Methodology and Case Studies of Organizational Capability-based Performance Evaluation System

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Abstract: *Organizational capabilities are the various competencies that a company needs to successfully implement its business strategies and are the key drivers of sustainable development. In this paper, through the introduction of a performance optimization and improvement project designed by the author a few years ago to address the problems in the performance evaluation of a communication service company based on the need for organizational capability development, the basic working method of the performance evaluation system based on organizational capability development is clarified, and the positive interaction between organizational capability improvement and performance management system is outlined.*

Keywords: *Organizational capacity, Performance evaluation, Corporate development*

1. Introduction

A communication service company is the largest local information operation company. Thanks to the rapid development of the local economy and the joint efforts of all the company's employees. This communications service company has maintained a rapid and steady development momentum in recent years, further accelerating the growth of subscribers and maintaining a market share of over 70%.

2. Overview of Organizational Capability-based Performance Evaluation System

2.1 Case Background

With the shift in regulatory focus of government departments and the increase in the number of operators, competition in the local telecommunication market has become increasingly intense, deepening and complex, and a communication service company can only consolidate its competitive advantage by continuously improving its core competencies. In the area of human resource management, the question of how to support rapid organizational growth became increasingly urgent because: First, the communication service company can only continue to maintain its advantageous position in the increasingly competitive market environment by continuously improving its service quality, providing efficient and convenient services and all-round solutions to its customers. Its service quality and capability depend on the company's human resources situation. Second, the communication service company can only create higher performance and benefits by improving its management capability, pushing for refined management, as management capability is an important aspect of the company's human capital [1]. Third, the communication service company can only achieve the corporate positioning of "being the leader in the telecommunication market, technology, and services" by systematically promoting corporate innovation, as the ability in technology management innovation is the core aspect of corporate human capital.

In fact, the fast-growing communication service company has already felt the impact of insufficiency of human capital on its business operations. The followings are key to solving the human resource bottleneck in the company's development: to improve the human resource situation as soon as possible; to make the human capital appreciation rate appropriately exceed the financial capital appreciation rate and to change the passive expansion of the organization scale to the active improvement of the staff quality.

To this end, the company decided to establish a human resource management and strategy implementation system with performance management as the core, focusing on issues such as departmental positioning and collaboration, employee evaluation and motivation, managerial

promotion and entry-level employee development.

2.2 Role of the Performance Evaluation System

As a core part of performance management, whether the performance evaluation system can effectively reflect the strategy of the company and truly reflect the intention of the leadership plays a decisive role in the success or failure of the whole performance management system. To improve the human resource situation as soon as possible; to make the human capital appreciation rate appropriately exceed the financial capital appreciation rate; to change the passive expansion of the organization scale to the active improvement of the staff quality.

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3. Working Methodology of Performance Evaluation System Based on Organizational Capability Development

3.1 Organizational capability analysis

Table 1: A total of 38 organizational competencies in 4 categories for long-term strong operation

Finance-related competencies	Investment Management
	Operations Financial Management
	Capital structure, financing and capital allocation
	Maximize sales
	Risk Management
	Production efficiency
	Raw material procurement
Customer-related competencies	Problem solving skills
	Customer Relationship Management
	Contact/Respond to Customers
	Identify the market
	Product differentiation/segmentation
	Product performance/price ratio
	Sales channels
	Managing Customer Expectations
	Market Entry Space
	Product Development
Competencies related to company operations	Integration Capabilities
	Human Resource Management
	Organizational Structure
	Material Management
	Operating in compliance with regulations
	Human resources and organizational structure linked to corporate goals
	Continuous improvement of business processes
	Operation Planning
	Organizational Communication
	Internal Management
	Corporate Strategic Planning
	High quality production
	Comply with environmental planning
	Raw material/product transportation
	Continuous improvement of product performance
Competencies related to human resources, technology and growth	Establish the required competencies/qualifications
	Technology Applications
	Strategic Leadership
	Achieving corporate synergy
	Value-oriented management
	Alliance / M&A / JV

Organizational capability refers to the various competencies that an enterprise needs to successfully execute its business strategy and is a key driver of sustainable development. According to a report

published by a global professional consulting firm, an enterprise needs a total of 38 organizational competencies in 4 categories for long-term strong operation (in the following Table1).

The so-called organizational capability analysis refers to a comprehensive review of the company's organizational capability by employees at all levels (Figure1 and Figure2). A communications service company uses other high-performing companies of the same type and competitors as benchmarks, and closely integrates with the development strategies of the parent company to analyze and evaluate its own organizational capabilities, identify weaknesses, formulate strategies for continuous improvement, accordingly, optimize organizational resources, and continuously win competitive advantages.

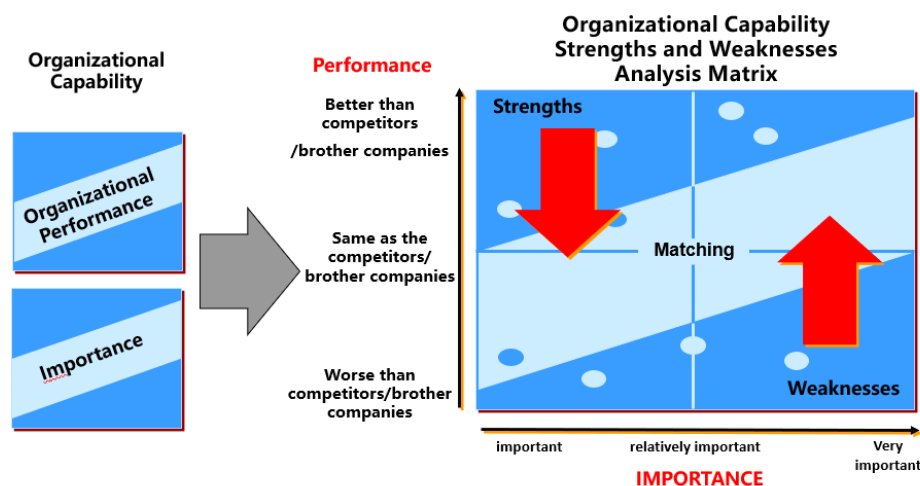*Figure 1: A scoring method for organizational capability analysis*

Figure 2: A diagram showing the organizational capability analysis matrix

3.2 Performance evaluation system based on organizational capacity development

The so-called performance evaluation system based on organizational capacity development is to conduct organizational capacity analysis at the beginning of designing the performance evaluation system, discover the aspects of the company's organizational capacity that need to be improved and strengthened, and guide the company's performance management with three aspects (Table2) such as organizational capacity improvement and the strategic intent of the superior company and the issued KPI, so as to lay a solid foundation for the long-term success of the company and the cultivation of its core competitiveness. [2]

Table 2: Scope and form of organizational capability analysis of a communication service company

Employee Level	Scope of Participation	Research Form
Company Leadership	All participants	Questionnaires, interviews, etc.
Middle Management	All participants	Questionnaires, leaderless group discussions
Basic managers and general employees	Sampling	Questionnaire

3.3 A performance evaluation system used in real-life problems of the communication service company

A performance evaluation system that focuses on promoting the development of organizational capabilities to better implement the strategy of the parent company can solve the following real-life problems of the communication service company:

3.3.1 Solves the problems in performance evaluation.

The performance evaluation system based on organizational capacity development is decomposed and implemented in the company-level assessment index of each department, office and position. Through the decomposition and implementation of KPIs, the key responsibilities at each level are determined. The KPI index system that is understandable, implementable, credible, measurable, and accessible at low cost makes the performance evaluation an objective and a quantitative basis. The KPI-oriented implementation system defines the role of each unit in the process of implementing each important index, which promotes a smoother process of departmental collaboration on the basis of clarified responsibilities.

3.3.2 Finds gaps and weaknesses, turning passive implementation to active action.

The performance evaluation system based on the development of organizational capabilities takes the top performing companies in the same industry as the benchmark to find gaps in their own organizational capabilities and compares with the competitors' strengths to find the "shortcomings" in their own operation and management. [3]

3.3.3 Encourages the long-term sustainable development of the company.

The performance evaluation system based on organizational capacity development takes the improvement of the company's organizational capacity as the starting point and the acquisition of the company's long-term competitive advantage as the anchor point. This aims to motivate employees to learn and benefit their self-development, generating the organization's own knowledge assets and experience, which promotes the long-term sustainable development of the company.

4. Design of performance evaluation system based on organizational capacity development

4.1 Company-level indicator system

Table 3: The conclusions from the communication service company's organizational capability analysis

Customer relationship management	Manage customer relationships and build long-term customer loyalty
Problem solving skills	Integrate resources, services and technologies across departments to respond to customer needs and solve customer problems in a timely manner
Human Resource Management	Effectively manage HR policies and programs to meet the needs of the company's strategy
Qualifications/capabilities required for business development	Identify organizational capability needs to attract, retain and develop employee capabilities, gain required qualifications to meet business development needs
Integration Capabilities	Integrate resources, services and technical capabilities across departments to meet customer needs

The form listed below shows the conclusions from the communication service company's organizational capability analysis. The company's employees at all levels agreed that in order to

establish and consolidate the company's long-term competitive advantage, the company needs to focus on five organizational capabilities (Table 3)such as customer relationship management, problem solving, human resource management, qualifications/capabilities required for business development, and integration capability.

In response to the results of the organizational capability analysis and the assessment indexes issued by the parent company, a company-level performance evaluation and execution system with 16 indicators in four areas, including finance, customers, internal operations and learning and development, was designed using the balanced scorecard as a tool.

4.2 Departmental index system

In the process of decomposing the company's indicators to each department, careful communication was conducted in various forms. The process was completed on the basis of full consultation with all parties, using technical means such as comprehensiveness tests, validity test, internal logical relationship analysis, correlation analysis, and controllability degree and priority matrix analysis.

In the department-level index system, the indexes reflecting the company's organizational capability development requirements are: the customer satisfaction index (customer relationship management capability), the customer service assessment and the market operation assessment (problem solving capability), the assessment of tasks assigned in regular and business analysis meetings, and the assessment of assisting other departments in their work (integration capability), the assessment of employee attendance, the assessment of performance management status, the employee engagement survey, high-value employee turnover survey (human resource management capability), and Organizational capability development index survey, employee training status assessment, technical management innovation assessment (establishment of required qualifications/capabilities).

The indicator assessment focuses on the functional role of the management departments, and the corresponding departments have formulated one main program and seven supporting assessment guidelines (Table 4) to realize the implementation of assessment responsibilities to the people.

Table 4: The functional role of the management departments with one main program and seven supporting assessment guidelines

Category	Name	Lead Department
Main Program	The Annual Departmental Performance Appraisal Program	
Assessment Methods/Guidelines	The Contract Management Assessment Method	
	Departmental Training Status Assessment Method	
	Departmental Performance Management Status Assessment Method	
	Departmental Technical Management Innovation Status Assessment Method	
	The Departmental Safety Management Assessment Method	
	Departmental Financial Status Assessment Method	
	Collaboration Status Assessment Approach	

4.3 Job performance evaluation system

In order to implement the company's strategic requirements reflecting its organizational capability development requirements to each employee, for the job performance evaluation index system, the communication service company evaluates employees from five aspects, including.

4.3.1 Behavior, attitude, and awareness

Mainly from the service consciousness, innovation spirit, team spirit, professional conduct, and other aspects of the employee to make an evaluation.

4.3.2 The completion of work objectives

Based mainly on the work plans and tasks assigned by superiors, the evaluation is made in terms of target achievement, work efficiency, work quality, difficulty, etc.

4.3.3 The KPI of job duties

The KPI of job duties, which mainly depends on the completion of the KPIs of the job. Depending on the job nature, duties and content, the weight of the KPIs in the job performance evaluation system is different for each job.

4.3.4 Team building responsibility

As a member of the company, employees are responsible for the team building of the organization in which they work. According to the results of organizational capacity analysis, at the individual employee level, employees should be assessed in terms of their participation in the company's cultural and sports activities, knowledge and experience sharing, etc., which have a certain weight in the evaluation system.

4.3.5 The innovation and development situation

The communication service company encourages the innovative and self-development behavior of its employees. This forms part of their assessment and evaluation. In this regard, detailed provisions are made in the "Departmental Technical Management Innovation Status Assessment Method".

5. Further Considerations on the Case and Implications

What the above case reveals to us is that the enterprise designs its own performance management system under the guidance of the performance index of the superior company, taking into account the local environment and the current situation of its own, starting from the improvement of organizational capability. The organizational capability improvement leads to completion of performance indicators, while the completion of performance indicators, in turns, consolidates and strengthens the improvement, solidification and development of the enterprise's organizational capability.

At present, a performance management system has been has basically established under its ownership in different ways and means, such as strategic evaluation system, annual balanced score assessment system and key performance indicator combination.

The theoretical analysis and practical application of combined capability in enterprise management tell us that a performance management and assessment system based on organizational capability development, so that performance accomplishment and organizational capability enhancement form a positive interaction leading the company to a path with healthy and sustainable management and development.

At the same time, for the performance evaluation system to be truly effective, acting as the "Command Baton" of the company to align employee development with the company's goals, in addition to fair assessment on a regular basis and make reasonable use of evaluation results, it is also necessary to foster the mindset of all employees focusing on the following aspects:

5.1 The importance of Managers at all levels' ideas and views

Managers at all levels needs to appreciate the importance of the execution of the evaluation system, especially those in charge of each department of the company. The ideas and views of the person in charge directly affect the thoughts and actions of employees, and it is crucial for managers at all levels to organize and seriously implement the performance evaluation system collaborate with relevant departments to do a good job in the assessment of various indicators. [2]

5.2 The importance of understanding of the real meaning of the evaluation system

It is necessary to understand the real meaning of the evaluation system for its successful implementation. The communication service company's performance evaluation system contains "five initiatives", which reflect the requirements of the company's organizational capacity development. These are: fine management (e.g. budget indicators, fixed asset management indicators), innovation (e.g. innovation assessment), employee dedication (e.g. dedication and innovation assessment), spirit of

collaboration, and sustainable development.

Only by understanding the meaning of the evaluation system can employees take the initiative to adjust their behavior and direction of effort. Only then can we achieve true self-development, not just complying with the performance indicators.

6. Conclusion

For the successful implementation of the evaluation system, the employees need to understand what the main purpose of the assessment is. Evaluation is a management tool, evaluation itself is not the purpose. The decomposition of the company's indicators to various departments and positions does not mean that only the department or a specific job position is responsible for these indicators [3]. The intention of indicator decomposition is that the departments and employees who are responsible for the indicators should analyze them, find out the specific work tasks that is helpful to accomplish these indicators, and then allocate these tasks to relevant departments and employees to do, and drive other departments and employees to accomplish these indicators together.

References

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