

Effective Performance Management: Its Impact on Management Strategy and Organisational Effectiveness

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Abstract

The contemporary trends in global competition, rapid technological development and the astronomical increase in the use of management information systems and the internet, developments in planning and control and management creative thinking, and rapid demographics are mounting pressures on developments, profits, and nonprofit organisations today. As a consequence, therefore, companies are having difficulties in achieving sustained performance; they are forced to look for new management approaches to develop a cutting-edge process to deal with existing trends and developments. The effectiveness of organisation's performance will determine the growth and development of better job performance. In spite of many studies carried out by scholars and practitioners in the area of performance management, much still need to be done about performance management and factors inhibiting its successes. This paper, however offers a balanced approach to the relevance of effective performance management in building and improving Nigeria's economy.

Keywords: Management, strategy, performance management, and organisational effectiveness.

Introduction

*"The purpose of an organisation is to enable
ordinary human beings to do extraordinary things"*

Peter F. Drucker

The increasingly intense global competition coupled with the corresponding search for sources of sustained competitive advantage in 21st century organisations, the interest in strategic performance management has risen-both among academics, researchers, and practitioners to an alarming situation in recent years. The world economies and organisations have shifted their interest and major focus to product quality and currently; global competitive prices and quality are for many companies around the world, simply baseline. The real competitive action these days focuses on customised products, service, speed and innovation, and customer's satisfaction. As capital and technology became available in almost everywhere, however, the search for sources of sustainable competitive advantage increasingly pointed towards a firm's internal strengths and opportunities. This focus on organisational capability has resulted in various organisational functions becoming more concerned with their roles in the strategic management process. Also, global competition emerged in a major way in the 1970s, intensified in the 1980s and has become 'a way of life' in the 1990s, and of course, the 21st century. And today, it has become our major ways of life.

Managing performance in this century, however, denotes taking systematic action to improve organisational, group, and individual performance. It enables performance expectations to be defined, and creates the basis for developing organisational and individual capability. The Oxford Dictionary defines performance as "The accomplishment, execution, carrying out, working out of anything ordered or undertaken," This refers to outputs/outcomes, but also indicates that performance is about doing the work as well as being about the results achieved.

Performance management is a strategic and integrated approach to ensuring lasting success in the work of organisations by improving the performance of the organisation, teams and individuals. Performance management should be understood as a continuous process, reflecting normal management practices, not "special techniques" imposed on managers. Its conceptual framework includes terms such as: "performance management", "performance", "and performing organisation". Performance management is a strategic and integrated process that delivers sustained success to organisations by improving the performance of the people who work in them and by developing the capabilities of individual contributors and teams. Performance management is strategic in the sense that it is concerned with the broader issues facing a business if that business is to function effectively in its environment, and with the general direction in which the business intends to go to achieve its longer-term goals. Performance management is integrated in two senses:

- vertical integration, linking or aligning business, team and individual objectives with core competences; and
- horizontal integration, linking different aspects of human resource management, especially organisational development, human resource development, and reward, so as to achieve a coherent approach to the management and development of people.

The major contribution of performance management is the focus on achieving results, for example, products or services for customers inside and outside the organisation. It is a welcome development over the years that organisations operate for the purpose of achieving pre-determined objectives, and the best way to actualise these objectives is to have well-defined strategic planning. And, in this paradigm, therefore, the focus in these result-oriented objectives is by shifting from effort and time to results and effectiveness.

According to Peter F. Drucker (1999), every organisation operates on a theory of the business, that is, a set of assumptions as to what its business is, what its objectives are, how it defines results, who its customers are, what the customers' value and pay for. Strategy, however, converts this theory of the business into performance. Its purpose is to enable an organisation to achieve its desired results in an unpredictable environment-for strategy allows an organisation to be purposefully opportunistic. Strategy is also the test of the theory of the business. Failure of the strategy to produce the expected results is usually the first major indication that the theory of the business needs to be thought through again. And, for this reason therefore, unexpected successes are often also the first indications that the theory of the business needs to be rethought. Indeed, what is an "opportunity" can only

be decided if there is a strategy, otherwise, there is no way to tell what genuinely advances the organisation toward its desired results, and what is diversion and splintering of resources.

Organisational performance has taken a new dimension in the chain of management, and management development in recent years. The success of a clear direction, good strategy and implementation of organisational action plan, however, is now generally recognised. According to Scott Lennon (1995), performance management has developed from a very operational focus to a more strategically oriented concept, that is, where it plays an integral role in the formulation and implementation of strategy. Performance management represents a relatively new management concept with its roots traceable to Anglo-Saxon management. It was not until the 1980s that it truly emerged as a stand-alone concept. In simple terms, performance management is a process that enables employees to perform their roles to the best of their abilities with the aim of achieving or exceeding established targets and standards that are directly linked with the organisation's objectives. Performance management is posited as a strategic management technique that supports the overall business goals of the firm through linking each individual's work goals to the overall mission of the firm (Costello, 1994; Sparrow and Hiltrop, 1994, Nwafor S. E, 2018). However, common to the performance management/appraisal process are the four following steps; First, desired job performance must be defined. Second, an individual's performance on the job must be observed. Is the person or team's performance excellent, superior, satisfactory, or unacceptable? Third, feedback is provided and specific challenging goals are set as to what the person or team should start doing, stop doing, or be doing differently. Fourth, a decision is made regarding retaining, rewarding, training, transferring, promoting, demoting, or terminating an individual.

It is this strategic impetus which differentiates it from performance appraisal-the periodic assessment by an immediate superior of how a subordinate has carried out agreed target of his job during the period under review. It seeks to align a number of processes (e.g. performance related to pay systems) with corporate objectives (McKenna and Beech, 2008). Theoretically, it involves a shared process between managers, individuals and teams where goals are agreed and jointly reviewed.

Strategic management, therefore, is the process whereby managers establishes an organisation's long-term directions, set specific performance objectives, develop strategies to achieve these objectives in the light of all the relevant internal and external variables (SWOT Matrix) and undertaken to execute the chosen action plans. Management, which is a multi-purpose organ that manages a business, and manages managers, and manages human resources and work, has incorporated the deployment and manipulation of human resources, financial resources, technological resources, and natural resources, etc. to motivate human resources and achieve its performances. According to McFarland, management is a process by which managers create, direct, maintain, and operates purposive organisation through systematic, coordinated, and cooperative human efforts. An important term in this definition is "Process", which emphasis the dynamic or ongoing

nature of management-an activity over varying span of time. The dynamic nature implies that change is reality of organisational life. In this paradigm, however, managing organisations, managers create changes and adapt organisation's activities to changes and implement changes successfully in their organisations. Businesses fail and become bankrupt because managers fail in their attempt to cope with the emerging global challenges.

Performance management defined

Performance management is all about performance, but what is meant by that word? It is important to clarify what it means, because if performance cannot be defined, it can't be measured or managed. According to Bates & Holton (1995) have pointed out that performance is a multi-dimensional construct, the measurement of which varies depending on a variety of factors. They also state that it is important to determine whether the measurement objective is to assess performance outcomes or behaviour. There are different views on what performance is. It can be regarded as simply the record of outcomes achieved. On an individual basis, it is a record of a person's accomplishments. In otherwise, and as noted by Kane (1996), performance is something that the person leaves behind and that exists apart from the purpose. Bernadin *et al* (1995) are concerned that performance should be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of the organisation, customer satisfaction, and economic contributions. Performance management is a management process for setting organisational goals, monitoring initiatives implemented to achieve those goals, and administering strategic change initiatives if desired goals are not achieved. The objective of performance management is to ensure that an organisation and its systems---processes, departments, human resources, etc. are executing at an optimal level to achieve the desired outcomes. The data collected provides an indicator on how the organisation is performing in comparison to its goals and objectives. The resulting analysis gives insight to organisational leadership to make evidence-based decisions.

Performance management is a way of systematically managing people for innovation, goal focus, productivity and satisfaction. It is a goal congruent win- win strategy. Its main objective is to ensure success to all managers, that is, all task teams who believe in its process, its approach and implementation with sincerity and commitment. The first performance measurement tool was developed by Kaplan and Northon in the 1990's as the Balanced Scorecard, highlighting the relationship between professional performance and the organisation's strategy, each evaluation criterion is correlated with each element of the strategy.

Performance management is a strategic and integrated approach to ensuring lasting success in the work of organisations, by improving the performance of the organisation, teams and individuals. Performance management should be understood as a continuous process, reflecting normal management practices, not "special techniques" imposed on managers. Its conceptual framework includes terms such as: "performance management",

"performance", "performing organisation". The major contribution of performance management is the focus on achieving results, for example products and services for customers inside and outside the organisation. The focus is shifted from effort and time to results and effectiveness.

The manager's success is reflected in organisations' bottom line in terms of achieving its planned goals. It is an endless spiral, which links several processes such as performance planning, managing performance throughout the year, and taking stock of manager's performance and potential. Also, it includes recognising and rewarding success at the end of the year. Performance management links these processes in such a way that an individual manager's performance is always oriented towards achieving organisational goals. Performance management creates positive goal oriented task motivation and aims at reducing intra-organisational conflict. It is realised that organisations could not be successful if they do not have a good performance management system. Each manager needs to devise his/her own system of managing performance.

According to Michael Armstrong (2011), performance management is a means of getting better results from the organisations, teams and individuals by understanding and managing performance within the agreed framework of planned goals and competency requirements." It is a process for establishing shared understanding about what is to be achieved and an approach to managing and developing people. Performance management is a strategic and integrated approach in delivering sustained success to organisations by improving performance of people by developing the capabilities of teams and individuals. Performance management is a strategic tool since it is concerned with achievement of long-term organisational goals and effective functioning of organisations in its external environment.

Performance management encompasses the processes of measuring results and evaluating staff. Modern approaches to performance management combine all the aspects mentioned in an integrated framework, unlike past approaches, which limited performance management to the stage of personnel management or to the collection and reporting of organisational performance indicators. The overall aim of performance management is to establish a high performance culture in which individuals and teams take responsibility for the continuous improvement of business processes and for their own skills and contributions within a framework provided by effective leadership. It is about aligning individual objectives to organisational objectives and ensuring that individuals uphold corporate core values. It provides for expectations to be defined and agreed in terms of role responsibilities and accountabilities, skills and behaviours. Performance management is a continuous process of identifying, measuring and developing performance in organisations by linking each individual's performance and objectives to the organisation's overall mission and goals. The above definition, according to Herman Aguinis (2005), calls for two main components;

- Continuous process: performance management is ongoing. It involves a never-ending process of setting goals and objectives, observing performance, and giving and receiving

ing ongoing coaching and feedback.

- Link to mission and goals: performance management requires that managers ensure that employees' activities and outputs are congruent with the organisation's goals and, consequently, help the organisation gain a competitive business advantage. Performance management therefore creates a direct link between employee performance and organisational goals, and makes the employees' contribution to the organisation explicit.

Note that many organisations have what is labeled a 'performance management' system. We can succinctly distinguish between performance management and performance appraisal. A system that involves employee evaluations once a year without an ongoing effort to provide feedback and coaching so that performance can be improved is not a true performance management system. Instead, this is only a performance appraisal system. Although performance appraisal (i.e., the systematic description of an employee's strengths and weaknesses) is an important component of performance management, it is just a part of the whole.

Strategy

Business strategy is a process through which organisations analyses and learns from their internal and external environments; establishing strategic direction, create strategies that are intended to move the organisation in that direction, and implement those strategies aimed at satisfying key stakeholders. A typical dictionary will define the word "strategy" as something that has to do with war and ways to win over enemies. In business organisational context, the term is not much different. Businesses have to respond to dynamic and often hostile external forces (SWOT) for pursuit of their mission. We may define the term 'strategy' however, as a long-range blueprint of an organisation's desired image, direction and destination of what it wants to be, what it wants to do, and where it wants to go.

The injection of the idea of strategy into business organisations, however, is intended to unravel complexity and to reduce uncertainty of the environment. Strategy seeks to relate the goals of the organisation to the means of achieving them. It is the game plan management is using to take market position, conduct its operations, attract and satisfy customers, compete successfully and achieve organisational objectives. Strategy is an informed action that managers take to attain one or more of the organisation's goals. It can also be described as "a general direction set for the company and its various components to achieve a desired state in the future.

Strategy results from the detailed strategic planning process. A strategy is about integrating organisational activities, utilising and allocating scarce resources within the organisational environment so as to meet objectives. While conducting a strategy, it is essential to consider that decisions are not taken in a vacuum and that any act taken by an organisation is likely to be met by a reaction from those affected-competitors, customers, employees and or suppliers. Having knowledge of the goals, the uncertainty of events and the need to take into consideration and the likely or actual behaviour of others is essential.

Strategy is the blueprint of decisions in an organisation that shows its objectives and goals, determines key policies, and plans for achieving these goals, and defining the business the organisation is to carry on, the type of economic and human organisation it wants to be, and the contribution(s) it plans to make to its shareholders, customers and society at large. The typical business organisation usually considers three types of strategy: corporate, business and functional. To this extent, therefore, the term strategy is associated with unified design and action for achieving major goals, gaining command over the situation with a long-range perspective and securing a critically advantageous position. Its implications for corporate functioning are obvious. The following quotations from Porter (1996) and Porter (2015) capture the gist of this most recent thinking:

- The goal of strategy is to achieve a superior long-term return on investment. Economic value is created when customers are willing to pay a price for a product or service that exceeds the cost of producing it.
- Competitive strategy is about being different.
- Strategy is the creation of a unique and valuable position, involving a different set of activities.... different from rivals.
- Strategy is making trade-offs in competing.
- Strategy defines how all the elements of what a company does fit together.
- Operational effectiveness and strategies are both essential to superior performance, which, after all, is the primary goal of any enterprise. But they work in different ways.
- Operational effectiveness means performing similar activities better than rivals perform them.
- Strategy involves continuity of direction."

Strategy is the direction and scope of an organisation over the long-term, which achieves advantage for the organisation through its configuration of resources within a challenging environment to meet the needs of markets and to fulfil stakeholder's expectations. Strategy is meant to fill in the need of organisations for a sense of dynamic direction, focus and cohesiveness. Objectives and goals alone do not fill in the need. Strategy provides an integrated framework for the top management to search for, evaluate and exploit beneficial opportunities, to perceive and meet potential threats and crises, to make full use of resources and strengths, to offset corporate weaknesses and to make major decisions in general. Top management operates in an environment of partial ignorance and uncertainty.

Strategies are formulated at the corporate, divisional and functional level. Corporate strategies are formulated by the top managers. They include the determination of the business lines, expansion and growth, vertical and horizontal integration, diversification, takeovers and mergers, new investment and divestment areas, R & D projects, and so on. But what can strategy be based on in a period of rapid change and total uncertainty, such as the world is facing at the turn of the 21st century? Are there any assumptions on which to base the strategies of an organisation and especially of a business? Are there any certainties?

Management defined

Management is a vital aspect of the economic life of man, which is an organised group activity. A central directing and controlling agency is indispensable for a business concern. The production resources-material, labour, capital, entrepreneurs are entrusted to the organising skills, administrative ability and enterprising initiative of the management. Thus, management provides leadership to a business enterprise. Without able managers and effective managerial leadership, the resources of production remain merely resources and never become production. Under competitive economy and ever-changing business environment, the quality and competencies of managers determine both the survival as well as success of any business organisation. Management, however, occupies such an important place in the modern world that the welfare of the people and the destiny of the country are very much influenced by it.

Management is the process of designing and maintaining an environment in which individual, working together in groups, efficiently accomplishes selected aims (Heinz Weihrich et al, 2011). It is the specific and distinguishing organ of any and all organisations. Management is the process of getting things done through the efforts of other people in order to achieve the predetermined objectives of organisations. It can also be defined as the process by which execution of given purpose put into operation and supervise. In a nutshell, management is the function of executive leadership anywhere.

The term 'management' can be used in two major contexts.

a) It is used with reference to a key group in an organisation in-charge of its affairs. In relation to an organisation, management is the chief organ entrusted with the task of making it a purposeful and productive entity, by undertaking the task of bringing together and integrating the disorganised resources of manpower, money, materials, and technology into a functioning whole. An organisation becomes a unified functioning system when management systematically mobilises and utilises the diverse resources. The survival and success of an organisation depend to a large extent on the competence and character of its management. Management has to also facilitate organisational change and adaptation.

b) The term is also used with reference to a set of interrelated functions and processes, to a field of study or discipline in social sciences and to a vocation or profession.

The functions and processes of management are wide-ranging but closely interrelated. They range all the way from design of the organisation, determination of the goals and activities, mobilisation and acquisition of resources, allocation of tasks and resources among the personnel and activity units. They also include adoption of certain techniques, tools and methods for carrying on activities, through articulation of skills and efforts of organisational personnel in a unified manner and installation of communication and control systems to ensure that what is planned is achieved. A wide range of definitions of management exist in the literature on management. Here we shall cite the definitions of a few theorists:

Peter Drucker: Management is a function, a discipline, a task to be done, and managers practice this discipline, carry out the functions and discharge these tasks. Dalton McFarland: Management is the process by which managers create, direct, maintain and operate purposive organisations through systematic, co-ordinate a co-operative human effort.

Management is an influence process to make things happen, to gain command over phenomena, to induce and direct events and people in a particular manner. Influence is backed by power, competence, knowledge and resources. Managers formulate their goals, values and strategies, to cope with, to adapt and to adjust themselves with the behaviour and changes of the environment.

Organisational effectiveness

Of a truth, organisations are characteristic of all complex societies-they are a means of bringing together human beings and physical resources in a coordinated and controlled ways in order to achieve particular objectives. It involves the creation of structures, norms and values to monitor and control the interaction between the various individuals and parts which makes up the whole.

Organisation is defined in this paradigm as a process or an element of management concerned with change or growth of the structure. Organisations are primarily complex goal-seeking units which in order to survive must maintain their internal system to coordinate the human resources employed in companies and in order to cope with 21st century's competitive business environment, adapt to, and shape the uncontrollable external environment. The performance of the organisation is expressed by its effectiveness and, in this sense; therefore, an effective company is a successful one.

Effectiveness, on the other hand is defined as the degree to which objectives are achieved and the extent to which targeted problems are solved. In contrast to efficiency, however, effectiveness is determined without reference to costs and, whereas efficiency means doing the thing right'. Effectiveness means doing the right thing'. Leadership effectiveness is the art of influencing people (employees) to follow in the achievement of a common goal by aligning their personal objectives with the company's objectives.

The relevance of performance management in organisational growth and sustained effectiveness

The major reason for organisation's existence in these global economies is to achieve, amongst others, the following;

- ability to delivering high-quality, and international standard goods and services;
- ability to act ethically with regard to their human resources and the general public;
- ability to reward their human resources equitably according to the organisation's HR policies and the employees contributions to the organisation;
- ensuring that the organisation has the capability required to guarantee continuing success.

In this same token, therefore, performance management is concerned primarily with performance improvement in order to achieve organisational, team and individual effectiveness. Organisations, as stated by Lawson (1995) have to get the right things done successfully.

Secondly, performance management is concerned with employee development. Performance improvement is not achievable unless there are effective processes of continuous development. This addresses the core capabilities of the organisation and the specific capabilities of individuals and teams. Performance management should really be called performance and development management.

Thirdly, performance management is concerned with satisfying the needs and expectations of an organisation stakeholder's entire owner, management, employees, customers, suppliers and the general public. In particular, employees are treated as partners in the enterprise whose interests are respected, who have a voice on matters that concern them, and whose opinions are sought and listened to. Performance management should respect the needs of individuals and teams as well as those of the organisation, recognising that they will not always coincide.

Finally, performance management is concerned with communication and involvement. It creates a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information on the organisations mission, values and objectives. This thus, establishes mutual understanding of what is to be achieved and a framework for managing and developing human resources to ensure that it will be achieved. Performance management can contribute to the development of a high-involvement organisation by getting teams and individuals to participate in defining their objectives and the means to achieve them.

The contributions of performance management

According to Herman Aquinis (2005), there are many advantages associated with the implementation of a performance management system. A performance management system can make the following important contributions:

- Motivation to perform is increased: receiving feedback about one's performance increases the motivation for future performances. Knowledge about how one is doing and recognition of one's past successes provide the fuel for future accomplishments.
- Self-esteem is increased: receiving feedback about one's performance fulfills a basic need to be appreciated and valued at workplace. This, in turn, is likely to increase employees' self-esteem.
- Managers gain insight about subordinates: direct supervisors and other managers in charge of the appraisal gain new in-sights into the person being appraised. The importance of knowing your employees is highlighted by the fact that the Management Standards Centre has recognised that developing productive relationships with colleagues is a key competency for managers (www.management-standards.com, Standard D1: develop productive working relationships with

colleagues). Gaining new insights into a person's performance and personality will help the manager build a relationship with that person. Also, supervisors gain a better understanding of each individual's contribution to the organisation, and this can be a useful instrument for direct supervisors as well as for supervisors once removed.

- The job definition and criteria are clarified: the job of the person being appraised may be clarified and defined more clearly. In other words, employees gain a better understanding of the behaviours and results required of their specific positions. Employees also gain a better understanding of what it takes to be a successful performer (i.e., which criteria define job success).
- Self-insight and development are enhanced: the participants in the system are likely to develop a better understanding of themselves and of the kind of development activities of value to them as they progress through the organisation. Participants in the system also gain a better understanding of their strengths and weaknesses, which can help them better define future career paths.
- Personnel actions are more fair and appropriate: performance management systems provide valid information about performance, which can be used for personnel actions such as merit increases, promotions and transfers, as well as terminations. In general, a performance management system helps ensure that rewards are distributed on a fair and credible basis. In turn, such decisions based on a sound performance management system lead to improved interpersonal relationships and enhanced supervisor-subordinate trust.
- Organisational goals are made clear: the goals of the unit and the organisation are made clear, and the employees understand the link between what he or she does and organisational success. This is a contribution to the communication of what the unit and the organisations are all about and how organisational goals cascade down to the unit and the individual employee.
- Employees become more competent: an obvious contribution is that the performance of employees is improved. In addition, there is a solid foundation for developing and improving employees by establishing developmental plans.
- There is better protection from lawsuits: legally, data collected through performance management systems can help document compliance with regulations (e.g., equal treatment of all employees regardless of sex or ethnic background). When performance management systems are not in place, arbitrary performance evaluations are more likely, resulting in an increased exposure to litigation.
- There is better and more-timely differentiation between good and poor performers: performance management systems allow for a quicker identification of good and poor performers. Also, they force supervisors to face up to and address performance problems on a timely basis (i.e., before the problem is too costly and cannot be remedied).
- Supervisor's views of performance are communicated more clearly: performance management systems allow managers to communicate to their subordinates their

judgement regarding performance. Thus, there is greater accountability in how managers discuss performance expectations and provide feedback. When managers possess these competencies, subordinates receive useful information about how their performance is seen by their supervisors.

- Organisational change is facilitated: performance management systems can be a useful tool to drive organisational change. For example, assume an organisation decides to change its culture to give top priority to product quality and customer service. Once this new organisational direction is established, performance management is used to align the organisational culture with the goals and objectives of the organisation to make change possible. Employees are provided with training in the necessary skills, and are also rewarded for improved performance so that they have both the knowledge and the motivation to improve product quality and customer service. This is precisely what IBM did in the 1980s when it wanted to switch focus to customer satisfaction: the performance evaluation of every member in the organisation was based to some extent on customer satisfaction ratings regardless of function (i.e., accounting, programming, manufacturing, etc.).

Summary and conclusion

Performance is simply regarded as the outcomes achieved.....a record of a person's accomplishments. It's something that the person leaves behind and that exists apart from the purpose. However, the world economies and organisations have shifted their interest and major focus to product quality and currently; global competitive prices and quality are for many companies around the world, simply baseline.

Performance management is a continuous process of identifying, measuring and developing performance in organisations by linking each individual's performance and objectives to the organisation's overall mission and goals. Performance management is critical to small and large organisations – for-profit and not-for-profit, domestic and global – and to all industries. After all, the performance of an organisation depends on the performance of its people, regardless of the organisation's size, purpose or other characteristics.

According to Armstrong, managing performance is about developing organisational capacity-----the capacity to of an organisation to perform effectively in order to achieve desired results. This factor, however, means achieving sustained competitive advantage and increased shareholder value in both the private, public, and equally non-profit making organisations. At the same time, therefore, the real competitive action these days focuses on customised products, service, speed and innovation, and customer's satisfaction. As capital and technology became available in almost everywhere, the search for sources of sustainable competitive advantage increasingly pointed towards a firm's internal strengths and opportunities. This focus on organisational capability has resulted in various organisational functions becoming more concerned with their roles in the strategic management process.

Performance management is a means of getting better results from a whole organisation, or teams and individuals within it by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. It is a process for establishing shared understanding about what *is* to be achieved, and an approach to managing and developing people in a way that increases the probability that it will be achieved in the short and longer term. It is owned and driven by line management. As defined by Philpott and Sheppard, the fundamental goal of performance management is to establish a culture in which individuals and groups take responsibility for the continuous improvement of business processes and for their own skills and contributions. Performance management systems that do not make explicit the employee contribution to the organisational goals are not true performance management systems. Making an explicit link however, between an employee's performance objectives and the organisational goals also serves the purpose of establishing a shared understanding about what is to be achieved and how it is to be achieved.

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