oaks, CA.
- Neulinger, Á. (2016) Több-módszertanú és vegyes módszertanú kutatások korreferátum Simon Judit „Kutatás-módszertani trendek a marketingben” című tanulmányához, Vezetéstudomány 66 XLVII. ÉVF. 2016. Marketingtudományi különszám / ISSN 0133-0179 [CrossRef](#)
- Osmanagić Bedenik, N. – Lalovac, B. (2007): Kontroling – faktor poslovnog uspjeha na primjeru hotelskih poduzeća. Acta turistica, 19 (1), pp. 83–99.
- Poór, J. – Roberson, M. (2003): Globális fejlődés: az emberi erőforrás menedzsment (EEM)eredményessége a magyar vállalatoknál az új évezred elején, in: Vezetéstudomány, p. 13- 19.
- Siggelkow, N. (2007). Persuasion with case studies. Academy of Management Journal 50 (1): 20–24. [CrossRef](#)
- Simon, J. (2016) Kutatás-módszertani trendek a marketingben. Vezetéstudomány - Budapest Management Review, 47 (4). pp. 54-62. DOI 10.14267/VEZTUD.2016.04.10 [CrossRef](#)
- Szűcs, Á. 2017 Doktori értekezése A HR controlling szerepe a tudatos Emberi Erőforrás Menedzsmentben http://doktori.uni-sopron.hu/id/eprint/593/19/Sz%C5%B1cs%20%C3%81gnes_%C3%A9rtekez%C3%A9s_NYME_SZI%20GSDI.T ext.Marked.pdf
- Thomas, A. (2017): 5 Things Successful Companies Do to Retain Top Talent <http://www.selectinternational.com/blog/bid/148239/5-things-successful-companies-do-to-retain-top-talent>
- Vuko, T. – Ojvan, I. (2013): Controlling and business efficiency. Croatian Operational Research Review (CRORR), <https://webcache.googleusercontent.com/search?q=cache:zMA3EvLemD4J:https://hrcak.hr/file/143327+&cd=11&hl=en&ct=clnk&gl=at> (letöltve: 2018.09.25.)
- Yin, R.K. (2014). Case study research: design and method, 5th ed. Thousand Oaks: SAGE Publications Inc.