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INTRODUCTION OF KPI METHOD INTO THE SYSTEM OF FINANCIAL SECURITY ENSURING AT THE ENTERPRISE

Abstract. The author resolves important scientific and practical tasks on development of the methodological approach to the evaluation of personnel as the basis of financial security. Key findings and recommendations are as follows.

It is determined that the evaluation of staff is a procedure that is performed to identify the extent to which professional, business and personal qualities of the employee, quantitative and qualitative results of its work correspond to certain requirements of production and the enterprise.

22 staff assessment methods are revealed – they are descriptive method of valuation, classification method, the method of assessment of work regulation, the method of questionnaires and comparative questionnaires, tests, comparison method, the method alpha-numeric scale, interviewers, structured behavioral interview, committees method, «360 degrees» method, method of independent judges, 'assessment center', method of business games, a method of management by objectives, management of achievements, the method of the standard benchmarks, the method of crucial situations, the method of rating behavioral settings, a method of the behavior observation scale and a method of specified distribution.

It is proved that today acceptable method of staff evaluation is key performance indicators method (KPI), as it combines global goals with the goals of the enterprise and individual employees. This helps to improve the quality and efficiency of the staff of the company as well as the performance of the organization. Based on the comparison of actual performance achieved with defined KPI the achieved results of an employee are derived. This allows you to reward him for the work. The advantages of using the KPI method is that the employee bonus depends on the performance of his personal KPI; for each employee there is the assigned responsibility for a particular area of work; an employee is aware of its contribution to achieving the common goal of the company; KPI method focuses on staff motivation.

Application of KPI method in ensuring financial security of the company will improve the quality and efficiency of the staff of the company.

Hence, if the financial director of the company fulfills the plan of the key performance indicators of 100%, he will receive the planned salary according to the established norm of labor payment fund.

Keywords: enterprise; financial security; staff; staff estimation methods; KPI method.

JEL Classification: M12, J30, J31, J38, J39

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УПРОВАДЖЕННЯ МЕТОДУ КРІ В СИСТЕМУ ЗАБЕЗПЕЧЕННЯ ФІНАНСОВОЇ БЕЗПЕКИ ПІДПРИЄМСТВА

Анотація. Розглянуто сучасні методи оцінювання персоналу. Доведено, що сьогодні найбільш прийнятно використовувати метод ключових показників ефективності (КРІ), оскільки він поєднує глобальні цілі підприємства з цілями підрозділів та окремих працівників. Цей метод дозволяє підвищити як якість роботи персоналу, так і ефективність діяльності підприємства загалом.

На основі порівняння реально досягнутих показників із оціненими визначаються результати праці співробітника, за якими він може отримати відповідну винагороду. Перевагами використання методу КРІ є його орієнтація на мотивацію персоналу: розмір бонуса співробітника безпосередньо залежить від виконання його персональних КРІ; за кожним співробітником закріплено відповідальність за певну ділянку роботи; співробітник усвідомлює свій внесок у досягнення спільної мети підприємства. Надано практичні рекомендації щодо впровадження описаного методу оцінювання персоналу в систему забезпечення фінансової безпеки підприємства.

Ключові слова: підприємство; фінансова безпека; персонал; методи оцінювання персоналу; метод КРІ.

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ВНЕДРЕНИЕ МЕТОДА КРІ В СИСТЕМУ ОБЕСПЕЧЕНИЯ ФИНАНСОВОЙ БЕЗОПАСНОСТИ ПРЕДПРИЯТИЯ

Аннотация. В статье рассмотрены современные методы оценивания персонала. Доказано, что сегодня наиболее приемлемо использовать метод ключевых показателей эффективности (КРІ), поскольку он объединяет глобальные цели предприятия с целями подразделений и отдельных работников. Данный метод позволяет повысить качество работы персонала и эффективность деятельности предприятия.

Путем сравнения реально достигнутых показателей с оцененными определяются результаты труда сотрудника, за которые он может быть вознагражден. Преимуществами использования метода КРІ является его ориентация на мотивацию персонала: размер бонуса сотрудника непосредственно зависит от выполнения его персональных КРІ; за каждым сотрудником закреплена ответственность за определенный участок работы; сотрудник осознает свой вклад в достижение общей цели предприятия. Предложены практические рекомендации по внедрению метода КРІ в систему обеспечения финансовой безопасности предприятия.

Ключевые слова: предприятие; финансовая безопасность; персонал; методы оценивания персонала; метод КРІ.

Introduction. The need for professional evaluation of personnel has increased in market economy. This is due to the need to improve the efficiency of financial and economic activity, which in its turn presupposes the responsibility of each employee for his work.

Secondly, the current trends of human development potential such as the growth of labor services rates, the increasing role of human resources in the production of goods and services, continuous professional growth of requirements for personnel, require businesses staff qualifications improvement as well as high motivation of labour [1].

Thirdly, enterprise development is influenced by changes in the environment, which defines the need to combine quantitative and qualitative characteristics of plant personnel with the new requirements without which the company plans remain unfulfilled and the productivity and motivation of company personnel decreases.

Brief Literature Review. Today the increasing number of publications is devoted to personnel evaluation. Among foreign scientists who have made significant contributions to the development of this issue are A. Lusardi and O. S. Mitchell (2014) [2], K. Munshi (2014) [3]. The Ukrainian and Russian scientists who challenged the evaluation of personnel are G. M. Azarenkova (2014) [4], K. M. Didur (2011) [5], A. M. Zlenko (2013) [6], S. V. Pozdnyakova (2013) [7], A. V. Shaperenkov (2004) [8].

The analysis of the mentioned authors research revealed that current problem of plant personnel evaluating still remains unsolved, as some existing methods can assess only a few ways of personnel activities. Although, the most complete and accurate information about the company staff can provide only the method of its complex comprehensive evaluation. This greatly complicates the process of well-grounded management decisions taking on financial and economic activities as well as ensuring an enterprise's financial security and financial development.

Relevance, practical importance and the lack of these issues research resulted in the choice of current work theme and defined its goals and objectives.

Purposes: to develop methods of complex personnel evaluation and its implementation for financial security ensuring; to achieve the goal, the following tasks are set in the research; to consider modern methods of staff evaluation; to select an appropriate method of staff evaluation; to provide practical advice on implementing of an acceptable method of staff assessment in ensuring financial security of the enterprise.

Results. Evaluation of staff is a procedure that is performed to identify the extent of conformity to which professional, business and personal qualities of an employee, quantitative and qualitative results of its work certain requirements of production and labor in the company is measured [6]. Taking into account the constant changes of requirements for professional qualification of personnel its objective quality assessment bears special importance. So, it will identify the knowledge, skills and expertise that a certain employee lacks. This assessment will enable to assess the personnel development.

Evaluation of staff is too complex management problem. One should admit that the theoretical and methodological aspects of it are underdeveloped. In practice,

many techniques, methods of evaluation that yield different results in terms of objectivity. In foreign practice the ideal methods of evaluation staff lack and researchers and practitioners often hold opposing views on the feasibility of various methods of personnel evaluation or level of its objectivity. You must select the correct evaluation methods of the employed staff, as it affects not only the effective management, but also directs the activities of the increase in profits and the overall operation of the company.

Didur K. M. (2011) [5] notes that today the most common are the following methods of personnel evaluation. They are descriptive method of valuation, classification method, the method of assessment of work regulation, the method of questionnaires and comparative questionnaires, tests, comparison method, the method alpha-numeric scale, interviewers, structured behavioral interview, committees method, «360 degrees» method, method of independent judges, 'assessment center', method of business games, a method of management by objectives, management of achievements, the method of the standard benchmarks, the method of crucial situations, the method of rating behavioral settings, a method of the behavior observation scale and a method of specified distribution.

Among the foreign key personnel evaluation methods are considered: Assessment Center, Management by Objectives, Key Performance Indicators (KPI), «360», but there are a lot of their combinations (Table 1) [9].

We believe that today an acceptable method of evaluation staff is KPI, as it combines global goals with the goals of the enterprise and individual employees. This helps improve the quality and efficiency of the staff of the company. Based on the comparison of actual performance with the defined KPI the achieved results on an employee are defined. This allows you to reward him for the work. The advantages of using the method KPI is that the employee bonus depends on the performance of his personal KPI. For each employee there is the assigned responsibility for a particular area of work. An employee is aware of its contribution to achieving the common goal of the company. KPI method is focused on staff motivation [10].

The implementation of KPI method in ensuring financial security of the company is to be performed in several stages [8].

Tab. 1: Comparative analysis of methods of assessing plant personnel

Method*	Advantages	Disadvantages
Assessment Center	It is impossible to falsify the results. Diversity and mix of opportunities to unleash the potential of each participant with precise methods of evaluation.	High organizational costs Considerable time The high cost of the method compared with other methods of assessment. High levels of stress when receiving feedback.
MBO	Employees understand the criteria for success of their work prior to the execution of tasks (transparency of the evaluation and measurement of achievement simplicity). Improving fairness in the appointment of staff remuneration. The development staff initiatives of motivation. The method is optimal for the time spent.	The method is rather subjective, as the tasks are estimated usually by one person (manager). Setting goals and criteria required financial and time costs for their development. Focusing on past achievements employee, and not on its development in the future.
KPI	An employee bonus depends on the performance of his personal KPI. For each employee there is the assigned responsibility for a particular area of work. Employee understands his contribution to achieving common goals of the company. The method is aimed at motivating staff.	The method requires considerable time. Defining performance is very time-consuming process and requires the project participants knowledge of the subject area, experience and creativity.
The method of "360"	Obtaining comprehensive evaluation for one employee. Create and strengthen trust relationships with customers. Simulation evaluation criteria to the requirements of corporate standards. The objectivity of the results.	Only competence is evaluated, but not performance. The need for a high degree of privacy. Difficulty in obtaining information from colleagues on the evaluation. Stress effect on the employee. The complexity in processing the results.

Note. Method* is a method of evaluation of personnel.

Source: Own development based at [9]

Step 1: To establish a list of positions in the organizational structure of the company, which will form the motivational scheme (the principle of conformity of key performance to the level of organizational structure):

The level of «CEO» (owner) – the goal of the first level (plan/actual);

The level of «management» (heads of departments) – the objectives of the second level of performance + planning work (plan/actual);

The level of «ordinary staff» – achieving goals + performance of routine tasks (plan/actual).

Step 2: To identify key performance indicators (KPI) for the position and superiority of each employee based on the objectives set for this level of organizational structure (Table 2).

Step 3: To determine the order of calculation parameters (Table 3). They were made from the survey results of machine-building enterprises' financial managers in Kharkiv region.

Step 4: To determine the percentage of key performance indicators (Table 4).

The spread of percent achievement of key performance indicators and enterprise value ratios one should define yourself. The objectives of the enterprise, the specificity of the market and of enterprise, standards of payroll are influenced it.

Step 5: To determine the formula whereby staff motivation will be pay rolled. To define the concept of «fixed part», «variable part» and «bonus» to pay.

Step 6: To determine the formula for calculating the variable part of the salary.

Step 7: To check, which means to calculate the entire possible wage for all possible values of the KPI.

Step 8: To check out the document of «employee motivation scheme».

We are going to provide practical advice on implementing an acceptable method of assessment staff in ensuring financial security [11].

Usually, the standard a formula of staff motivation is as follows:

$$Wages = \text{fixed part (salary)} + \text{variable part.}$$

If provided bonuses, the formula of staff motivation is as follows:

$$Wages = \text{fixed part} + \text{bonus} + \text{variable part.}$$

The relationship between fixed and variable parts depends on the goals of the situation at the plant and specific market in which the enterprise operates.

Example. For instance, the average wage in the market for office «financial manager» is 30 000 hryvnas per month. It may consist of different ways. For example, 30% may hold fixed part, that is 9000 UAH and 70% variable, i.e. 21 000 UAH.

Total: 30 000 = 9000 (fixed part) + 21 000 (planned amount of the variable part). This is an aggressive scheme that can be used, for example, when the product (goods, works, and services) is launched on the market.

If the company already has the desired market share and has to retain it, when the situation in the company and the market is stable, the fixed portion may be equal to 70% and variable – 30%. In this case, 30 000 = 21 000 (fixed part) + 9000 (planned amount of the variable part).

Tab. 2: The most common KPI

Key performance indicator	KPIs formula for calculating key performance indicators
<i>Financial performance</i>	
Proceeds from the sale of goods (works, services)	Actual revenue from sales Planned revenue from product sales
Operating profit	Actual profit from operations Planned profit from operations
Accounts receivable	Actual receivables Planned receivables
Other indicators	Actual PLAN
<i>Non-financial (qualitative) indicators</i>	
Timely submission of reports	Actual submission period Planned deadline for submission of the report
Implementation of the plan visits clients	Actually visiting customers Scheduled visiting customers
Staff turnover	Actual percentage of staff turnover Planned percentage of staff turnover
The number of new customers attracted	The actual number of new customers attracted The planned number of new customers attracted
Other indicators	Actual/Plan

Source: Own development based at [11]

This is a rare case where if the terms change the amount does not change, because the total amount of the variable can have different meanings.

For the further examples we take the ratio of fixed and variable parts of pay «50 to 50», i.e. 30 000 = 15 000 (fixed part) + 15 000 (planned amount of the variable part).

Determine the impact of key performance indicators for the variable part of wages. To do this, set the key performance indicators for the post of finance manager, for example:

KPI 1 – percentage of the plan of products (goods and services);

KPI 2 – percentage of the work plan.

Typically, staff motivation scheme commonly uses optimally 3-5 KPI.

To establish the extent to which each of the selected KPI affect the variable part of the salary, we define the weight of each variable part of the salary (Table 5).

Tab. 3: Connection of goals with key indicator of activity efficiency

No.	Goal of the enterprise	Key indicator of activity efficiency	Formula of calculating of key indicator of efficiency
1	The commercial aim: to carry out a monthly plan sales. 350 thousand hryvnas a month on the territory B between 01.01.13 to 31.12.13	Planned sales	The actual volume of sales The planned volume of sales
		Increase sales volume by 20%	The actual increase of sales volume The planned increase of sales volume
2	The commercial purpose: to increase the average sum of production shipping by 15%	The sum of shipping products	The actual shipping products The planned amount of shipping products
3	To increase the number of customers by 10% in the period from 01.01.13 to 01.07.13 on the territory B	The number of clients based in the company	Actual number of clients The planned number of clients
		Visiting the event by clients	Actual number of clients The planned number of clients
4	Qualitative objective: To develop and hold the event for 50 clients (30% key and 70% potential) from 01.02.13 to 01.03.13	The budget of the event	Actual budget The planned budget

Source: Own development

Tab. 4: Percentage of key indicator performance of the activity efficiency

Percentage of key indicator performance of the activity efficiency	Ratio	Characteristics
Implementation of the plan less than 50%	0	unacceptable
Implementation of the plan 50-89%	0.5	Low level
Implementation of the plan 90-100%	1	Achieving target value (the plan)
Implementation of the plan 101-120%	1.2	Leadership
Implementation of the plan more than 120%	1.5 or 2 or 1 (*)	Aggressive leadership or management planning accuracy (**)

Notes: (**) – Ratio is set depending on the company policy regarding over-plan. (*) – The coefficient of 1.5 or 2 means that the employee is motivated by the significant over-plan. Factor 1 will serve as the limits for an employee – he will not underestimate the plan to surpass it, because in this case it will receive coefficient that corresponds to the implementation of the plan at 100%, but no more.

Source: Own development

As can be seen from the Table 5, both indicators affect the variable portion of salary evenly. This means that the achievement of each of them is equally important.

Define the values of the coefficients for key performance indicators (Table 6).

To simplify further calculations the same values for coefficients KPI 1 «plan sales performance» KPI 2 «performance of the plan» are set.

The scheme of calculating the variable part of the salary is as follows (Table 7).

*The scheme of calculating the variable part of the salary = the planned amount of the scheme of calculating the variable part of the salary * (Weight KPI 1 * KPI 1 Ratio + Weight KPI 2 * KPI 2 Ratio).*

main one in production, and the cost of personnel training is necessary and effective investment into the enterprise. The growth of human resources is conditioned only by its ongoing development, i.e. through vocational training.

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Tab. 5: The impact of key performance indicators on the variable part of the salary

Key indicator of activity efficiency	Effectiveness of the index weight, % (impact of variable salary)
KPI 1 – percentage of the plan of products (goods and services)	50
KPI 2 – the percentage of the work plan	50
Total	100

Source: Own development

Tab. 6: Percentage of key performance indicators implementation of activities

Percentage performance of key performance indicators	Ratio
Implementation of the plan less than 50%	0
Implementation of the plan 51-89%	0.5
Implementation of the plan at 90-100%	1
Implementation of the plan more than 100%	1.5

Source: Own development

Tab. 7: The check all possible wages for all possible values of KPI

KPI 1/ KPI 2	<50%	51-89%	90-100%	>100%
<50%	5000 (option 4)	18750	22500	26250
51-89%	18750	22500(option 3)	26250	30000
90-100%	22500	26250	30000(option 1)	33750
>100%	26250	30000	33750	37500 (option 2)

Source: Own development

Conclusions. Key findings and recommendations from this research are as follows.

It is determined that the evaluation of staff is a procedure that is performed to identify the extent to which professional, business and personal qualities of the employee, quantitative and qualitative results of its work correspond to certain requirements of production and the enterprise.

22 staff assessment methods have been revealed. It has been proved that today acceptable method of evaluation staff is key performance indicators method, as it combines global goals with the goals of the enterprise and individual employees. This helps to improve the quality and efficiency of the staff of the company as well as the performance of the organization. Based on the comparison of actual performance achieved with defined KPI the achieved results of an employee are derived. This allows you to reward him for the work. The advantages of using the KPI method is that the employee bonus depends on the performance of his personal KPI; for each employee there is the assigned responsibility for a particular area of work; an employee is aware of its contribution to achieving the common goal of the company; KPI method focuses on staff motivation.

Application of KPI method in ensuring financial security of the company will improve the quality and efficiency of the staff of the company.

Hence, if the financial director of the company fulfills the plan of the key performance indicators of 100%, he will receive the planned salary according to the established norm of labor payment fund.

The basis for stable and efficient operation of businesses is availability of personnel who are able and willing to work and have a high level of professionalism. The human factor is the