# DEVELOPING CRITERIA FOR THE KPI SYSTEM

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**Abstract**

This thesis examines the theoretical and practical aspects of developing criteria for the Key Performance Indicators (KPI) system used to evaluate employee performance in organizations and educational institutions. The study discusses the fundamental principles of KPI development, the selection of performance indicators, and the stages of implementing KPI criteria in practice. The findings contribute to the establishment of an effective management system and the improvement of employee productivity.

**Keywords:** KPI, performance indicators, evaluation system, management, educational institution, labor productivity, motivation, strategic planning.

In modern management systems, improving organizational performance is considered one of the most important objectives. To achieve this goal, the KPI system has become one of the most widely used management tools. KPI enables organizations to evaluate employee and organizational performance through measurable indicators. As a result, decision-making processes can be carried out more effectively and efficiently.

The effectiveness of a KPI system largely depends on the proper development of performance criteria. If evaluation indicators are not aligned with the strategic objectives of an organization, the KPI system may fail to produce the expected outcomes. Therefore, the development of KPI criteria should be based on the long-term development strategy of the organization.

The process of developing KPI criteria begins with a comprehensive analysis of organizational activities. This involves identifying key business processes, employees' functional responsibilities, and strategic priorities. Such information serves as the foundation for establishing effective performance indicators.

International practice widely applies the SMART principle in the development of KPI indicators. According to this approach, every indicator should be Specific, Measurable, Achievable, Relevant, and Time-bound. This ensures the accuracy and reliability of performance evaluations.

When developing KPI criteria, it is essential to maintain a balance between quantitative and qualitative indicators. Evaluation systems based solely on numerical results cannot fully reflect all aspects of employee performance. Therefore, qualitative indicators should also be incorporated into the assessment process.

In educational institutions, KPI criteria may include student achievement, teaching quality, methodological activities, research output, and professional development. These indicators contribute to a comprehensive assessment of teachers' performance. Consequently, valuable analytical information is generated to support educational quality improvement.

Considering employees' opinions during the development of KPI criteria is equally important. This increases trust in the evaluation system and facilitates employees' adaptation to new performance assessment mechanisms. Moreover, it helps ensure the practicality and fairness of the established criteria.

An excessive number of performance indicators may reduce the effectiveness of the KPI system. Therefore, organizations are advised to focus on a limited number of key indicators that accurately reflect strategic objectives and expected outcomes. This simplifies monitoring and evaluation processes.

The successful operation of a KPI system requires the use of modern information technologies. Digital platforms and analytical software enable the automatic collection and processing of performance data. As a result, errors associated with the human factor are significantly reduced.

KPI criteria should be reviewed and updated regularly. Changes in organizational goals and external environmental factors may necessitate the introduction of new indicators. This approach helps maintain the relevance and effectiveness of the evaluation system over time.

Studies show that properly developed KPI criteria significantly enhance employee motivation. Employees gain a clear understanding of their responsibilities and performance expectations, which encourages them to achieve better results. Consequently, overall productivity increases.

Through the KPI system, organizational strategic goals can be effectively linked to individual employee performance. As a result, employees are able to understand their contribution to organizational development. This positively influences corporate culture and employee engagement.

International experience also demonstrates the effectiveness of the Balanced Scorecard approach in developing KPI criteria. This model enables organizations to evaluate performance comprehensively by considering financial outcomes, customer satisfaction, internal processes, and learning and growth perspectives. Such a multidimensional approach supports sustainable organizational development.

Another important aspect of KPI development is ensuring transparency and objectivity. Employees should clearly understand how their performance is measured and how evaluation results affect rewards, promotions, or professional development opportunities. Transparent evaluation systems contribute to higher levels of trust and commitment among employees.

In conclusion, developing effective KPI criteria plays a crucial role in improving organizational performance. Performance indicators should be strategically aligned, measurable, fair, and practically relevant. A well-designed KPI system enhances management quality, increases employee motivation, and strengthens organizational competitiveness in a rapidly changing environment.

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