Introduction

A key issue in understanding and applying techniques of performance management is defining exactly what is meant by 'performance' and 'performance management'.
The report hereafter discusses and evaluates the competing definitions as they are understood in organizational and human resources practice.

Performance is a multi-level, multi-dimensional construct. It is important to understand what level of performance is considered important when an organization talks about performance management. At each level- organizational, work unit or individual; there are a combination of factors that influence performance: direct, indirect, individual and situational. Any human resource intervention designed to assist, enhance, encourage 'performance management' has to be effectively targeted at the right combination of factors (Study Guide 2004, 2-8).

Performance, a Definition

Contemporary organizations consider performance to fall into two major areas: performance at the individual level and performance at the organizational level (Williams 2002).

At the individual level there are differing views on what performance is. Some research regards it as simply the record of outcomes achieved (Bernadin 1995). Performance has also been defined as behaviour, that is, the way in which teams and individuals get work done (Campbell 1990). At the individual level performance can be thought of as either 'what' is achieved, that is as output and results, or as 'how' it is achieved, that is demonstrated behaviors, competencies, adherence to process (Study Guide 2004, 2-6).

Williams (2002, cited in Study Guide 2004, 2-7) starts with the proposition that individual performance is behavior, which is determined by factors of declarative knowledge, procedural knowledge and motivation. Declarative knowledge is the 'what' of performance; procedural knowledge is the 'how' to do' whereas motivation refers to the exercise of choice over whether or not to perform; what level of effort to expend; and, whether or not to maintain a consistent level of effort on the specified tasks over an extended period. The three factors above are direct determinants of performance. There are also indirect determinants which might be termed 'situational' factors, first are those inherent in the individual employee, the second are those inherent in the work context, which might be termed 'situational' factors (Study Guide 2004).

However, the most comprehensive view of performance is achieved if it is defined as embracing both behaviour and outcomes (Armstrong & Baron 1999).

Performance at the individual level cannot be seen as merely a function of 'ability' and 'motivation'. Issues such as individual differences, the context in which performance is expected, and the interactions between system and individuals should also be considered. Performance at the individual level is even more 'multi-dimensional' than performance at the organizational level (Study Guide 2004).

The concept of performance as embracing productivity or efficiency as well as effectiveness, adaptability and responsiveness. It is clear, then, that organizational performance is far from being a simple concept (Williams 2002, p. 68). Somehow, at the organizational level we are concerned with issues of efficiency, effectiveness and productivity.

To address the aforementioned multi-dimensions, we need meaningful performance measures. An increasingly popular approach to measure organizational performance has been through the use of the 'Balanced Scorecard' developed by Kaplan and Norton in 1996, which attempts to capture some of the contradictory nature of organizational performance (Williams 2002). It aims to measure performance in terms of four sets of indictors namely financial, customer, internal business process and learning and growth. The aforementioned four sets of indicators have each taking a different perspective. To succeed financially, how should we appear to our shareholders; to achieve our vision, how should we appear to our customers; to satisfy our shareholders and customers what internal business processes must we excel at and to achieve our vision, how will we sustain our ability to change and improve.

It is important to remember that when studying performance management, we must consider both inputs – the behavior aspects and outputs the results aspects. Hartle

(1995) calls this the 'mixed model' of performance management, reflecting the importance of both the 'how and what' of performance. This is when we consider that performance is about how things are done as well as what is done.

Efficiency is defined by Robbins, Bergman, Stagg & Coulter (2000, p. 8) as the relationship between inputs and outputs, the goal of which is to minimize resource costs whereas effectiveness is defined as the goal attainment. Efficiency is often as 'doing things right' – that is not wasting resources; effectiveness is often described as 'doing the right thing' – that is, those work activities that will help the organization reach its goals. Whereas efficiency is concerned with the means of getting things done, effectiveness is concerned with the ends.

Performance and its relationship to productivity are of a vital importance in understanding and applying techniques of performance management. Guzzo (1988, p. 63 cited in Williams 2002, p. 52) claims that productivity may mean different things to different people, Pritchard (1995, p. 448 cited in Williams 2002, p. 52) has recently noted the wide range of meanings attaching to the term productivity: the term has been used to refer to individuals, groups, organizational units entire organizations, industries, and nations. It has been used as a synonym for output, efficiency, motivation, individual performance, organizational effectiveness, production, profitability, cost/effectiveness, competitiveness, and work quality.

Productivity is the ratio of outputs to inputs, a ratio that reflects the efficiency with which resources are transformed into outputs (Guzzo 1988, cited in Williams 2002). And Williams 2002 refers productivity as a systems concept and that inputs are subject to some conversion processes which lead to the production of outputs; in seeking to measure productivity a basic question that is concerned is how well or how efficiently available inputs are converted into outputs.

In a general sense, by inputs, it is meant all the resources, employees, raw materials, energy, buildings, equipment etc, that are required to manufacture a product or deliver a service. Output is typically taken to mean what an organization produces. Output has traditionally been measured in quantitative terms, however, there is also a quality aspect of output (Williams 2002).

Viewing productivity as a system concept tells that inputs are converted into outputs via some transformation processes. Similarly, an organization, as a system, comprises many subsystems and it is these which are concerned directly or indirectly, with the transformation processes that convert inputs to outputs (Williams 2002, p. 57)

Performance Management, An Overview

Performance management is defined by De Cieri & Kramar (2002, p. 286) as the means through which managers ensure that employees' activities and outputs are congruent with the organization's goals. Performance management evolved out of a long history or managerial attempts to improve productivity, efficiency and effectiveness at all levels in an organization. Study Guide 2004 outlined that one of the difficulties with the concept performance management is that the term means different things to different people.

One main interpretation that has come to dominate in practice is that performance management is a system for managing organizational performance; a system for managing employee performance and a system for integrating the management of organizational and individual performance (Williams 2002, p. 10). Walter (1995, p.x) states that performance management is about directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organization. Armstrong 1994 defined performance management as a process designed to improve organizational, team and individual performance whereas Armstrong & Baron 1999 describes performance management as a strategic and integrated approach to deliver sustained success to organizations by improving the performance of the people who work in term and by developing the capabilities of teams and individual contributors.

Performance management is far more than its precursor 'performance appraisal', it goes beyond the annual appraisals, ratings and interviews to incorporate employees' goals, training, rewards and individual development. Thus, a performance management system focuses on an ongoing process of performance improvement, at the individual and organizational level, rather than emphasizing an annual performance review (DeSimone, Werner & Harris 2002, cited in Study Guide 2004, 1-3).

There is no one right way of managing performance. The approach will depend on the context of the organization. That is, its culture, structure, technology and the type of people involved. Thus, recognizing the importance of managing within the context of the business.

Organizational structure is defined as the degree of complexity, formalization and centralization crated to facilitate the coordination of activities and to control the actions of organizational members (Robbins, Waters-Marsh, Caccioppe & Millett 2001, cited in Study Guide 2004, 1-12).

Organizational culture is a more intangible aspect, based on the shared values, customs, rituals and norms of the organization. Culture, is long-lasting and can often take decades to change, it is very enigmatic and complex. Culture can assist performance management – they can also act as a major impediment. Conversely, performance management can be used as a tool to change culture (Study Guide 2004, 1-14).

Williams 2002 raised, from one point of view technology is part of performance management, one of the tools, that is, for managing performance. And, indeed, technology, especially information technology, has been in many cases a solution to a performance problem which has led to that business gaining competitive advantage.

The Role of a Performance Management within an Organization

From a human resource perspective it is very much a systemic process bringing together issues of: organizational performance; managerial effectiveness; individual performance; skill development; and reward management. These five aspects must be integrated through human resource personnel and managers working together with staff to achieve the organization's desired outcomes (Williams 2002).

The processes that are applied to reward and remunerate employee motivation are aligned with performance management. In the industrial era, performance and productivity came primarily from physical effort coupled with capital invested in technology. As enter the new era of information technology, the performance and productivity of employees comes not from physical effort but from within employees – their knowledge, insights information, skills, abilities, innovativeness and creativity (Smith 1998, p. 153 cited in Williams 2002, 1-16)

For managerial effectiveness, on the one hand, the manager would know about the policy, objectives, mission and goal of organization. On the other hand, the product or service delivered has to meet customer needs for achieving its goal, having good relationship and trust between the company and customer, thus, be more competitive in the marketplace. Research is needed to best fulfill customers' needs. A plan or strategy has to be implemented to improve the company and its stuff's performance to be more successful. Performance should in line with the company's business plan. Employees' performance should cope with the company's strategies and should also keep on improving.

The focus of training and development programs and approaches in organizations is to achieve long-lasting behavioral changes which increase productivity at the individual, group and organizational level. As such, training and development comes under the ambit of performance management. As with other performance related aspects of the organization and its human resources, training and development is concerned with the identification of training needs. Based on a comparison of expected with actual performance, training interventions are designed, implemented and assessed to ascertain whether performance has been improved as a consequence of the training. Two of the significant performance management processes which assist the training and development cycle are job analysis and performance assessment. Job analysis provides valuable information on the tasks, job and role of the job and performance assessment assists in identifying where deficiencies in performance exist (Smith 1998, cited in Study Guide 2004, 1-17)

To unlock the intrinsic qualities of individual employees, not only does performance management address situational factors surrounding the employees, but it also seeks to address the motivational factors of employees. One approach to unlock these aptitudes and abilities is to consider compensation management as part and parcel of a performance management approach. Compensation management looks not only at extrinsic rewards, such as pay and bonuses, but also at those artifices, symbols, rewards and benefits which improve the motivation of employees to perform at higher levels. Suffice to point out that organizations which manage compensation and rewards poorly will fail to maximize their most important strategic resource – their human capital (DeSimone et al, 2002, p. 43, cited in Study Guide 2004 1-17). It is because employees who achieve want to be recognized and rewarded for their efforts. And to motivate performance, outstanding performers must be identified and rewarded accordingly (Stone 2002).

Performance Management , An Organizational Practice

AMP provides us with an excellent illustration of effective performance management. As McInerney (2000, cited in De Cueri & Kramar 2002, p. 317) outlined, there are four stages in AMP's performance-management cycle. First is the performance agreement. During this phase the individual and her manager work together to determine the contribution to the business unit. Outcomes and performance indicators for each major focus area are also agreed. Each major focus area is prioritized and weighted, and improvement plans established to close any skill gaps.
The second stage is coaching and feedback. Performance is tracked on an ongoing basis, reinforcing successes and working to enhance skills. Performance appraisal is the third stage which consists of the individual meeting with his manager to discuss performance results, skill development, career planning and value of efforts. The manager may seek key relationship feedback from customers and the performance appraisal generally happens twice a year. The fourth stage focuses on reward, the pay reviews occur in conjunction with the conclusion of the performance appraisal, and the decisions are made with regard to fixed pay and variable pay, the factors taken into account are performance against the performance agreement; salary data for job levels; business results and the management judgment.

Performance management at Optus Communications followed the following steps: the initial need for technical expertise in the latest telecommunications technology and processes; and a more focused review processes which would better address important factors for the stage's business and its development; working from the end outcomes that were figured in the review process, the group then define the characteristics required of the new performance management process; the corporate human resource group using in-house technology, designed a computerized upward team feedback system to provide managers with a people-management performance rating which provides them with a major developmental tool designed to increase their own managerial effectiveness and build effective work teams (Ambramowize 1999, cited in De Cieri & Kramar 2002, p. 323).

Conclusion

World Bank suggesting that two-thirds of the world's wealth is now tied up in human capital, finding ways to manage, develop and measure the stuff is important. Where identifying the variables remaining the most difficult as these vary across companies and that there is no set rigid group of performance indicators and these have to evolve from the workplace (Gettler 2000, cited in Di Cieri & Kramar 2002, p. 285). As outlined above, many companies such as AMP and Optus have recognized the importance of understanding the psychology of individuals and teams in the work setting. To conclude, performance management is simply a means to achieve organizational success, which enables an organization to maximize the return on their investment in human resource.

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