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**STUDY OF PERFORMANCE MANAGEMENT
SYSTEM AT GE HUNGARY LLC. LIGHTING IN
KISVÁRDA**

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TABLE OF CONTENTS

INTRODUCTION.....	1
1. AIMS AND OBJECTIVES	2
2. LITERATURE REVIEW	3
<i>2.1. The importance of human resource management</i>	<i>3</i>
<i>2.2. Characteristics of Performance Management</i>	<i>4</i>
2.2.1. The practice of performance evaluation.....	8
2.2.2. Connection between performance evaluation and other HRM functions	11
3. METHODOLOGY ISSUES.....	15
<i>3.1. Introduction of the analysed company.....</i>	<i>15</i>
3.1.1. History of the General Electric Hungary Llc.	15
3.1.2. History of the Lighting factory at Kiskvárda	16
<i>3.2. Review of the analysing methods.....</i>	<i>18</i>
4. RESULTS AND EVALUATIONS.....	20
<i>4.1. Introduction of the performance management system of the General Electric Hungary Llc.</i>	<i>20</i>
4.1.1. The objectives of the operating system of the performance management	20
4.1.2. The function of the growth values	23
<i>4.2. The performance management cycle</i>	<i>26</i>
4.2.1. Practise of the individual performance evaluating	28
4.2.2. Structure of the Employee Management System	31
<i>4.3. The impact of performance management on human resource development</i>	<i>32</i>
<i>4.4. Introduction of the results of the interviews</i>	<i>33</i>
4.4.1. In-depth interview with a foreman	34
4.4.2. In-depth interview with the HR manager.....	35
4.4.3. In-depth interview with the factory manager	36
5. CONCLUSIONS AND RECOMMENDATIONS	39
SUMMARY	41
BIBLIOGRAPHY	43
DECLARATION	46

INTRODUCTION

Based on my finance and accounting Bsc and business development Msc studies, my experience is that more emphasis should be placed on human resources, since this function is one of the major economic role in a company's life. Since the foundation of our company, Hungarian PIE Llc. in 2011, we have had to encounter leadership, organizational, human resource management issues countless times to maximalize efficiency and success.

During more than three year period spent here I have come to know what kind of intellectual and practical mechanisms can be detected in the development of a micro-enterprise and which areas require special attention.

For me, performance evaluation has become the centre of attention during the efforts made in overcoming the difficulties, problem-solving and achieving the objectives in the various life cycles of the enterprise.

I have focused on not only micro, small and medium enterprises, but large corporations as well. In this segment I make an attempt to examine how the challenges faced in the areas of company operations are taken, and what sort of well-established, long standing application fields are preferred to increase economic productivity, preserve competitiveness, maintain and raise the employee satisfaction.

It is now an established fact that the skills, knowledge, commitment and motivation of the labour force constitute a major part of the national and corporate capital. My theoretical and practical experience in business development courses suggests that skills in managing human resource is a key factors in competitiveness and becomes a strategic issue.

Being aware of this I chose *'The study of performance management system at GE Hungary Llc. Lighting in Kisvárdá'* as the topic and title of my degree, paying special attention to performance evaluation.

1. AIMS AND OBJECTIVES

Due to the social and economic changes, the world of work has changed significantly in recent decades. Today, human resource is the main factor that notably determines the success of a company.

The main objective of my thesis, based on the literature review, is to present the central element of human resource management, the most important principles, objectives of the performance management system and the connection between performance evaluation and human resource development taking place in one of today's greatest company in Hungary.

During my research I made two hypotheses:

1. *The analyzed organization follows ethnocentric orientation; performance management directives specified by the American mother company are adapted by the manufacturing unit in Kisvárda without modification.*
2. *In the analyzed organization – namely the unit in Kisvárda – besides performance evaluation there operates an actual performance management system, which due to the carefully considered individual and organizational goals creates an integrated system with the various Human Resource (hereafter called HR) functions.*

By using primary and secondary analytic methods I set as a goal to get a deeper insight into the performance evaluation system of the company and to reveal how the efficient performance management works in practice.

Using the case studies I can demonstrate the currently applied framework, the structure of the performance management cycle, the characteristics of the individual performance evaluation management system, the role of growth-support values and the overall organizational performance.

In order to get a full picture and analyse the elements, flaws, benefits and potential areas for improvement of the existing performance management system), I decided to make in-depth interviews with the factory manager, the HR Manager and the shift manager as well.

The ultimate aim of the thesis, on the basis of the survey results, is to formulate conclusions and proposals that could be utilized in practice and contribute to the effective implementation of HR activities in the Company.

2. LITERATURE REVIEW

The purpose of this chapter is to demonstrate theories which provide fundamental insight into the contexture of performance management. Initially, I present the essence and the importance of human resource management, and after the general section I review the main fields of the thesis. In addition to the contexts of performance management, performance evaluation will be presented in connection with other human resource management functions.

2.1. The importance of human resource management

Organizations can never operate without the basic factors of production including human resource. The growing importance of human's role in the organizational competitiveness gives new significance in managing them. Not only researchers but also more and more practitioners emphasize that activities, decisions related to human resources should be considered as an investment rather than a cost factor. Managing the organization's employees has become an independent and topflight profession.

Nowadays in many large organizations the experts' value-added contributions are expected not only in the period of business strategy implementation, but also in the shaping one. Besides them, even the top management and each member of the leadership hierarchy play an important role in managing the employees. The lays of specialists and organizational solutions of their division, have become as multivarious as the approaches and solutions used by individual organizations (KAROLINYÉ – POÓR, 2010).

Due to the social and economic changes the world of work has changed significantly in recent decades. Today, human resource is the main factor, which largely determines the success of a company. So human resource management is becoming more and more important, one of the fastest growing areas in management science. Human Resource is becoming a factor of competitively, so it is has great importance both in the evaluation of the company (static interpretation) and in the course of reaching the strategic aims (dynamic interpretation) (BERDE – DAJNOKI, 2007).

According to GYÖKÉR (1999) human resource management as a concept is a management function dealing with people as the key resource of an organization, aiming to

provide the conditions for the most efficient use of staff workforce to achieve organizational and individual goals as well.

TÓTHNÉ (2004) claims that human resource management is the complexity of interconnected functions that facilitates the efficient use of human resources by considering the individual and organizational aims simultaneously.

According to GYÖKÉR (1999), human resource management in the twentieth century is a new management area, the main issue of which is how employees could be more efficient in helping the organization achieve its objectives.

Some of the business areas are selection, development, motivation management, performance management, lay evaluation functions, just to mention the most important ones. Performance management is quite an important area of human resource management.

2.2. Characteristics of Performance Management

Performance management is a systematic process which contributes to the improvement of performance of the organization while the individual and group performance is developing as well. (ARMSTRONG, 2006).

Standardized system of goal-setting, performance measurement and evaluation, feedback, monitoring, aiming to create harmony between individual performance and the company's strategic goals, is called performance management process. Performance management is a future-oriented system, which aims to ensure fulfilment of objectives set by the organization. (DESSLER, 2012).

According to GYÖKÉR – FINNA (2007) for that, it is necessary to provide the following conditions: the goals of the organization are interpreted similarly by the members, employees are interested in achieving the goals, they should identify themselves with the goals (harmonizing organizational and individual aims is necessary, for this, it is worth involving them in the formulation of the goals), employees understand the expectations, necessary support to achieve the goals, sufficient and good quality resource, proper internal processes and systems.

KAROLINYNÉ (2010) says: above all, one of the most important things is to monitor the conformation of the performance continuously, and take the appropriate steps if necessary.

One of the most critical points of performance management is performance measurement and evaluation. Many standards, methods and approaches have been created to solve the problem, but there is still no perfect solution. Performance management is the improved version of performance evaluation system, which eliminates the traditional assessment system's shortcomings and problems. Performance management is a systematic approach of managing people, by using performance, goals, measurement, feedback and recognition as a means to motivate employees to do their best. (GYÖKÉR, 2010).

Regarding the evaluation system, the main criteria of openness (participation opportunities, variability) and publicity should be kept in mind in order to be considered fair by members of the organization.

In the strict sense of word, performance management concept is a process in which the members of the organization agree about the individuals' tasks needed for achieving the organization's goals. The initial phase of performance management is the formulation of the measurable objectives. In setting the aims the interests and goals of individuals involved in the implementation should be taken into account, and coordinated with the higher-level goals. The coordination of objectives is a crucial process since the corporate performance cannot come into existence without finding the common interests. (I1)

Performance management systems nowadays are generally operated for two different reasons. One of them is to be able to evaluate the performance of employees properly. The other is, which has become more important recently, is to lay the foundations to improve the skills of the employees. The conventionally controlled companies place emphasis on the firstly mentioned purpose, while the modern-minded ones try to achieve both goals simultaneously (POÓR, 2009).

The key elements of performance management are as follows: (WHERRY, 1950):

- *The link between organizational objectives and job descriptions is evident* and includes regular reviews and modifications of the jobs and job descriptions. "The assumption, supported by motivation theory, states that employees perform better when they understand how their work contributes to the organization's formulated written goals."
- *Usage of performance indicators:* individual and organizational goals must fulfil to several criteria. The SMART (Specified, Measurable, Agreed, Realistic, Timed) expectations are the most important, that is the ones that are specific, measurable,

and based on the joint agreement between the evaluator and evaluated, formulating challenges that can be handled.

- Specific and measurable (Specified): The goals should be identifiable and measurable, so they can be controlled and measured much easier.
- Motivating: The objectives are emotionally attractive. It is important to build morality and inspire the participants/shareholders. Both aspects can be direct and indirect as well. Individual objectives contribute to the success of company and personal improvement, so it is important to accomplish your goals.
- Attainable, Agreed: The objectives are realistic and make you flexible. If the goal is too easy to reach, there is no progress, if it is too difficult, it can lead to failure. The purposes which do not make you efficient, are irrelevant.
- Realistic, Relevant: SMART goal grades 20% of the actions, which covers 80% of the results. The detailed objectives are consistent with the organization's objectives and help to solve business problems.
- Track able, timed: Deadline of objectives ensures that the goals are not lost in the ordinary tasks. The aims should be divided into phases, which allows progress monitoring and effort evaluation. It is important to set deadlines to facilitate the realization of the goals.

The main task of performance management is to measure the performance, though this is a rather big challenge because of the complexity of the performance measures.

- *Individual Development Plans*: the evaluator and the evaluated frame up an improvement plan for the development of the individual, to achieve the goals. The performance management theory requires that the individual development plans be embedded in the organization's training plan, but often it does not happen.
- Continuous assessment, regular meetings, 360 degree evaluation: continuous feedback appears in performance management. Also known as multi-rater feedback, multi source feedback, or multi source assessment, 360 degree feedback comes from members of an employee's immediate work circle. Most often, 360-degree feedback will include direct feedback from an employee's subordinates, peers, and supervisor(s), as well as a self-evaluation. The purpose and reason is to give a more complex and objective perspective of the assessed employee using different points of view.

- Connection between evaluation and benefits: in companies, where performance management system is used, the results often correspond with the annual salary increase, rewarding those having performed well.

The basic objective of performance management is to ensure and improve the staff's performance to achieve the goals of the organization. Though this is not the only benefit of the performance management system. Besides the achievement of organizational goals, almost all the workers need feedback about their work and performance.

By highlighting strengths, the feedback contributes to maintaining the required motivation, increasing satisfaction, reinforcing proper behaviour. By naming the areas to be improved and inspiring the development of skills, abilities, knowledge and experience, it improves the employees' performances.

In case of proper functioning of performance management, co-operation between managers and subordinates is improving by harmonizing and clearly communicating the expectations. Even the rating given by the leader becomes much more well-grounded, in this way misunderstandings, unjust feedbacks can be avoided (GERÁKNÉ – KREPELKA, 2007).

The great majority of performance feedback methods do not work without an interview. Information relating to the evaluation conversation cannot be limited to the interview.

One has to be prepared for the conversation, provide the conditions for an informal dialogue, not forgetting about the post-meeting duties. A poorly conducted interview can result in conflict and estrangement, which doesn't improve the future performance of the evaluated person. (HOGG, 1998).

One aim of the evaluation interview is to clarify together how the evaluator (and maybe the evaluated) rated the performance, and the evaluator can also justify and explain the evaluation grades. (GYÖKÉR – FINNA, 2007).

The dialogue can focus on issues regarding work tasks and their possible solutions. Furthermore, an interview can also provide opportunity for both the evaluator and the evaluated person to discuss expectations and job-related concerns, and a good occasion to speak about training requirements, advancement plans and career-planning, topics only casually discussed in everyday communication.

2.2.1. *The practice of performance evaluation*

Performance evaluation system involves the rating of individual, small group and organizational performance too. Performance evaluation system is a complex system including inspiration and motivation as well as techniques and methods elaborated for planning, measuring and evaluating the performance, in addition practices used by the organization (BAKACSI, 2004).

Performance evaluation is the most important resource of the organization for the employment and development of the staff. The explanation of the key role is the purposes that can be fulfilled by performance evaluation programs. The basic purpose of the evaluation system is to improve the performance, but it can contribute to achieving other objectives of the organizations as well.

The most important of which are as follows (KAROLINY-CSETNEKI, 1997):

- systematic evaluation of individual training needs
- encouraging and rewarding individual efforts
- representation of the situation and development of the employees
- reporting data on the employees' skills for workforce planning
- providing objective information for advancement goals and succession plans
- receiving individual targets for the concrete period, so in the role of a leader he or she can show the members of the staff what they can do for the company's success as individuals.

Performance evaluation is a process due to which the organization gives and takes feedback on the performance of employees formally or informally.” (ROÓZ, 2006)

Informal assessment is a valuation method at the leader's own discretion, which can be praise, punishment, reward or admonition. In contrast with formal evaluation, informal assessment does not provide opportunity for review, maybe it is not even a conscious act, which is a serious drawback.

There are basically two evaluation methods: formal and informal ones. Informal performance evaluation can be an ordinary practice between superior and subordinate, or between colleagues of the same employee level.

Continuous, non-formal feedback can prevent employees from facing unexpected, most often negative assessment during the annual or semi-annual evaluation, promote faster and more effective problem-solving and change inappropriate behaviours.

On the other hand, support, development, advice and encouragement provided by the leader is an essential part of performance management. Formal performance evaluation is a process used for regularly and systematically evaluating how employees fulfil performance requirements of a job. The success and effectiveness of the organization are evaluated on the basis of organizational units, groups, and individuals activity working in certain occupations. (LÁ CZAY – JUHÁ SZ, 2008)

The activities of organizational units, groups and individuals are evaluated on the basis of the success and effectiveness of the organization. Formal performance evaluation can lead to outstanding results at other areas as well, so it can constitute the basis of another human resource system, be compensation, staff development, career planning or training system.

The formal system includes the following evaluation techniques:

- *Multi-source Assessment (360-Degree Feedback, Full-circle Appraisal)*: This method differs significantly from the traditional supervisor/subordinate performance evaluation. Multi-source assessment involves gathering information from a number of customers who actually deal with the employee providing feedback – both internal and external. The basis of this method is to provide a broader assessment of how an employee is doing on the job.

This method is viewed as an optimal tool for identifying areas for improvement, guiding behavioural change, and generally enhancing performance management capabilities because it is not dependent on a single individual's perceptions. It makes the employee much more accountable to the various customers because they now have input into the employee's performance rating.

- *Self-Appraisal*: Provides the opportunity for employees to evaluate their own performance and express how they think they've performed without being influenced by their supervisor's judgements. Supervisors also evaluate performance on the same factors and use that as a basis to compare responses. This can reveal areas of agreement or highlight differences of opinion.

The advantage of this method is that it provides more interaction between supervisors and subordinates, greater agreement on performance expectations, and greater accountability

for performance through increased employee participation in the review process. Supervisors still have the responsibility to write reviews and provide the employee with honest communication about performance. They must also be able to provide explanations for differences of opinion about performance so employees can understand what they are doing wrong and how they can do things better.

- *Subordinate Appraisal of Managers (Upward appraisal)*: Supervisors are reviewed by those they supervise. This method serves to provide feedback on the qualitative aspects of management performance – how well they communicate, provide direction, delegate responsibility, etc. Employees' fear of reprisal may inhibit them from honestly providing feedback on their supervisor's performance. However, providing anonymity and working with supervisors to handle constructive criticism may guard against that.
- *Peer*: This method involves co-workers evaluating an employee. It is based on the premise that individuals can relate to an employee as their equal and are in the best position to judge the employee's performance because they understand the nature of the job and are familiar with the activities of the employee. This method is particularly useful in organizations having self-directed work teams, but could be used in other settings as well. An advantage is that peer appraisal relates more to results than efforts. Disadvantages perceived are that peers are too lenient and tend to give high ratings to friends and low ratings to those they dislike.
- *Management by Objectives (MBO)*: MBO is a form of results-oriented appraisal. It is commonly used for supervisors, but may be used for other employees as well. It requires that both the supervisor and the subordinate agree upon specific objectives in the form of measurable results. The objectives are the standards of performance.

MBO is intended to motivate stronger performance on the part of managers and employees. It is assumed that if employees meet their goals, supervisors will meet their goals, and organizations will then meet their goals. MBO has the following components: (1) major objectives to be accomplished within specified dates, (2) action plans and milestones for accomplishing the objectives, (3) periodic meetings with the manager and employee to review progress and make corrections if necessary, and (4) an assessment of employee performance at the end of the MBO cycle. An advantage of MBO is that it is a participative approach in which employees have input in setting their own objectives, as well as being involved in decisions that affect the objectives of the organization. MBO

has been criticized as being based on numerical quotas rather than continuous improvement process, and that it focuses on the performance of individuals at the expense of teamwork. It is also very time consuming, requiring a considerable amount of administrative work.

- *Continuous Improvement Review*: Concentrates on current day-to-day results that can be linked directly to organization-wide improvements in quality and productivity. However, the formal evaluation must accurately reflect the entire review period, i.e. probationary, annual, etc.
- *Behaviourally-anchored Rating Scale*: This is a method where standards are described in the form of behaviour expected of an employee. The descriptions are based on critical incidents determined to be characteristic of the various levels of performance. The descriptions help to provide objectivity in rating. This tends to focus on activity rather than results.
- *Trait Format*: This format describes traits of an individual. Some examples are initiative, dependability, cooperation. Be aware that while those traits may be factors affecting an individual's performance, to evaluate traits alone becomes subjective and is, therefore, difficult to defend.
- *Critical Incident Method*: This involves observing and recording information about unusually good or unusually poor behaviour. It is usually used in conjunction with another rating technique to support the evaluation and provides specific examples to discuss with the employee. Documentation should be factual, objective, and job-related.
- *Essay or Narrative Format*: This format is a simple approach that requires evaluators to write or answer questions about past performance, strengths and weaknesses, training and development needs, etc. This format is very suitable to jobs in which there are few quantifiable results, and it provides opportunity for considerable detail about performance issues. The format, however, is difficult to use for comparing performance with other employees.

2.2.2. Connection between performance evaluation and other HRM functions

Interconnecting key elements of human resource management result in the desired performance for the organization.

The starting point and the final phase of the cycle is the selection of staff (Figure 1). Characteristics of employees (competencies, i.e. abilities, skills, knowledge, proficiency and behaviour) entering the organization or raised/reassigned into new positions greatly determine the potential performance. Means of performance-enhancement are the following: evaluation of the actual performance, inspiration and emoluments relating to this as well as training/development based on this all (KAROLINYNÉ, 2004).

Analysis of the connection between performance evaluation and providing resources is important. There are many kinds of organizations, but the requirement to attract enough number of properly skilled, qualified workers is ever-present. Under the present-day circumstances of competition, staff management is one of the HRM functions of strategic importance.

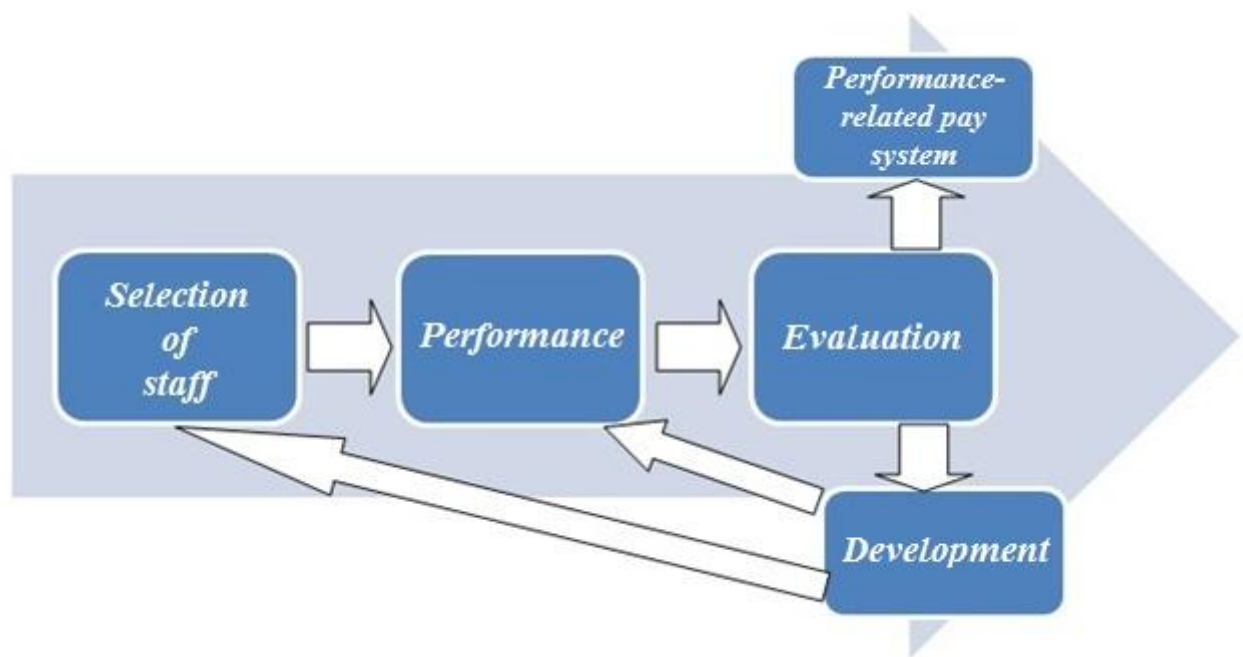


Figure 1: **Performance management relations**

Source: KAROLINYNÉ (2004)

External methods of *providing resources* are to be pondered as well as the principles followed in internal staff selection. The process of staff management is based on human resource planning and job analysis. Planning is an important phase enabling us to set the critical human resources characteristics and demands taking business strategy as our starting point.

Job analysis enables the organization to share accurate information with the candidates by using job descriptions and staff specification, so both the individual's and the organization's needs can be fulfilled effectively. With regard to performance evaluation, job analysis and job planning are key activities. In the process of job analysis and job planning we specify the content, the limits and the requirements of the job, taking the corporate strategy and working culture into account.

Jobs are also adjusted due to the change in technology, task and employees as well. As a result, job analysis has to be a continuous process with clear objectives and rewarding end products, such as a job description and a job specification, which ultimately provide base for the evaluation activities of the performance management (POÓR, 2004).

In organizations running a performance management system, the annual base salary rise is usually based on the findings of the annual performance evaluation. It is yet another form of acknowledgement and reward for those who have performed well reaching their objectives. The general denomination of the different possible solutions linking evaluation to remuneration is 'performance related pay' (PRP). The promise and goal of PRP is a wage policy that focuses on the improvement of the future accomplishment and the recognition of the past performance simultaneously (MICHAEL – HELEN, 2005).

Performance evaluation can also serve as an excellent motivational tool, after all every worker would like to know how good they do their job and in which areas there is room for improvement. In many organizations the most exploitable areas of performance motivating tools include the completion of career plans and other qualification trainings.

The motivation management is the other factor in human resource management which should be emphasized. Motivation is an important tool that is often under-utilized by managers in today's workplace. Managers use motivation in the workplace to inspire people to work, both individually and in groups, to produce the best results for business in the most efficient and effective manner. It was once assumed that motivation had to be generated from the outside, but it is now understood that each individual has his own set of motivating forces.

It is the duty of the manager to carefully identify and address these motivating forces. This paper will help managers become more effective at creating a positive motivational environment. Managers may lack knowledge in implementing successful motivational programs that increase production and create a positive work environment.

Although there are many types of motivation, management must identify with their associates (employees) on an individual level for successful programs. The goal of every manager is to increase production and efficiency to reach maximum results for the organization.

Motivation for better performance depends on job satisfaction, achievement, recognition, and professional growth. Providing a positive motivational work environment is a challenging managerial activity. Therefore, managers must understand associates and their professional needs. (I2)

After reviewing the literature we can state that performance management is a complex, independent process of human resource management, in which responsibilities are clearly definable and separable from each other. In conclusion, we have to emphasize the integrative nature of performance management, a feature that involves bringing together and integrating measurement, evaluation, development, motivation and remuneration.

3. METHODOLOGY ISSUES

The aim of this chapter is to present the company, the object of my investigation. I would like to delineate the company's profile, specificity, and the ways in which the research was carried out and evaluated.

3.1. Introduction of the analysed company

3.1.1. History of the General Electric Hungary Llc.

1876 was also the year that Thomas Alva Edison opened a laboratory in Menlo Park, New Jersey, where he could explore the possibilities of the dynamo and other electrical devices that he had seen in the Exposition. Out of that laboratory was to come perhaps the greatest invention of the age - a successful incandescent electric lamp.

By 1890, Edison established the Edison General Electric Company by bringing his various businesses together. During that period, a competitor emerged. The Thomson-Houston Company became a dominant electrical innovation company through a series of mergers led by Charles A. Coffin, a former shoe manufacturer from Lynn, Massachusetts.

As both businesses expanded, it had become increasingly difficult for either company to produce complete electrical installations relying solely on their own patents and technologies. In 1892, the two companies combined. They called the new organization the General Electric Company.

Several of Edison's early business offerings are still part of GE today, including lighting, transportation, industrial products, power transmission, and medical equipment. The first GE Appliances electric fans were produced at the Ft. Wayne electric works as early as the 1890s, while a full line of heating and cooking devices were developed in 1907. GE Aircraft Engines, the division's name only since 1987, actually began its story in 1917 when the U.S. government began its search for a company to develop the first airplane engine "booster" for the fledgling U.S. aviation industry.

Thomas Edison's experiments with plastic filaments for light bulbs in 1893 led to the first GE Plastics department, created in 1930.

GE's leaders through the years have built a diverse portfolio of leading businesses; a stream of powerful company-wide initiatives that drives growth and reduces cost; financial strength and Controllershship that allow it to capitalize on opportunities through numerous cycles; and a set of common values that allows it to face any environment with confidence.

From the invention of the first practical incandescent light bulb to building America's first Central Power Station, the GE tradition of life-changing innovations was underway. With power and light, GE provided the basis of modern life, quickly redefining everything from the length of the day to our knowledge of the human body through the development of the first X-ray machine.

GE is a diversified infrastructure, finance and media company taking on the world's toughest challenges. From aircraft engines and power generation to financial services, medical imaging, and television programming, GE operates in more than 100 countries and employs about 300,000 people worldwide.

GE has a strong set of global businesses in infrastructure, finance and media aligned to meet today's needs, including the demand for global infrastructure; growing and changing demographics that need access to healthcare, finance, and information and entertainment; and environmental technologies.

In 2009, GE delivered solid results despite the tough economic climate with earnings of \$11.2 billion. Industrial cash flow from operating activities for the year remained strong at over \$16.6 billion. GE traces its beginnings to Thomas A. Edison, who established Edison Electric Light Company in 1878. In 1892, a merger of Edison General Electric Company and Thomson-Houston Electric Company created General Electric Company. GE is the only company listed in the Dow Jones Industrial Index today that was also included in the original index in 1896. (I3, I4)

3.1.2. History of the Lighting factory at Kiskvárda

In 1974 the Hajdúböszörmény plant of United Lighting and the Budapest headquarters recruited workers to train them for the production processes, as within a year they would found a new factory in Kiskvárda. At the same time the preparation for production receiving has also started. According to the management's plans the manufacturing base of the spiral filament would be in Kiskvárda.

Changes in technology require continuous improvement from the workers, therefore education and training has also received prominent role in the plant's life. The company organizes several professional courses for the employees, and utilizing the successful training methods remained – as a good example – from the participative leadership, the workers' skills are constantly being improved.

In addition, at the time of foundation an apprenticeship-training program was launched, and it's still in action. Besides, GE's management has continuously improved the income position of the workers as much as possible. New motivation schemes have been introduced, and the introduction of qualified personnel wages has significantly changed (improved) the financial and moral motivation of the employees.

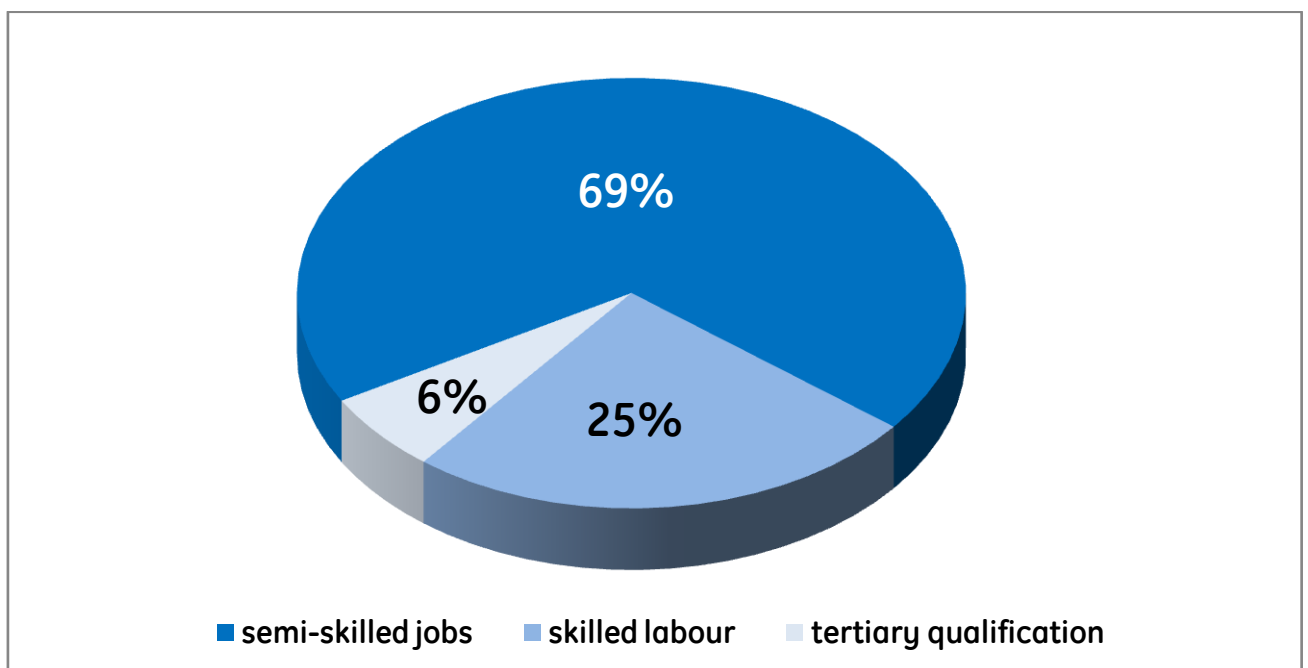


Figure 2: **Employee composition**

Source: Own editing

With regard to gender ratio, 71% of the employees at Kisvárdá Lighting Factory are female, the remaining 29% are male workers. The average service period of the employees is more than 19 years, however the average age is nearly 45 years. On the *Figure 2* the employee composition can be seen at the Kisvárdá Lighting Factory. Therefore it can be said that the employees are very committed to the company.

Due to the nature of the production process, 69% of the employees do semi-skilled jobs, 25% skilled labour, and only 6% have a tertiary qualification.

3.2. Review of the analysing methods

During the research necessary for my thesis, I have used four different methods. These methods are the following: observation, case study, document analysis and in-depth interview. Observation is a planned, target-oriented data collection referring to the actions, manifestations, behaviour etc. of an analysed person, based on direct detection. There are two different types of observations, namely “participant” and ‘non-participant’ ones.

The structuredness of data collection (‘scenario naturedness’, focusedness) can also be different. Structured observation is performed after participant, exploratory observations. The relevant observation units that are worth being focused on during a structured observation can be specified on the basis of an exploratory observation (BABBIE, 2001).

Case study is a type of research method in the field of social sciences, which provides in-depth and longitudinal study on a specific case. This provides an opportunity to systematically examine and collect data, analyse information and record the results in the end. (I5)

Writing a case study – in contrast with non-systematic observations – is based on a systematic, well-prepared, methodologically valid observation and data registration. This method can be a subject of interest in two aspects. It can be used as a data collection method when you want to collect detailed data about an organization or phenomenon. As a problem solving preparatory method it’s applicable in solving technical problems. Case study applies mainly observation and interview (I6; BABBIE, 2001).

Document analysis, the basic method of qualitative research techniques, was also used as an analytical method. It can be used in a wide range, as an independent method in secondary research for studying documents (e.g. newspaper articles, internal documentation materials, letters, development documents, etc) created by others; in primary qualitative research for analysing documents produced by researchers (e.g. interview texts, observational books).

The purpose of document analysis is to reveal the features and correspondences in the text. Information that is important for the research has to be highlighted and arranged in a structured form.

As the examples above show, this method is applicable mainly for analysing text documents. Content analysis, by its nature, is a necessarily retrospective research method, as it is based on the subsequent use of previously created documents. (17)

After studying the specialized literature and the case studies, and getting to know information, data and the operating systems based on personal observation, I have made in-depth interviews. The purpose of an in-depth interview – which is beyond the scope of a case study – is to get deeper and more extensive information in the research by letting the respondent put thoughts and feelings into words and define his/her motives using his/her own expressions. Interview is a qualitative research process, so it is not representative and does not provide statistical results, looks for answers for questions of ‘why’ and ‘how’.

The interviewer asks the target person using a flexible interview guideline, adjusting the open-ended questions to the respondent’s way of thinking, communicative competence and phrasing to create a confidential atmosphere. In-depth interview as a market research method is most often used when we are curious to know the respondent’s opinion based on his/her own work, experience, vision and his/her individual approach to marketing, free of group influence.

An in-depth interview is applicable either independently or to complement a focus group research, as well as for gathering information before a quantitative survey, then the further expansion of data and understanding the market trends.

Based on SEIDMAN (2002) I have placed emphasis on making interview with employees doing different jobs at the company to get a more comprehensive picture of the performance management system. Due to the conversations with the foreman, the HR manager and the factory manager, I could not only highlight the fundamental points of the system, but have also got an insight into their thinking.

During the interviews my primary aim was to reveal the potential problems, errors and human factors not identified by the case study. The questions constituting the guideline of the interviews can be found in appendix 1.

4. RESULTS AND EVALUATIONS

The purpose of the chapter is to demonstrate the creation and the functioning of the performance management system. At first I examine the objectives of the performance management system, then the inspirational function of growth values closely related with them, using the case study and the document analysis methods.

Then, using observation as a social science method I am going to place the performance management cycle and the applied performance evaluation in time and space. By the help of the support functions of the Employee Management System we can get an insight into the development of human resource management system.

Finally, I demonstrate and summarize the performance evaluation of the organization, the multi-level review of the performance and leadership evaluation, using the in-depth interview method.

4.1. Introduction of the performance management system of the General Electric Hungary Llc.

4.1.1. The objectives of the operating system of the performance management

The system has undergone continuous development, as the corporate objectives and the expected performances have always been adapted to the constantly changing market demands in the course of time. However, the goal of differentiation has not changed: it is still about the individual evaluation of the employee performance.

Evaluation is based on the scale of contributions to the corporate results, and serves as ground for performance grading. This process offers an opportunity to scout and expose talents. Performance management system used by the GE has five main objectives, which are as follows:

1. Coordinating goals: aligning individual goals with the organizational and business plans to prioritize activities.
2. Accountability: creating accountability of the staff and the leader to accomplish the obligations and achieve results; in addition it provides an opportunity to recognize achievements and difficulties as well.

3. Differentiation: specification of the difference between the performance and growth values.
4. Development: improvement of the employees' skill levels and competencies according to the company's expectations.
5. Coaching: providing coaching at the proper time and giving specific, executable feedback.

Rating is done under two main criteria, the average of which gives an overall value. One major consideration is "what" the worker does to achieve the objectives set by himself. As far as possible, regarding these values objective indices should be applied, comparing them with the performance of the previous year.

Another consideration is "how": it's about surveying "how" employees perform to realize growth values. At this stage all five values must be considered one by one. The realization of the two aspects mentioned above is evaluated on a three-point scale, with the following levels: exceeds expectations, consistently meets expectations or development needed (performs poorly). Table 1 illustrates the final values which are the matrix of the two aspects.

The annual performance review is based on the worker's obligation to fix the specific annual goals and objectives. Contrary to performance management process, this process is a top-down one. In this case global corporate objectives are specified in the first place, the actual functional units set their goals to achieve the global objectives, the management aligns their personal goals with this, then each subordinate adjusts its own goals to the functional manager's objectives, and the process goes on.

During the course of the year there is an opportunity to modify the objectives, since the worker can be transferred into a new position in the given period of time, which changes his preference system. It is important that the employees determine their goals in a way that these reflect their future career plans and development methods of the areas for improvement identified the previous year.

GE Lighting's business objectives, which later the individual goals are adapted to, are set by the CEO of the business unit at the beginning of each year. The most prominent of objectives set in recent years are as follows:

- Leading with Financials
- Green Solution

- Operational Excellence
- Commercial Transformation
- Energized Team

The objectives mentioned above are selected and used in accordance with the SMART criteria referred in the literature review part. After completion of objectives, the staff prepares a proposal of its annual goals.

Table 1: **Evaluation Matrix**

Evaluation of the “what”	Evaluation of the Growth values the „how”	Global evaluation
Exceed expectations	Exceed expectations	Substantially Exceeds Expectations “Role Model”
Exceed expectations	Meets expectations	Exceed expectations
Meets expectations	Exceed expectations	
Meets expectations	Meets expectations	Meets expectations
Exceed expectations	Development needed	Needs Improvement to Meet Expectations
Meets expectations	Development needed	
Development needed	Exceed expectations	
Development needed	Meets expectations	
Development needed	Development needed	Fails to Meet Expectations

Source: Employee Management System - EMS Management Guide 2011/12. year cycle.

In addition to business objectives a personal goal is also worth being formulated that motivates its author. It could be for example the professional development, a language

training, etc. Then their objectives are negotiated with the leaders, and after receiving their approval, these could be added to the MyGoals system. At the year-end annual performance evaluation both the worker and the manager examine the realization of these objectives.

If an employee has been classified as "*development needed*", then presumably is unable to keep up with the changing demands of the work and falls behind in accomplishing the dynamic goals. His work does not lead to more, better, faster, cheaper and greater customer impact, or he needs specific guidance to achieve this, and waits for further instructions when facing new challenges. Doesn't develop his skills sufficiently enough to meet changing business expectations, and needs improvement in the areas of quality, scope and meeting deadlines. Instead of facing problems and opportunities preparedly only reacts them, and requires more guidance and monitoring than usual.

"*Meets expectations*" category includes employees who always keep up with the changing expectations about their business and accomplish the dynamic targets. Their work usually leads to more, better, faster, cheaper and greater customer impact. React quickly to new challenges and solve the problems in time. Always fulfil their obligations, continuously develop their skills, and are willing to undertake tasks assuming greater responsibility.

Workers who "*exceed expectations*" do their job over fulfilling the ever changing requirements and the challenging, dynamic objectives. Their work results in more, better, faster, cost-effective and greater customer impact. They are prepared for the new challenges and develop creative solutions for tackling them. Keeping the interests of the corporate in view they are looking ahead, thinking about the future beyond the immediate task. They constantly upgrade their skills and automatically assume duties with greater responsibility.

4.1.2. *The function of the growth values*

This time, GE looked outside the company for perspective, and set about gathering opinions on today's leadership requirements in particular. A few dozen of the company's most senior executives were sent around the world to meet with leaders from more than 100 organizations, including large multinationals, small start-ups in emerging markets, universities, military institutions anywhere leadership is taught and practiced. The process of unflinchingly re-evaluating leadership in the new context of the global environment lasted more than a year and engaged leaders throughout the company.

And the outcome was that the five Growth Values were still relevant, but we contemporized the definitions of each one to more accurately reflect the global environment.

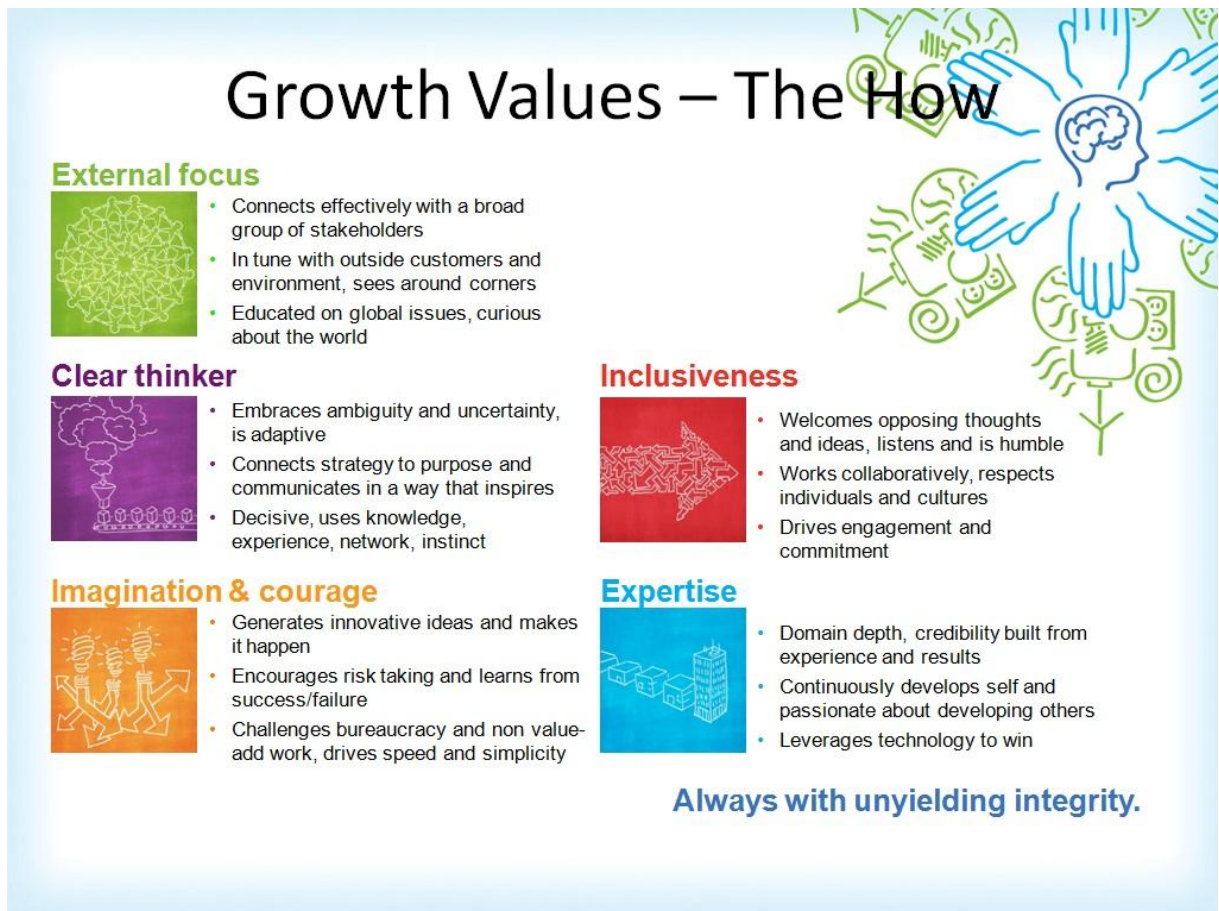


Figure 3: **Growth values**

Source: *Employee Management System – EMS – Management guide 2011/12. year cycle*

The return on investment on the Growth Values cannot be measured in a traditional sense. In fact, GE believes so strongly in cultivating its culture that efforts like these are not required to justify a return on investment. However, the alignment that the Growth Values have enabled between the company's overarching strategy, its leadership, and the culture of the company is impossible to deny. The Growth Values drive behaviour throughout the company.

And they continue to guide not only what they do, but how they do it. For performance enhancement it is necessary that the leaders are able to precisely assess the employees' strengths, development needs and their contribution to the organization's success.

In Figure 3 there can be seen the growth values, regarding to which both the employee and the evaluator have to take into consideration the strengths and weaknesses of the evaluated person.

Strengths include the skills and positive behaviours materialized the previous year in staff performance. They must include the favourably influenceable behaviours, personal attributes and professional skills of the evaluated person. The areas at which the employee has developed over the year, as well as the characteristics he can build upon in the future must also be noted here.

Development needs include behaviours, lacking skills and capabilities needing improvement that prevent employees from being better workers or leaders, as well as those that need to be developed in order to reach the next level of the career-plan. Each employee has the opportunity for improvement, therefore there is no worker without development needs. Both the evaluated person and the evaluator have to find the aims or objectives that include the behaviours, knowledge and skills necessary to reach the next career level.

These formulations show positive attitudes to the workers, as the actual properties do not have to be assigned to the category of 'strengths' and 'weaknesses', but to the category of 'strengths' and 'development needs' or 'areas for improvement'. All growth values have many sub-points, on the grounds of which the employees are evaluated. Of course not each and every sub-point is applicable to each job, as they describe a characteristic behavioural norm. Expectations concerning the growth elements are varying regarding the career bands.

A career band is a group of employees who have the similar level of responsibility, occupy the same decision-making positions and have similar skills, experience and area to be developed. These groupings are of general nature, so many job and career levels can be found within a band.

Due to external focus employees can build efficient connections with a broad circle of shareholders, attune themselves to the customers, be foresightful, informed and educated on global issues. The main aspects of clear thinking are: employees tackle uncertainties and contradictions successfully and adapt themselves to the changing circumstances easily.

It is also important to possess good decision-making abilities and make use of the acquaintanceships. Owing to creative imagination and courage, employees can come up with innovative ideas, which, if applicable, can also be implemented.

This value encourages risk-taking and learning from successes and failures. The point is to question unnecessary bureaucracy and work, accelerate and simplify work processes using creative ideas.

Inclusiveness means that employees take delight in accepting different thoughts and ideas as well as listening to others' opinions. It promotes cooperation and teaches how to respect individuals and different cultures, which reinforces commitment and responsibility.

The value of expertise requires everyone to know his own professional field the best possible, demands credibility and builds on the experience and results. Employees are expected to constantly train themselves, use the opportunities provided by technology and develop the commitment of others. Criteria must always be complied at all levels in such a way that GE's main directive 'Always with Unyielding Integrity' is kept in view.

4.2. The performance management cycle

Performance management cycle is a comprehensive cycle which covers the entire business year, and it is more than just an annual performance evaluation. (Figure 5). The cycle begins in November with the individual performance evaluations. The workers have the opportunity till the end of December to evaluate their own performance, their commitment to GE's values, their strengths and areas for improvement as well as the short- and long-term objectives.

In January the direct leader has an opportunity to feed the relevant elements of its own performance evaluation into the system. February and March is the period of Session C, that is the annual HR review period. This phase is about summarizing EMS ratings of the business branch using GE matrix, as well as succession planning.

This makes it possible for the leaders of the organization to supervise the employees' performance, evaluate their strengths, areas for development, career opportunities, and provide feedback for them.

It is a right occasion for the management to review succession planning of the business branch and the functional units, that is to designate the workers as potential primary candidates to fill the open positions in the future. It is also a time for the leadership to evaluate the efficiency of the organization as a whole.

After the organizational review the setting of annual targets is started, Corporate Session C takes place in April and May. The next step is the mid-year review that is to be finished till the end of August.



Figure 4: **The performance management cycle**

Source: *Employee Management System - EMS Management Guide 2011/12. year cycle.*

It is an opportunity for the staff to update the previously defined objectives, to archive the goals already realized and add new objectives. During the time spent at the company I was fortunate to get an insight into a performance review discussion between the manager and her HR assistant. She took part in a one hour long evaluation meeting – programmed at the beginning of the year – with the HR assistant, analyzing, supervising and assessing the realization of the performance objectives.

They scrutinized the points set up at the beginning of the year one after the other in a laxative way, i.e. the headcount monitoring plan, the creation of a monitoring system for checking work clothes, the support for the enlargement of the staff, the development of the HR portal elements, the organizing of the HR week as well as the HR reward system development.

Since the majority of the objectives are long-term goals, development proposals were attached to the significant percentage of the objectives analyzed at 'half-time', after recognizing the right direction. After some questions from the subordinate they summarized the remaining tasks and selected the most important ones of the priority scale, then the superior assured the subordinate of her continuous support, while updating electronically the obligations set.

About September and October takes place Session C II, while late November and early December is the time for employee performance evaluation, and the cycle starts again. If an employee joins the company during the course of the year, performance evaluation process is the same as in the case of those who were already on the staff at the beginning of the year, but this time the process begins in the month of the entrance with the goal-setting for the rest of the year, then continues under the usual scheme.

If the period between the accession of the worker and the time of the annual performance evaluation is shorter than three months, the manager and the employee have the possibility of setting aside the evaluation of the attitude towards GE values. In this case the "newly hired for evaluation" remark should be taken into account during performance evaluation that is based exclusively on the performance.

Regarding the new employees, performance is reviewed before the end of the probationary period. Its purpose is to provide guidance and feedback to the employee. In general, participants of this discussion review the accomplished tasks, the acquired level of knowledge and set the direction of development. The employee also receives feedback whether its 'speed of learning', attitude and the level of acquired skills fulfil the expectations.

The employee can indicate if he/she needs some help – e.g. mentoring, coaching, soft skills development –, is aware of the goals and expectations and knows how to meet them. Evaluation of the new workers is also very useful because it gives an opportunity for both parties to clarify the eventual problems accumulated during the probationary period, due to which the number of premature termination of employment can also be reduced.

4.2.1. Practise of the individual performance evaluating

Some forms of evaluation – such as emulation, where an excellent brigade or head brigade could excel – were present in the Lighting Factory at Kisvárdá unit even in the socialist era.

The competitions' aim was to inspire employees to provide the best possible performance. However, performance evaluation techniques used in the past were not effective enough, so it was necessary to make changes. The current performance management system is fully consistent with the one applied at General Electric.

In general we can say that individual performance evaluations are made at the end of the year, and that EMS trainings are helpful in preparing and recording them. In contrast with the goal-system, performance management is a bottom-up system. In practice this means that individual performance evaluations are made at first, then come organizational evaluations, and finally, as a result of the aggregation of the organizational performances the enterprise-class performance.

At the company the performance of each employee is evaluated, regardless of its position. Of course the work processes that require different levels of competence are evaluated on the basis of different expectations. So GE applies three different forms of performance evaluation for the assessment of the employees, direct, indirect and white-collar workers are evaluated under different aspects. Within direct performance evaluation GE makes a distinction between skilled and semi-skilled labour jobs. This is due to the fact that an employee working as a skilled worker is expected to have higher levels of professional knowledge than a semi-skilled worker.

However, there are elements that are valued under the same standards and considered important in both groups. These types of values are as follows: professional knowledge, knowledge of the production process, availability and cooperation skills, quality awareness and activity in the fields of environment, health and safety. Indirect performance evaluation – besides professional working knowledge – appraises the employee's commitment to the company, its innovation skills and willingness for self-improvement.

Both direct and indirect employees are evaluated on a five-point scale.

- Fails to Meet Expectations (1): Performance which is unacceptable and below acceptable levels. Performance consistently does not meet expectations, standards, and requirements. Immediate corrective action is required.
- Needs Improvement to Meet Expectations (2): Performance that fails to meet expectations, standards and requirements in some area of responsibility or only meets them partially. Corrective action is required.

- Meets Expectations (3): Performance that meets all expectations and requirements. Standard expectations – highlighted in yellow.
- Exceeds Expectations (4): Performance that exceeds performance expectations and requirements in some areas of responsibilities and meets expectations and requirements in other areas.
- Substantially Exceeds Expectations (5): Performance that is exceptional. Performance expectations and requirements are consistently and significantly exceeded in all areas of responsibility.

The employee's ultimate performance evaluation is based on an arithmetic mean weighted by a value-based utility multiplier belonging to the measurement points. At the company the so-called 360⁰ degree evaluation is used increasingly. Generally the 360⁰ degree evaluation is a system or process in which workers receive confidential, anonymous feedback from the people who work around them.

Managers and leaders within organizations use 360⁰ degree evaluation surveys to get a better understanding of their strengths and weaknesses, to give the employee a clear picture of its, to help them understand what areas they should focus on if they want to move into a management role.

Concreting, this means that the evaluated employee stands in the centre of an imaginary circle and evaluates its own performance under the principal criteria applied by the leaders. Then basing on the same criteria the leader from the top, colleagues and clients from the inside, members of other teams and functions from sideways and finally its inferiors from beneath prepare their evaluations from four other directions.

At end of the survey each evaluating person names three characteristics considered advantageous that should be maintained, three unfavourable ones to be abandoned and three absent ones that should be elaborated to be more successful in the future.

This type of evaluation is always initiated by the leader; it is generally applied when an employee is at the crossroads on its career path. This can be a change in career band or the adoption of a new job. The evaluators work in the same working environment as the employee, and are recommended by him/her, but they are designated and asked for evaluation by the superior. In this way the employee gets a picture of itself from all directions, which should be examined to see how consistent they are with each other and its self-image.

As evaluation is carried out by many colleagues, subjective opinions can be easily filtered out. Assessment can help bring problems to the surface, since each evaluator should apply the same standards, but each question is considered and examined from different points of view. Due to this sort of review the evaluated employee gets a comprehensive picture of its performance, skills and the areas that need to be improved. This kind of evaluation is monitoring and helping the harmonization of the senior management competencies within the organization.

This comprehensive imaging is a great advantage of the 360-degree evaluation in contrast with the 180-degree one. In the performance evaluation system used in the company, evaluation is carried out by not only the immediate superior, but also the so-called one-over-one manager, the superior of the direct supervisor who enters the process to ensure and increase objectivity. He also has the opportunity to evaluate the performance of the subordinate and accept the direct supervisor's criteria.

4.2.2. Structure of the Employee Management System

A professional employee management system (Employee Management System, hereafter called EMS) has been functioning for years at General Electric, which operates as a performance measurement framework, used for the evaluation of white-collar workers and physical workers doing head-work.

This system produces two apparent documents, an employee performance review and an internal CV, which aims to facilitate performance evaluation and to present the employee's life, the competences and the experiences necessary for advancement. It serves as an internal CV, as employees use this document when applying for the advertised position inside the company (in any business units). It is used by the company's human resource professionals and interviewing managers to find the properly qualified, interested workers.

This document is the main document of the internal labour management, which has the advantage that in accordance with reality the employee continuously updates the information included during the performance management process, and certain elements of the personal profile section are automatically updated as well.

The EMS as CV contains the following information:

- Personal profile

- Education,
- Previous jobs / positions,
- GE's trainings
- Other / functional training,
- Education.

On the other hand it is an assessment, as provides forum for both the employee and its manager to demonstrate the inferiors' results, strengths, areas for improvement, career opportunities and development plans.

Thereby the employee gets feedback at the end of each year on its performance and objectives. In addition it provides an excellent basis for the manager and the subordinate to discuss eventual issues. Its great advantage is that the employee can evaluate its own performance before the manager. Self-assessment includes the following points:

The self-assessment includes the following points:

- Evaluation of the fulfilment of the goals and objectives
- Performance Summary
- Evaluation of growth values
- Strengths
- Development needs
- Career Plans
- Development Plan

In the future, managers evaluates subordinates based on the same criteria.

4.3. The impact of performance management on human resource development

The next phase of performance evaluation is career and development. At this stage the employees have to formulate their short-, medium- and long-term career goals. By short term we mean the next 1-2, by medium the next 2-3 years, by long term the period beyond 3 years. Career direction based on the employee's own ideas must be clearly defined at this stage.

At this point, everyone needs to consider how she/he could learn new skills, improve his/her already existing competencies or assume greater responsibility. Setting the career goals the employee has the opportunity to determine the factors considered to be setbacks in reaching career objectives.

As the next step he has to declare whether he is willing to move for the sake of his career. If he shows willingness, regions where he would move readily – either domestic or abroad – must be appointed. Later these data are taken into account even during the compilation of employee evaluations. Then the workers have to outline their ideas on their own development for the next year.

GE has a globally applied training-incorporation system named MyLearning, which allows employees to carry out trainings they are interested in, necessary for their development. At the same time, leaders have the opportunity of selecting the trainings for their subordinates.

This part of performance evaluation gives an input required for the composing the training plan of the premise. At this point the workers have the possibility to indicate if they think that a project work or activity in the field of voluntaries can motivate them to acquire professional knowledge, leadership skills or experience, and the issues of coaching or mentoring are also emerging here.

Taking into account all the elements of performance management the following development opportunities can take effect:

- *online trainings*
- *classroom trainings*
- *mentoring*
- *coaching*
- *work tracking*

4.4. Introduction of the results of the interviews

After studying literature, learning the operational system and getting information and data about the organization I made in-depth interviews to get an even more comprehensive picture of the performance management system.

Making the interviews I have placed emphasis on the aspect of bringing out employees from different areas of the company. I wanted to know the development direction of the performance management system of the last decades, why it is still effective, what sort of changes it has gone through, and what kind of effects have these changes had on the direct and indirect workers and work environment.

4.4.1. *In-depth interview with a foreman*

My first interviewee is a 45 year old mechanic, whose highest qualification is an automotive technician certification; he has been working at GE for 28 years. Since the completion of the secondary education he has been working at Kisvárda unit, then in 2005, after 20 years of work experience he managed to enter higher level, since then he has been a foreman. He has worked in several areas of the factory, has got to know a number of manufacturing processes through the years, has participated in the setting-up several foreign-built production lines.

In his opinion, the core of the factory unit is made up of the workers, therefore it is important to develop human resources and increase the professional efficiency of the workers. Nowadays, specialized trainings are needed more than ever, but based on his experience they need to be developed, in his point of view these courses are 90 percent efficient. One of the key issues affecting our society was also highlighted, namely the steadily aging working force and the problems of new generation.

GE tries to solve this problem by involving not only the institutes of higher education but also secondary schools, making contact with local vocational schools. The relationship with HR team is excellent, regarding both direct and indirect workers.

He can solve the big part of the problems without help, in the course of his career he had to go to the plant manager only a couple of times, and during the eight years as a foreman he had to involve the HR team and the factory director in solving a serious problem only once.

His subordinates can turn to him with trust and sincerity, due to the years spent together, and the human relations and friendships formed over decades. According to him these attachments can cause problems, if the leader cannot judge the situations objectively. Performance evaluation of his subordinates is accomplished with his superior, the plant manager, excluding subjective opinions, focusing strictly on the facts.

Being an indirect worker, his performance is evaluated by his immediate superior, there is no self-evaluation, since shift managers do not take part in EMS. The compliance of Hungarian and EU standards in terms of workflow at Kisvárda unit is exemplary, fulfilling the requirements has a positive impact even on the work environment.

According to him, the success of the performance management system is a key factor of the efficiency, the fewer errors at the working levels and the lower the scrap rates, the greater the profit maximization, which is closely supported by the application of an Environment, Health, and Safety (EHS) system at the factory as well.

It is important to emphasize that performance management is undergoing continuous development. In his view, manufacturing and structural plans set up by top managers are based on reasonably determined grounds. There are delays in the system, but the solidary team, working together for ten years, manage to correct these in time to meet expectations.

4.4.2. In-depth interview with the HR manager

My second interviewee has a bachelor's degree in economics. She began her career as an HR assistant at GE in 2000. Later she was on a production support job, after 2009 worked as an HR generalist, currently she is the HR manager of Kisvárdá unit.

At the beginning of our conversation she lays it down that HR department operates as a supporting function in the production at GE. It plays an important role in recruitment, selection, organization development and job improvement, in creating realization strategies of performance evaluation and inspiration, as well as in setting staff involving systems.

All elements of EEM are used in daily work, the department takes part in the recruitment and selection processes in the period of production growth, constantly seeking to develop the reward system, paying attention whether incentive instruments are used properly by the leaders. Performance evaluation is also a part of HR activities, and serves as a basis for everyday production and the development of missing skills. In her opinion, the relationship between HR and employees is fair and opened.

They always try to react and find solutions to the problems of the employees at the appropriate level. The main purpose of GE's performance evaluation system – just like any other performance evaluation – is to create the comparability of different performances, to objectify annual job performance measurement and to survey areas that can be developed.

According to her, performance management does not harmonize with motivation management at present. They have been constantly making attempts to set up and operate a motivational system that rewards high performance, but it is realized mostly on an ad hoc basis.

Due to the centralized organization and methods is not possible to create a performance-related pay system, however, performance evaluation system undergoes continuous change and evolution. The main direction concerning goals and evaluation methods is simplification.

Nevertheless it is increasingly spreading from the upper level management toward the lower level workers, of course taking into consideration the special evaluation aspects of this group. The system of objectives is based on top-down communication, each working group breaking down the overall goal of the company for its own activities. Regarding feedback, the criteria of performance evaluation allows clear feedback, most of which are objective and acceptable for the evaluated person.

Disagreements emerge in negligible percentage of the cases, in such cases differences can be arranged by involving the superior leader. Feedback functions in case of poorer performances too, but we also have to analyze the context, give the employee an opportunity for correction and help him effectively manage eventual problems as well. Personal communication is of great importance, it must always have a positive element to hold on to, which can help develop individual performance. In her view, performance evaluation should be based on objectivity, eliminating subjective elements as far as possible. A leader must carry out the evaluation of his subordinates the way he expects from his own superior.

If an employee sees that performance evaluation is not important for the leader, he won't take it seriously either – anyway, it has no roots in the Hungarian work culture -, which makes it very hard to preserve the credibility of objective performance evaluation. According to her the main flaw of the system is the personal communication, or rather the lack of it. Superficial communication jeopardizes the success of the evaluation. To improve efficiency transparency of the system should be increased, making expectations and consequences clear for all.

4.4.3. In-depth interview with the factory manager

The 38-year-old factory manager has been occupying this job at General Electric Hungary Llc. Lighting's unit in Kiskőrös since 2004. After completing his mechanical- and electrical engineering studies, graduated from the University of Debrecen with an MBA degree.

He began his career at GE as a shopper, continued as an engineer, then production technologist, and later on as production manager. Before his promotion, as an expert of the Six Sigma business management methodology, he worked on introducing the LEAN manufacturing philosophy at several European GE concerns from 2004.

At the beginning of the conversation I asked him about GE and requested him to speak about his personal experiences with regard to the HR functions. He is convinced that GE is a rather centrally controlled company, regulations coming from the business unit have to be followed at the higher levels of the management, customization of the guidelines in the actual factory units is only possible for direct employees in the framework of performance evaluation and motivation management system.

He considers the selection system as multiple; after personal interviews and multiple rounds of tests the personal approval of factory manager is also needed depending on the job. After a bit of encouragement, citing his own example he speaks about the unconventional 'traction in position', which in case of meeting the new challenges coming from the higher levels can result in promotion in the career band. The sincerity of the performance evaluation can greatly strengthen the relationship between the subordinate and the superior.

The time when flattering essay-type performance evaluations were born is over, both the evaluator and the evaluated person are prepared to analyze objectively and realistically the plan and actual data. Turning to the human resource development we can state that employees can choose from thousands of trainings, some of them are compulsory and essential for maintaining market competitiveness, and there can be found optional courses that support other personal goals of the individuals.

At this point we have reached the second area to develop; regardless of the corporate structure, employees at all levels with high professional skills would often require more professional education. According to him the relationship between the HR team and the employees sometimes is too informal, and if it is going too far, can be dangerous.

The ground of this informality is the decade long acquaintance between the employees and the HR manager. While the HR manager says that the success and the good performance of the factory unit is owing to these relationships, according to the factory manager in case of problems direct workers at first should turn to their immediate superior, namely the shift- and plant managers, and ask for the HR team's involvement only when the anomaly cannot be solved at their level.

The problem of missing out the functional levels have been recently solved as plant managers place more emphasis on the feedback, and the HR team connects the suitable levels by a joint communication channel using appropriate feedback.

In his opinion the current performance management system ensures permanent improvement, and gives clear, understandable feedback. It can also provide the opportunity to disagree within certain limits and defined procedure. Although HRM oversees the system, not the process still if a problem emerges. it joins in. According to the higher level management, solution comprises the measurement of the realistically defined objectives, concretizing the performance indices and formulating the individual goals.

Business federations support this solution at the direct employee level, while at the indirect employee level it is supported by predetermining the individual goals. It is essential that the system should be transparent and clear to all the participants in respect of the goals and responsibilities.

5. CONCLUSIONS AND RECOMMENDATIONS

The aim of my thesis was to explore GE's performance management system. At the beginning of my research I made two hypotheses, which were confirmed.

1. *The analyzed organization follows ethnocentric orientation; performance management directives specified by the American mother company are adapted by the manufacturing unit in Kisvárda without modification.*

The first hypothesis was partially confirmed, since on the grounds of the results of the in-depth interviews I have come to the conclusion that GE is a centrally managed enterprise, where at the higher levels of the company directions from the business branch are followed, but practice and realization differ by region and function. Customization of the guidelines in the actual factory units is only possible for direct employees in the framework of performance evaluation and motivation management system.

Setting up the local system depends on the manager responsible for the functions concerned, yet significant divergences from the current guiding principles of GE are not allowed. After a conciliation process the factory manager of the Kisvárda unit in concordance with the shift and plant managers determine jointly the principles of the implementation of the main indices coming from the business branch, taking into account the foundations of GE.

2. *In the analyzed organization – namely the unit in Kisvárda – besides performance evaluation there operates an actual performance management system, which due to the carefully considered individual and organizational goals creates an integrated system with the various HR functions.*

My second hypothesis was fully confirmed. The results of personal observation, case study, document analysis and in-depth interview methods highlight the fact that the analysed organization successfully fulfil the challenges emerging in the operational areas of the company, the performance management system tries to increase economic productivity, preserve competitiveness, maintain and enhance employee satisfaction using all functions.

On the basis of the results it can be declared that the unit of General Electric Kisvárda applies a well-functioning performance management system strongly supported by the organizational culture, which contributes to the joint achievement of the individual and organizational goals.

On the basis of the analyses we can state that the applied performance management system is perfectly consistent with the human resource development functions, its relationship with human resource support and motivation functions is based on continuous development and refinement. Based on my own survey, my conclusions and recommendations regarding the company's performance management system are as follows:

In the analyzed organization besides performance evaluation there operates an actual performance management system, which due to the carefully considered individual and organizational goals creates an integrated system with the various HR functions. GE's corporate strategy and objectives are determined at the highest levels, but they are also well explicable, specified and practicable. In the course of studies it has been justified that due to its performance orientation, performance evaluation is more closely related to human resource development, so the survey on the levels of satisfaction was pushed into background. The feedback of performance evaluation, such as the evaluation of the direct workers by their shift managers, has no control system inserted that could forestall subjective evaluation. A control system could prevent the architecture from getting unreal, unrealistic feedback, and would provide appropriate feedback for the employee as well.

The professional trainings broadly meet the requirements, but the successful practical operation of the company's Six Sigma and LEAN corporate governance techniques requires powerful development in terms of training, which not only increase the efficiency of the system, but also provide a sustainable supply. However, I think the solution is the precise preparation, further education, trainings, development of the evaluating shift managers, foreman as, this area has the primary criteria of objectivity, honesty and trust, which are human factors and creating a control system solution is not sufficient.

However, it would be necessary to simplify the performance management system, as evaluating leaders need more time to do their obligations beyond their professional duties. This simplification could be done through the Employee Management System, substantially pay attention to avoid the loss in efficiency.

The smooth implementation of the workflow could be contributed by both direct and indirect workers may see clearly what are the tasks or problems that need to be solved on functionally level and when they should ask the HR team's support. By the help of the common channel of communication with placing more emphasis on interconnecting the involved functional levels of feedbacks, every problem can be solved on suitable level.

SUMMARY

Today, due to the social and economic changes, human resource is the main factor that notably determines the success of a company. Based on my finance and accounting Bsc and business development Msc studies, my experience is that more emphasis should be placed on human resources, since this function is one of the major economic role in a company's life.

The main objective of my thesis, based on the literature review, is to present the central element of human resource management, the most important principles, objectives of the performance management system and the connection between performance evaluation and human resource development taking place in one of today's greatest company in Hungary.

I have analyzed the ethnocentric orientation and the practical application of performance management at the Kisvárdá unit of the GE Hungary Llc. By using primary and secondary analytic methods I set as a goal to get a deeper insight into the applied structure, the construction of the performance management cycle, the peculiarities of the personal evaluating management system, observe the function of the growth values and the components of the global organizational performance.

Due to the applied analyses methods, we can get an accurate picture of the current mechanisms, in more ways I could analyze the elements, faults, benefits, and possible areas for improvement of the existing performance management system.

My main conclusions could be drawn by the help of observing and analysing the GE performance management system by several aspects, which supports mostly the human resource development function. Due to the centralized organization and methods it is not possible to develop performance related pay system, a high performance parallel operation of motivational systems are mostly implemented impromptu.

The criteria of performance evaluation should be made possible objective obvious feedbacks, which allows employees regardless of level to clarify the responsibilities, significance of their own role in the company. A control system configured for this purpose could prevent architecture from getting into unreal, unrealistic feedbacks, and could provide appropriate feedback to the employee as well.

For implementing workflow perfectly it is essential to create perfect individual responsibility, which combines with fair, trustworthy communication, results in productivity growth in the functional levels.

Besides to the strict and rigid business units regulations, intellectual employees of the Kisvárdai unit have opportunity to give such guidelines for their staff by the help of clarifying the responsibilities, enhancing the efficiency for increasing the gain at one of the largest companies in the eastern regions.

Much as ethnocentric orientation is characterized by the General Electric's unit in Kisvárdai, keep in line with international trends, meeting the expectations, the company's success is not based only on a well-developed and professionally managed performance management system, but also the physical, mental, spiritual power of this operating employees.

For fulfilling the metrics requirements behind the main objectives of performance management, it is essential to harmonise organizational and individual goals and reaching this part the workers' trust, honesty and confidence are required, in addition it is needed to have faith in the leader served as a role model.

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DECLARATION

I, the under signed, **Zoltan Nemeth**, under penalty of perjury and disciplinary action, certify through my signature that this thesis is the result of my own work. The literature used are handled correctly and that I have respected and followed the applicable legal guidelines in writing my thesis.

Debrecen, 2013.11.29.

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Signature

Date of birth: