Chapter 6

Strategic Mapping for Dynamic Performance for HR Competencies

6.1 Introduction
Performance Management has become increasingly important due to a variety of economic and social pressures. Williams (2002) identifies globalization, increased competition and the increasingly individualistic rather than collective employee relationship as some of the major drivers contributing to the increased visibility of performance management systems (PMS). Faced with fast moving and competitive environments, companies are constantly searching for unique ways in which to differentiate themselves from their competition and are increasingly looking to their “human resources” to provide this differentiation. This has led to much interest in the performance of employees, or more importantly, how to get the most out of employees in order to sustain competitive success.

6.2 Conceptual Overview
A performance management system is a useful framework for companies to use to communicate important messages to their employees. It can be used to achieve a number of different functions; as a method of communicating organizational goals; identifying development requirements, improving individual and team performance, planning for the future and the measurement of results and outcomes (Armstrong and Baron, 1998a). Performance management is therefore difficult to define as: “it is no single thing” (Williams, 2002).

Hartog (2004) states that: “Performance management deals with the challenge organizations face in defining, measuring, and stimulating employee performance with the ultimate goal of improving organizational performance”.

Concerned with organizational performance only, this says little about the benefits to employees and what they get out of performance management systems. Armstrong and Baron (1998a) define performance management as: “a process for establishing shared understanding about what is to be achieved, and an approach to managing and developing people in a way which increases the probability that it will be achieved in the short and
There is, therefore, no universally agreed definition of what performance management is or does. There are, however, several models which have attempted to explain how HR policies have an impact on firm performance, self-esteem through attainment of goals and to improve quality of work (Locke and Latham 1984). London et al (2004) evaluate the importance of goal-setting and conclude that line managers and employees need more explicit training on how to set goals ensuring they are specifically aligned to the overall company objectives. Process two of the framework is concerned with the measurement and appraisal of goals. Once objectives have been agreed it is of vital importance to continually monitor and review performance against those objectives (Armstrong and Baron 2005). This is a major role of the line manager who has the responsibility to review the performance of their staff. The recent performance management survey indicates that the most popular method to achieve this is the performance appraisal (CIPD 2005a). “Performance appraisal …..a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards” (Fletcher 2001). Appraisal provides the mechanism to provide effective feedback on achievement of which is an important factor in improving performance (Williams 2002). The CIPD (2006b) see feedback as: “one of the quickest and easiest ways of improving performance, relationships and motivation”. Despite this, appraisal has often been viewed as a mechanism to control employees” action at work (Newton and Findlay 1996) and is widely criticized in literature. Hendry et al (2000) suggest that appraisal is a “misused” process, designed to control employee’s activities. Coates (1994, cited in Torrington et al (2005) suggests that the appraisal is used as a device to establish: “the extent to which the individual conforms to the organization”

Fletcher (2004) describes it as a “high risk activity” for managers, given the many pitfalls associated with it, Newton and Findlay (1996) highlight the fallibility of appraisals as they are open to manager manipulation. Despite the criticisms, the use of performance appraisal is widespread and perceived to be an effective part of a performance management system (CIPD 2005a).

Appraisal has changed in recent years from a purely paper-based exercise to being an aspect of a continuous performance management process with formal review performance once or twice a year (Armstrong and Baron 2005). There has been an
increase in popularity of self-appraisal, team and peer appraisal as well as 360 degree feedback (CIPD 2005a). Process three of our framework argues the case for: “linking rewards strategies to business goals” (Gratton 1996) which will encourage the performance necessary to meet short and long term business objectives. Brown (2001) supports this concept but suggests that many reward strategies actually impede organizations in the operation of their business while Hendry et al (2000) questions whether employees are actually being motivated to do the right things in order to meet business goals. Many organizations have looked to improve performance by linking it to pay; performance related pay (PRP) can take many different forms (Williams 2002) and the type of reward and how it is linked to performance management varies by organization (IDS 2003). There are many differing views on the effectiveness of PRP (Williams 2002) and whether or not it contributes to improved performance. It has been argued that PRP is a process of control, rather than contributing to real development (Hendry et al 2000). Reward is not just about pay, many organizations are recognizing that non-financial rewards are as powerful and motivating as money (Armstrong 2002). Non-financial rewards can include awards (employee of the month for instance), advanced career opportunities, autonomy, flexibility of working hours and training and development opportunities (Williams 2002). Total reward systems incorporate both financial and non-financial rewards and can be instrumental in encouraging job satisfaction and commitment to the business (Armstrong and Baron 2005).

It is important however, to establish what type of reward will be valued by the employees, not to implement a system based on senior management experiences of what they themselves value (Hendry et al 2000), as well as recognizing that: “different people are motivated by different things” (Torrington et al 2005).

Brown (2001) discusses the: “era of the talent war” and how important it is to implement the most appropriate reward strategies, and make them flexible, which will retain the best people within the business. The framework has so far identified the need to reflect the business goals at an individual and team level, has established the necessity to measure and review continuously and suggested that reward strategies reflect what the organization is trying to achieve. In order to support this process, both in the short term attainment of goals and the long term development of employees there is a requirement to identify training needs, which is Process four of the framework. There has been a
change in scope of the appraisal process in recent years, with an increasing focus on employee development, as more and more businesses focus on how targets are achieved rather than just the achievement itself (Gratton 1996). This has led to a combination of both objectives (outputs) and competencies (inputs, Taylor, 2005) and the recognition that personal development planning (PDPs) are a fundamental part of a PMS. By offering employees the opportunity of enhancing their skills through training, levels of self-confidence will improve and performance will be enhanced (White 1999).

Beardwell et al (2004) develop this further by suggesting that: “staff management and development will become the primary weapon available to managers to generate success”.

This view is shared by Harrison (2005) who reports on studies which have identified the HR practices most likely to result in improved performance as being career development and training. Armstrong and Baron (2002) see training as a key process for gaining commitment to the organization which in turn should encourage “discretionary behaviour”. IDS (2005) support this view when reporting that investment in training and development can not only improve financial performance but also have a positive effect on employee satisfaction and commitment. The success of training and development initiatives again lies with the line manager and their approach to their role as “people managers” (CIPD 2005b) as well as their ability to provide meaningful “on the job” training, potentially in the form of coaching. Gibb (2003) concludes that line managers have a significant role to play in constructing the right environment for learning, development and subsequently improved performance to occur. Renwick and MacNeil (2002) develop this further with the inclusion of career development and the associated benefits and pitfalls of proactively developing employees’ careers. Harrison (2005) suggests that more companies are offering career development programmes which involve lateral as well as upward movement within a business. Becoming a “learning organization” is the focus of Processes five to eight which concentrate on creating the right culture and structure, ensuring that HR is seen as a strategic role and that long term views and a focus on the future is paramount (Gratton 1996). We focus less attention on the remaining processes as they are less line manager influenced than the short term processes in which line management have a fundamental role.
Pedler cited in Armstrong and Baron (2002) describes a learning organization as: “an organization which facilitates the learning of its members and continually transforms itself.” The concept of performance management therefore underpins the philosophy of the learning organization, promoting continuous improvement, focusing on the accumulation of skills and competencies in the short term to meet the organizations long term requirements.

Harrison (2005) argues, however, that: “learning and individual performance will never make a positive contribution to performance management where organizational context is unfavourable”. Understanding the structure and culture of an organization is of vital importance, as it could contribute to constraining performance (Hartog et al 2004) as well as encouraging it. Williams (2002) sees performance management as: “a mechanism for inculcating a particular culture, that is, a ‘performance culture’”. The values or mission statement of an organization often reflect the way in which employees are expected to behave, or as organizational culture is often described: “the way we do things here” (Buchanan and Huczynski 2004). Hailey cited in Armstrong and Baron 2002) believes that organizations should focus on identifying the most appropriate behaviour which will meet their organizational objectives and use tools and processes such as performance management to develop those behaviours in the workforce. In this way, the desired culture will grow. “Achieve human capital advantage” (Armstrong and Baron 2005). In turn this should provide competitive advantage and long term sustainable success which is the purpose of Processes nine to eleven – transformation to a highly skilled, highly developed and highly motivated workforce. Processes nine to eleven are described as: “transformational” (Gratton 1996) and are concerned with the growth and development of the individual, the workforce and the organization as a whole in the long term. Gratton (1996) identified some of the key processes required to achieve this transformation in the form of succession planning, management development and career development.

Literature has identified a number of key themes central to the performance management discussion. At the top level, it is the organization that sets the tone for the performance management system by means of clearly identifying what is expected of their staff and more importantly how they are expected to deliver those requirements. It is these messages which drive the business in the desired direction and helps it to achieve its
ultimate aim – sustained competitive success. The People Process Framework (Gratton 1996) is a complex, prescriptive model designed to deliver short term business objectives whilst preparing for future success. This model clearly identifies which processes are required in order to guarantee success in the long and short term and identifies the clear link between people processes and the overall business strategy. Literature also highlights the growing importance of the line manager with more and more companies devolving HR responsibility to the line. The success or failure of a PMS is increasingly in the hands of the line manager and the way in which they interpret or implement the processes involved in people management.

Performance measurement helps organizations to identify gaps and to take corrective actions as important ingredients for an organization to excel in today's competitive environment. In order to evaluate performance properly, developing and implementing a workable system that suits the requirements of a job is vital to prove that they are within the bounds of the expected results.

Performance Management is the total system of managing the attainment of organizational goals and objectives through the assignment of duties and tasks to employees, appraising performance and institutionalizing a performance based reward system. Its concept proposes that the organization can improve the service delivery by:

- Focusing on goals, objectives and targets,
- Mobilizing employees' capacity and potential,
- Ensuring high quality standards,
- Assigning accountability for achieving objectives,
- Ensuring continuous employee training and development,
6.3 Origin of Performance Management

According to the Holy Bible evaluation of performance started on the sixth day after the world was created; “And God saw everything that He had made, and behold, it was very good”. (Genesis 1: 31). This shows that the Creator had set goals for each day and evaluated his performance after setting all resources in order as planned. Armstrong and Baron (2002) have discussed that, no one knows precisely when formal methods of reviewing performance were first introduced. Contrary to this, Koontz (1971), as cited by Armstrong and Baron (2002), tries to trace its origin from the emperors of the Wei Dynasty (AD 221 – 265) in China. The emperors had an ‘Imperial Rater’ whose task was to evaluate the performance of the official family. Centuries later, Ignatius Loyola (1491 – 1556) established a system for formal rating of the members of the Society of Jesus (the Jesuits).

Armstrong and Baron (2002), and Pollitt and Bouckaert (2004), pointed out that, formal administrative system that would perform well against efficiency criteria, however evolved out of the work of F.W. Taylor and his followers. In the early fifties attention
began to be devoted to appraise performance of technical, professional and managerial personnel. Since then, as a result of experiments and a great deal of study, the philosophy of performance appraisal has undergone tremendous changes that include the terminology used. Merit Rating in the 1950s and 1960s Management by Objective and Behaviorally Anchored Rating Scale in the 1960s and 1970s, Result-Oriented Performance Appraisal in the 1970s, and Performance Management as a recognized process from mid 1980s onwards which is the dominant practice of the day (Armstrong and Baron, 2002). Regarding the purpose and process, the history of performance management goes that from trait oriented to developmental one. In this regard, one can also easily summarize the performance management historical path as follows.

* Trait-based Performance Appraisal System;
* Behavioral – based Performance Appraisal System;
* Result – Oriented Performance Appraisal System, and
* Performance Management

The evolution of the concept of performance management as a new Human Resource Management model reflects a change of emphasis in organizations away from command and-control towards a facilitation model of leadership. This change has been accompanied by recognition of the importance to the employee and the institution of relating work performance to the strategic or long-term and overarching mission of the organization as a whole. Employees’ goals and objectives are derived from their departments, which in turn support the mission and goals of the organization.

Performance Management Systems (PMS) are complex; comprising diverse processes which seek to encourage the discretionary effort that enhances both individual and organizational performance. Performance Management is the essence of managing, and the primary “vehicle” for getting the desired results through employees at all levels in the organization. The performance management process provides an opportunity for the employee and performance manager to discuss development goals and jointly create a plan for achieving those goals. Development plans should contribute to organizational goals and the professional growth of the employee. In the absence of such a system, staff members are unclear as to the employer’s expectations regarding performance objectives and standards/targets, leading to low productivity, costly mistakes, stress, de-motivation,
and conflict. Sound Performance Management Systems subscribe to the crucial Principle: “What gets measured gets done”. The days of having a “one-set-of-measures-fits-all”. Performance Management System is inherently flawed and long gone. Performance objectives and measures need to be specific to job categories and individual roles.

Performance management is the systematic process by which the organization involves its employees, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of organizational mission and goals. Performance management is a holistic process bringing together many activities which collectively contribute to the effective management of individuals and teams in order to achieve high levels of organizational performance. Performance management is strategic, in that it is about broader issues and long term goals and integrated as it links various aspects of the business, people management, individuals and teams. To strengthen both, individual effectiveness and organizational effectiveness, it is essential that individuals are suitably empowered; however authority and accountability should be commensurate with each other. Such checks and balances would improve the effectiveness of the performance management system.

Usually performance appraisal is understood as performance management, (Enos, 2000) but it is only one aspect of performance management. Performance management is broader than appraisal and takes it as one component (Armstrong and Baron, 2002). By 1990 performance management had entered the vocabulary of Human Resource Management in the UK as well as in the USA.

Fowler (1990) as cited by Armstrong and Baron (2002) defines what has become the accepted concept of performance management:

*Management has always been about getting things done and good managers are concerned to get the right things done well. That, in essence, is performance management – the organization of work to achieve the best possible results. From this simple viewpoint, performance management is not a system or technique; it is the totality of the day-to-day activities of all managers.*

Performance management methods can be classified into two major categories: traditional (straight ranking method, man-to-man comparison methods, grading, graphic rating scales, forced choice distribution, check list, critical incidents, group appraisal,
field review method etc.,). This method concentrates mostly on the behavioural aspect of employees; necessary attention is not given to results. On the other hand the modern method (assessment centers, appraisal by result, or management by objective, human asset accounting method) is concerned with the results rather than the behaviour aspects.

Morrisey, on the other hand, classified performance management systems into a continuum between two theoretical extremes. At one end of the continuum is Management by Activity or Reaction (MAR). In this approach, planning is accomplished immediately prior to or in concert with action, and there are frequent changes in plan due to either lack of time in which to consider alternatives or lack of a predetermined objective. Effectiveness is measured by the flurry of activity that goes on and the effort that is put forth rather than by the results produced. At the other end of the continuum is Management by Objectives and Results (MOR). Here management defines in advance the results to be achieved and the action plans required for the achievement of these results. The MAR extreme might be equated with “fire fighting,” whereas MOR is analogous to “fire prevention.” (Morrisey, 1977)

According to Schouten and Beers, MOR as a management style aims to achieve maximum result based on clear and measurable agreements made upfront. MOR is primarily a management style based on the thought that people will work with more enthusiasm and fun if they clearly know what is expected of them, are involved in establishing these expectations, are allowed to determine themselves how they are going to meet these expectations, and obtain feedback about their performance (http://www.Valuebasedmanagement.net/methods_result_oriented_management.html).

However, as explained by Armstrong and Baron (2002) MBO has its own shortfalls among which the major ones are:

• Its failure to recognize individual needs and personal objectives,

• Its emphasis on quantity rather than quality,

• Its tendency towards top down approach,

• Its expectations more from managers leaving the rest of the staff.

To right the wrongs, in Drucker’s management by objective and results, performance management (PM) developed through practical challenges and experiences on the job
with guidance and feedback was first recorded in 1976 by Beer and Ruh (cited in Armstrong and Baron 2002).

6.4 Definitions of Performance Management

Many authors, in the field of Performance Management, define performance management in different ways. To see and understand performance management from different perspectives some of the definitions are presented.

Fletcher defines performance management as an approach to creating a shared vision of the purpose and aims of the organization, helping each employee understand and recognize their part in contributing to them, and in so doing, manage and enhance the performance of both individuals and the organization (1993).

This definition emphasizes that the enhancement of organization and individual performance will be realized if there is a common understanding between the organization and employees regarding what is expected of them.

Another definition is by Armstrong and Baron (2002), as:

Strategic and integrated approach to deliver sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors.

This definition gives performance management a strategic view and development of team and individual capabilities to improve performance.

Performance management is also viewed as "a means of getting better results from the organization, teams and individuals within agreed framework of planned goals, objectives and standards" (Armstrong and Murlis (1994). This view emphasizes that there has to be organization, team and individual agreement on goals. Lockett’s (1992) definition gives much attention to the developmental aspect of performance management, specifically individual development as, “The essence of performance management is the development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organization that supports and encourages their achievement”

The US Office of Personnel Management (2001) defines employees' performance management as: "A systematic process of planning work and setting expectations,
continually monitoring performance, developing the capacity to perform in a summary fashion and rewarding good performance”.

Performance Management is also viewed as:

Performance Management is not a mere routine activity, but a dynamic, momentum-geared, troubleshooting, and impact-oriented process. In essence, therefore, PM has to do with focusing the attention of an organization and its constituent parts on the attainment of specified objectives (corporate strategy) and on the application of constantly changing processes, techniques and technologies.

According to the American Compensation Association (1996) Performance Management is “a process for establishing shared understanding about what is to be achieved, and an approach to managing and developing people in a way which increases the probability that it will be achieved in the short and long term. It is owned and driven by line management.”

Performance Management is also defined as:

Performance Management systematic approach to performance improvement through an on-going process of establishing strategic performance objectives, measuring performance, reporting performance data and using the data to derive performance improvement’ (The Performance Based Management special Interest Group)

The above definitions do have differences i.e., as an approach focus on creating shared vision among staff, as a process, calls on management to involve all staff in the development of the program, as a dynamic process it demands the management to focus on goals and be proactive to manage the changing situations. Further it is also defined as a process focus on culture, an approach focus on managerial functions. All these do have their impact on the design and implementation of the system, which may be influenced by time, experiences, cultural contents of their environment, and the level of development of the targeted subject in their researches. What matters is that performance management is a developmental system, which improves mostly through practice.

Despite the differences between the definitions given to performance management, the main focus related to it is;

• It is a systematic approach
• Strategic and integrated approach with goals and objectives,
• Involves the organization, team and individual with aligned objectives,
• Development of organizational, team and individual competencies
• Needs the involvement of the management and
• It is a means to reward good performance.

6.5 Principles of Performance Management
Principles are beliefs that govern the development and implementation of any system in an organization. In any situation principles are taking into account the specific situation and background of the organization. With this in mind the principles of PM have their roots depending on the time, and context of development. Whenever organizations want to set or adapt these principles they have to take into account the specific environment and situation and try to adapt them to their context. Generally the two theories about PM are goal setting and expectancy theories (Clark, 1998). The objective setting theory emphasis on assigning tasks to employees specific, demanding but attainable to achieve greater performance. On the other hand expectancy theory states that satisfying important goals causes individuals to adjust their behavior leading/helping them to achieve the set goals. Thus the two theories could be taken as the basis of Performance Management.

Through time and case study researches and management professionals have developed certain guiding principles for PMS. Fletcher and Williams (1992) as cited by Armstrong (1996) came to the conclusion that ‘the real concept of performance management is associated with an approach to creating a shared vision of the purpose and aims of the organization, helping individual employees understand and recognize their part in contributing to them, and in so doing manage and enhance the performance of both individuals and the organization.’
Thus, four underlying principles of effective performance management suggested are:

- Performance Management should be owned and driven by line management,
- Performance Management should emphasis on shared corporate goals and values;
- Performance Management has to be developed specifically and individually for the particular organization and ;
- Performance Management should be applied to all staff, not just part of the managerial group.

### 6.6 Purposes of Performance Management

The purpose of Performance Management differs from organization to organization depending on the objective to be achieved. However, most authors do agree that it can serve two main purposes in an organization, i.e., developmental and administrative. The developmental purpose includes identifying readiness of the employee to undertake the
job, career planning, training, discussion and clarification (facilitate two-way communication), identifying needs in management changes (style, system, strategy, structural etc.) motivational and goal directing activities. On the other hand the administrative purpose includes pay based on performance, for promotion decisions, motivating employees, making transfer decisions, making layoff or termination decisions etc (Milkovich and Boudreau, 1991).

Armstrong and Baron (2002) explained the main aims of performance management include achieve sustainable improvements in organizational performance, act as a leverage for change in developing a more performance oriented culture, increase the motivation and commitment of employees, enable individuals to develop their abilities, enhance the development of team work and better performance, develop constructive, contentious and open relationships between individuals and their managers, and provide opportunities for employees to express their aspirations and expectations about their work.

They have explained that the benefits of performance management can also be viewed from:

1. **Organizational** i.e. align corporate, individual and team objectives; improve performance, motivate employees, increase commitment underpin core values, improve training and development processes, help to develop a learning organization, provide the basis for career planning, help to retain skilled employees, support total quality and customer service initiatives and support culture change programs etc.

2. **Managerial** i.e. provide the basis for clarifying performance and behavior expectations, afford a framework for reviewing performance and competence levels, improve team and individual performance, support leadership, motivating and team building process, provide the basis for helping under performers etc.

3. **Individual employee** i.e., greater clarity of roles and objectives, encouragement and support to perform well, opportunities to contribute to the formulation of objectives and plans and to improvements in the way work is managed and carried out, an objective and fair basis for assessing performance.

- Reinforce through recognition(Financial and non-financial, Praise, additional responsibility)
Armstrong and Baron (2002) referred to the results of the survey conducted by IRS in organizations indicate the reasons why institutions are introducing Performance Management System vary from organization to organization based on the purpose to serve. The reasons could be summarized as follows:

- To bring about cultural change,
- To link pay to performance,
- To improve customer satisfaction through providing quality service,
- To improve performance and identify training needs,
• Feedback from supervisors to staff,
• To devolve control to line managers;
• To improve competence, efficiency, reduce costs and embrace government initiative,
• Achieve better performance and increase effectiveness in meeting organization’s objectives.

L. Cardy (2004) uses two approaches to define performance: behavioral approach which describes job performance in terms of behaviors that the worker ought and ought not do; and outcome approach defines it in terms of outcomes attained for example amount of sales, number of new clients etc. Measuring performance is cardinal to performance management. If there is no measurement there will be no improvement, because defining objectives or performance standards without understanding and agreement on how performance is achieving these objectives serves no purpose. It is performance measure that shows whether or not the expected result has been achieved by the jobholder. It is a chain that generates feedback to both managers and individuals to monitor and evaluate own accomplishments.

Armstrong (1996) considers the following as guidelines to define performance measures:

• Measures should be related to results not efforts;
• The results must be within the job holder’s control;
• Measures should be objective and observable;
• Data must be available for measurement; and
• Existing measures should be used or adapted wherever possible.

Usually performance measure tells quantitatively about products/services, and the processes that produce them. Performance measures as tools help one to know, how well one is performing; If one is meeting the set goals (output, outcome, impact);If customers are satisfied; If processes do have adequate data for evaluation; and shows if and where improvements are necessary to make rational decisions (A Handbook of Techniques and Tools 1995).
6.7 Purpose of Measuring Performance
According to Armstrong and Baron (2002), the basic concept of performance measurement involves planning and meeting goals; detecting deviations from planned levels of performance and resorting performance to the planned levels or achieving new levels of performance. Important benefits of measuring performance as pointed out in the Handbook of Techniques and Tools on How to Measure Performance (1995) are identifying whether customer requirements are being met; understanding the processes, ensuring that decisions are based on facts but not on emotions, showing where improvements are needed and improvements actually happened, revealing problems of bias, and identifying whether suppliers are meeting requirements of the job. Therefore, successful performance measurement systems adhere to the principles of measure only what is important; focus on customer needs; and involve employees.

6.8 Critical elements of good Performance Measurement
1. Leadership and Commitment.
2. Full Employee Involvement.
3. Good Planning.
5. Measurement & Evaluation
6. Control & Improvement.

6.9 Four elements of the Performance Measurement Framework
- Level 1: Strategy Development and Goal deployment (CSFs-Critical Success Factors) with KPIs (Key Performance Indicators) and targets.
6.10 Basic Factors for Successful Implementation of the Performance Management System Change Management

According to Rao et al (1996) the only constant business in life is change that could be large or small, rapid or slow, planned or unplanned, controlled or not controlled from implementation of a new system. Change in an organization can be introduced by internal forces like new strategy, new technology, employee attitude and behaviors, whereas, external forces like technological environment, the economic environment, the political and legal environment, social conditions, and competitive environment.

6.11 Alignment of Strategic plan (SP) with all other Management Systems

The strategic plan is a statement of overall aims and objectives and the business plan is the map of how to get there, how to achieve those aims and objectives. A performance management system links the organization and individual by developing a purposeful result oriented direction, which sets organizational objectives and individual objectives (Johnson and Scholes, 1997).

According to Thompson and Strickland (1995) strategic implementation involves converting the Strategic plan into actions and good results. Successful strategy implementation is whether actual performance matches the targets cited in the Strategic plan. A shortfall in performance is signal of weak strategy, weak implementation or both.

Implementing the strategy requires to know what organizational conditions are needed i.e., managers have to create conducive work conditions and environment to facilitate performance and make the Strategic plan practical. The process involves creating linkage between strategy and organization's skills, competencies, policy, internal support systems, the reward structure and organizational culture. Thus, the tighter the linkage, the more powerful strategy execution and more likely targeted performance can be achieved. Moreover, implementing a strategy is a job for the whole management team and all employees are participants (Thompson and Strickland, 1995).

Dessler (1998) pointed out that implementation of strategic plan requires several things. Among them strategic 'fit' between the strategy and the organizational functional activities (horizontal integration), leveraging the firms core competencies and the top management commitment are required to implement the plan as the basic factors. Dessler says the quality of leadership will ultimately determine whether the strategy succeeds or fail.
Furthermore, implementation of strategy demands matching the organization's structure to strategy that involves reengineering work process to reduce fragmentation and bottlenecks across work units, the creation of process teams, cross functional work groups, use of computers to facilitate fast access to information (Thompson and Stickland, 1995). Establishing policies and procedures, installing support systems that enable staff to carry out their strategic roles successfully, tying rewards and incentives to the achievement of performance objectives, creating a strategy-supportive work environment and organizational culture and commitment of leadership to drive the implementation forward are critical factors.

Many organizations have looked to improve performance by linking it to pay; performance related pay (PRP) can take many different forms (Williams 2002) and the type of reward and how it is linked to performance management varies by organization (IDS 2003). There are many differing views on the effectiveness of PRP (Williams 2002) and whether or not it contributes to improved performance. It has been argued that PRP is a process of control, rather than contributing to real development (Hendry et al 2000). Reward is not just about pay, many organizations are recognizing that non-financial rewards are as powerful and motivating as money (Armstrong 2002). Non-financial rewards can include awards (employee of the month for instance), advanced career opportunities, autonomy, flexibility of working hours, as well as training and development opportunities (Williams 2002). Total reward systems incorporate both financial and non-financial rewards and can be instrumental in encouraging job satisfaction and commitment to the business (Armstrong and Baron 2005).

It is important however, to establish what type of reward will be valued by the employees, not to implement a system based on senior management experiences of what they themselves value (Hendry et al 2000), as well as recognizing that: “different people are motivated by different things” (Torrington et al 2005).

6.12 Organizational Culture and Leadership
Fundamentally, performance management systems are manifestations of and powerful mechanisms for supporting the organization’s work culture. Therefore, any discussion of performance management system would be incomplete before exploring the meaning/context of culture and its impacts on performance management system enabling
one to suggest the type of culture that supports identification and development of an appropriate culture to an organization.

Culture management will involve influencing behavior, attitudes and beliefs through process (Blunt and Jones, 1992). And changing attitude is up to individuals as long as they accept that their attitude needs to be changed. The challenge for managers is that people will not change their attitudes simply because they are told to do so. They can only be helped through counseling approach to understand that certain changes to their behavior could be beneficial not only to the organization but also to themselves (Armstrong 1996).

Schein (cited in Kreitner and Kinicki, 1992) defines culture as: A pattern of basic assumptions - invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration – that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems. He further expounds culture as social glue that binds members of an organization together through shared values, symbolic devices, and social ideals. Hofstede (1991) on the other hand points out four terms related to culture – symbols, heroes, rituals, and values- as manifestations for culture.

Armstrong and Baron (2002) say that when culture matches – as there is no one best way- would contribute much for high performance, quality, involvement, openness, ease of communication and mutual trust that will serve as leverage for change if management is ready to subscribe and act.

Wade and Ricardo (2001) affirm that business strategy must drive culture, because culture which is earned through learning, forms a firm’s behavioral boundary that could affect the degree of strategy implementation that calls for properly identifying the cultural characteristics and staff behavior that would facilitate the achievement of the strategy. But the culture of the organization could equally help to shape its strategy. For example a company with an open, enterprising and flexible culture is more likely to adopt this approach while developing its business strategies.

Regarding leadership and performance, several studies support that effective change in an organization’s culture comes from able, strong and committed leaders. The PMS needs to
be driven by the strategy and senior management of an organization without which the system will be ineffective. In this way senior management must do more than simply articulate the need for effective performance appraisal, they must be role models of effective performance management behavior which is the critical element in their providing leadership with respect to the performance management system.

Managers as individuals do have their own culture. But as they climb the ladder they are obliged to think organization wide and sacrifice the culture they learned in favor of the organization. Then it is here that they will be required to have managerial style that fits the requirement of the organization. In addition, managers use strong culture to tight employee through a set of managerially sanctioned values. They set the direction and establish a culture, which helps them to maintain it. (Legg, 1989, cited in Armstrong 1996)

From the above discussions it can be concluded that managers should understand the culture of the organization, identify the required culture that support the new system and be committed to play significant role by practicing the required behavior themselves, develop it in their staff and install or reinforce the value system of the organization.

6.13 Linkage of Performance drivers to Performance appraisal

Performance appraisal is one component of the Performance management cycle and is the process of assessing an employee’s performance in the current position. Thus ‘Appraisal’ is an annual affair while performance ‘management’ is a year round activity. Appraisal focuses on ratings while ‘management’ focuses on the work, the stakeholders, service levels, productivity, motivation effort and all such performance related variables.

High performance or High Performance Work System (HPWS) has four manifestations of HR capital:

(i) The Personnel Perspective
(ii) The Compensation Perspective
(iii) The Alignment Perspective and
(iv) The HPWS (High Performance) Perspective

6.14 Reaching Peak of Performance

Psychologists Robert Yerker and J.D. Dodson show that performance improves as levels of mental and physiological arousal increase. People can reach the zone of peak performance when they experience excitement. In other words, when levels of arousal are
too low or when levels of arousal are too high, performance suffers. Teamwork is the key to High Performance. The five keys of Peak Performance Teams (Tracy, 2002) are:

- Shared goals
- Shared values
- Shared plans
- Leadership of action
- Continuous evaluation of results

6.15 Objectives and Aspects of Performance Management System (PMS)

The main objective of performance management is continuous improvements in performance with a view to attaining organizational goals. The performance improvements need to be seen in terms of achievement of the objectives and goals of the organization. The PMS process has two clear objectives:

a. The Evaluation Objective

- Evaluating & assessing the readiness of an individual to accept higher responsibilities

Fig. 6.4: Arousal levels
• To appraise the individuals of their current competency level and need to improve by giving them feedback
• To link it with compensation, rewards and career development.

b. The Development Objective
• Counseling & coaching of the subordinates to improve their performance & upgrade their competencies
• To motivate subordinates through recognition and support
• To build rapport between superior and subordinate
• To diagnose individual & organizational competencies, so that actions can be taken on problem areas
• To define the training requirements based on individual competencies.

6.16 360 Degree Evaluation
During the past few decades, the 360 degree feedback, also known as “multi-source feedback” has gained momentum in performance management literature. Its application today transcends national boundaries. 360 degree feedback augments the traditional practice of self-supervising performance appraisal by getting feedbacks from multipurpose sources which include:

• Self
• Superiors
• Peers
• Subordinates
• Internal Customers
• External Customers
• Others

6.17 The Hawthorne studies – Dynamic motivational approach
• ‘The consumer of knowledge can never know what dicey thing knowledge is until he has tried to produce it’. F.J. Roethlisberger, investigator at Hawthorne.
• The monopoly supplier of telephone equipment to AT&T was the Western Electric Company, and its main factory in the Chicago suburb of Hawthorne
offered employment to some 35,000 people, Western Electric was a paternalistic
organization that enjoyed the status of a public utility, forbade union membership,
and yet led the way with pension schemes, social and sporting facilities for its
workers. Their electrical suppliers claimed in the early 1920s that better lighting
improved productivity, thus prompting the famous illumination experiments.
These experiments were supervised by two company officials, Clarence Stoll and
George Pennock, and it was they who dreamed up the next experiment, on the
back of which so many academics were to rise to fame.

- The study was carried out in the relay assembly Test Room. A relay was a
  switching device activated in the telephone exchange as each number was dialed.
  Six experienced workers were moved into the area constructed for the
  illumination experiments in April 1927: five to work on assembly and the sixth to
  keep them supplied with parts. The young women worked in a row and each
  completed relay was dropped into a chute and automatically recorded by a hole
  punched in a tape. The supervisor sat at a desk directly opposite with his assistants
  in a row beside him; in further emphasis of the social divide, the clerical and
  administrative staff entered and left the room by a different door.

- There is a familiar anecdote that relates, with variations, that experiments with
  improved factory lighting increased the productivity of workers. The outcome
  seemed clear until someone turned the lighting down to below baseline,
  whereupon output increased still further. The moral of this tale, referred to as the
  Hawthorne effect, is that people change their behaviour when they think you are
  watching it. The story relates to the first of many experiments performed at the
  Hawthorne works of the Western Electric Company in Chicago from November
  1924 onwards. The original aim was to test claims that brighter lighting increased
  productivity, but uncontrolled studies proved uninterpretable. The workers were
  therefore divided into matched control and test groups and, to the surprise of the
  investigators, productivity rose equally in both. In the next experiment, lighting
  was reduced progressively for the test group until, at 1.4 foot-candles; they
  protested that they could not see what they were doing. Until then the productivity
  of both groups had once again risen in parallel. Two volunteers went on to
demonstrate that a high output was possible at 0.06 foot-candles, equivalent to moonlight.

- The investigators next changed the light bulbs daily in the sight of the workers, telling them that the new bulbs were brighter. The women commented favourably on the change and increased their work-rate, even though the new bulbs were identical to those that had been removed. This and other manoeuvres showed beyond doubt that productivity related to what the subjects believed, and not to objective changes in their circumstances.

- Treat working people with respect, understand their thinking and group dynamics, reward them appropriately, and they will work better for you. Everyone can be a winner. In the view of one investigator, the invitation to the women’s ‘to work like we feel’ had ‘the emotional force of a Magna Charta or of a Declaration of Independence, and unwittingly it inaugurated a revolution in employee and supervisory attitudes’. George Pennock addressed the Personnel Research Federation in New York in this vein on 15 November 1929. Describing the Test Room, he claimed that ‘a relationship of confidence and friendliness has been established with these women’s to such an extent that practically no supervision is required. In the absence of any drive or urge whatsoever they can be depended upon to do their best. They say they have no sensation of working faster now than under the previous conditions ... they have a feeling that their increased production is in some way related to the distinctly freer, happier, and more pleasant working environment’. Thus, AT&T had more than 15 million telephones in operation in 1929, and became the first company ever to gross $1 billion.

6.18 Organizational Benefits of Performance Management System (PMS)

The PMS process helps organizations to:

- Serve as the primary vehicle for implementing organizational goals and strategies (cascaded from top to bottom throughout the organization).

- Align and integrate the objectives and Key Performance Indicators (KPI’s) of the organization vertically and horizontally through all job categories and levels, including management. In this way the entire system works together in pointing
towards the critical bottom line MEASURES, with bottom line RESULTS following as a matter of course (“What gets measured gets done”).

- Facilitate continuous performance improvement, organization development and culture change.
- Achieve quality, efficiency and effectiveness, i.e. to meet the citizens’ needs as precisely, quickly and economically as possible.
- Ensure clarity regarding work expectations and performance standards, reducing job holder anxiety/stress, resource wastage and conflict.
- Continually enhance employee competence through identification of output-related training and development needs and strategies.
- Reduce Line Manager reluctance and fear to do Performance Appraisals with their staff.
- Facilitate performance-based remuneration and rewards, so that employees can see and experience a clear link between their performance and the rewards they receive.

Thus the pre-requisites for implementing an Effective Performance Management System

- Strong commitment from top management.
- High level of participation of all concerned.
- Clear definitions of what constitutes performance in a given role. This emanates from the objectives of the department and the organization. This should also reflect the linkages of role with others.
- Identification of performance parameters and definition of Key Performance Indicators (KPIs). What comprises the performance has to be communicated to the individual, so that he/she has an idea about what the superior’s expectations are.
- Consistency of application.
- Adequate organizational training to be provided to the individual to achieve superior performance.
Strong commitment to regular recognition of good performance.

Rewards and recognition should be built into the system and need not be linked with appraisals alone.

6.19 Holistic Engagement Score (HES)
Engagement is about creating an inclusive and high energy environment, where all employees are aligned to contribute to Business success. An engaged workforce delivers a competitive advantage to the Business. Engagement is the state of emotional and intellectual commitment to an organization. Only the jobs that engage the hands, mind, heart and spirit of an employee are truly holistically engaging and thus inherently motivating the employees.

Holistic Engagement Score (HES) - 1 to 10 score.

Methodology: In table I the components and related factors for evaluation of HES is described:

Table 6.1: Details of Components and Related Factors

<table>
<thead>
<tr>
<th>Components</th>
<th>Related Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hands:- The job requires significant manual dexterity.</td>
<td>10 Factors</td>
</tr>
<tr>
<td>Mind: - The job’s cognitively challenging.</td>
<td>40 Factors</td>
</tr>
<tr>
<td>Heart: - The job incites passionate individual efforts</td>
<td>20 Factors</td>
</tr>
<tr>
<td>Spirit: - The job is clearly connected to a higher organizational or social factor</td>
<td>30 Factors</td>
</tr>
</tbody>
</table>

Formula for calculating Holistic Engagement Score (HES):
HES = (Hand score*.1) + (Mind Score*.4) + (Heart*.2) + (Spirit Score*.3)

6.20 The Manhattan Project
The Manhattan Project resulted in the successful development of the world’s first atomic bomb in an amazingly short period of time, especially considering the technical complexity of the task at that time. The project teams were quite remarkable and reflective of outstanding organizational leadership and organizational design. Motivation and productivity among the “civilian” mathematician team rose to their highest levels and the team played a critical role in bringing the project to a successful conclusion.
Fig. 6.5: A Model for Assessing and Designing Job Performance

**HES Calculation Before**

\[ \text{HES} = (8 \times 1) + (10 \times 4) + (7 \times 2) + (4 \times 3) = 7.4 \]

**HES Calculation After**

\[ \text{HES} = (8 \times 1) + (10 \times 4) + (10 \times 2) + (10 \times 3) = 9.8 \]

**6.21 Concluding remarks**

Today, the global corporations can be visualized as a “logical thread of relationships between a multitude of moving parts”-ideas, information, knowledge, capital, and physical products”. Thus, it is dire essential that a dogged-determined dynamic leadership be practiced throughout the organization, which should emerge in business transformation. Leadership development as per Balanced Scorecard (BSC) has also been attempted to define. Working with ‘full-power-engagement’, designing a job, for ‘holistic engagements’ of the employee’s gives an upshot performance. In this connection, a ‘leadership scorecard’ further helps boosting the performance and productivity of the organization.