

**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**FACULTY OF MANAGEMENT SCIENCES**

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## **Introduction**

This course, MPA 855: Performance Measurement and Management is a two credit unit course that examines the concept of public sector performance, input per man hour, and unit costs. It considers the planning, implementation and evaluation of performance. It presents the human, management, and workload factors negating performance and the major catalysts to improvement. The course considers how to measure performance in federal, state and local authorities and their agencies. The course has been conveniently arranged in eighteen distinct but related units of study activities. In this course guide, students will find out what they need to know about the aims and objectives of the course, components of the course material, arrangement of the study units, assignments, and examinations.

## **The Course Aim**

The course is aimed at familiarizing students with the importance of an effective performance management system and its role in helping organisations define and achieve short and long term goals. It explains and reinforces the concept that performance management is not a one-time supervisory event, but an ongoing process of planning, facilitating, assessing, and improving individual and organisational performance. To facilitate the achievement of this aim, the following subthemes will be elaborately discussed: The Foundations of Performance Measurement and Management the Conceptual Framework of Performance Management Performance Management Systems Managing Performance Management

## **The Possible Outcome**

At the end of the course students should be able to:

1. Discuss the origin of Performance Management
2. Explain performance measurement concepts
3. Ascertain the characteristics and principles of performance management
4. Discuss performance management processes

## **The Course Material**

The Course Guide  
The Study Units  
Self-Assessment Exercises  
Tutor-Marked Assignments  
References/Further Readings

### **MODULE 1**

Unit 1: Nature and Definitions of Performance Management  
Unit 2: History of Performance Management  
Unit 3: Purposes, Aims and Characteristics of Performance Management  
Unit 4: Why Measure Performance?  
Unit 5: Performance Measurement Methods

### **MODULE 2**

Unit 1: Context of Performance Management  
Unit 2: Underpinning Theories of Performance Management  
Unit 3: Concerns of Performance Management  
Unit 4: Performance Appraisal  
Unit 5: Performance Management Cycle

### **MODULE 3**

Unit 1: Performance Management process  
Unit 2: Performance Management Approach  
Unit 3: Framework for Planning  
Unit 4: Budget Framework and Rolling Plans in Nigeria  
Unit 5: Challenges and Prospects of Development Planning in Africa

## **MODULE 1: THE FOUNDATIONS OF PERFORMANCE MANAGEMENT**

Unit 1: Nature and Definitions of Performance Management

Unit 2: History of Performance Management

Unit 3: Purposes, Aims and Characteristics of Performance Management

Unit 4: Why Measure Performance?

Unit 5: Performance Measurement Methods

### **Unit 1: Nature and Definition of Performance Management and Management)**

Unit Structure

1.1 Introduction

1.2 Learning Outcomes

1.3 The Nature of Performance Management

1.3.1 Meaning of Performance

1.3.2 Meaning of Performance Management

1.4 Summary

1.7 References/Further Readings/Web Resources

1.8 Possible Answers to Self-Assessment Exercise(s) within the content



#### **1.1 Introduction**

Performance management as practised today in most public organisations incorporates processes such as management by objectives and performance appraisal that were first developed some time ago. But its overall approach is significantly different. As Mohrman and Mohrman (1995) emphasize, performance management is managing the business. It is what line managers do continuously, not a Human Resource (HR)-directed annual procedure. It is a natural process of management. Performance management is much more than appraising individuals. It contributes to the achievement of culture change and it is integrated with other key HR activities, especially human capital management, talent management, learning and development and reward management. Thus performance management helps to achieve horizontal integration and the „bundling of HR practices so that they are interrelated and therefore complement and reinforce each other. As an important part of a high-performance work system, it contributes to the development of more effective work systems that largely determine levels of performance.



#### **1.2 Learning Outcomes**

By the end of this unit, you will be able to:

- i. Discuss the Nature of Performance Management
- ii. Explain the meaning of performance
- iii. Defining Performance Management



#### **1.3.1 The Nature of Performance Measurement**

Performance management can be regarded as a systematic process by which the overall performance of an organisation can be improved by improving the performance of individuals within a team framework. It is a means for promoting superior performance by communicating expectations, defining roles within a required competence framework and establishing achievable benchmarks (MSG, 2017). According to Armstrong and Baron (1998), Performance Management is both a strategic and an integrated approach to delivering successful results in organisations by improving the performance and developing the capabilities of teams and individuals.

The term performance management gained its popularity in early 1980 s when total quality management programs received utmost importance for achievement of superior standards and quality performance. Tools such as job design, leadership development, training and reward system received an equal impetus along with the traditional performance appraisal process in the new comprehensive and a much wider framework. Performance management is an ongoing communication process which is carried between the supervisors and the employees throughout the year. The process is very much cyclical and continuous in nature.

A performance management system includes the following actions; Developing clear job descriptions and employee performance plans which includes the key result areas (KRA') and performance indicators. Selection of right set of people by implementing an appropriate selection process. Negotiating requirements and performance standards for measuring the outcome and overall productivity against the predefined benchmarks. Providing continuous coaching and feedback during the period of delivery of performance. Identifying the training and development needs by measuring the outcomes achieved against the set standards and implementing effective development programs for improvement.

Holding quarterly performance development discussions and evaluating employee performance on the basis of performance plans. Designing effective compensation and reward systems for recognizing those employees who excel in their jobs by achieving the set standards in accordance with the performance plans or rather exceed the performance benchmarks. Providing promotional/career development support and guidance to the employees. Performing exit interviews for understanding the cause of employee discontentment and thereafter exit from an organisation. Performance management is an ongoing process of communication between a supervisor and an employee that occurs throughout the year, in support of accomplishing the strategic objectives of the organisation.

The communication process includes clarifying expectations, setting objectives, identifying goals, providing feedback, and reviewing results. Overseeing performance and providing feedback is not an isolated event, focused in an annual performance review. It is an ongoing process that takes place throughout the year. The Performance Management process is a cycle, with discussions varying year-to-year based on changing objectives. An effective performance management process sets the foundation of aligning the individual's efforts with the organisation's goals;

By linking individual employee work efforts with the organisation's mission and objectives, the employee and the organisation understand how that job contributes to the organisation.

By focusing attention on setting clear performance expectations (results + actions & behaviours), it helps the employee know what needs to be done to be successful on the job. Through the use of objectives, standards, performance dimensions, and other measures it focuses effort. This helps the department get done what needs to be done and provides a solid rationale for eliminating work that is no longer useful. Through regular check-in discussions, which include status updates, coaching, and feedback, it promotes flexibility, allowing you and the employee to identify problems early and change the course of a project or work assignment.

By emphasizing that an annual review should simply be a summary of the conversations held between you and the employee during the entire cycle, it shifts the focus away from performance as an “annual event” to performance as an on-going process.

An effective performance management process, while requiring time to plan and implement, can save you and the employee time and energy. Most importantly, it can be a very effective motivator, since it can help you and the employee achieve organisational success making the pottery through painting.

### **1.3.2 Meaning of Performance**

If you can't define performance, you can't measure or manage it (Armstrong, 2009). It has been pointed out by Bates and Holton (1995) 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. Performance refers to the degree of accomplishment of the tasks that make up an employee's job. It reflects how well an employee is fulfilling the requirements of a job. Often confused with effort, which refers to energy expended, performance is measured in terms of results (Onah, 2014).

For example, a student may exert a great deal of effort in preparing for an examination and still make a poor grade. In such a case the effort expended was high, yet the performance was low (Byars and Rue, 2011). Latham, Sulsky and Macdonald (2007) emphasized that an appropriate definition of performance is a prerequisite for feedback and goal setting processes. They state that a performance theory is needed that stipulates: the relevant performance dimensions; the performance standards or expectations associated with different performance levels; how situational constraints should be weighed (if at all) when evaluating performance; the number of performance levels or gradients; the extent to which performance should be based on absolute or comparative standards. There are different views on what performance is. It can be regarded as simply the record of outcomes achieved.

On an individual basis, it can be a record of the person's accomplishments. Kane (1996) argues that performance is something that the person leaves behind and that exists apart from the purpose. Bernardin 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. Guest (1996) also believes that performance is about outcomes but that the concept should be linked to the idea of a balanced scorecard. Borman and Motowidlo (1993) put forward the notion of contextual performance that covers non-job-specific behaviours such as cooperation, dedication, enthusiasm and persistence and is differentiated from task performance covering job-specific behaviours.

As Fletcher (2001) mentions, contextual performance deals with attributes that go beyond task competence and that foster behaviours that enhance the climate and effectiveness of the organisation. The Oxford English Dictionary defined performance as the accomplishment, execution, carrying out, working out of anything ordered or undertaken. This refers to outputs/outcomes (accomplishment) but also states that performance is about doing the work as well as being about the results achieved. Performance could therefore be regarded as behaviour, the way in which organisations, teams and individuals get work done. Performance is behaviour and should be distinguished from the outcomes because they can be contaminated by systems factors.

A more comprehensive view of performance is achieved if it is defined as embracing both behaviour and outcomes. Campbell et al (1993) are more concerned with measuring performance. They defined it as behaviour or action relevant to the attainment of the organisation's goals that can be scaled, that is, measured. Their theory states that performance is multidimensional and that each dimension is characterized by a category of similar behaviour or actions. The components consist of:

- (i). job-specific task proficiency
- (ii) non-job-specific proficiency (eg organisational citizenship behaviour)
- (iii) Written and oral communication proficiency
- (iv) Demonstration of effort
- (v) Maintenance of personal discipline
- (vi) Facilitation of personal and team performance
- (vii) supervision/leadership and
- (viii) management/administration.

#### Self-Assessment Exercises 1

1. What is the nature of Performance Management?
2. Define Performance Management?

#### **Determinants of Performance**

Job performance is the net effect of an employee's effort as modified by abilities and role (or task) perceptions. Thus, performance in a given situation can be viewed as resulting from the interrelationships among effort, abilities, and role perceptions. Effort, which results from being motivated, refers to the amount of energy (physical and/or mental) an individual uses in performing a task. Abilities are personal characteristics used in performing a job. Abilities usually do not fluctuate widely over short periods of time. Role

(task) perceptions refer to the direction(s) in which individuals believe they should channel their effort on their jobs.

The activities and behaviours people believe are necessary in the performance of their jobs define their role perceptions (Onah, 2014). To attain an acceptable level of performance, a minimum level of proficiency must exist in each of the performance components. Similarly, the level of proficiency in any one performance component can place an upper boundary on performance. If employees put forth tremendous effort and have excellent abilities but lack a clear understanding of their roles, performance will probably not be good in the eyes of their managers. Much work will be produced, but it will be misdirected.

Likewise, an employee who puts forth a high degree of effort and understands the job but lacks ability probably will rate low on performance. A final possibility is the employee who has a good ability and understanding of the role but is lazy and expends little effort. This employee's performance will likely be low. Of course, an employee can compensate up to a point for a weakness in one area by being above average in one or both of the other areas (Onah, 2014).

### **Influences on Performance**

Four major influences on performance were identified by Armstrong (2009); the learner, who needs the right level of competence, motivation, support and incentives in order to perform effectively;

The learner's work group, whose members will exercise a strong positive or negative influence on the attitudes, behaviour and performance of the learner;

The learner's manager, who needs to provide continuing support and act as a role model, coach and stimulator related to performance;

The organisation, which may produce barriers to effective performance if there is no powerful, cohering vision; ineffective structure, culture or work systems;

Unsupportive employee relations policy and systems, or inappropriate leadership and management style.

### **1.3.3 Definitions of Performance Management**

Performance management is a systematic process for improving organisational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. Processes exist for establishing shared understanding about what is to be achieved, and for 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 (Armstrong, 2009).

Performance management (PM) includes activities which ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on the performance of an organisation, a department, employee, or even the processes to build a product or service, as well as many other areas.



PM is also known as a process by which organisations align their resources, systems and employees to strategic objectives and priorities. Performance management is the system through which organisations set work goals, determine performance standards, assign and evaluate work, provide performance feedback, determine training and development needs and distribute rewards (Armstrong, 2009). Performance Management is the mechanism that ensures that the employee achieves the objectives set by the organisation and the organisation thereby achieves the objectives that it has set itself in its strategic plan (HRINZ, 2015).

When considering Performance management as practised today incorporates processes such as management by objectives and performance appraisal that were first developed some time ago. But its overall approach is significantly different. As Mohrman and Mohrman (1995) emphasized, performance management is managing the business. It is what line managers do continuously, not an HR-directed annual procedure. It is a natural process of management. Performance management is much more than appraising individuals. It contributes to the achievement of culture change and it is integrated with other key HR activities, especially human capital management, talent management, learning and development and reward management (Armstrong, 2009).

Thus, performance management helps to achieve horizontal integration and the „bundling of HR practices so that they are interrelated and therefore complement and reinforce each other. As an important part of a high-performance work system, it contributes to the development of more effective work systems that largely determine levels of performance. Performance management is a means of getting better results from the organisation, teams and individuals within an agreed framework of planned goals, objectives and standards (Armstrong and Murlis, 1994). The performance management process is the process by which the company manages its performance in line with its corporate and functional strategies and objectives. The objective of this process is to provide a pro-active closed loop system, where the corporate and functional strategies are deployed to all business processes, activities, tasks and personnel, and feedback is obtained through the performance measurement system to enable appropriate management decisions (Bitici, Carrie and McDevitt, 1997). DeNisi (2000), stated that performance management is a range of practices an organisation engages in to enhance the performance of a target person or group with the ultimate purpose of improving organisational performance. It is a broad set of activities aimed at improving employee performance (DeNisi and Pritchard, 2006).

The essence of performance management is the development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organisation that supports and encourages their achievement (Lockett, 1992). Performance management aims to improve strategic focus and organisational effectiveness through continuously securing improvements in the performance of individuals and teams (Philpott and Sheppard, 1992). Performance management can also be described as a strategic and integrated approach to delivering sustained success to organizations that focuses on performance improvement and employee development. It is strategic in the sense that it is concerned with the broader issues facing the business if it is to function effectively in its environment, and with the general direction in which it intends to go to achieve longer-term goals (Armstrong, 2009). An important aim of performance

management is to support the achievement of the business strategy. According to Armstrong (2009), it is integrated in four factors:

- (i) vertical integration – linking or aligning business, team and individual objectives
- (ii) functional integration – linking functional strategies in different parts of the business
- (iii) HRM integration – linking different aspects of human resource management, especially organisational development, human capital management, talent management, learning and development, and reward, to achieve a coherent approach to the management and development of people; and
- (iv) the integration of individual needs with those of the organisation, as far as this is possible.

It is focused on performance improvement in order to increase organisational, team and individual effectiveness. Organisations, as stated by Lawson (1995) have to get the right things done successfully. Performance is not only about what is achieved but also about how it is achieved. Management is involved in direction, measurement and control. But these are not the exclusive concerns of managers teams and individuals jointly participate as stakeholders.

It is involved in employee development – performance improvement is not achievable unless there are effective processes of continuous development. This addresses the core competences of the organisation and the capabilities of individuals and teams. More specifically, in the words of Armstrong (2009), performance management is concerned with: aligning individual objectives to organisational objectives and encouraging individuals to uphold corporate core values; enabling expectations to be defined and agreed in terms of role responsibilities and accountabilities (expected to do), skills (expected to have) and behaviours (expected to be);

Providing opportunities for individuals to identify their own goals and develop their skills and competencies;

Motivating people by providing them with recognition and the opportunity to use and develop their skills and abilities.

The scope performance management gives to recognize achievements and provide opportunities for growth means that it is part of the total reward system. It can be used to generate ratings to inform performance pay decisions, but this is neither an inevitable nor a necessary part of the process. Performance management is essentially a developmental process that aims to improve the performance and potential of people through their own efforts and with the help of their managers and the organisation.

**Performance Management, according to HRINZ (2015), it is necessary to set out some basic terms:**

Effective behaviours - the carrying out of activities

Effectiveness of Performance - the level of the activities performed

Criteria - the standards set by the organisation for the activities.

Performance management is the systematic process by which an organisation involves its employees, as individuals and members of a group, in improving organisational effectiveness in the accomplishment of organisation s mission and goals (Behn, 2003).

Employee performance management, according to Behn (2003), includes: planning work

and setting expectations, continually monitoring performance, developing the capacity to perform, periodically rating performance in a summary fashion, and rewarding good performance.

## **1.5 Summary**

A flash back at some of the major issues raised in this first unit will help to refresh our memories.

This unit has been able to examine the nature and definition of performance management. It observed the following; The term performance management gained its popularity in early 1980 s when total quality management programs received utmost importance for achievement of superior standards and quality performance.

Human resources belong to an organisation s most valuable assets. To get the best out of people, it is not enough to recruit and select the best candidates. Recruitment and selection are just the start of value creation through human resource. Performance Management is another important high performance work practice (HPWP) that can be applied to inform, guide, monitor and evaluate employees to achieve organisational goals.

## **Answers To Self-Assessment Exercise**

Performance management can be regarded as a systematic process by which the overall performance of an organisation can be improved by improving the performance of individuals within a team framework. It is a means for promoting superior performance by communicating expectations, defining roles within a required competence framework and establishing achievable benchmarks (MSG, 2017).

## **Answer To Self-Assessment Exercise 2**

Performance management is a systematic process for improving organisational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. Processes exist for establishing shared understanding about what is to be achieved, and for 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 (Armstrong, 2009).

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## **UNIT 2: History Performance Management**

### **Unit Structure**

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3.1 The History of Performance Management
  - 2.3.1 Origin of Performance Management
  - 2.3.2 Phases of Performance Management Process
  - 2.3.3 Merit Rating
- 2.4 Conclusion
- 2.7 Summary
- 2.8 References/Further Readings/Web Resources
- 2.9 Possible Answers to Self-Assessment Exercise(s) within the content



### **2.1 Introduction**

The term performance management gained its popularity in early 1980 s when total quality management programs received utmost importance for achievement of superior standards and quality performance. Tools such as job design, leadership development, training and reward system received an equal impetus along with the traditional performance appraisal process in the new comprehensive and a much wider framework. Performance management is an ongoing communication process which is carried between the supervisors and the employees throughout the year. The first formal monitoring systems, however, evolved out of the work of Frederick Taylor and his followers before the First World War. Rating for officers in the US armed services was introduced in the 1920s and this spread to the UK, as did some of the factory-based American systems.

Merit rating came to the fore in the United States and the UK in the 1950s and 1960s, when it was sometimes re-christened performance appraisal. Management by objectives then came and largely went in the 1960s and 1970s, and simultaneously, experiments were made with assessment techniques such as behaviorally anchored rating scales. A revised form of results-orientated performance appraisal emerged in the 1970s and still exists today. The term performance management was first used in the 1970s but it did not become a recognized process until the latter half of the 1980s. This will be explained further in the course of this unit.



### **2.2 Learning Outcomes**

At the end of this unit, the students should be able to understand;

- Discuss the origin of performance management
- Explain the phases of performance management process
- Discuss merit rating as an earlier form of performance management



### 2.3.1 Origin of Performance Management

The term performance management gained its importance from the times when the competitive pressures in the market place started rising and the organisations felt the need of introducing a comprehensive performance management process into their system for improving the overall productivity and performance effectiveness. The origin of performance management, according to Brooks (2016), evolved under the following;  
Self-Assessment Exercises 1

1. What is the Operational Performance Management Evaluation?
2. What is Merit Rating?

### 2.3.2 Regional Reforms of Local Government in Nigeria 1950-1965

#### Early 1900s: The Performance Appraisal's Informal Beginnings

Several sources suggest that performance appraisals were invented by WD Scott as early as World War I. Although possibly the earliest documented use of performance appraisals, however, WD Scott's system was not a widely-recognised concept, and it wasn't until around mid-century that more formal appraisal systems became implemented by a large number of businesses.

#### 1950s: Developing a Formal System

By the mid-1950s, formal performance appraisals were much more commonly known, with companies using personality-based systems for measuring performance. Towards the end of the 1950s however, an unease at these systems began to develop, as not only was there no element of self-appraisal, but the personality-based approach did very little in terms of monitoring performance – rather, it monitored the person's inherited personality, instead.

#### 1960s: Measuring Objectives & Goals

By the 1960s, there was a much greater focus on self-appraisal, and most performance appraisal systems were geared more towards looking at what an individual might be able to achieve in the future (as opposed to how competent their personalities appeared to be at the time of being assessed). As the 1960s progressed, performance appraisals began to do a better job of actually assessing performance, by focusing more on goals and objectives, and including much more by way of self-appraisal.

#### 1970s: Finding Flaws

During the 1970s, there was a lot of criticism about how appraisals were being conducted, and several cases were even taken to court. A lot of this was down to how subjective and opinion-based most appraisal systems were, and so as the 1970s progressed, companies started including a lot more psychometrics and rating scales.

#### 1980s – Early 2000s: Holistic Measures

The next 20 years saw an increase in companies focusing on employee motivation and engagement, which led to a more holistic approach to performance management and appraisals. Companies began measuring brand new metrics as part of their appraisal process, such as self-awareness, communication, teamwork, conflict reduction and the ability to handle emotions. Many of these are still very relevant in performance reviews to this day.

### **Modern Day Performance Management**

In recent years, performance management has evolved even further, with many companies pulling down the traditional hierarchy in favour of more equal working environments. This has led to an increase in performance management systems that seek multiple feedback sources when assessing an employee's performance – this is known as 360-degree feedback. With mobile technology giving us more flexibility, and with more companies recognising the value of a great company culture, we believe that the definition of what good performance is will continue to shift, and that the people who drive an organisation will continue to have an even greater input into how their peers are assessed. Another account of the evolution of performance management emanated from Tarata (2017), Head of Research, The KPI Institute. She observed that performance management connotes the following before its emergence;

### **Individual performance management evolution**

The precise origin of performance appraisals is not known but the practice dates back to the third century when the emperors of the Wei Dynasty (221-265AD) rated the performance of the official family members. In early times, organisations were loosely defined and their performance management focus was based on individuals performing tasks as part of a group. Performance appraisals in industry were most likely initiated by Robert Owen in the early 1800s. Owen monitored performance at his cotton mills in Scotland through the use of silent monitors. The monitors were cubes of wood with different colours painted on each visible side.

They were displayed above the workstation of each employee (Banner & Cooke, 1984; Wiese & Buckley 1998). In time, more complex approaches emerged, mainly driven by the military, public administration and industrial companies. They all needed a system of monitoring the performance of numerous individuals to ensure a streamlined progression in the organisational hierarchy.

The main drivers in the evolution of individual performance management were industrial psychologists, human resources managers, organisational development and organisational behaviour consultants. In the 1990s individual performance management was reshaped by two key trends. The first was the increase in popularity of self-assessment of performance, sometimes followed by feedback sessions with line managers. The increase in performance self-assessment was natural as economies were dominated by knowledge workers, more independent in regards to decision making and management of work processes. The second key trend in recent years was the integration between strategic performance management and individual performance management facilitated by the introduction of tools such as the BSC. Organisational goals became reflected in individual goals and individual measures became aligned with organisational performance measure, in an effort to increase the

accountability of all employees to the execution of the organisational strategy (Tarata, 2017).

### **Operational performance management evolution**

The evolution of operational performance management is linked to the evolution of accounting and management. This is due to the fact that operational performance is traditionally evaluated in terms of efficiency and effectiveness. And the easiest way to do this is by using financial indicators, provided by the accounting function in organisations.

For example in the 13th century, the performance of a Venetian sailing expedition used to be defined as the difference between the amount of money invested by the ship owner(s) and the amount of money obtained from selling all the goods brought back by the ship's captain. However, it was only in the early 19th century when the distinction between the function of owners and managers arose, setting the stage for management processes as an identifiable and separate activity. Thus in the first decade of the 20th century, Frederick Taylor developed the concept of scientific management. This was based on the analysis of existing work methods through observation and measurement. Taylor's ideas were advanced by many others including Frank and Lillian Gilbreth, who developed the concept of time and motion studies, which required the measurement of every single movement undertaken by a worker in the course of their work. This newly developed discipline which came to be known as work study, incorporated the study of work methods and the measurement of work in the early 1920s, DuPont and General Motors experimented by introducing decentralized divisional structures with profit centers. As support for these reorganisations they also introduced the DuPont chart and with it the concept of Return On Investment (ROI). This meant that management was now also held responsible for the achievement of budgeted ROI and therefore not only focused on measures such as margin and net income. The "tableau de bord" has been quite popular in France ever since its introduction in 1930s, as a "dashboard" used by managers to monitor the operational performance of their organisations. Although the majority of the large companies in France were using it, due to the limited availability of translated literature it had a minimal overseas diffusion (Tarata, 2017).

### **Strategic performance management evolution**

At strategic level, performance management as a discipline has a short history becoming established only in the 20th century. It was driven mainly by strategic management and organisational behaviour practitioners. A turning point in the evolution of strategic management and strategic performance management was Peter Drucker's (1946) publication of "Concept of the Corporation". Interest in strategy as an area of management study followed the diffusion of strategic planning („long-range planning') among large companies during the 1950s and 1960s. As anticipated by Eccles (1991), the mid 1990s witnesses a performance management revolution, lead by the introduction and metamorphosis of the BSC. Kaplan and Norton introduced the BSC, presenting the concept as a performance measurement tool, used by organisations at to capture besides the financial measures, the value-creating activities from an organisation's intangible assets. Over a span of 17 years, the BSC evolved from a measurement tool, to a management tool,



to a system and then to a tool within a system, thus completing a full circle. This demonstrates that the separation between performance measurement and management in a research context must be carefully considered for each research article on these topics and filtered through the most recent changes in this field as some literature is outdated. Some authors use performance measurement to refer to what by today's standards is considered performance management and vice versa. Overall, strategic performance management is today represented by the BSC, as the most popular system used for strategy execution (Tarata, 2017).

### 2.3.2 Phases of Performance Management Process

The performance management process evolved in several phases. These phases, in the words of MSG (2017), involve the following;

**i. First Phase:** The origin of performance management can be traced in the early 1960 s when the performance appraisal systems were in practice. During this period, Annual Confidential Reports (ACR s) which was also known as Employee service Records were maintained for controlling the behaviors of the employees and these reports provided substantial information on the performance of the employees. Any negative comment or a remark in the ESR or ACR used to adversely affect the prospects of career growth of an employee. The assessments were usually done for ten traits on a five or a ten point rating scale basis. These traits were job knowledge, sincerity, dynamism, punctuality, leadership, loyalty, etc. The remarks of these reports were never communicated to the employees and strict confidentiality was maintained in the entire process. The employees used to remain in absolute darkness due to the absence of a transparent mechanism of feedback and communication. This system had suffered from many drawbacks.

**ii. Second Phase:** This phase continued from late 1960 s till early 1970 s, and the key hallmark of this phase was that whatever adverse remarks were incorporated in the performance reports were communicated to the employees so that they could take corrective actions for overcoming such deficiencies. In this process of appraising the performance, the reviewing officer used to enjoy a discretionary power of overruling the ratings given by the reporting officer. The employees usually used to get a formal written communication on their identified areas of improvements if the rating for any specific trait used to be below 33%.

**iii. Third Phase:** In this phase the term ACR was replaced by performance appraisal. One of the key changes that were introduced in this stage was that the employees were permitted to describe their accomplishments in the confidential performance reports. The employees were allowed to describe their accomplishments in the self-appraisal forms in the end of a year. Besides inclusion of the traits in the rating scale, several new components were considered by many organisations which could measure the productivity and performance of an employee in quantifiable terms such as targets achieved, etc. Certain organisations also introduced a new section on training needs in the appraisal form. However, the confidentiality element was still being maintained and the entire process continued to be control oriented instead of being development oriented.

**iv. Fourth Phase:** This phase started in mid-1970 s and its origin was in India as great business tycoons like Larsen & Toubro, followed by State Bank of India and many others introduced appreciable reforms in this field. In this phase, the appraisal process was more development driven, target based (performance based), participative and open instead of being treated as a confidential process. The system focused on performance planning, review and development of an employee by following a methodical approach. In the entire process, the appraisee (employee) and the reporting officer mutually decided upon the key result areas in the beginning of a year and reviewed it after every six months. In the review period various issues such as factors affecting the performance, training needs of an employee, newer targets and also the ratings were discussed with the appraisee in a collaborative environment. This phase was a welcoming change in the area of performance management and many organisations introduced a new HR department for taking care of the developmental issues of the organisation.

**v. Fifth Phase:** This phase was characterized by maturity in approach of handling people s issues. It was more performance driven and emphasis was on development, planning and improvement. Utmost importance was given to culture building, team appraisals and quality circles were established for assessing the improvement in the overall employee productivity. The performance management system is still evolving and in the near future one may expect a far more objective and a transparent system.

### **2.3.3 Merit Rating**

Merit rating was the process of assessing how well someone was regarded in terms of personality traits such as judgement or integrity and qualities such as leadership or cooperativeness. The term „merit recalled classroom judgements made by teachers. Merit rating often involved the quantification of judgements against each factor, presumably in the belief that the quantification of subjective judgements made them more objective (Armstrong, 2009). W D Scott was the American pioneer who introduced rating of the abilities of workers in industry prior to the First World War. He was very much influenced by F W Taylor (1911) and invented the „Man to Man Comparison scale, which was T aylorism in action.

Many of the developments that have followed, even to this day, are a form of Taylorism, which is F W Taylor s concept of scientific management, meaning the use of systematic observation and measurement, task specialization and, in effect, the reduction of workers to the level of efficiently functioning machines (Armstrong, 2009). The W D Scott scale was modified and used to rate the efficiency of US army officers. It is said to have supplanted the seniority system of promotion in the army and initiated an era of promotion on the basis of merit. The perceived success of this system led to its adoption by the British army (Armstrong, 2009).

The pioneering efforts of Scott were developed in the 1920s and 1930s into what was termed the Graphic Rating Scale, used for reports on workers and for rating managers and supervisors. The justification made for the use of this sort of scale was that ratings were „educational . They ensured, it was said, that those making the reports analysed subordinates in terms of the traits essential for success in their work. The educational impact on employees was described as imparting knowledge that they were being judged

periodically on vital and important traits. The original scale was said to have been based on thorough research by W D Scott and colleagues into what were the key criteria for rating people at work. But the principle of the scale and the factors used were seized on with enthusiasm by organisations on both sides of the Atlantic as merit rating or, later, performance appraisal flourished.

This was without any research and analysis of the extent to which the factors were relevant (or whether dubbing someone „repellent was a good idea). Surveys conducted by the CIPD (Armstrong and Baron, 1998 and 2004) and e-reward (2005) revealed that there are organisations still using lists of competencies that include items that look suspiciously like some of the traits identified 70 years or more ago. They seemed to have been lifted down from some shelf (or extracted from a „dictionary of competencies ) without any research into the extent to which they were appropriate in the context of the organisation.

Merit rating still exists in some quarters even if it is now called performance management (Armstrong, 2009). Some companies use the total merit score as the basis for ranking employees, and this is translated into a forced distribution for performance pay purposes; for example, the top 10 per cent in the ranking get a 5 per cent increase, the next 20 per cent a 4 per cent increase and so on. To iron out rating inconsistencies one manufacturing company used a diabolical device that they called „factorising . This meant producing an average score for the whole company and amending the allocation of points in each department to ensure that their scores corresponded with the company average.

It can be imagined that line managers did not take kindly to the implication that there were no differences between departmental performances (Armstrong, 2009). Although merit rating in different guises still persists, a strong attack on the practice was mounted by McGregor in his highly influential Harvard Business Review article, „An uneasy look at performance appraisal (1957). He stated that the emphasis should be shifted from appraisal to analysis. This implies a more positive approach. No longer is the subordinate being examined by his superior so that his [sic] weaknesses may be determined; rather he is examining himself, in order to define not only his weaknesses but also his strengths and potentials... He becomes an active agent, not a passive „object . He is no longer a pawn in a chess game called management development (Armstrong, 2009).

McGregor went on to propose that the focus should be on the future rather than the past in order to establish realistic targets and to seek the most effective ways of reaching them. The accent of the review is therefore on performance, on actions relative to goals. He went on to state that there is less a tendency for the personality of the subordinate to become an issue. The superior, instead of adopting the position of a psychologist or a therapist, can become a coach helping subordinates to reach their own decisions on the specific steps that will enable them to reach their targets. In short, the main factor in the management of individual performance should be the analysis of the behaviour required to achieve agreed results, not the assessment of personality. This is partly management by objectives, which is concerned with planning and measuring results in relation to agreed targets and standards, but retains the concept that individual performance is about behaviour as well as results (a notion that management by objectives ignored).

The attack on merit rating or the earlier versions of performance appraisal, as it came to be

known in the 1960s, was often made on the grounds that it was mainly concerned with the assessment of traits. These could refer to the extent to which individuals were conscientious, imaginative, self-sufficient and cooperative, or possessed qualities of judgement, initiative, vigour or original thinking. Traits represent „pre-dispositions to behave in certain ways in a variety of different situations (Chell, 1992) Trait theorists typically advance the following definition of personality: „More or less stable internal factors that makes one person's behaviour consistent from one time to another and different from the behaviour other people would manifest in comparable situations (Hampson, 1982). But the belief that trait behaviour is independent of situations (the work system) and the people with whom an individual is interacting is questionable. Trait measures cannot predict how a person will respond in a particular situation (Epstein and O'Brien, 1985). And there is the problem of how anyone can be certain that someone has such and such a trait. Assessments of traits are only too likely to be prompted by subjective judgements and prejudices.



#### **4.0 Summary**

As was earlier noted, the precise origin of performance appraisals is not known but the practice dates back to the third century when the emperors of the Wei Dynasty (221-265AD) rated the performance of the official family members. In early times, organisations were loosely defined and their performance management focus was based on individuals performing tasks as part of a group. Performance appraisals in industry were most likely initiated by Robert Owen in the early 1800s. In recent years, performance management has evolved even further, with many companies pulling down the traditional hierarchy in favour of more equal working environments. This has led to an increase in performance management systems that seek multiple feedback sources when assessing an employee's performance – this is known as 360-degree feedback. With mobile technology giving us more flexibility, and with more companies recognising the value of a great company culture, we believe that the definition of what good performance is will continue to shift, and that the people who drive an organisation will continue to have an even greater input into how their peers are assessed.

In this unit, we discussed the origin of performance management, how it evolved over the years, from performance appraisal to modern performance management, as we have today. We also discussed the phases of performance management process and provided some background information on merit rating as an earlier form of performance management.



#### **2.8 References/Further Readings/Web Resources**

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## 2.9 Possible Answers to SAEs

### Answers to SAEs 1

The evolution of operational performance management is linked to the evolution of accounting and management. This is due to the fact that operational performance is traditionally evaluated in terms of efficiency and effectiveness. And the easiest way to do this is by using financial indicators, provided by the accounting function in organisations.

### Answers to SAEs 2

1. Merit rating was the process of assessing how well someone was regarded in terms of personality traits such as judgement or integrity and qualities such as leadership or cooperativeness. The term „merit recalled classroom judgements made by teachers. Merit rating often involved the quantification of judgements against each factor, presumably in the belief that the quantification of subjective judgements made them more objective (Armstrong, 2009). W D Scott was the American pioneer who introduced rating of the abilities of workers in industry prior to the First World War. He was very much influenced by F W Taylor (1911) and invented the „Man to Man Comparison scale, which was Taylorism in action.

## UNIT 3: Purposes, Aims and Characteristics of Performance Management

### Unit Structure

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 The Purpose of Performance Management
  - 2.3.1 The Aims of Performance Management
  - 2.3.1 Characteristic of Performance Management
- 3.4 Summary
- 3.5 References/Further Readings/Web Resources
- 3.6 Possible Answers to Self-Assessment Exercise(s) within the content



### 3.1 Introduction

Human resources belong to organization s most valuable assets. To get the best out of people, it is not enough to recruit and select the best candidates. Recruitment and selection are just the start of value creation through human resource. Performance Management is another important high performance work practice (HPWP) that can be applied to inform, guide, monitor and evaluate employees to achieve organizational goals. In other words, Performance Management provides direction and stimulates employee motivation (Onah, 2014). Employees need to know the organisation s strategy, the organisational goals and the corporate values for desired individual attitudes and behaviours. What is expected from individual workers with respect to their job performance? What kind of corporate norms and values are important for employees in their daily work? What are the targets of the department and what is the potential individual employee's contribution? And what are their Key Performance Indicators (KPIs)? Performance Management can act as a bridge between corporate strategy and concrete employee interventions in the process of goal achievement (Onah, 2014). This unit focuses on discussing the purposes, aims and characteristics of performance management.



### 3.2 Learning Outcomes

By the end of this unit, you will be able to:

- Identify the Purpose of Performance Management.
- Underscore the Aims of Performance Management
- Identify some of the Characteristics of Performance Management



### 3.3.1 Purpose of Performance Management

Organizations establish performance management systems to meet three broad purposes. These purposes, according to Noe et al (2011), are strategic, administrative, and developmental. Strategic purpose means effective performance management helps the organisation achieve its business objectives. It does this by helping to link employees behaviour with the organisation s goals. Performance management starts with defining what the organisation expects from each employee. It measures each employee s

performance to identify where those expectations are and are not being met. This enables the organisation to take corrective action, such as training, incentives, or discipline. Performance management can achieve its strategic purpose only when measurements are truly linked to the organisation's goals and when the goals and feedback about performance are communicated to employees.

The administrative purpose of a performance management system refers to the ways in which organizations use the system to provide information for day-to-day decisions about salary, benefits, and recognition programs. Performance management can also support decision making related to employee retention, termination for poor behaviours, and hiring or layoffs. Because performance management supports these administrative decisions, the information in a performance appraisal can have a great impact on the future of individual employees.

Managers recognize this, which is the reason they may feel uncomfortable conducting performance appraisals when the appraisal information is negative and, therefore, likely to lead to a layoff, disappointing pay increase, or other negative outcome. Thirdly, performance management has a developmental purpose, meaning that it serves as a basis for developing employees' knowledge and skills. Even employees who are meeting expectations can become more valuable when they hear and discuss performance feedback.

Effective performance feedback makes employees aware of their strengths and of the areas in which they can improve. Discussing areas in which employees fall short can help the employees and their manager uncover the source of problems and identify steps for improvement. Although discussing weaknesses may feel uncomfortable, it is necessary when performance management has a developmental purpose. Another scholar, Stredwick (2005), gave a different account of the purposes of performance management. According to him, there are two main purposes driving performance management. Firstly, the Operational reasons, which serve to lead and control.

As organisations exist in an increasingly competitive environment, it becomes more and more important for employees to have clear guidance and direction towards the organisation's aims and objectives. The performance management system sets out to communicate the link between an organisation's mission and strategic direction and the required employee performance. The process can also be used as a form of strict control over employees (See figure 1).

On the cultural side, the system can feature as part of the overall drive to build a more open relationship with employees. Organisation plans can be shared, appraisal discussions can be frank within a realistic context and means of improving performance can be encouraged and openly evaluated. Moreover, because employees always have a higher motivation towards goals with which they agree or have had some input, the performance management system provides the opportunity for employees to have a voice in the process through the individual performance plan, in whatever form it is agreed.

Another important purpose is to endeavour to produce a system that is regarded as fair and equitable, especially in the rewards that emerge from the process. A well thought through performance management system should provide a defensible framework within which the many types of rewards can be allocated, rather than on the basis of personal whim or

prejudice. Research carried out by the Local Government Management Board (LGMB, 1993) revealed that employees who work under a performance management scheme have an enhanced understanding of the needs and requirements of their job and have a higher „feel-good factor in relation to working for their organisation compared to those organisations where no such scheme is in place.

A further objective allied with fairness relates to dealing with areas of employee performance, which produce major concerns. Employees will not take kindly to criticism if they are unaware of the standards expected of them. It is certainly not possible to engage in disciplinary proceedings on performance that will be regarded as fair without having such standards in place. All these reasons support the notion that an effective scheme embeds a culture for employees to focus on performance improvement, learning and development. An effective scheme will also add to the level of trust between employees and management.

#### Self-Assessment Exercises 1

Add SAEs to measure what learners have learnt in this section. It may be in essay or MCQs format. At least 2 SAEs should be added in this box

1. Organization are operated to meet three broad purpose explain?
2. What are the aims of performance management?

### 3.3.2 Aims of Performance Management

The overall aim of performance management is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organisation. Performance management provides the basis for self-development but importantly, it is also about ensuring that the support and guidance people need to develop and improve is readily available (Armstrong, 2009).

Another 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 (Onah, 2014). Specifically, performance management 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 (expected to do), skills (expected to have) and behaviours (expected to be) (Onah, 2014).

The aim is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organisation. Importantly, performance management is concerned with ensuring that the support and guidance people need to develop and improve are readily available (Armstrong, 2006). The following are the aims of performance management as expressed by a variety of organisations (IRS, 2003): Empowering, motivating and rewarding employees to do their best.

Focusing employee s tasks on the right things and doing them right. Aligning everyone s individual goals to the goals of the organisation. Proactively managing and resourcing



performance against agreed accountabilities and objectives. The process and behaviours by which managers manage the performance of their people to deliver a high-achieving organisation. Maximizing the potential of individuals and teams to benefit themselves and the organisation, focusing on achievement of their objectives.

Importantly, performance management is concerned with ensuring that the support and guidance people need to develop and improve are readily available (Armstrong, 2006). The following are the aims of performance management as expressed by a variety of organisations (IRS, 2003):

Empowering, motivating and rewarding employees to do their best. Focusing employee s tasks on the right things and doing them right. Aligning everyone s individual goals to the goals of the organisation.

Proactively managing and resourcing performance against agreed accountabilities and objectives.

The process and behaviours by which managers manage the performance of their people to deliver a high-achieving organisation.

Maximizing the potential of individuals and teams to benefit themselves and the organisation, focusing on achievement of their objectives.

### **3.3.3 Characteristics of Performance Management**

Performance management is a planned process of which the five primary elements are agreement, measurement, feedback, positive reinforcement and dialogue. It is concerned with measuring outcomes in the shape of delivered performance compared with expectations expressed as objectives (management by objectives).

In this respect it focuses on targets, standards and performance measures or indicators. It is based on the agreement of role requirements, objectives and performance improvement and personal development plans. It provides the setting for ongoing dialogues about performance, which involves the joint and continuing review of achievements against objectives, requirements and plans. It is also concerned with inputs and values. The inputs are the knowledge, skills and behaviours required to produce the expected results.

Developmental needs are identified by defining these requirements and assessing the extent to which the expected levels of performance have been achieved through the effective use of knowledge and skills and through appropriate behaviour that upholds core values. Performance management is not just a top-down process in which managers tell their subordinates what they think about them, set objectives and institute performance improvement plans. It is not something that is done to people.

As Buchner (2007) emphasizes, performance management should be something that is done for people and in partnership with them. Performance management is a continuous and flexible process that involves managers and those whom they manage acting as partners within a framework that sets out how they can best work together to achieve the required results. It is based on the principle of management by contract and agreement

rather than management by command. It relies on consensus and cooperation rather than control or coercion.

Performance management focuses on future performance planning and improvement and personal development rather than on retrospective performance appraisal (Armstrong, 2006). It functions as a continuous and evolutionary process in which performance improves over time. It provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs based on feedback and self-assessment. It is mainly concerned with individual performance but it can also be applied to teams. The emphasis is on development, although performance management is an important part of the reward system through the provision of feedback and recognition and the identification of opportunities for growth.

It may be associated with performance- or contribution-related pay but its developmental aspects are much more important. Armstrong and Baron (1998) emphasize the strategic and integrated nature of performance management, which in their view focuses on increasing the effectiveness of organisations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors.

However, they go further and start to describe more about the process and characteristics of performance management. They see it as a continuous process involving performance reviews focusing on the future rather than the past. Alongside the variation in content of a performance management system, according to Baron and Kreps (1999), performance management can also have different characteristics, including: an extensive evaluation to improve job matching; communication of corporate values and objectives;

Providing information for self-improvement, training and development, and career development;

linking pay to individual and/or team performance; collecting information for hiring strategies;

validating Human resources practices, including appraisal and rewards, retention and reductions in workforce; input for legal defences (e.g. when an organisation is trying to fire an employee because of poor job performance).



### **3.4 Summary**

Managing performance is about coaching, guiding, appraising, motivating and rewarding colleagues to help unleash potential and improve organisational performance. Where it works well it is built on excellent leadership and high-quality coaching relationships between managers and teams. Performance management starts with defining what the organisation expects from each employee. It measures each employee's performance to identify where those expectations are and are not being met. This enables the organisation to take corrective action, such as training, incentives, or discipline. Performance management can achieve its strategic purpose only when measurements are truly linked to

the organisation's goals and when the goals and feedback about performance are communicated to employees.

This unit tried to discuss the purposes, aims and characteristics of performance management. It ascertained that organisations establish performance management systems to meet three broad purposes. These purposes are strategic, administrative, and developmental. Strategic purpose means effective performance management helps the organisation achieve its business objectives. It does this by helping to link employee's behaviour with the organisation's goals. The administrative purpose of a performance management system refers to the ways in which organisations use the system to provide information for day-to-day decisions about salary,



### **3.5 References/Further Readings/Web Resources**

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### **3.6 Possible Answers to SAEs**

Question one;

Organizations establish performance management systems to meet three broad purposes. These purposes, according to Noe et al (2011), are strategic, administrative, and developmental. Strategic purpose means effective performance management helps the organisation achieve its business objectives. It does this by helping to link employees behaviour with the organisation's goals. Performance management starts with defining

what the organisation expects from each employee. It measures each employee's performance to identify where those expectations are and are not being met. This enables the organisation to take corrective action, such as training, incentives, or discipline. Performance management can achieve its strategic purpose only when measurements are truly linked to the organisation's goals and when the goals and feedback about performance are communicated to employees.

### **Question 2**

The overall aim of performance management is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organisation. Performance management provides the basis for self-development but importantly, it is also about ensuring that the support and guidance people need to develop and improve is readily available (Armstrong, 2009). Another 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.

## UNIT 4 WHY PERFORMANCE MEASUREMENT

### Unit Structure

- 4.1 Introduction
- 4.2 Learning Outcomes
- 4.3 Performance Measurement
  - 2.3.1 Why Performance Measurement
  - 2.3.2 Goals and Benefit of Performance Measurement
- 4.4 Summary
- 4.5 References/Further Readings/Web Resources
- 4.6 Possible Answers to Self-Assessment Exercise(s) within the content



### 4.1 Introduction

Performance measurement is a fundamental building block of any total quality organisation. Historically, organisations have always measured performance in some way through the financial performance, be this success by profit or failure through liquidation. Performance measurement is a precursor to effective and informed management. Performance measurement is crucial to agencies with policy, delivery, monitoring and/or sector oversight roles. It enables agencies and sectors to chart the progress they are making in improving outputs, outcomes and value-for-money, and to take corrective action if required. Several years after managing for outcomes was introduced, and nearly twenty years after the output management regime was put in place, significant progress has been made in measuring results. Nonetheless, information gaps still exist in many areas, and different agencies are at very different stages of developing an integrated performance measurement capability. The question however still remains, why measure performance? This unit intends to provide valid information that will help answer this question.



### 4.2 Learning Outcomes

By the end of this unit, you will be able to:

- Explain why performance should be measured
- Discuss the Goals and Benefits of Performance Measurement



### 4.3 Why Measure Performance

Despite the effort required in establishing, maintaining, and reporting measures, performance measurement has several critical, tangible benefits. First, without some form of standard for achievement, there is no rational basis for decision-making. Performance measurement provides an achievement standard for business processes and can help identify areas that are succeeding or failing. Furthermore, things that are not measured usually fall by the wayside and are not done (or done well), so it is critical to include key business processes in the performance measurement system. More importantly, if an organisation measures the wrong thing, it will reinforce the wrong behaviour, which will

ultimately detract from its ability to achieve its mission. It is important not only to measure performance, but also report performance outcomes and reward desired performance.

Hatry (1999) offers one of the few enumerated lists of the uses of performance information. He suggests that public managers can use such information to perform ten different tasks: to respond to elected officials' and the public's demands for accountability; make budget requests; do internal budgeting; trigger in-depth examinations of performance problems and possible corrections; motivate; contract; evaluate; support strategic planning; communicate better with the public to build public trust; and improve. Hatry (1999) notes that improving programs is the fundamental purpose of performance measurement, and all but two of these ten uses, improving accountability and increasing communications with the public, are intended to make program improvements that lead to improved outcomes. Robert Behn (2003), identified some purposes on why performance should be measured:

**Purpose 1. To Evaluate:** How Well Are Organisation Performing? Evaluation is the usual reason for measuring performance. Indeed, many of the scholars and practitioners who are attempting to develop systems of performance measurement have come from the field of program evaluation. Often, no reason is given for measuring performance; instead, the evaluation purpose is simply assumed. People rarely state that their only (or dominant) rationale for measuring performance is to evaluate performance, let alone acknowledge there may be other purposes. It is simply there between the lines of many performance audits, budget documents, articles, speeches, and books: People measure the performance of an organisation or a program so they (or others) can evaluate it. Performance measurement of program outputs and outcomes provides important, if not vital, information on current program status and how much progress is being made toward important program goals. It provides needed information as to whether problems are worsening or improving, even if it cannot tell us why or how the problem improvement (or worsening) came about.

**Purpose 2. To Budget:** On What Programs, People, or Projects Should Government Spend the Public's Money? Performance measurement can help public officials to make budget allocations. At the macro level, however, the apportionment of tax monies is a political decision made by political officials. Citizens delegate to elected officials and their immediate subordinates the responsibility for deciding which purposes of government action are primary and which ones are secondary or tertiary. Thus, political priorities, not organisational performance, drive macro budgetary choices. Performance budgeting, performance-based budgeting, and results-oriented budgeting are some of the names commonly given to the use of performance measures in the budgetary process. But like so many other phrases in the performance measurement business, they can mean different things to different people in different contexts. For example, performance budgeting may simply mean including historical data on performance in the annual budget request. Or it may mean that budgets are structured not around line-item expenditures (with performance purposes or targets left either secondary or implicit), but around general performance purposes or specific performance targets (with line-item allocations left to the managers of the units charged with achieving these purposes or targets). Or it may mean rewarding units that do well compared to some performance targets with extra funds and punishing units that fail to achieve their targets with budget cuts. For improving performance, however, budgets are crude tools. Using budgetary increments to reward well-performing

agencies and budgetary decrements to punish underperforming ones is not a strategy that will automatically fix (or even motivate) poor performers. Nevertheless, line managers can use performance data to inform their resource-allocation decisions. Once elected officials have established macro political priorities, those responsible for more micro decisions may seek to invest their limited allocation of resources in the most cost-effective units and activities. And when making such micro budgetary choices, public managers may find performance measures helpful.

### **Purpose 3. To Motivate: How Can Managers Motivate their employees to Do the Things Necessary to Improve Performance?**

Public managers may use performance measures to learn how to perform better. Or, if they already understand what it takes to improve performance, they may use the measures to motivate such behaviour. And for this motivational purpose, performance measures have proven to be very useful. The basic concept is that establishing performance goals, particularly stretch goals, grabs people's attention. Then the measurement of progress toward the goals provides useful feedback, concentrating their efforts on reaching these targets. In his book *The Great Ideas of Management*, Duncan (1989) of the University of Alabama reports on the startling conclusion of research into the impact of goal setting on performance. He observed that no other motivational technique known to date can come close to duplicating that record. To implement this motivational strategy, an organisation's management needs to give its people a significant goal to achieve and then use performance measures, including interim targets to focus people's thinking and work, to provide a periodic sense of accomplishment. Moreover, performance targets may also encourage creativity in evolving better ways to achieve the goal (Behn 1999); thus, measures that motivate improved performance may also motivate learning.

### **Purpose 4. To Celebrate: All organisations need to commemorate their accomplishments.**

Such rituals tie employees together, give them a sense of their individual and collective relevance, and motivate future efforts in the organisation. Moreover, by achieving specific goals, employees gain a sense of personal accomplishment and self-worth (Locke & Latham 1984). Such celebrations need not be limited to one big party to mark the end of the fiscal year or the completion of a significant project. Small milestones along the way, as well as unusual achievements and unanticipated victories, provide an opportunity for impromptu celebrations that call attention to these accomplishments and to the employees who made them happen. And such celebrations can help to focus attention on the next challenge.

Like all of the other purposes for measuring performance, with the sole and important exception of improvement, celebration is not an end in itself. Rather, celebration is important because it motivates, promotes, and recruits. Celebration helps to improve performance because it motivates people to improve further in the next year, quarter, or month. Celebration helps to improve performance because it brings attention to the agency, and thus promotes its competence. And this promotion and attention may even generate

increased flexibility (from overhead organisations) and resources (from the guardians of the budget).

Moreover, this promotion and attention might attract another resource: dedicated people who want to work for a successful organisation that is achieving important public purposes. Celebration may even attract potential collaborators from other organisations that have not received as much attention, and thus seek to enhance their own sense of accomplishment by shifting some of their energies to the high performing collaboration (Behn 1991).

Celebration also may be combined with learning. Rather than hold a party to acknowledge success and recognize its contributors, an informal seminar or formal presentation can realize the same purposes. Asking those who produced the unanticipated achievement or unusual victory to explain how they pulled it off celebrates their triumph; but it also provides others with an opportunity to learn how they might achieve a similar success (Behn 1991). Still, the links from measurement to celebration, and to improvement is the most indirect because it has to work through one of the other links, either motivation, budgeting, learning, or promotion. In the end, any reason for measuring performance is valid only to the extent that it helps to achieve the most basic purpose: to improve performance.

**Purpose 5. To Learn: Performance measures contain information that can be used not only to evaluate, but also to learn.** Indeed, learning is more than evaluation. The objective of evaluation is to determine what is working and what isn't. The objective of learning is to determine why. To learn from performance measures, however, managers need some mechanism to extract information from the data. We may all believe that the data speak for themselves. This, however, is only because we each have buried in our brain some unconscious mechanism that has already made an implicit conversion of the abstract data into meaningful information. The data speak only through an interpreter that convenes the collection of digits into analogue lessons, that decodes the otherwise inscrutable numbers and provides a persuasive explanation. And often, different people use different interpreters, which explains how they can draw very different lessons from the same data.

Moreover, if managers have too many performance measures, they may be unable to learn anything. In many organisations, because of the proliferation of performance measures, there is more confusion or 'noise' than useful data. From performance measures, public managers may learn what is not working. If so, they can stop doing it and reallocate money and people from this nonperforming activity to more effective undertakings (designed to achieve the identical or quite different purposes). Or they may learn what is working. If so, they can shift existing resources (or new resources that become available) to this proven activity. Learning can help with the budgeting of both money and employees.

Furthermore, learning can help more directly with the improving. The performance measures can reveal not only whether an organisation is performing well or poorly, but also why: what is contributing to the organisation's excellent, fair, or poor performance, and what might be done to improve the components that are performing fairly or poorly? In seeking to learn from performance measures, public managers frequently confront the black box enigma of social science research. The data and the performance measures can



reveal that an organisation is performing well or poorly, but they don't necessarily reveal why. The performance measures can describe what is coming out of the black box of a public organisation, as well as what is going in, but they don't necessarily reveal what is happening inside.

**Purpose 6. To Improve: Performance measurement is not an end in itself but must be used by managers to make improvements (NAPA, 1994).**

Performance data should be part of a continuous feedback loop that is used to report on program value and accomplishment and identify areas where performance is weak so that steps can be taken to promote improvements. Similarly, Hatry (1999) argues that the fundamental purpose of performance information is to make program improvements. But how? What exactly is the connection between the measurement and the improvement? Who has to do what to convert the measurement into an improvement? Or does this just happen automatically? The answer is no. Measurement alone does not bring about performance improvement (NAPA, 1994).

For example, if the measurement produces some learning, someone then must convert that learning into an improvement. Someone has to intervene consciously and actively. But can any slightly competent individual pull this off? Or does it require a sophisticated appreciation of the strategies and pitfalls of converting measurement into improvement? To improve, an organisation needs the capacity to adopt and adapt the lessons from its learning. Learning from performance measures, however, is tricky. It isn't obvious what lessons managers should draw about which factors are contributing to the good or poor performance, let alone how they might modify such factors to foster improvements. Improvement requires attention to the feedback, the ability to check whether the lessons postulated from the learning have been implemented in a way that actually changes organisational behaviour so that it results in the better outputs and outcomes that the learning promised. Improvement is active, operational learning.

The challenge of learning from the performance measures is both intellectual and operational. Managers who wish to use measurement to improve the performance of their organisations face two challenges: first, they have the intellectual challenge of figuring out how to learn which changes in plans, or procedures, or personnel might produce improvements. Then, they confront the operational challenge of figuring out how to implement the indicated changes. There are a variety of standard mechanisms for using performance measures to evaluate. There exist some such mechanisms to control and budget.

For the purposes of learning and improving, however, each new combination of policy objectives, political environment, budgetary resources, programmatic structure, operational capacity, regulatory constraints, and performance measures demands a more open-ended, qualitative analysis. For performance learning and performance improvement, there is no „cookbook. How does the measurement of performance beget improvement? Measurement can influence performance in a variety of ways, most of which are hardly direct or apparent. There exist a variety of feedback loops, though not all of them may be obvious, and the obvious ones may not function as expected or desired. Consequently, to measure

an organisation's performance in a way that can actually help improve its performance, the organisation's management needs to think seriously not only about what it should measure, but also about how it might deploy any such measurements. Indeed, without at least some tentative theory about how the measurements can be employed to foster improvements, it is difficult to think about what should be measured.

#### Self-Assessment Exercises 1

- 1 Explain why performance should be measured?
- 2 Discuss the Goals and Benefits of Performance Measurement?

#### **4.3.1 Goals and Benefits of Performance Measurement**

According to Behn (2003), the following are the goals and benefits of performance measurement: Performance measurement systems are beginning to be used in budget formulation and resource allocation, employee motivation, performance contracting, improving government services and improving communications between citizens and government.

The current focus on performance measurement at all levels of government and in nonprofit organisations reflects citizen demands for evidence of program effectiveness that have been made around the world.

Performance measurement may be done annually to improve public accountability and policy decision making, or done more frequently to improve management and program effectiveness.

Performance measures are needed for setting goals and objectives, planning program activities to accomplish these goals, allocating resources to these programs, monitoring and evaluating the results to determine if they are making progress in achieving the established goals and objectives, and modifying program plans to enhance performance.

To recognize good performance and to identify areas for improvement; to use indicator values for higher-performing jurisdictions as improvement targets by jurisdictions that fall short of the top marks;

To compare performance among a subset of jurisdictions believed to be similar in some way (for example, in size, service delivery practice, geography, etc).

**Informing strategy and policy development.** Performance measurement is used to inform overall strategic planning and direction-setting as well as the ongoing development and implementation of policy and plans. Evidence gained about the difference an organisation made through the services it provided, and the interventions chosen can be used to make informed, targeted changes to policies and plans.

**Informing capability and service development.** Performance measures are used to identify areas where capabilities and services need to be developed to enhance core outcomes. For instance, your agency should use performance measurement information to inform workforce planning, recruitment, HR development and organisational planning, which all contribute to enhancing the design, delivery and impact of core services. Reporting achievements. Performance measurement should also be used by agencies to report coherently and concisely on their achievements. If you follow the performance

measurement process your agency will be able to produce clear, coherent performance stories around the ministerial priorities it is aiming to achieve.

These stories can clearly explain how your agency is progressing towards achieving its outcomes. In order to stimulate learning and contribute to strategy formulation, performance measurement systems focus attention on strategic priorities, create visibility within the organisation to ensure coordination, inspire action and enhance communication considered essential to learning (Vitale and Mavrinac 1995). By providing and measuring information on critical uncertainties, top managers help focus organisational attention and efforts toward those uncertainties. The discussions, debates, action plans, ideas and tests throughout the organisation foster learning that encourages the gradual emergence of new strategies and tactics. More than just being a diagnostic system, performance measurement also represents an interactive device (Simons, 1990).

Performance measurement contributes to strategy formulation and implementation by revealing the links between goals, strategy, lag and lead indicators (Kaplan and Norton 1992, 1996) and subsequently communicates and operationalizes strategic priorities (Nanni et al. 1992). The role of performance measurement evolves from a simple component of the planning and control cycle to an independent process that assumes a monitoring function. This function entails measuring movement in a strategic direction instead of distance from a goal, which is different from the planning and control cycle (Nanni et al. 1992).

A stakeholder approach defines the contribution of performance measurement according to three roles: coordination, monitoring and diagnosis (Atkinson et al. 1997). The coordinating role refers to the decision makers attention that must be focused on organisations primary and secondary objectives. The monitoring aspect is associated with the measurement and reporting of performance in meeting stakeholders requirements. Lastly, the assessment of the cause-and effect relationships between process performance, organisational learning and organisational performance refers to the diagnosis role. Other goals of performance measurement, according to Gaille (2016), include; To increase the productivity of individuals and teams: When there are clear goals available, it becomes easier for individuals and teams to strive toward them. This is because there are specific standards and guidelines which are used to measure success.

To identify under-performing individuals and teams: With a performance measurement process in place, it becomes possible to easily identify under-performing individuals and teams because their output can be directly compared to the output of others using the same chart. To improve communication: With accurate performance measurement metrics in place, managers/supervisors and their direct reports have fewer places for miscommunication. Every metric is specifically outlined, with detailed instructions that can lead people to success, so that there is no confusion as to what each person should do.

To provide the opportunity to recognize top performers: Many top performers go unrecognized because their output is averaged into an entire team s performance. By establishing individualized metrics, it becomes possible to find and recognize the top performers on a team. This creates more chances for an organisation to keep its best people. To provide a clear chain of command: In a performance measurement scenario,

everyone has their own role to play. They have their own duties to perform. This eliminates the confusion which can occur sometimes within a team when some people feel like they should be in charge and assume part of a leadership role. Each person and team has a defined space.



#### **4.4 Summary**

Managers must do more than simply set objectives. They must consistently monitor operations to ensure feasibility and provide guidance to get failing operations back on track. Tools for this kind of management include budgeting, determining effective management strategies, finding areas that need improvement, and determining potential areas for collaboration. Measuring performance is a vital part of assessing the value of employee and management activities. Performance measurement provides useful insights for conducting annual reviews of managers and employees and is also important for understanding how a company is performing compared with its competitors. This requires two types of measurement: individual (employee) evaluations and organisation evaluations.

In this unit, the reasons for measuring performance were discussed. It was observed that despite the effort required in establishing, maintaining, and reporting measures, performance measurement has several critical, tangible benefits. First, without some form of standard for achievement, there is no rational basis for decision-making. Performance measurement provides an achievement standard for business processes and can help identify areas that are succeeding or failing. The goals and benefits of performance measurement were also extensively discussed. Performance measurement systems are beginning to be used in budget formulation and resource allocation, employee motivation, performance contracting, improving government services and improving communications between citizens and government.



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#### 4.6 Possible Answers to SAEs

**Answer 1.** Despite the effort required in establishing, maintaining, and reporting measures, performance measurement has several critical, tangible benefits. First, without some form of standard for achievement, there is no rational basis for decision-making. Performance measurement provides an achievement standard for business processes and can help identify areas that are succeeding or failing. Furthermore, things that are not measured usually fall by the wayside and are not done (or done well), so it is critical to include key business processes in the performance measurement system. More importantly, if an organisation measures the wrong thing, it will reinforce the wrong behaviour, which will ultimately detract from its ability to achieve its mission..

**Answer 2.** According to Behn (2003), the following are the goals and benefits of performance measurement: Performance measurement systems are beginning to be used in budget formulation and resource allocation, employee motivation, performance contracting, improving government services and improving communications between citizens and government.

The current focus on performance measurement at all levels of government and in nonprofit organisations reflects citizen demands for evidence of program effectiveness that have been made around the world.

Performance measurement may be done annually to improve public accountability and policy decision making, or done more frequently to improve management and program effectiveness.

Performance measures are needed for setting goals and objectives, planning program activities to accomplish these goals, allocating resources to these programs, monitoring and evaluating the results to determine if they are making progress in achieving the established goals and objectives, and modifying program plans to enhance performance.

To recognize good performance and to identify areas for improvement; to use indicator values for higher-performing jurisdictions as improvement targets by jurisdictions that fall short of the top marks;

To compare performance among a subset of jurisdictions believed to be similar in some way (for example, in size, service delivery practice, geography, etc).

## **UNIT 5: Performance Measurement Method**

### **Unit Structure**

- 5.1 Introduction
- 5.2 Learning Outcomes
- 5.3 The Graphic Rating Scale
  - 5.1 Management by Objectives
  - 5.2 Forced Ranking
  - 5.3 Performance Appraisals
  - 5.4 Productivity Tests
  - 5.5 360-Degree Feedback
  - 5.6 Self-Evaluation
  - 5.7 Balanced Scorecard
- 5.6 Summary
- 5.7 References/Further Readings/Web Resources
- 5.8 Possible Answers to Self-Assessment Exercise(s) within the content



### **5.1 Introduction**

Performance management is an integral part of the workplace as it provides a platform for supervisors and managers to measure employee performance and determine whether employees are meeting the company's expectations. The method of performance measurement varies according to the work environment, type of business and, to some extent, the employee's occupation. Employee performance measurements can determine an employee's compensation, employment status or opportunities for advancement. For these reasons, performance management programs must consist of methods that enable fair and accurate assessments of employee performance. To assist with measuring employee performance, employers first establish performance standards. Performance standards define what it takes for employees to meet or exceed the company's performance expectations.



### **5.2 Learning Outcomes**

By the end of this unit, you will be able to:

- Discuss Graphic Rating Scales
- Explain Management by Objectives
- Underscore Forced Ranking
- Expatriate Performance Appraisals
- Enumerate Productivity Tests
- Understand 360-Degree Feedback
- Elaborate Self-Evaluation
- Understand Balanced Scorecard



### **5.3 The Graphic Rating Scale**

Graphic rating scales are ideal for production-oriented work environments, as well as for other workplaces that move at a fast pace, such as those found in the food and beverage industry. A rating scale consists of a list of job duties, performance standards and a scale usually from 1 to 5 for rating employee performance. This method for measuring employee performance requires preparation just like other methods; however, it can be completed relatively quickly, which is a plus for supervisors who manage large departments or competing assignments in an environment that leaves little time for workforce management duties (Gluck, 2017).

#### **5.3.2 Management by Objectives**

Management by objectives, or MBOs, are useful for measuring the performance of employees in supervisory or managerial positions. MBOs start with identifying employee goals, and from that point the employee and her manager list the resources necessary to achieve those goals. The next section of MBOs consists of the timelines for achieving each goal. Throughout the evaluation period, the employee and her manager meet periodically -- quarterly is best -- to discuss the employee's progress and to reset goals for which the employee needs additional time or resources to complete. The employee's performance is measured by how many of her goals she accomplished within the designated time frame (Gluck, 2017).

A typical appraisal or evaluation measures performance in areas such as the employee's technical skills, or skill set, interpersonal communication, motivation and productivity. Some employees are also evaluated according to what percentages of their goals they attained during the year--this is generally where Management by Objectives are best utilized. MBOs identify goals and professionals responsible for leading a workgroup. In addition, MBOs track progress toward completion of each objective, and ensures the employee objectives correlate to the organisations objective. The key to establishing solid MBOs is employee involvement in creating goals and objectives. When you have employee input in developing goals and appropriate action plans, the results of MBOs may be a better measurement of performance because there is employee ownership of those goals and objectives (Mayhew, 2017).

#### **5.3.3 The Forced Ranking**

Forced ranking earned a bad name from the time this method became popular during the reign of GE's former CEO, Jack Welch. Welch advocated supervisors and managers ranking employees into three groups (Mayhew, 2017). The top performers comprise roughly 20 percent of the workforce, average performers 70 percent and the lowest-performing employees make up about 10 percent of the workforce.

Forced ranking measures employees' achievements against those of their peers, instead of comparing the employee's current evaluation period against the employee's own past



performance. For this reason, forced ranking lends itself to creating a very competitive work environment.

### **5.3.4 The Performance Appraisals**

An employee performance appraisal is one of the most comprehensive and common ways to measure how well your company's work force is performing. Managers and supervisors can utilize a plethora of performance appraisal methods and forms during an annual employee evaluation.

Regardless of the type of performance appraisal your company uses, your goal is to improve managers; and employee's perception of the value and importance of measuring performance, according to the Balanced Scorecard Institute (Mayhew, 2017).

#### **Self-Assessment Exercises 1**

1. What is Performance Appraisals?
2. What is Graphic Rating Scale?

### **5.3.5 Productivity Test**

If an organisation is primarily concerned with measuring productivity of front line workers, it may be wise to use productivity tests to determine if the employees are meeting the organisation's expectations. Productivity tests are common in factories and production facilities where the work can be literally measured in quantifiable terms. An organisation's quality assurance procedures can help in measuring employee performance qualitatively, although a summary of W. Edwards Deming's management philosophy cautions about relying solely on quality assurance measurements. According to The Project Management Hut's interpretation, the author of Deming's 14 Points and Quality Project Leadership writes, Deming is reminding management that the need for inspection will decrease if quality problems are prevented in the first place (Mayhew, 2017).

### **5.3.6 360-Degree Feedback**

The practice of using 360-degree feedback is helpful in measuring management's effectiveness. For 360-degree feedback to be useful to an organisation, the human resources manager and training specialist need to develop training modules for employees, supervisors and managers on how to provide objective feedback and input regarding colleagues. Obtaining 360-degree feedback skilfully requires careful consideration of all feedback, regardless of the source. It's important to provide training because employees without performance management experience may not understand the critical element of 360-feedback: objectivity (Mayhew, 2017). In an "HR Magazine" article from June 2002, authors Bruce Pfau and Ira Kay explained that the premise behind 360-degree feedback is logical: the people who work most closely with an employee see that person's behaviour in settings and circumstances that a supervisor may not. With that in mind, 360-degree feedback can be extremely useful in measuring manager's performance levels, particularly

in areas concerning employee feedback and leadership skills (Mayhew, 2017). With 360-degree feedback performance appraisals, managers receive anonymous feedback from individuals with whom they interact frequently in the course of daily operations. These can include internal and external customers, superiors, direct reports, subordinates, vendors and sales people (Gluck, 2017). A human resources representative or outside consultant trains evaluators in the proper interpretation of multiple-choice survey questions and written responses. Evaluators are chosen at random from the above groups to avoid skewed results. Managers often trust the responses from 360 feedback appraisals because of their confidential nature. This makes the responders feel free to give honest answers without fear of retribution (Gluck, 2017).

#### **5.3.7 Self-Evaluation**

Self-evaluation tools allow the employee to rate himself against the same or similar criteria used by his supervisor. Often this involves qualitative and quantitative criteria. This method can raise the credibility level of the process in the view of the employee; especially when the employee's self-assessment score lines up closely with that of the supervisor. When the scores are somewhat at odds with one another, this tool offers discussion processes whereby these differences can be discussed in a safe, constructive manner (Gluck, 2017).

#### **5.3.8 Balanced Scorecard**

This approach combines quantifiable information, such as sales quotas and budgetary requirements, with performance standards particular to the position. It utilizes key performance indicators, or KPIs, to track how well the employee has reached short- and long-term goals. These take into account the employee's career growth and adherence to best practices as set forth by the individual organisation. The balanced scorecard approach to performance



### **5.4 Summary**

Performance measurement is an integral part of the workplace as it provides a platform for supervisors and managers to measure employee performance and determine whether employees are meeting the organisation's expectations. The method of performance measurement varies according to the work environment, type of business and, to some extent, the employee's occupation. Employee performance measurements can determine an employee's compensation, employment status or opportunities for advancement. For these reasons, performance management programs must consist of methods that enable fair and accurate assessments of employee performance. To assist with measuring employee performance, employers first establish performance standards. Performance standards define what it takes for employees to meet or exceed the company's performance expectations.

In this unit, efforts were made to discuss the various methods of performance measurement. It was observed that employers measure employee job performance through

a variety of tools and processes. Some use more than one, but smaller businesses often choose one tool that works best for them and use it consistently. These systems of measurement, called performance appraisals, must come across as fair and just for employees to consider them credible. Those implementing these tools should choose tools that offer the highest level of objectivity possible. Of course, removing all or most subjectivity is difficult, but some tools lend themselves to objectivity better than others.



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## **5.6 Possible Answers to SAEs**

### **Answers to SAEs 1**

An employee performance appraisal is one of the most comprehensive and common ways to measure how well your company's work force is performing. Managers and supervisors can utilize a plethora of performance appraisal methods and forms during an annual employee evaluation.

Regardless of the type of performance appraisal your company uses, your goal is to improve managers; and employee's perception of the value and importance of measuring performance, according to the Balanced Scorecard Institute

### **Answers to SAEs 2**

Graphic rating scales are ideal for production-oriented work environments, as well as for other workplaces that move at a fast pace, such as those found in the food and beverage industry. A rating scale consists of a list of job duties, performance standards and a scale usually from 1 to 5 for rating employee performance. This method for measuring employee performance requires preparation just like other methods; however, it can be completed relatively quickly, which is a plus for supervisors who manage large departments or competing assignments in an environment that leaves little time for workforce management duties

## **MODULE 2: THE CONTEXT OF PERFORMANCE MANAGEMENT**

### **Unit 1: Context of Performance Management**

### **Unit 2: Underpinning Theories of Performance Management**

### **Unit 3: Concerns of Performance Management**

### **Unit 4: Performance Appraisal**

### **Unit 5: Performance Management Process**

### **Unit 1: Context of Performance Management**

- 1.1 Introduction
- 1.2 Learning Outcomes
- 1.3 The Organizational Culture
  - 1.3.1 Organisational Culture
  - 1.3.2 Employee Relations Climate
  - 1.3.3 The Internal Environment
  - 1.3.4 Technology and Working Practices
  - 1.3.5 The External Environment
- 1.4 Summary
- 1.5 References/Further Readings/Web Resources
- 1.6 Possible Answers to Self-Assessment Exercise(s) within the content



#### **1.1 Introduction**

Performance management is a method of influencing behaviour within a context in directions that will meet the needs of the stakeholders in the organisation. The context of performance management in any organisational setting includes the organisational culture, the employee relations climate, the people involved and the internal environment in terms of the organisation's structure, its size and its technology and working practices.



#### **1.2 Learning Outcomes**

By the end of this unit, you will be able to:

- Understand Organisational Culture
- Underscore Employee Relations Climate
- Discuss The People Involved
- Explain the Internal & External Environment



#### **1.3 The Organizational Culture**

Organisational culture is the pattern of shared beliefs, norms and values in an organisation that shape the way people act and interact and strongly influence the ways in which things get done. From the performance management viewpoint, one of the most important manifestations of organisational culture is management style. This refers to the ways in

which managers behave in managing people and how they exercise authority and use their power. If the prevailing management style in a command-and-control type structure is autocratic, directive, task orientated, distant and tough, then a „caring and sharing philosophy of performance management is not likely to work, even if it was felt to be desirable, which is unlikely (Armstrong, 2009).

Alternatively, a non-directive, participative and considerate style is more likely to support a „partnership approach to performance management, with an emphasis on involvement, empowerment and ownership. It is vital to take account of cultural considerations when developing and implementing performance management. The aim must be to achieve a high degree of fit between the performance management processes and the corporate culture when the latter is embedded and appropriate. However, performance management is one of the instruments that can be used in a cultural change programme where the focus is on high performance, engagement, commitment and involvement (Armstrong, 2009).

#### Self-Assessment Exercises 1

1. What is Organizational Culture?
2. Discuss the External Environment?

### 1.3.1 The Employees Relation Climate

The employee relations climate of an organisation represents the perceptions of employees and their representatives about the ways in which relationships between management and employees are maintained. It refers to the ways in which formal or informal employee relations are conducted and how the various parties (managers, employees and trade unions or staff associations) behave when interacting with one another (Armstrong, 2009).

The climate can be good, bad or indifferent according to perceptions about the extent to which:

- The parties trust one another.
- Management treats employees fairly and with consideration.
  - Management is open and honest about its actions and intentions.
- Harmonious relationships exist; management treats employees as stakeholders.
- Employees are committed to the interests of the organisation.
- What management does is consistent with what it says it will do.

Clearly, a good climate will be conducive to the design and operation of effective performance management processes as long as these are developed jointly by the stakeholders and take account of the interests of all involved (Armstrong, 2009). An improved employee relations climate may also result from pursuing the development and implementation of performance management in accordance with the ethical principles.

### 1.3.2 Internal Environment

The internal environment, according to Armstrong (2009), consists of the people involved, an organisation s structure, its size and its technology and working practices.

## **People Involved**

The development and application of performance management can be driven from the top, possibly forming part of a transformational programme incorporating cultural changes. There may be too much top-down control and change may go in the wrong direction, but if there is an enlightened approach that appreciates the need to involve stakeholders, then top management leadership will get things done and convey the message that performance management is important.

Performance management processes will vary in accordance with the composition of the workforce. For example, a firm employing mainly knowledge workers is likely to adopt a different approach from a manufacturing firm. Within the organisation, approaches may vary between different groups of employees.

## **Structure**

A hierarchical or functional structure with well-defined layers of authority is more likely to support a directive, top-down approach to setting objectives and reviewing performance. A flatter, process-based structure will encourage more flexible participative approaches with an emphasis on teamwork and the management of performance by self-directed teams. A structure in which responsibility and authority are devolved close to the scenes of action will probably foster a flexible approach to performance management. A highly centralized organisation may attempt to impose a monolithic performance management system, and fail.

## **Size**

Research carried out by Beaver and Harris (1995), into performance management in small firms came to the conclusion that the performance management systems of large firms simply cannot be scaled down to fit the smaller enterprise that often exhibits a radically different management process and operation. They described the management process in small firms as likely to be characterized by the highly personalized preferences, prejudices and attitudes of the firm's entrepreneur or owner, who will probably work close to the operating process.

### **1.3.3 Technology and Working Practices**

There is no conclusive evidence that advanced technology and working practices are correlated with sophisticated approaches to performance management. But it is reasonable to assume that high-technology firms or sophisticated organisations are more likely to innovate in this field. Another aspect of work practices is the extent to which the work is computer or machine controlled, or routine. Computerized performance monitoring (CPM) provides an entirely different method of measuring performance that is related directly to outputs and/or errors (Armstrong, 2009).

As Bates and Holton (1995) noted as a result of their research, this can have detrimental effects: CPM can transform a helpful, less performance-orientated supervisory style into one that is more coercive and production orientated. However, research conducted by Earley (1986) found that employees trusted feedback from a computer more than feedback from a supervisor. He claimed that CPM could have a greater impact on performance because of higher self-efficacy (i.e. the individual's self-belief that he or she will be able to accomplish certain tasks). Bureaucratic methods of working may also affect the design and operation of performance management.

Organisations that function as bureaucracies, appropriately or inappropriately, are more likely to have a formalized performance management system. The system will probably be centrally controlled by HR and the emphasis will be on the annual appraisal carried out in accordance with strictly defined rules. The appraisal may be a top-down judgemental affair, often referring to personality traits. Performance and potential will be rated (Armstrong, 2009). Organisations that work flexibly with an emphasis on horizontal processes and teamwork are more likely to have a less formal process of performance management, leaving more scope for managers and teams to manage their own processes in accordance with agreed principles (Armstrong, 2009).

#### **1.3.4 The External Environment**

If the external competitive, business, economic and political environment is turbulent which it usually is organisations have to learn to respond and adapt rapidly. This will influence the ways in which business strategies and plans are developed and the sort of goals people are expected to achieve.

Performance management has to operate flexibly in tune with the constant changes in demands and expectations to which the organisation is subject. A business that operates in a fairly steady state as far as its external environment is concerned (rare, but they do exist) can adopt more structured and orderly performance management systems (Armstrong, 2009). Self-Assessment Exercise The internal environment in the context of performance management consist of some factors. Discuss in detail.



### **1.4 Summary**

In this unit, we discussed the context of performance management. This context, as discussed in this unit include the organisational culture, the employee relations climate, the people involved and the internal environment in terms of the organisation's structure, its size and its technology and working practices.

It was ascertained that the context of performance management in any organisational setting includes the organisational culture, the employee relations climate, the people involved and the internal environment in terms of the organisation's structure, its size and its technology and working practices.



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### **1.8 Possible Answers to SAEs**

#### **Answers to SAEs 1**

Organisational culture is the pattern of shared beliefs, norms and values in an organisation that shape the way people act and interact and strongly influence the ways in which things get done. From the performance management viewpoint, one of the most important manifestations of organisational culture is management style.

This refers to the ways in which managers behave in managing people and how they exercise authority and use their power. If the prevailing management style in a command-and-control type structure is autocratic, directive, task orientated, distant and tough, then a „caring and sharing philosophy of performance management is not likely to work, even if it was felt to be desirable, which is unlikely (Armstrong, 2009).

#### **Answers to SAEs 2**

External competitive, business, economic and political environment is turbulent which it usually is organisations have to learn to respond and adapt rapidly. This will influence the ways in which business strategies and plans are developed and the sort of goals people are expected to achieve.

Performance management has to operate flexibly in tune with the constant changes in demands and expectations to which the organisation is subject. A business that operates in a fairly steady state as far as its external environment is concerned (rare, but they do exist) can adopt more structured and orderly performance management systems (Armstrong, 2009). Self-Assessment Exercise The internal environment in the context of performance management consist of some factors. Discuss in detail.



## UNIT 2: Underpinning Theories of Performance Management

### Unit Structure

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Underpinning Theories of Performance Management
  - 3.1 Goal Theory
  - 3.2 Systems Theory
  - 3.3 Expectancy Theory
- 2.4 Summary
- 2.5 References/Further Readings/Web Resources
- 2.6 Possible Answers to Self-Assessment Exercise(s) within the content



### 2.1 Introduction

Performance management research is multidisciplinary, being informed by a varied group of complementary disciplines and corresponding theories. Strategic Management, Operations Management, Human Resources Management, Organisational Behaviour, Information Systems, Marketing, Management Accounting and Control are all contributing to the field of performance management. Due to this multidisciplinary nature of performance management, the theories that inform it are varied. This unit will x-ray the various theories of performance management.



### 2.2 Learning Outcomes

By the end of this unit, you will be able to:

- Discuss the goal setting theory as it relates to performance management
- Explain systems theory and its relationship to performance management
- Deliberate on expectancy theory as it informs performance management



### 2.3 Underpinning Theories of Performance Management

Attention direction (or focus), effort regulation (e.g. meeting deadlines), persistence (or determination) and goal-attainment strategies and action plans have a positive impact on the task performance of an individual employee. Locke & Latham (2002), summarized the most important findings of the goal setting theory in empirical studies: The more difficult the goal, the greater the achievement. Goal difficulty challenges the individual employee under the assumption that the employee is committed to the goal and possesses the ability and knowledge to achieve it. The more specific or explicit the goal, the more precisely performance is regulated. This finding suggests that high goal specificity can be achieved mainly through quantification. It is important to be as specific as possible about the goals for an employee. This way the employee can focus. The goal-setting effects are stronger for easy tasks than for complex tasks. Vague goals, such as „do your best, should be avoided.

## Self-Assessment Exercises 1

1. What is goal setting theory?
2. Discuss system theory?

### 2.3.1 Goal Setting Theory

One of the explicatory theories upon which performance management is based is Goal setting theory. This theory underpins the emphasis in performance management on setting objectives against which performance can be measured and managed. Goal-setting theory (Locke and Latham, 1990) is a theory of motivation to explain human action in specific work situations. A goal is „what an individual is trying to accomplish; it is the object or aim of an action (Locke et al., 1981). This theory was formulated inductively based on empirical research conducted over nearly four decades. Its roots are based on the premise that conscious goals affect action (where goals are considered the object or aim of an action) (Locke & Latham, 2002). While goal setting theory is generally analysed at individual level, its principles are considered relevant at organisational level, too. Locke & Latham (2002), further argues that goal-setting is effective for any task where people have control over their performance. Research in this field currently explores goal setting theory at both individual and organisational level. In organisational context, personal empirical observations highlight that the goals of individuals, teams and the entity as a whole can be in conflict. Goal conflict can motivate incompatible actions and this has the potential to impact performance.

Thus, alignment between individual goals and group goals is important for maximising performance. This links goals setting theory to principal agent theory, also called agency theory. Performance goals have a motivational impact in organisations (Kreitner et al., 2002). Goals motivate the individual employee (Locke and Latham, 1990) by:

Directing one's attention; Regulating one's effort; Increasing one's persistence  
Encouraging the development of goal-attainment strategies or action plans  
Attention direction (or focus), effort regulation (e.g. meeting deadlines), persistence (or determination) and goal-attainment strategies and action plans have a positive impact on the task performance of an individual employee.

**Locke & Latham (2002), summarized the most important findings of the goal setting theory in empirical studies:**

The more difficult the goal, the greater the achievement. Goal difficulty challenges the individual employee under the assumption that the employee is committed to the goal and possesses the ability and knowledge to achieve it. The more specific or explicit the goal, the more precisely performance is regulated. This finding suggests that high goal specificity can be achieved mainly through quantification. It is important to be as specific as possible about the goals for an employee. This way the employee can focus. The goal-setting effects are stronger for easy tasks than for complex tasks.

**Vague goals**, such as „do your best, should be avoided. Goals that are both specific and difficult lead to the highest performance. This finding suggests an interaction effect between specificity and difficulty, as summarized in finding (1) and finding (2) above. Another way of putting it is that other combinations

**specific goals that are easy**, broad goals that are difficult and broad goals that are easy – show lower performance than a combination of specific and difficult goals. Commitment to goals is most critical when goals are specific and difficult. Locke & Latham (2002) explains that when goals are easy and vague, it is not difficult to get commitment, because it does not require much dedication to reach easy goals, and vague goals can be easily redefined to accommodate low performance. High commitment to goals is attained when (a) the individual is convinced that the goal is important and (b) the individual is convinced that the goal is attainable. The front-line manager or direct supervisor can play an important role in convincing employees of the goal relevance for the individual and the organisation. The other aspect of this finding reflects the notion that a goal can be extremely difficult as long as the individual employee perceives it as possible to achieve.

**Goal-setting is most effective**, when there is feedback showing progress in relation to the goal. It helps when employees are given feedback on their performance, in particular feedback on improving their performance in the direction of the ultimate goals. This is also known as „knowledge of score.

**Goals stimulate planning**. Task or goal-relevant plans can be the result of experience or training. These plans can have a positive effect on the task performance of an individual employee as suggested in the scheme by Locke and Latham (1990).

A practical application of the goal-setting theory is offered by Kreitner et al., (2002) and called SMART. SMART is an acronym for specific, measurable, attainable, results-oriented and timebound.

### **SMART: Goals should be ...**

Specific: goals should be formulated in precise terms; vagueness should be avoided. Measurable: goals should be measurable and a measurement device can be very helpful in doing so. Attainable: goals should be realistic, challenging and attainable in the perceptions of those who are submitted to it. Impossible goals should be avoided because these cause decreasing employee motivation. Results-oriented: the goals should be in line with the corporate goals, with a focus on desired end results in line with the business strategy. Time-bound: goals should be linked to specific target dates for completion; so-called deadlines.

### **2.3.2 System Theory**

Systems theory as formulated by Miller and Rice (1967) states that organisations should be treated as open systems that transform inputs into outputs within the environments (external and internal) upon which they are dependent. Systems theory is the basis of the input–process– output–outcome model of managing performance, which assesses the entire contribution that an individual makes within the system in carrying out his or her allotted tasks, not just the outputs. Inputs – the skills and knowledge that an individual brings to a job – together with process – which is how people actually perform their jobs –

are measured to assess development and learning needs. Outcomes measure the scale of the individual's contribution to overall team, department and corporate performance, and are central to performance management.

This method of managing performance is important because all the factors that influence performance, including the system and the context, can be taken into account when assessing it. Individual performance is influenced by systems factors as well as person factors (Cardy and Dobbins, 1994). These will include the support they get from the organisation and other factors outside the control of individuals. Jones (1995) proposes that the aim should be to „manage context not performance and goes on to explain that in this equation, the role of management focuses on clear, coherent support for employees by providing information about organisation goals, resources, technology, structure, and policy, thus creating a context that has multiplicative impact on the employees, their individual attributes (competency to perform), and their work effort (willingness to perform).

In short, managing context is entirely about helping people understand; it is about turning on the lights. It was emphasized by Deming (1986) that differences in performance are largely due to systems variations. Gladwell (2008) also argues that success isn't primarily down to the individual, but to his or her context. Coens and Jenkins (2002) made the following comments on the impact of systems. An organisational system is composed of the people who do the work but far more than that. It also includes the organisation's methods, structure, support, materials, equipment, customers, work culture, internal and external environments (such as markets, the community, governments), and the interaction of these components. Each part of the system has its own purpose but at the same time is dependent on the other parts.

Because of the interdependency of the parts, improvement strategies aimed at the parts, such as appraisal, do little or nothing to improve the system... Individual performance is mostly determined by the system in which the work is done rather than by the individual's initiative, abilities and efforts... Because of these effects and the low yield benefit of improving the parts, it makes little sense to design organisational improvement systems around appraisal while the leveraging power of improving the system is ignored... The myopic focus on individual improvement equates to a religious dogma that is manifested through the rituals and rites of ranking and rating. However, Coens and Jenkins also stated that: „We do not advocate abandoning all strategies aimed at individual improvement, personal development and goal attainment. When combined with serious efforts toward improving the system and work environment, such initiatives can significantly bolster organisational transformation.

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significantly bolster organisational transformation.

### **2.3.3 Expectancy theory**

Another key motivation theory underpinning performance management deals with the importance of expectations. Expectancy theory, as first developed by Vroom (1964), is a process theory of motivation. It has held a major position in the study of work motivation and has served as a rich source for theoretical innovations in various domains, such as organisational behavior and compensation. Expectancy theory identifies three factors, which play an interactive role in motivation. The first of these factors, effort & performance (E&P) expectancy, concerns the individual's perception that effort is positively correlated with performance.

The higher this E&P expectancy is, the more motivated the individual will be to exert effort. To be more precise, Vroom (1964) defines E&P expectancy as the subjective probability that an action or effort (E) will lead to an outcome or performance (P). The second factor is performance & outcome (P&O) expectancy, also referred to as instrumentality. It concerns a person's expectation that his remuneration is closely tied to his level of performance. This factor also has a positive effect on motivation to exert effort. The third factor is called valence, and is a measure of the degree to which an individual values a particular reward.

Again, the higher this factor is, the more motivated the individual will be. In another perspective, although similar to the above definition, Vroom's theory believes that behavior results from conscious choices among alternatives whose purpose it is to maximize pleasure and minimize pain. The key elements to this theory are referred to as Expectancy (E), Instrumentality (I), and Valence (V). Critical to the understanding of the theory is the understanding that each of these factors represents a belief. The Expectancy Theory of Victor Vroom deals with motivation and management. Vroom's theory assumes that behavior results from conscious choices among alternatives whose purpose it is to maximize pleasure and minimize pain. Together with Edward Lawler and Lyman Porter, Vroom suggested that the relationship between people's behavior at work and their goals was not as simple as was first imagined by other scientists. Vroom realized that an employee's performance is based on individual factors such as personality, skills, knowledge, experience and abilities.

The expectancy theory by Vroom (1964), says that individuals have different sets of goals and can be motivated if they believe that:

There is a positive correlation between efforts and performance, Favorable performance will result in a desirable reward, The reward will satisfy an important need, The desire to satisfy the need is strong enough to make the effort worthwhile Vroom's Expectancy Theory (1964) is based upon the following three beliefs:

1. Valence: this refers to the emotional orientations people hold with respect to outcomes [rewards]. The depth of the want of an employee for extrinsic [money, promotion, time off, benefits] or intrinsic [satisfaction] rewards.

Management must discover what the employees' value so as to meet them.

2. Expectancy: Employees have different expectations and levels of confidence about what they are capable of doing.

Management must discover what resources, training, or supervision employees need.

3. Instrumentality: The perception of employees whether they will actually get what they desire even if it has been promised by a manager.

Management must ensure that promises of rewards are fulfilled and that employees are aware of that. Vroom suggests that an employee's beliefs about Expectancy, Instrumentality, and Valence interact psychologically to create a motivational force such that the employee acts in ways that bring pleasure and avoid pain. This force can be 'calculated' via the following formula:  $\text{Motivation} = \text{Valence} \times \text{Expectancy} \times \text{Instrumentality}$ . This formula can be used to indicate and predict such things as job satisfaction, one's occupational choice, the likelihood of staying in a job, and the effort one might expend at work (Vroom, 1964).

Vroom's theory suggests that the individual will consider the outcomes associated with various levels of performance (from an entire spectrum of performance possibilities), and elect to pursue the level that generates the greatest reward for him or her. Expectancy refers to the strength of a person's belief about whether or not a particular job performance is attainable. Assuming all other things are equal, an employee will be motivated to try a task, if he or she believes that it can be done. This expectancy of performance may be thought of in terms of probabilities ranging from zero (a case of "I can't do it!") to 1.0 ("I have no doubt whatsoever that I can do this job!") A number of factors according to Vroom (1964), can contribute to an employee's expectancy perceptions: the level of confidence in the skills required for the task the amount of support that may be expected from superiors and subordinates the quality of the materials and equipment the availability of pertinent information.

Also, expectancy theory thus points at three instruments that employers should use in combination to increase an employee's motivation: (i) increasing the subjective expectations that greater effort will lead to higher levels of performance (E) (ii) strengthening the perceived link between performance and rewards (I) and (iii) ensuring that employees value the rewards given for high performance (V).

These three factors are called the VIE factors. To emphasize their interactive role in generating motivation, expectancy theory is typically summarized by means of the following equation:  $MF = V \times E \times I$ , where MF refers to motivational force. Unlike the economic theory of performance measurement and rewards, however, expectancy theory is not cast in a rigorous formal analytical model (Vroom, 1964).

Expectancy theory supports performance management processes designed to provide for intrinsic motivation by providing opportunities for growth and scope to use and develop abilities.

An expectancy-based motivational model for individual performance improvement was devised by DeNisi and Pritchard (2006). It is based on the belief that people allocate energy to actions in a way that will maximize their anticipated need satisfaction



## 2.6 Summary

In this unit, theories that inform performance management were discussed. Although there are other motivational theories that support performance management, these ones were chosen because of their relevance to performance management. The unit discussed the goal setting theory, systems theory and expectancy theory.

The main theory informing individual performance management is Locke & Latham's (2002) goal-setting theory, one of the most effective motivational theories. It was formulated inductively based on empirical research conducted over nearly four decades. Its roots are based on the premise that conscious goals affect action (where goals are considered the object or aim or an action). Other theories that support performance management are systems theory, expectancy theory, etc.



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## **2.8 Possible Answers to SAEs**

### **Answers to SAEs 1**

This theory underpins the emphasis in performance management on setting objectives against which performance can be measured and managed. Goal-setting theory (Locke and Latham, 1990) is a theory of motivation to explain human action in specific work situations. A goal is „what an individual is trying to accomplish; it is the object or aim of an action (Locke et al., 1981). This theory was formulated inductively based on empirical research conducted over nearly four decades. Its roots are based on the premise that conscious goals affect action (where goals are considered the object or aim of an action) (Locke & Latham, 2002). While goal setting theory is generally analysed at individual level, its principles are considered relevant at organisational level, too. Locke & Latham (2002), further argues that goal-setting is effective for any task where people have control over their performance.

### **Answers to SAEs 2**

Systems theory as formulated by Miller and Rice (1967) states that organisations should be treated as open systems that transform inputs into outputs within the environments (external and internal) upon which they are dependent. Systems theory is the basis of the input–process– output–outcome model of managing performance, which assesses the entire contribution that an individual makes within the system in carrying out his or her allotted tasks, not just the outputs. Inputs – the skills and knowledge that an individual brings to a job – together with process – which is how people actually perform their jobs – are measured to assess development and learning needs. Outcomes measure the scale of the individual s contribution to overall team, department and corporate performance, and are central to performance management.



## UNIT 3: Concerns of Performance Management

### Unit Structure

- 3.1 Introduction
- 3.2 Learning Outcomes
- 3.3 Concerns of Performance Management
  - 3.3.1 Concern with Outputs, Outcomes, Process and Inputs, Planning, Measurement and Continuous Improvements
  - 3.3.2 Concern with Continuous Development, Communication.
  - 3.3.3 What Planning is all about?
  - 3.3.4 Planning Problem in the Organization.
- 3.4 Summary
- 3.5 References/Further Readings/Web Resources
- 3.6 Possible Answers to Self-Assessment Exercise(s) within the content



### 3.1 Introduction

Performance management focuses on future performance planning and improvement rather than on retrospective performance appraisal. It functions as a continuous and evolutionary process, in which performance improves over time; and provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs. It is mainly concerned with individual performance but it can also be applied to teams. Performance management have the following major concerns; concern with outputs, outcomes, process and inputs, concern with continuous development and communication, concern with measurement and review, concern for stakeholders, etc. These concerns will be further discussed in this unit.



### 3.2 Learning Outcomes

By the end of this unit, you will be able to:

- Explain the concern of performance management with outputs, outcomes.
- Discuss the concern of performance management with continuous development and Communication.



### 3.3 Concerns of Performance Management

Planning is closely related to the activities that constitute the bedrock of resource management and control in the Organization. Planning is not only central to the traditional functions of performance management but occupies primary position in management. But planning is directed towards finding effective ways of harnessing available resources; making rational decisions and choices; and achievement of goals. Planning is essential for all management activities especially development activities. Planning at the local government level is associated with many problems including lack of funds and inadequate training of staff.

1. What is Output in the Organization?
2. What are the problems associated with planning in the Organization?

### **3.3.1 Concern with Outputs, Outcomes, Process and Inputs, Planning, Measurement and Continuous Improvements**

Performance management is concerned with outputs (the achievement of results) and outcomes (the impact made on performance). But it is also concerned with the processes required to achieve these results (competencies) and the inputs in terms of capabilities (knowledge, skill and competence) expected from the teams and individuals involved (Armstrong, 2006). Concern with planning: Performance management is concerned with planning ahead to achieve future success. This means defining expectations expressed as objectives and in business plans. Concern with measurement and review: „If you can't measure it you can't manage it.

Performance management is concerned with the measurement of results and with reviewing progress towards achieving objectives as a basis for action (Armstrong, 2006). Concern with continuous improvement: Concern with continuous improvement is based on the belief that continually striving to reach higher and higher standards in every part of the organisation will provide a series of incremental gains that will build superior performance.

This means clarifying what organisational, team and individual effectiveness look like and taking steps to ensure that those defined levels of effectiveness are achieved. As Armstrong and Murlis (1994) wrote, this involves: Establishing a culture in which managers, individuals and groups take responsibility for the continuous improvement of business processes and of their own skills, competencies and contribution

### **3.3.2 Concern with Continuous Development, Communication, Stakeholders and Fairness.**

Concern with continuous development. Performance management is concerned with creating a culture in which organisational and individual learning and development is a continuous process. It provides means for the integration of learning and work so that everyone learns from the successes and challenges inherent in their day-to-day activities.

Concern for communication:

Performance management is concerned with communication. This is done by creating a climate in which a continuing dialogue between managers and the members of their teams takes place to define expectations and share information on the organisation's mission, values and objectives. This establishes mutual understanding of what is to be achieved and a framework for managing and developing people to ensure that it will be achieved (Armstrong and Murlis, 1998).

Concern for stakeholders: Performance management is concerned with satisfying the needs and expectations of all the organisation's stakeholders – owners, management, employees, customers, suppliers and the general public. In particular, employees are treated as partners in the enterprise whose interests are respected, whose opinions are sought and listened to,

and who are encouraged to contribute to the formulation of objectives and plans for their team and for themselves.

Performance management should respect the needs of individuals and teams as well as those of the organisation, recognizing that they will not necessarily coincide. Concern for fairness and transparency: Four ethical principles that should govern the operation of the performance management process have been suggested by Armstrong (2009). These are: – respect for the individual; – mutual respect; – procedural fairness; – transparency of decision making.

### **3.3.3 What Planning is all About?**

In trying to understand planning as a concept, several approaches are possible. One way is simply to enumerate the variety of forms of planning. This approach could more appropriately, be described as a classification of planning. Accordingly, there can be wartime planning, town and country planning, anti-cyclical planning, development planning, national planning and regional planning. Another classification, is determined by the duration of plans. Here, one can distinguish between long-term or tactical planning, and of course medium-range planning. This approach is useful as it may only tell us what has been done (the product), not how planning is done (the process). We must bear this in mind as we approach planning from a second angle.

The second approach regards planning as a technique for making decisions that guide future action for the achievement of desired objectives. In that event, planning becomes technical and, rational in the sense that it ensures that the right decisions and subsequent actions are undertaken. Usually, the techniques are often quantitative, mathematical, or statistical. Subjects and models such as econometric, input-output models, simulation techniques, operations research, game theory and computation techniques facilitate planning. Planning is, therefore, the technique of provoking the occurrence of certain results by means of deliberate intervention in the economic process and orientation in accordance with a plan. This second approach appears to deal more with the processes of planning as opposed to the end product. Therefore, it may serve our purpose better.

A third approach is what for lack of a more appropriate term, one would like to call a common sense or dictionary approach to defining planning. Although, majority of existing definitions come under this category, their major weakness lies in not establishing planning as a technique and as a process. They do not, therefore, hold much operational value.

Planning, therefore, is "the determination of anything in advance of action." It is the process of preparing a set of decisions action in the future, directed at achieving goals by preferable means. And to Mecca *etal*, "planning is a process that is continual and dynamic... that is based on present information." Planning could also be "a systematised method of thinking ahead about what is to be achieved, how, when and by whom." For Irving Swerdlow: *Planning is a major part of the process of determining how much and what is produced by the economic system. It is the exercise of total government... and it determines societal transformation... It is no exaggeration to assert that in economic planning, political and social decisions are often more relevant than economic decisions. However, since the end always justify the means, at the ultimate, economic*

*decisions prevail over other decisions.*

A more operational and practical definition is that of Griffin and Enos. According to them: *Economically, planning is the economic constitution... in which the goals of an economy are spelt out. Just as a constitution defines the organs of government by which democracy or theocracy or dictatorship is to be served, so plans define the means by which economic welfare is to be improved.* Further, Griffin and Enos define planning as purposeful human activity and for developing countries specifically as "the construction and authorisation of economic, social and political programmes in the underdeveloped countries."

The above definition outlines the elements of the construction process as involving:

Situation analysis;

Determination of aims and goals and involvement of relevant people;

Enumeration of available resources;

Consideration of alternative ways of the resources utilisation, data collection and selection of preferred alternative. Plan implementation;

Consistency checks to ensure that goals can be achieved with the resources; and

Periodic revisions to allow for unexpected events, through monitoring and evaluation.

The authorization of the plan, on the other hand, is the process of concretising and formalizing the plan without which the plan is no more than a wish. This process involves:

Transforming plans into programmes or projects;

Designating prerogatives and responsibilities setting of specific targets;

Provision of financial and human resources; and

Establishment of communication networks to convey information and commands.

The above definition by Griffin and Enos gives us not just what has been done (product) but also the steps involved in the planning (the process). Waterston, on the other hand, has defined planning "as an organised attempt to select the best available alternatives to achieve specific goals." He further characterized planning as the:

*Rational application of human knowledge to the process of reaching decisions which are to serve as the basis of human action... The central core of the meaning remains the establishment of relationship between means and ends with the object of achieving the latter by the most efficient use of the former.*

Finally, planning can be defined as "deciding what to do, that is, establishing goals or objectives and stating the steps to be taken to achieve them," Thus planning bridges where we are, where we want to go, those involved, when to get to the various stages, and resources needed to get there.

### **Planning Process and Techniques**

For this section however, we find most useful Helio Jaguaribe's description of the planning process. He begins by defining planning as "the technique of provoking the occurrence of certain results by means of deliberate intervention in the economic process and orientation in accordance with a plan." Hereafter, the process of planning is outlined by Jaguaribe in rather illuminating details as consisting of the following stages:

#### **a) Plan preparation or formulation**

This stage consists of three (3) elements.

The study and analysis of the environment of planning. For effective planning, feasibility

studies should be carried out to know the circumstances of that environment (prevailing conditions) such elements as the size, shape and human composition. Unforeseen circumstances such as natural disasters should also be carefully studied including external relations. Lastly, studies of available resources needed to carry out the programme should also be made. Experts can analyse the technical elements of the situation in a rational way, while the prevailing opinion in the community should determine the less technical matters. At the pre-planning phase, that is, when the planner is involved in situation analysis, the unforeseen circumstances such as natural disasters, external relations are carefully studied. Studies of available resources needed to carry out the programme should be made. While the planner can analyse the technical elements of the situation in a rational way, the prevailing opinion in the community should be sourced and incorporated in the planning: exercise. It is important that adequate consultation be made with intended beneficiaries and other relevant stakeholders. Their buying-in and becoming part owners of the project or programme can enhance proper formulation and implementation. It is usually advisable to employ local labour around the location of major projects.

#### **b) The choice of plan objectives**

An objective represents an image of a future state of affairs towards which actions are directed. In choosing objectives, there is need to consider the means at the disposal of the society or organisation and the relationship between goals and the means available when choosing among objectives for there are never means enough to attain all the objectives. The objectives should be well thought of and clarified. Incompatible objectives must be reconciled made intrinsically valid because failure to do so makes it difficult to formulate policies and programme, which are appropriate for the plan's implementation. The choice of plan objectives can be done in two ways. Firstly, where the choice "regarded as a technical corollary of diagnosis of the situation, it can be entrusted to those experts who undertook this diagnosis." The second option is to entrust the choice to the leaders of such a community, or the community exercises the choice either through its legislature or by plebiscite.

#### **c) The selection of means**

The means enable the achievement of chosen objectives. The means can also be "thought of as consisting of certain physical quantities of resources and the manner in which they can be employed. The means are comprised of the inputs and their relationship, technical and institutional between the inputs and outputs." The process of selection from alternative means is divided into three:

- ☐ The identification of available alternatives consistent with the chosen objective;
- ☐ The weighing of the alternatives; and
- ☐ The choice of the best and most suitable of them.

#### **(ii) Plan or programme execution**

In this stage, the decision made towards achieving defined objectives is put into action.

This stage consists of two elements, namely:

*Establishment of required Legal and Administrative Mechanisms:* After the choice of objectives and the means for achieving them, there is need for proper assessment of the existing institutions and to restructure them to meet the plan's demands, or to establish new ones where none ever existed.

*Operation of the institutions:* The establishment or restructuring of institutions would not in itself guarantee proper implementation, hence there is need to make these institutions functional by equipping them with the human, material and financial resources needed.

The project must be ranked with other projects competing for resources and found to scale the hurdle. Once a project has passed these tests and has funds properly allocated, approved and released for it, then it is ready for implementation. It is a common complaint in Nigeria that plans are usually well formulated but they fail to achieve their goals due to poor implementation. In order to properly embark on project implementation, the following preconditions must be met:

- i. The project officers must ensure that there is indeed a project to be executed and not just a project idea or concept.
- ii. If there is an identified project with a feasibility study, the project must be further appraised or the appraisal study revalidated depending on how long ago the study was conducted. *Jaguaribes* model of the planning process ends with stage two above, it is therefore considered rather incomplete.
- iii. A third stage is that of evaluation of plan implementation. It is proposed that this be added for-completeness

Monitoring is a very important aspect of project implementation. Before embarking on project monitoring, there must be a clear perception of:

- i. The objective of the exercise and what the results would be used for;
- ii. The kind of information and data to be sought for or generated;
- iii. How to analyse, store and retrieve such data and build time series there from as necessary;
- iv. Those to be involved in the exercise;
- v. Timing of visits;
- vi. Alerting those whose projects will be monitored and providing advance questionnaire for completion, as necessary;
- vii. Logistic support "such as transportation, funds,, accommodation, report preparation, etc.

Monitoring must not be regarded as a causal exercise, whereby one simply goes to a project site, looks at it and returns to the restaurant for refreshment. It requires careful planning and execution to be effective and meaningful. Monitoring may be done by project consultants who monitor and sign certificates of performance, as well as certificate of completion. Such certificates provide the basis for payments. Monitoring can also be done by local government officials other than the technical staff. Monitoring may be undertaken to enable performance certificates to be raised to support payment vouchers; to keep contractors on their toes; to check on the quality of work done; to suggest mid-stream solutions to problems encountered during execution; and to ensure that implementation is on track in terms of structure, technical quality and timeliness.

Lack of proper arrangement for project execution often leads to project failure. At times also, plan/budget indiscipline meaning Implementation of projects not included in the plan or the budget while neglecting or abandoning those in the plan/budget leads to project underfunding. The National Assembly and the anti- corruption Act, however, frown on this appropriately:

Plan evaluation involves essentially three (3) steps or measures

Devising procedures to collect, monitor, and measure actual performance against predetermined standards

Action to identify and analyse significant deviations from the standards; and

Taking the necessary remedial action indicated by the control procedures.

There are also three instruments for exercising effective plan evaluation and control:

First is auditing - this is employed for the purpose of monitoring and recording actual performance against the plan targets.

Second is budgeting - employed for short-term, routine and, formalised controls. The budget in turn serves two other functions. It provides the objectives, targets and plans of the organization/community in quantitative, primarily financial terms and monitors actual performances against predetermined standards. Third is information and coordination. These serve the purpose of evaluating performances against plans to decide what corrective measures, if any, need to be taken

### **3.3.4 Problems Associated with Planning in an Organization**

Some common problems associated with planning at the Organization level are as follows:

- (a) In some cases, the individuals who are the beneficiaries ' and end-users of projects do not contribute to problem identification. In addition, sufficient need assessment is not done before planning is embarked upon. The consequence is that energy is wasted on programmes that are not related to the people's problems and on programmes that cannot be sustained;
- (b) Necessary data for planning are largely lacking at the Organization. These include baseline data, ethnographic information, demographic profile, etc. Absence or insufficient data affect planning;
- (c) Planning is a continuous process. Indeed it runs in a cycle, therefore, requires trained hands. The situation on the ground is that there are few planning officers in the Organization. And even the ones available are not properly trained;
- (d) The general lack of financial resources, unpredictability of fund flow, especially for the highly unviable Organizations are problems both for planning at the Organization.

The Ayida Review Panel on the Civil Service Reforms (1995) on Planning Structure for Civil Service is a source of worry on the certainty of the very existence of the Department of Planning, Research and Statistics (DPRS). The report recognised the relevance of the DPRS functions and the need for a data bank for the storage, processing, retrieval and dissemination of data.

The civil service, which is the primary instrument of government to implement its policies and programmes, is still deficient structurally and in terms of certain competencies. Because of the absence of appropriate competencies and inadequacy in planning, as noted by the Doom Philips Study Team in 1985, policies could not be translated into projects and implemented fully. Thus, one of the major recommendations of the Study Team on the structure, staffing and operations of the Nigerian Civil Service (1985) was the creation of the department of planning, research and statistics.

One need not deny the fact that the DPRS has not been able to operate as designed. Indeed, a study carried out in 1992 to determine the degree of implementation of the Civil Service Reforms identified the establishment and operationalisation of the civil service, DPRS as one of the major areas in which very little implementation had been done. A decade after the study, information available on the performance of the department did not suggest appreciable realisation of the designers' expectations. Most of the functions assigned to the department have largely remained daydreams as it has failed to carry out either sectoral or internal research; it has not been able to offer in-house management consultancy services to the government; and has not succeeded in developing a database, nor develops modern management information system. The limited success or unimpressive performance could be due to some problems the department faced even at

inception. The department had been poorly staffed, thus the competencies required to operate the divisions, branches and sections of the department were lacking.

The limited support the department enjoyed from the top leadership of each tier of government frustrated all efforts to secure appropriate staff training and working tools/facilities for the staff of the department. Until recently, many of the qualified first degree? Holders in Economics and allied fields who have the capacity of working in the DPRS considered it irrational to take up civil service job especially at Organization level when the banks and other financial institutions were offering them salaries that were multiples of those of their civil servant counterparts. With the collapse of several banks and the associated retrenchments, newly qualified graduates are finding it reasonable to source for civil service job. It is, therefore, expected that the shortage of competent graduates interested in and capable of conducting research should abate somewhat in the foreseeable future.

Another major feature of the contemporary Nigerian research environment is the relatively low quality of graduates of many universities. This could be due to the lack of the latest teaching materials. Nigerian academics are not encouraged to write textbooks based on local knowledge and research because most publishers are not interested in such texts due to low effective demand for them. On the other hand, owing to the massive exchange rate depreciation and the pervasive low purchasing power of the people, very few students can afford imported textbooks and learned journals or got hooked to Internet. The abysmally low level of funding of the universities and research institutes over the last two decades made it difficult for them to provide these facilities for graduate students-. For the same reason,' research grants are not only small in size but have dried up in several institutions. Consequently, research outputs of .Nigerian academics are far below their potential (Aiyedun, 2002).



### **3.6 Summary**

This unit discussed the various concerns of performance management. These include concern with outputs, outcomes, process and inputs, concern with continuous development and communication, concern with measurement and review, concern for stakeholders, concern for fairness and transparency.

In this unit we saw the principal aims of Organization as follows:

- i. To make appropriate services and development activities responsive to organisation wishes and initiatives by developing or delegating them to both local and international bodies
- ii. To mobilize human and material resources through the involvement of members of the public in their Organization, etc.
- iii. We also analysed the processes and techniques of planning as follows:
- iv. To study and analyze the environment of planning
- v. To make a choice of plan objectives
- vi. To select means, and
- vii. Programme execution

Performance management is concerned with outputs (the achievement of results) and outcomes (the impact made on performance). But it is also concerned with the processes required to achieve these results (competencies) and the inputs in terms of capabilities (knowledge, skill and competence) expected from the teams and individuals involved.





### 3.7 References/Further Readings/Web Resources

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### 3.8 Possible Answers to SAEs

These are the answers to the SAEs within the content. Arrange the answers according to the SAEs. For example

Answers to SAEs 1

Is concerned with outputs (the achievement of results) and outcomes (the impact made on performance). But it is also concerned with the processes required to achieve these results (competencies) and the inputs in terms of capabilities (knowledge, skill and competence) expected from the teams and individuals involved

Answers to SAEs 2

Some common problems associated with planning at the Organization level are as follows: In some cases, the individuals who are the beneficiaries ' and end-users of projects do not contribute to problem identification. In addition, sufficient need assessment is not done before planning is embarked upon. The consequence is that energy is wasted on programmes that are not related to the people's problems and on programmes that cannot be sustained;

Necessary data for planning are largely lacking at the Organization.

These include baseline data, ethnographic information, demographic profile, etc. Absence or insufficient data affect planning;

Planning is a continuous process. Indeed it runs in a cycle, therefore, requires trained hands. The situation on the ground is that there are few planning officers in the Organization. And even the ones available are not properly trained;

The general lack of financial resources, unpredictability of fund flow, especially for the highly unviable Organizations are problems both for planning at the Organization.

## **UNIT 4: Performance Appraisals**

### **Unit Structure**

- 4.1 Introduction
- 4.2 Learning Outcomes
- 4.3 Performance Appraisal
  - 1.3.1 Planning Phase
  - 1.3.2 Coaching Phase
  - 1.3.3 Reviewing
- 4.4 Glitches in Appraising Performance
- 4.5 How to Avoid Appraisal Problems
- 4.6 References/Further Readings/Web Resources
- 4.7 Possible Answers to Self-Assessment Exercise(s) within the content



### **4.1 Introduction**

Performance appraisal is a formal assessment of how well employees are performing their jobs. Put differently, albeit presenting the same meaning, performance appraisal is the process of determining how well employees do their job compared with a set of standards and communicating that information to those employees. Virtually all companies have some formal or informal means of appraising their employees' performance. This unit will consider the concept and context of performance appraisal.

The desirability for prudent and judicious management of public funds cannot be overemphasised. Public funds are public trust in the hand of Organization officers, as such; they should be efficiently utilised and properly accounted for. This is what has given birth to the issue of financial management and accountability, the various provisions for ensuring efficient and effective financial management and accountability at the Organization level.



### **4.2 Learning Outcomes**

By the end of this unit, you will be able to:

- Understand the Context of Performance Appraisal
- Study reasons for Appraisal
- Learn common Appraisal Methods
- Appraisal Forms
- Who Should Do the Appraising?
- The Appraisal Interview
- Performance Feedback
- Glitches in Appraising Performance
- How to Avoid Appraisal Problems



#### **4.3.1 The Context of Performance Appraisal**

Performance Appraisal may also be defined as any procedure that involves

- (a) Setting work standards;
- (b) Assessing the employees' standards; and
- (c) Providing feedback to the employee with the aim of motivating that person to eliminate performance deficiencies or to continue to perform about par.

Employee performance should be evaluated regularly for many reasons. One reason is that performance appraisal may be necessary for validating selection devices or assessing the impact of training programmes. A second reason is administrative -- to aid in making decisions about pay rises, promotion and training. Still another reason is to provide feedback to employees, to help them improve their present performance and plan future careers (Griffin, 1997). With these reasons in mind, we will in this chapter assess performance appraisal and the problems associated with it, with special reference to Nigeria.

The three basic activities or functions which a manager must accomplish could simply be stated as follows:

A manager must plan

A manager must execute

A manager must review.

Clearly, the least understood of the major management functions, staff performance review or appraisal is almost the most important because, in carrying out this function, a manager either seizes the opportunity to construct a management organization soundly conceived and carried out along practical social and motivational principles or, failing this, creates for himself a workforce with a sagging morale. A realistic appraisal scheme is one means of helping an organization and individual managers within it to identify the performance levels of people and the areas that need improving (Gbeja, 1992).

Employee performance appraisal is carried out within a practical context; which is essentially the day-to-day business of the enterprise. What is being assessed in the first instance is the employee's performance in carrying out the general duties of his or her role, together with any specific targets that have been set. Also, appraisal may be used to assess a person's suitability for promotion, either generally or with a specific job in mind. In the appraisal situation, individuals are entitled to ask what aspects of their job are being assessed and against what criteria. An individual will also want to know how the process of appraisal will be carried out, and what opportunities they themselves will have to contribute to it.

In most cases, the employee's immediate manager conducts the appraisal, but for some management posts the appraisal may involve the manager's own staff and colleagues, where so-called 360o appraisal is employed. A basic model of appraisal is as shown in Figure 1, which sets out the cyclical nature of the process around the employee's expected work outputs and the criteria, or standards, against which the assessment will be made (Cole, 2002). The 360o Performance Appraisal or Multisource Assessment is the latest attempt to improve performance appraisal (PA). Increasingly, it has found favour with a growing number of organizations. Unlike traditional performance appraisals, which

typically come from superiors to subordinates, 3600 appraisal uses feedback from "all round" the appraisee. Superiors, subordinates, peers, customer (and perhaps a self appraisal as well) provide input for the performance appraisal process. Such feedback can obviously be used for the development of managers, leaders and others.

Indeed, it is most often intended to serve a development role. But in some organizations, it is being used as inputs for evaluating performance in order to determine compensation adjustments and. other more traditional administrative performance process purposes (O'Reilly, 1993). In practice, it is a good measure of rational thought and emotional intelligence involved in seeing the system into motion. The key targets to be achieved need to be discussed between employee and manager, so that the former is genuinely able to commit to the challenge.

Possible mentoring or  
Specific objective  
Further training  
Or targets  
Assessment of  
Discussion with  
Performance  
Superior  
Actual performance  
Performance criteria  
Against criteria  
Agreed

The criteria to be used are frequently a source of discontent, sometimes for both parties. The criteria need to be achieved as well as measurable, and contingency considerations taken into account in the case of totally unexpected events affecting the employee's performance.

The criteria employed should be such as to encourage the employee to rise to the challenge, and be neither irrelevant nor over-enthusiastic, both of which can be demotivating. The criteria are almost certain to contain some element of timing, and here again the need for results has to be balanced against what is reasonably possible in a given time frame. Any systematic approach to performance appraisal will commence with the completion of an appropriate appraisal form.

This preparatory stage will be followed by an interview, in which the manager discusses progress with the member of staff. The result of the interview is some form of agreed action, either by the staff member alone, or jointly with his or her manager. The action generally materializes in the shape of a job improvement plan, promotion to another job or to a salary increase, for example. The expression performance appraisal usually relates to the assessment of staff or managerial performance, and not to that of manual workers.

There are two main categories of appraisal:

*Informal formal.* *Informal appraisal* is the continuing assessment of an individual's performance by his manager in the normal course of work. This kind of assessment is of an ad hoc nature and is as much determined by intuitive feelings as by factual evidence of results. It is a natural by-product of the day-to-day relationship between manager and subordinate. Formal appraisal is altogether more rational and orderly than informal appraisal. In this chapter, when we refer to performance appraisal we mean formal appraisal, that is, an assessment of employee performance in some systematic and planned way.

1. Who Should Do the Appraising?
2. What are the Reasons Why We Do Appraisal?

#### **4.3.2 Reasons for Appraisal**

There are several reasons why appraisals are carried out in organizations. These may be summarized as follows:

To identify an individual's current level of job performance

To identify employee strengths and weaknesses

To enable employees to improve their performance

To provide a basis for rewarding employees in relation to their contribution to organization goals

To motivate individuals

To identify training and development needs

To identify potential performance

To provide information for succession planning

The most likely reason for the adoption of staff appraisal is to draw attention to present performance in the job in order to reward people fairly and to identify those with potential for promotion or transfer. Writers such as Drucker (1954) feel that to appraise a subordinate and his performance is part of the manager's job. Indeed, unless he does the appraising himself he cannot adequately discharge his responsibility for assisting and teaching his subordinates. Drucker's view as a whole is that managers are responsible for achieving results. These results are obtained from the management of human, material and financial resources, all of which should be monitored.

Monitoring means setting standards, measuring performance and taking appropriate action. In respect of people, this entails taking action to improve performance by means of training and development. Other writers such as McGregor (1960) are critical of formal appraisals. McGregor writes that appraisal programmes are designed not only to provide more systematic control of the behaviour of subordinates, but also to control the behaviour of superiors. He thus sees them as promoting the cause of Theory X, that is, a management style that assumes that people are unreliable, unable to take responsibility and therefore require close supervision and control. Whenever the argument is more about practicalities than managerial philosophy, the main issue is not whether performance appraisal, in itself, is justified but whether it is fair and accurate. McBeath & Rands (1976), in discussing salary administration, comment that equitable salary relationships depend on sound job classification, periodic salary surveys of competitive levels, employee appraisal and effective salary planning. For them, appraisal is part of an important personnel activity in

salary planning and administration.

They are keen to acknowledge, however, that it is clearly essential to make some attempt at an accurate measurement of performance if the appraisal is to be taken seriously into account, as a factor which will influence salaries. If we accept that staff performance appraisal is a legitimate activity in an organization, what are the difficulties concerning both accuracy and fairness? Briefly, they boil down to: t

The construction of the appraisal documents

The style in which the appraisal is approached

The culture of the organization.

Taking the last point first, the „culture, or value-system, of the organization will act as the major determinant of both the appraisal scheme adopted and the way it is introduced. For example, if the culture is one that favours the control and measurement of people, then it is likely that a system will be imposed on participants, but that it will at least contain some measurable criteria against which to judge performance. In another situation, where openness and participation are encouraged, any system will be discussed first with those involved, with the result that appraisals are more likely to be joint problem-solving affairs than a „calling to account by a superior (Cole, 2002).

### 4.3.3 Common Appraisal Methods

Two basic categories of appraisal methods commonly used in organizations are objective methods and judgmental methods.

**Objective measures of performance include actual output (that is, number of units produced), scrappage rate, dollar volume of sales, and number of claims processed.** Objective performance measures may be contaminated by "opportunity bias" if some persons have a better chance to perform than others. For example, a sales representative selling pure water in Maiduguri has a greater opportunity than a colleague selling the same product in Jos. Fortunately, adjusting raw performance figures for the effect of opportunity and thereby arriving at figures that accurately represent each individual's performance is often possible. Another type of objective measure, the special performance test, is a method in which each employee is assessed under standardized conditions. This kind of appraisal also eliminates opportunity bias. Performance tests measure ability, but they do not measure the extent to which one is motivated to use that ability on a daily basis. (For example, a high -ability person may be a lazy performer except when being tested). Special performance tests must therefore be supplemented by other appraisal methods to provide a complete picture of performance.

**Judgmental methods, including ranking and rating techniques, are the most common ways to measure performance.** Ranking compares employees directly with each other and orders them from best to worst. Ranking has a number of drawbacks. It is difficult for large groups because the persons in the middle of the distribution may be hard to distinguish from one another accurately. Comparisons of people in different work groups are also difficult. For example, an employee ranked third in a weak group may be more valuable than an employee ranked first in a weak group. Another criticism of ranking is that the manager-must rank people on the basis of overall performance, although each person may have both strengths and weaknesses.

Furthermore, ranking does not provide useful information for feedback. To be told that one is ranked third is not nearly so helpful as to be told that the quality of one's work is outstanding, its quantity is satisfactory, one's punctuality could use improvement, and one's paperwork is seriously deficient (Griffin, 1997). Rating differs from ranking in that it compares each employee with a fixed standard rather than with other employees. A rating scale provides the standard. Each scale consists of a performance dimension to be rated (punctuality or congeniality, and accuracy) followed by a scale on which to make the rating. In constructing graphic rating scales, performance dimensions that are relevant to job performance must be selected. In particular, they should focus on job behaviour and results rather than on personality traits or attitudes.

**The Behaviourally Anchored Rating Scale: (BARS) is a sophisticated and useful rating method for evaluating performance.** Supervisors construct rating scales with associated behavioural anchors. They first identify relevant performance dimensions and then generate anchors -- specific, observable behaviour typical of each performance level. For example, the scales developed for the job of a department manager in a chain of specialty stores will include "handling customer complaints," "planning special promotion," "following company procedures," "supervising sales personnel," and "diagnosing and solving special problems." BARS can be effective because it requires that management take proper care in constructing the scales and it provides useful anchors for supervisors to use in evaluating people. However, it is costly because outside expertise is usually needed and because scales must be developed for each job within the organization. A recent variation on BARS is the behavioural observation scale (or BOS). Like BARS, BOS uses behavioural anchors but also addresses frequencies with which that behaviour is observed.

#### 4.3.4 Appraisal Forms

There are various ways in which appraisal forms can be devised. The key elements, however, are the following: the focus of the appraisal, i.e., the job or the person the performance criteria selected the performance ratings used. Where the appraisal focuses on the job, the appraisal form is more likely to ask the appraiser to look for success in achieving job targets or objectives than to comment on the jobholders personal attitudes. Where the focus is on the person rather than on the job, the reverse is true, ie the appraiser is expected to give an account of the jobholder s qualities and attitudes rather than of his or her relative success in achieving results.

Thus, the focus of the appraisal will determine the nature of the criteria against which individual performance will be judged as well as of the ratings or measures to be used. The appraisal form reproduced below is used in the civil service in Nigeria. The form has been specifically adapted and adopted for use in the University of Nigeria, Nsukka.

Figure 2: An Appraisal Form

University of Nigeria, Nsukka

Annual Appraisal Sheet -----

Senior Administrative and Technical Staff

Section A

(To be completed b y Appraisee)

1 Name \_\_\_\_\_

(Surname) (First) (Middle)

2 Date of Birth \_\_\_\_\_

(Day) (Month) (Year)

3. Faculty \_\_\_\_\_ Department \_\_\_\_\_

4. Qualifications: (Degrees, Diplomas, Certificates and Memberships)

S/No. Qualifications Class Awarding Body Date

5. Previous Employment History Before UNN

Employer Post Held Last Income Date Left Reason for Per Annum leaving

6. Career within this University

Faculty/Department Date

1st Appointment Post Grade

level From To

Promoted/

Harmonized/

Regarded to

7 Present Salary \_\_\_\_\_ P.A. \_\_\_\_\_

8. Course Attended During Period of Report

S/No. Title of Course Organizing Body Period

From To

9. Acting appointment held during period of report with dates

Post Acted For From To

10 Present Job

State below in order of importance the main duties performed during the period of report

a.

b.

11 Details of Professional Publications/Inventions

12 Service on University Committees

S/No. Name of Committee Period Status

From To

13. Service on Relevant Outside Bodies (with relevant details)

-----

14 Professional Meetings Attended With Dates

-----

15 I hereby certify that the information above is correct

(Signature of

Appraisee)

Date: \_\_\_\_\_



## Section B

(To be completed by Appraisee s Immediate Supervisor in Consultation with the Head of Department as necessary)

16 Do you and the person reported upon agree on the job description and the order of importance? If not please explain. Yes/No.

-----

### 17 Assessment of Performance

How effective is he/she in the performance of the duties set out in 10?

### 18 Rating of Aspect of Performance

Such aspect of performance is described in terms of outstanding 3 or 7 through very poor 1 or ½ to 0.

-----

Rating 7 or ½ should be given if any of these truly represent the position, and the person giving that rating should substantiate it in

-----

writing, indicating specific grounds on which they are based. If you feel an aspect of performance not in the list calls for special comments mention it at the end.

a. Additional relevant Possesses No additional qualifications additional and/or 3½ 0 relevant professional qualifications

-----

### Qualifications

-----

b. Written expression Always cogent Ambiguous, clear and well set 3½ 0 clumsy and out obscure

-----

c. Oral expression Puts his points Finds it difficult to across 3½ 0 express himself convincingly and concisely

-----

d. Reuprightly under reliable even pressure under normal circumstances

-----

e. Accuracy including Accurate in the use Gets confused numerical ability of interpretation of 7 0 with figures ideas & figures

-----

f. Acceptance of Seeks and accepts Avoids responsibility responsibility at all 3½ 0 responsibility, will times pass it on when possible

-----

g. Drive and determination Whole-hearted Lacks application tasks; 3½ 0 determination, determined to carry easily hauled by task through to end minor setbacks

-----  
h. Relationship with Sensitive to Ignores or belittles colleagues people s feelings; 3½ 0  
other people s tactful and feelings, understanding of intolerant: does personal problems,  
not earn respect earns great respect  
-----

i. Foresight Anticipates Grapples with problems and 3½ 0 problems after develops  
solutions they arise in advance  
-----

j. Penetration Gets straight to the Seldom sees root of a problem 3½ 0 below the surface of  
problems  
-----

k. Judgement His decisions or Poor perception of proposals are 3½ 0 relative merits or  
consistently sound feasibility in most situations  
-----

l. Initiative and originality Has ability to think Depends usually and set for himself 7 0 on  
instruction from others  
-----

m. Punctuality/regularity at Regularly and No regard for work punctual at work 7 0  
regularity and punctuality  
-----

n. Relationship with public Exceptionally Tactless and & students effective in dealing 7 0  
cannot deal with with people of all public/students types  
-----

o. Supervisory ability Organizes and Inefficient in use inspires staff to 7 0 of staff,  
engenders give of their best low morale  
-----

p. Devotion and application Dedication to the Deficient in the to work job and evidence 7 0  
job of proficiency and application to work  
-----

q. Output and quality of Sets a great deal Sloppy in output; work done within a set 7 0  
maintains of time frame; consistently low maintains very standards of work.  
-----

High standard; Sources of work is virtually constant complaint error proof liability under  
Performs Easily thrown off pressure competently, 7 0 balance; not

Administrative Responsibility Outside the Officer's Nor mal Duty Schedule  
(r) Service in University Committee -----

(s) Membership of relevant outside bodies -----

(t) University Representation in outside bodies-----

Total score (current year) 72.5/85 or 85.29% \_\_\_\_\_

Total score (previous appraisal year) \_\_\_\_\_

score since last promotion \_\_\_\_\_

19 Overall Performances

a. Outstanding Exceptionally 1 80% and above  
promote 2 yrs.

(Exceptional case)

b. Very Good More generally effective 2 70% 3 yrs. Case  
but not positively promote  
outstanding

c. Good Generally effective 3 60% over 3 yrs  
promote

d. Fair Performs duties 4 50% - 59%  
moderately well and Normal increment  
without serious  
shortcoming

e. Unsatisfactory Definitely ineffective 5 40% - 49%  
warn warning

f. Poor Withhold increment 6 Below 40%  
withhold  
increment

g. Very Poor Terminate appointment 7  
20 \_\_\_\_\_

(Name of Immediate Supervisor)

\_\_\_\_\_ Date: \_\_\_\_\_

One point per year per committee subject to a maximum of five points. Service in committee should include the entire service life in the University. Officers for whom serving in the University committee is mandatorily relevant shall be awarded 2 points with the denominator remaining constant at 84. Moreover, any officer who serves in a committee in an appropriate capacity shall earn one point per committee per year for a minimum of 5 points. In the latter case, the denominator shall then increase by one each year to match with the additional point(s) earned.

21. I certify that I have seen the contents of this report and that my supervisor had discussed them with me. I have the following comment to add:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Grade: \_\_\_\_\_

Signature of Officer Reported on

Job Title: \_\_\_\_\_ Date: \_\_\_\_\_

Section C

(To be completed by the Head of Department or in the name of Head of Department after due consultation with the immediate Supervisor).

22 Recommendation of Head of Department,

(Tick whichever is applicable)

1 Promotion 2 Normal Increment

3 Warning 4 Withhold Increment

5 Terminate Appointment

23 Reason for Recommendation

---

---

Signature of Head of Department

Date: \_\_\_\_\_

**4.3.5** should actually rate an employee's performance? Several options exist. Appraisal by the Immediate Supervisor: Supervisor's ratings are still the heart of most appraisal systems. Getting a supervisor's appraisal is relatively easy and also makes a great deal of sense.

The supervisor should be - and usually is - in the best position to observe and evaluate his or her subordinate's performance and is responsible for that person's performance.

**Using Peer Appraisals: The appraisal of an employee by his or her peers can be effective in predicting future management success.** From a study of military officers, for example, we know that peer ratings were quite accurate in predicting which officers would be promoted and which would not (Downey, Medland and Yates, 1976). In another study that involved more than 200 industrial managers, peer ratings were similarly useful in predicting who would be promoted (Kraut, 1975). One potential problem is logrolling. Here, all the peers simply get together to rate each other high. With more firms using self-managing teams, peers of team appraisals are becoming more popular.

**At Digital Equipment Corporation, for example, an employee due for an appraisal chooses an appraisal chairperson each year;** This person then selects one supervisor and three other peers to evaluate the employee's work (Norman and Zawacki, 1991). **Rating Committees:** Many employers use rating committees to evaluate employees. These committees are usually composed of the employee's immediate supervisor and three or four other supervisors.

**Using multiple raters can be advantageous:** While there may be a discrepancy in the ratings made by individual supervisors, the composite ratings tend to be more reliable, fair, and valid (Libby and Blashfield 1978). Several raters can help cancel out problems like bias and the halo effect on the part of individual raters. Furthermore, when there are differences in raters' ratings, they usually stem from the fact that raters at different levels often observe different facets of an employee's

**Performance; the appraisal ought to reflect these differences (Borman, 1974).** Even when a committee is not used, it is common to have the appraisal reviewed by the manager immediately above the one who makes the appraisal. This was found to be standard practice in 16 of 18 companies surveyed by Teel (1980). **Self-ratings:** Employees' self-ratings of performance are also sometimes used (usually in conjunction with supervisor's

ratings). The basic problem with these is that employees usually rate themselves higher than they are rated by supervisors or peers (Thornton 1980). In one study, for example, it was found that when asked to rate their own job performances, 40% of the employees in jobs of all types placed themselves in the top 10% ("one of the best"), while virtually all remaining employees rated themselves either in the top 25% ("well above average"), or at least in the top 50% ("above average"). Usually no more than 1 % or 2% will place themselves in a below average category and then almost invariably in the top belowaverage category. Supervisors requesting self-appraisals should know that their self-appraisals might accentuate appraiser-appraisee difference and rigidify positions (Myer, 1980). Furthermore, even if self appraisals are not formally requested, each employee will enter the performance review meeting with his or her own self appraisal in mind, and this will usually be higher than the supervisor's rating.

**Appraisal by Subordinates: More firms today let subordinates anonymously evaluate their supervisors' performance**, a process many call upward feedback (London and Wohler, 1991). When conducted throughout the firm, the process helps top managers diagnose management styles, identify "people" problems, and take corrective action within individual managers as required. Such subordinate ratings are especially valuable when used for developmental rather than evaluative purposes. Managers who receive feedback from subordinates who identify themselves view the upward appraisal process more positively than do managers who receive anonymous feedback. However, subordinates (not surprisingly) are more comfortable giving anonymous responses and those who have to identify themselves tend to provide inflated ratings (Nowack, 1993).

#### 4.3.6 The Appraisal Interview

An appraisal typically culminates in an appraisal interview. This is an interview in which the supervisor and subordinate review the appraisal and make plans to remedy deficiencies and reinforce strengths. There are three basic types of appraisal interviews, each with its objectives (Greenberg, 1991).

Appraisal Interview Type

Appraisal interview Objectives

1 Performance is satisfactory – 2 Satisfactory -- not promotable

1 Make development plans employee is promotable

2 Maintain performance 2 Maintain performance

3Unsatisfactory – correctable 3 Plan correction

If the employee is unsatisfactory and the situation uncorrectable, there is usually no need for any appraisal interview because the person's performance is not correctable anyway. The person's poor performance is either tolerated for now, or he or she dismissed.

**Satisfactory - Promotable Here the person's performance is satisfactory and there is a promotion ahead.** This is the easiest of the three appraisal interviews. Your objective is to discuss the person's career plans and to develop a specific action plan for the educational and professional development the person needs to move to the next job. . Satisfactory –

**Not Promotable-**This interview is for employees whose performance is satisfactory but for whom promotion is not possible. Perhaps there is no more room in the company. Some employees are also happy where they are and don't want a promotion. Your objective here is not to improve or develop the person but to maintain satisfactory performance. This is not easy. The best option is usually to find incentives that are important to the person and enough to maintain satisfactory performance. These might include extra time off, a small bonus, additional authority to handle a slightly enlarged job, and reinforcement, perhaps in the form of an occasional "Well done!"

**Unsatisfactory - Correctable** -When the person's performance is unsatisfactory but correctable, the interview objective is to lay out an action plan for correcting the unsatisfactory performance.

**How to Prepare for the Appraisal Interview.** There are three things to do in preparation for the interview (Block, 1981). First, assemble the data. Study the person's job description; compare the employee's previous appraisals. Next, prepare the employee. Give your employees at least a week's notice to review their work, read over their job descriptions, analyze problems, and gather their questions and comments. Finally, choose the time and place. Find a mutually agreeable time for the interview and allow enough time for the entire interview. Interview with lower-level personnel like clerical workers and maintenance staff should take no more than an hour. Appraising management employees often takes two or three hours. Be sure the interview is done in a private place where you won't be interrupted by phone calls or visitors.

**How to Conduct the Interview.** There are four things to keep in mind here (Block, 1981)

**1 Be direct and specific.** Talk in terms of objective work data. Use examples such as absence, tardiness, quality records, inspection reports, scrap or waste, orders processed, productivity records, materials used or consumed, timeliness of tasks or projects, control or reduction of costs, numbers of errors, costs compared to budgets, customers' comments, product returns, order processing time, inventory level and accuracy, and accident reports.

**2 Don't get personal.** Don't say "You're too slow in producing those reports." Instead, try to compare the person's performance to standard ("These reports should normally be done within ten days"). Similarly, don't compare the person's performance to that of other people ("He's quicker than you are").

**3 Encourage the person to talk.** Stop and listen to what the person is saying; ask open-ended questions such as "What do you think we can do to improve the situation?" Use a command such as "Go on" or "Tell me more". Restate the person's last point as a question, such as, "You don't think you can get the job done?"

**4 Don't tiptoe around.** Don't get personal, but do make sure the person leaves knowing specifically what he or she is doing right and doing wrong. Give specific examples; make sure the person understands; and get agreement before he or she leaves on how things will be improved, and by when. Develop an action plan showing steps and expected results.

**How to Handle a Defensive Subordinate** Defences are a very important and familiar aspect of our lives. When a person is accused of poor performance, the first reaction will sometimes be denial. By denying the fault the person avoids having to question his or her own competence. Others react to criticism with anger and aggression. This helps them let off steam and postpones confronting the immediate problem until they are to cope with it. Still others react to criticism by retreating into a shell. In any event, understanding and

dealing with defensiveness is an important appraisal skill. The following are suggested for managers:

**1 Recognize that defensive behaviour is normal.**

**2 Never attack a person's defences.** Don't try to "explain someone to themselves" by saying things like "You know the real reason you're using that excuse is that you can't bear to be blamed for anything." Instead try to concentrate on the act itself ("Sales are down ") rather than on the person ("You're not selling enough").

**3 Postpone action.** Sometimes it is best to do nothing at all. People frequently react to sudden threats by instinctively hiding behind their "masks." But, given sufficient time, a more rational reaction takes over.

**4 Recognize your own limitations.** Don't expect to be able to solve every problem that comes up, especially the human ones. More importantly, remember that a supervisor should not try to be a psychologist. Offering your people understanding is one thing; trying to deal with deep psychological problems is another matter entirely. **How to Criticize a Subordinate When criticism is required,** it should be done in a manner that lets the person maintain his or her dignity and sense of worth. Specifically, criticism should be done in private and should be done constructively. Provide examples of critical incidents and specific suggestions of what could be done and why. Avoid once-a-year "critical broadsides" by giving feedback on a daily basis so that at the formal review there are no surprises. Never say the person is "always" wrong (since no one is ever "always" wrong or right). Finally, criticism should be objective and free of any personal biases on your part.

### **3.7 Performance Feedback**

The last step in most performance appraisal systems is giving feedback to subordinates about their performance. This is usually done in a private meeting between the person being evaluated and his or her boss. The discussion should generally be focused on the facts - the assessed level of performance, how and why that assessment was made, and how it can be improved in the future. Feedback interviews are not easy to conduct. Many managers are uncomfortable with the task, especially if feedback is negative and subordinates are disappointed by what they hear. Properly training managers, however, can help them conduct more effective feedback interviews. As we mentioned earlier in this chapter, recent innovation in performance appraisal used in many organizations today is called "360 degree" feedback: managers are evaluated by everyone around them -- their boss, their peers, and their subordinates. Such a complete and thorough approach provides people with a far richer array of information about their performance than does a conventional appraisal given just by the boss. Of course, such a system also takes considerable time and must be handled in such a way that it does not breed fear and mistrust in the workplace.

### **4.4 Glitches in Appraising Performance**

Few of the things a manager does are fraught with more peril than appraising subordinates' performance. Employees in general tend to be overly optimistic about what their ratings will be, and also know that their raises, career progress, and peace of mind may well hinge on how they are rated. This alone should make it somewhat difficult to rate performance; even more problematic, however, are the numerous structural problems that can cast serious doubt on just how fair the whole process is. Five main problems can undermine

appraisal tools. They are unclear standards, halo effect, central tendency, leniency or strictness, and bias (Dessler, 2001).

**Unclear Standards** Although the graphic rating scale seems objective, it would probably result in unfair appraisals because the traits and degrees of merit are open to interpretation. For example, different supervisors would probably define "good" performance, "fair" or "creativity." There are several ways to rectify this problem. The best way is to develop and include descriptive phrases that define each trait. A form could specify what is meant by "outstanding," "superior," and "good" quality of work. This specificity results in appraisals that are more consistent and more easily explained.

**Halo Effect** The halo effect means that your rating of a subordinate on one trait (relationship with "colleagues") biases the way you rate that person on other traits (such as "quantity of work"). This problem often occurs with employees who are especially friendly (or unfriendly) towards the supervisor. For example, an unfriendly employee will often be rated unsatisfactory for all traits rather than just to the trait "relationship with colleagues" Being aware of this problem is a major step towards avoiding it. Supervisory training can also alleviate the problem (Teel, 1980).

#### **Central Tendency**

Many supervisors have a central tendency when filling in rating scales. For example, if the rating ranges from 1 to 7, they tend to avoid the highs (6 and 7) and lows (1 and 2) and rate most of their people between 3 and 5. If you use a graphic rating scale, this central tendency could mean that all employees are simply rated "average." Such a restriction can distort the evaluations, making them less useful for promotion, salary, or counselling purposes. Ranking employees instead of using a graphic rating scale can avoid this central tendency problem because all employees must be ranked and thus cannot all be rated average.

**Leniency or Strictness** Some supervisors tend to rate all their subordinates consistently high (or low), just as some instructors are notoriously high graders and others are not. This strictness/leniency problem is especially serious with graphic rating scales since supervisors are not necessarily required to avoid giving all their employees high (or low) ratings. On the other hand, when you must rank subordinates, you are forced to distinguish between high and low performers. Thus, strictness/leniency is not a problem with the ranking or forced distribution approach. In fact, if a graphic rating scale must be used, it may be a good idea to assume a distribution of performances -- that, say, only about 10% of your people should be rated "excellent," 20% "good" and so forth. In other words, try to get a spread (unless, of course, you are sure all your people really fall into just one or two categories).

**Bias** Individual differences among ratees in terms of characteristics like age, race, and sex can affect their ratings, often quite apart from each ratee's actual performance (Cascio, 1978). In one study, for instance, researchers found a systematic tendency to evaluate older ratees (over 60 years of age) lower on "performance capacity" and "potential for development" than younger employees (Resen and Gerdee, 1976). The ratee's race and sex can also affect the person's rating. However, here the bias is not necessarily consistently against minorities or women, as it seems to be in the case of older workers. In one study, women were often rated significantly higher than were high-performing men. Similarly, low-performing blacks were often rated significantly higher than were low-performing



whites (Bigoness, 1976) An employee's previous performance can also affect the evaluation of his or her current performance (Murphy, Balzer Luckhart and Eisenman, 1985). The actual error can take several forms. Sometimes the rater may systematically overestimate improvement by a poor worker or decline by a good worker, for instance. In some situations -- especially when the change in behaviour is more gradual -- the rater may simply be insensitive to improvement or decline. In any case, it is important when rating performance to do so objectively. Try to block out the influence of factors such as previous performance, age, or race.

#### **4.5 How to Avoid Appraisal Problems**

There are at least three ways to minimize the impact of appraisal problems such as bias and central tendency. First be sure to be familiar with the problems as just discussed. Understanding the problem can help you avoid it. Second, choose the right appraisal tool. Each method has its own advantages and disadvantages. For example, the ranking method avoids central tendency but can cause ill feelings when employees' performances are in fact all "high." Third, training supervisors to eliminate rating errors such as halo, leniency, and central tendency can help them avoid these problems (Borman, 1975).

In a typical training programme, raters are shown a videotape of jobs being performed and are asked to rate the worker. Ratings made by each participant are then placed on a flip chart and the various errors (such as leniency and halo) are explained. For example, if a trainee rated all criteria (such as quality and quantity) about the same, the trainer might explain that halo error had occurred. Typically, the trainer gives the correct rating and then illustrates the rating errors which the participants made (Borman, 1979).

According to one study, computer-assisted appraisal training improved managers' ability to conduct performance appraisal discussions with their subordinates (Davis and Mount, 1984). . Rater training is no panacea for reducing rating errors or improving appraisal accuracy. In practice, several factors, including the extent to which pay is tied to performance ratings, union pressure, employee turnover, time constraints, and the need to justify ratings may be more important than training. This means that improving appraisal accuracy calls for not just training but also reducing outside factors such as union pressure and time constraints (Warnke and Billings, 1979).



#### **4.6 Summary**

This unit discussed the concept and context of employee performance appraisal. It x-rayed the context of performance appraisal, reasons for appraisal, common appraisal methods, appraisal forms, who should do the appraising, the appraisal interview, performance feedback, glitches in appraising performance and how to avoid appraisal problems. Employee performance appraisal is an important means by which organizations improve their chances of attaining their key operational goals.

Employees who know what and how much is expected of them are likely to be more effective than those who are unclear about their role. The process of appraisal itself is an important way for managers and their team members to work together on the issues that really matter. If the process encourages a joint problem-solving approach, in which the other team members may be involved, it can contribute to individuals maturing in experience and obtaining greater job satisfaction. However, although performance appraisal is a way of focusing employee attention on the key priorities of their work, the exercise is always a sensitive one as it touches on people's personalities attitudes, strengths and shortcomings. If handled well, performance appraisal can make a positive contribution to the way employees feel about their work and the prospects of achieving success in it. On the other hand, it can generate negative effects if poorly handled. This is why the training of supervisors and other key performers involved in appraising employee performance can never be over-emphasized.



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## **1.8 Possible Answers to SAEs**

These are the answers to the SAEs within the content. Arrange the answers in accordance with the way the SAEs appear in the content. For example

### **Answers to SAEs 1**

There are several reasons why appraisals are carried out in organizations. These may be summarized as follows:

To identify an individual's current level of job performance

To identify employee strengths and weaknesses

To enable employees to improve their performance

To provide a basis for rewarding employees in relation to their contribution to organization goals

To motivate individuals

To identify training and development needs

To identify potential performance

To provide information for succession planning

### **Answers to SAEs 2**

Who should actually rate an employee's performance? Several options exist. Appraisal by the Immediate Supervisor: Supervisor's ratings are still the heart of most appraisal systems. Getting a supervisor's appraisal is relatively easy and also makes a great deal of sense.

The supervisor should be - and usually is - in the best position to observe and evaluate his or her subordinate's performance and is responsible for that person's performance.

Using Peer Appraisals: The appraisal of an employee by his or her peers can be effective in predicting future management success. From a study of military officers, for example, we know that peer ratings were quite accurate in predicting which officers would be promoted and which would not (Downey, Medland and Yates, 1976). In another study that involved more than 200 industrial managers, peer ratings were similarly useful in predicting who would be promoted (Kraut, 1975). One potential problem is logrolling. Here, all the peers simply get together to rate each other high. With more firms using self-managing teams, peers of team appraisals are becoming more popular.

## **Unit 5: Performance Management Cycle**

### **Unit Structure**

- 5.1 Introduction
- 5.2 Learning Outcomes
- 5.3 Performance Management Cycle
  - Performance and Development Planning
  - 5.1 Performance Measures
  - 5.2 Performance and Development Agreement
  - 5.3 Managing Performance throughout the Year
  - 5.4 Formal Performance Reviews
  - 5.5 Analysing and Assessing Performance
- 2.6 Summary
- 5.4 Summary
- 5.5 References/Further Readings/Web Resources
- 5.6 Possible Answers to Self-Assessment Exercise(s) within the content



### **5.1 Introduction**

Performance management is a continuous and flexible process that involves managers and those whom they manage acting as partners within a framework that sets out how they can best work together to achieve the required results. It is based on the principle of management by contract and agreement rather than management by command. It relies on consensus and cooperation rather than control or coercion. A performance management system operates as a continuous and self-renewing cycle. The performance management cycle closely resembles the cycle for continuous improvement



### **5.2 Learning Outcomes**

By the end of this unit, you will be able to:

- Conduct Performance and Development Planning
- Define Performance Measures
- Explain Performance and Development Agreement
- Know how to Manage Performance throughout the Year
- Conduct Formal Performance Reviews
- Know how to Analyse and Assess Performance Formally.



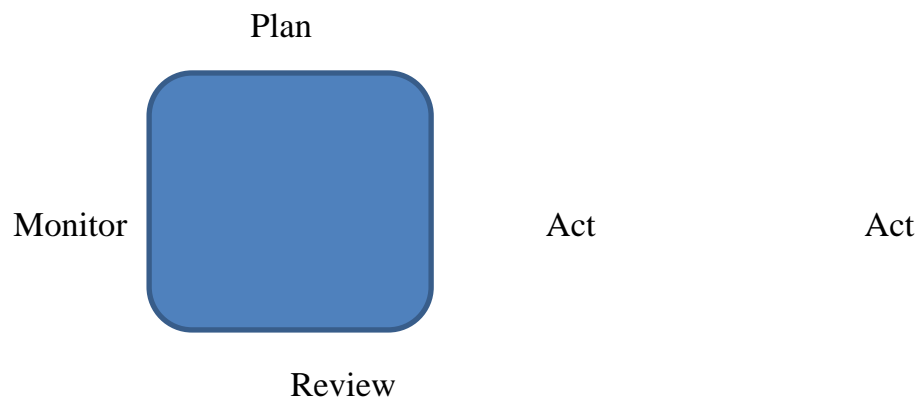
### 5.3 Performance Management Cycle

Discussions take place between the manager and the individual on what the latter needs to do to achieve the agreed goals, raise standards, improve performance, develop the required competencies and, where appropriate, behave differently. It also establishes priorities – the key aspects of the job to which attention has to be given. The aim is to ensure that the meaning of the objectives, performance standards and competencies as they apply to everyday work is understood. They are the basis for converting aims into action. The framework for performance management is provided by the performance agreement, which is the outcome of performance and development planning. The agreement is the basis for managing performance throughout the year and for guiding improvement and development activities. It is used as a reference point when reviewing performance and the achievement of improvement and development plans (Armstrong, 2009).

A performance management system operates as a continuous and self-renewing cycle as shown

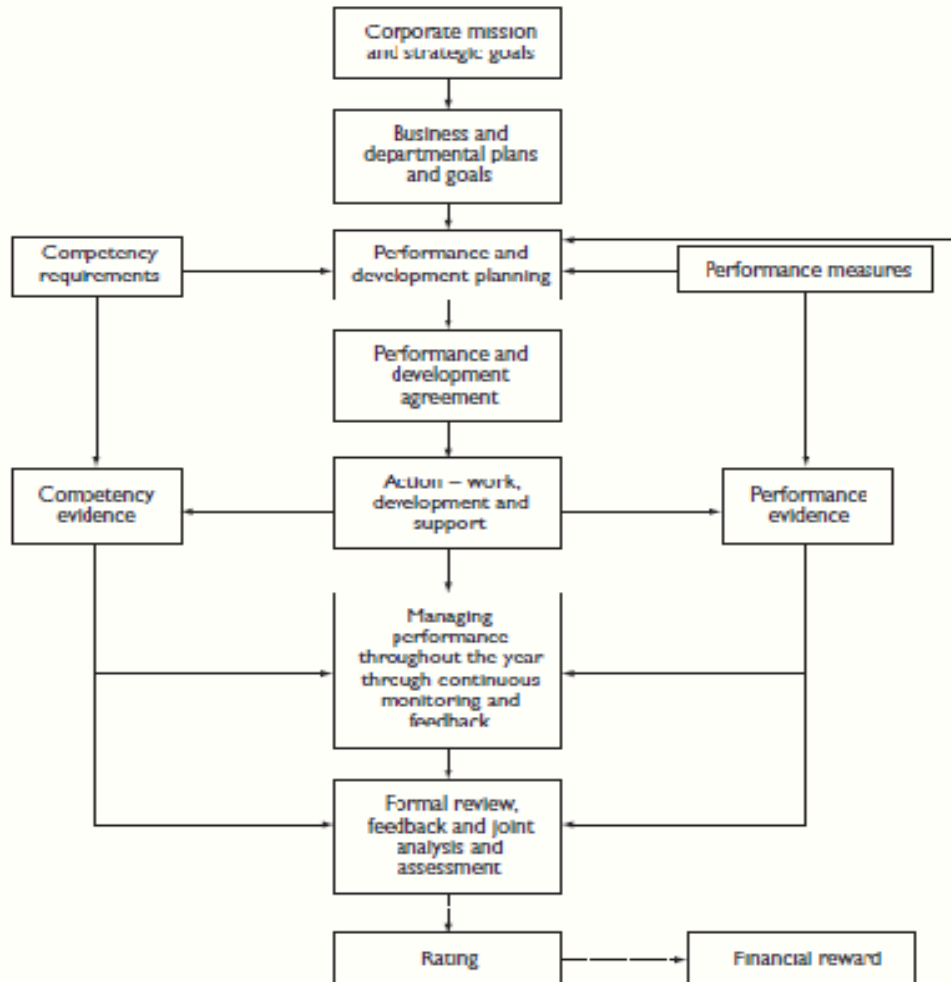
in Figure 1.

Figure 4.1 The performance management cycle



Source: Armstrong, M. (2009). *Armstrong's Handbook of Performance Management: An EvidenceBased Guide To Delivering High Performance* (4th Edition). London and Philadelphia: Kogan

The performance management cycle closely resembles the cycle for continuous improvement defined by William Deming (1986). This is not a coincidence. Performance management is all about continuous improvement. The performance management sequence. The sequence of processes carried out in this cycle and the likely outcomes are illustrated in Figure 2



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however, in practice, although interconnected, they do not take place in strict succession during the year and often overlap. For example, although performance review and performance planning are identified as separate activities they may take place at the same time; a review of past performance referenced to a role profile will lead directly to plans for the future, also linked to a role profile. A formal performance review may take place at an annual or twiceyearly meeting but it is a continuous process in that the methods used in a formal review meeting are also used in informal reviews during the year (Armstrong, 2009). Performance management processes are largely concerned with interactions between the parties involved but they also relate to what individuals do about monitoring and improving their performance, measuring and monitoring performance, and documenting the outcomes of performance management plans and reviews (Armstrong, 2009).

#### Self-Assessment Exercises 1

1. What are the Characteristics of Output and Outcome Measurement?
2. What is Performance and Development Planning

### 5.3.2 Performance and Development Planning

The performance planning part of the performance management sequence involves the agreement between the manager and the individual of how the latter is expected to perform in terms of results and behaviours. The expected results will be defined within the framework of a role profile as described below and in the form of goals or objectives as covered. These objectives may have been cascaded down from the strategic objectives of the organisation to achieve alignment, but in practice this may be difficult to achieve (Armstrong, 2009). In addition success criteria for each area of performance and methods of measuring performance against these objectives will be agreed. These should be precise, as advocated by Furnham (2004). According to him, organisations should define performance with a focus on valued outcomes. Therefore performance dimensions should be functions combined with aspects of value such as quantity, quality, timeliness, cost effectiveness, need for supervision or interpersonal impact. Discussions take place between the manager and the individual on what the latter needs to do to achieve the agreed goals, raise standards, improve performance, develop the required competencies and, where appropriate, behave differently. It also establishes priorities – the key aspects of the job to which attention has to be given. The aim is to ensure that the meaning of the objectives, performance standards and competencies as they apply to everyday work is understood. They are the basis for converting aims into action. The framework for performance management is provided by the performance agreement, which is the outcome of performance and development planning. The agreement is the basis for managing performance throughout the year and for guiding improvement and development activities. It is used as a reference point when reviewing performance and the achievement of improvement and development plans (Armstrong, 2009).

**Role profile definition** An aspect of performance planning in performance management cycle is called role profile definition. It defines a role in terms of the key results expected, what role holders are expected to know and be able to do, and how they are expected to behave in terms of behavioural competencies and upholding the organisation's core values. Role profiles need to be updated every time a formal performance agreement is developed, and provide headings under which goals can be set (Armstrong, 2009).

**Defining key result areas** Another aspect is defining key result areas. To define key result areas, in the words of Armstrong (2009), individuals should be asked by their manager to answer questions such as: • What do you think are the most important things you have to do? • What do you believe you are expected to achieve in each of these areas? • How will you – or anyone else – know whether or not you have achieved them? The answers to these questions may need to be sorted out – they can often result in a mass of jumbled information that has to be analysed so that the various activities can be distinguished and refined to seven or eight key areas. This process requires some skill, which needs to be developed by training followed by practice. It is an area in which HR specialists can usefully coach and follow-up on a one-to-one basis after an initial training session.



**Defining what people need to know** and be able to do To define what people need to know and be able to do, Armstrong (2009) suggested three questions that need to be answered:

To perform this role effectively, what has the role holder to be able to do with regard to each of the key result areas?

- What knowledge and skills in terms of qualifications, technical and procedural knowledge, problem solving, planning and communication skills etc. do role holders need to carry out the role effectively?
- How will anyone know when the role has been carried out well?

**Understanding behavioural competencies the usual approach to including** behavioural competencies in the performance agreement is to use a competency framework developed for the organisation. The manager and the individual can then discuss the implications of the framework at the planning stage. According to Armstrong (2009), the following is an example of a competency framework:

- Personal drive – demonstrate the drive to achieve, acting confidently with decisiveness and resilience.
- Business awareness – identify and explore business opportunities, understand the business concerns and priorities of the organisation and constantly to seek methods of ensuring that the organisation becomes more business-like.
- Teamwork – work cooperatively and flexibly with other members of the team with a full understanding of the role to be played as a team member.
- Communication – communicate clearly and persuasively, orally or in writing.
- Customer focus – exercise unceasing care in looking after the interests of external and internal customers to ensure that their wants, needs and expectations are met or exceeded.
- Developing others – foster the development of members of his or her team, providing feedback, support, encouragement and coaching.
- Flexibility – adapt to and work effectively in different situations and carry out a variety of tasks.
- Leadership – guide, encourage and motivate individuals and teams to achieve a desired result.
- Planning – decide on courses of action, ensuring that the resources required to implement the action will be available and scheduling the programme of work required to achieve a defined end-result.
- Problem solving – analyse situations, diagnose problems, identify the key issues, establish and evaluate alternative courses of action and produce a logical, practical and acceptable solution.

### **Core values**

Increasingly, performance management is being used by organizations to encourage people to live the values. These values can include such concerns as quality, continuous improvement, customer service, innovation, care and consideration for people,

environmental issues and equal opportunities. Discussions held when the performance agreement is being reached can define what these values mean as far as individual behaviour is concerned (Armstrong, 2009).

### **5.3.3 Performance Measures**

Performance is measured at organisational level or at individual level. Individual performance can be measured by reference to key performance indicators (KPIs) and metrics. KPIs define the results or outcomes that are identified as being crucial to the achievement of high performance. Strictly speaking, metrics are measurements using a metric system, but the term is used generally for any form of measure (Armstrong, 2009). It can be argued that what gets measured is often what is easy to measure. And in some jobs what is meaningful is not measurable and what is measurable is not meaningful. It was asserted by Levinson (1970) that the greater the emphasis on measurement and quantification, the more likely the subtle, non-measurable elements of the task will be sacrificed. Quality of performance frequently, therefore, loses out to quantification. Measuring performance is relatively easy for those who are responsible for achieving quantified targets, for example sales. It is more difficult in the case of knowledge workers, such as scientists. But this difficulty is alleviated if a distinction is made between the two forms of results – outputs and outcomes (Armstrong, 2009).

#### **Outputs and outcomes**

An output is a result that can be measured quantifiably, while an outcome is a visible effect that is the result of effort but cannot necessarily be measured in quantified terms. There are components in all jobs that are difficult to measure quantifiably as outputs. But all jobs produce outcomes even if they are not quantified. It is therefore often necessary to measure performance by reference to what outcomes have been attained in comparison with what outcomes were expected, and the outcomes may be expressed in qualitative terms as a standard or level of competence to be attained. That is why it is important when agreeing objectives to answer the question: „How will we know that this objective has been achieved? The answer needs to be expressed in the form: „Because such and such will have happened. The „such and such will be defined either as outputs in such forms as meeting or exceeding a quantified target, completing a project or task satisfactorily (what is „satisfactory having been defined), or as outcomes in such forms as reaching an agreed standard of performance or delivering an agreed level of service (Armstrong, 2009).

#### **Classification of output and outcome measures**

Output measures or metrics, according to Armstrong (2009), include:

- Financial measures – income, shareholder value, added value, rates of return, costs;
- Units produced or processed, throughput; level of take-up of a service;
- Sales, new accounts;
- Time measures – speed of response or turnaround, achievements compared with timetables, amount of backlog, time to market, delivery times.

Outcome measures include:

- Attainment of a standard (quality, level of service etc);
- Changes in behaviour;
- Completion of work/project;
- Acquisition and effective use of additional knowledge and skills;
- Reaction – judgment by others (colleagues, internal and external customers).

Inputs – Competency and Upholding Core Values

However, when assessing performance it is also necessary to consider inputs in the shape of the degree of knowledge and skill attained and behaviour that is demonstrably in line with the standards set out in competency frameworks and statements of core values. Risher (2003) emphasizes that it is important to encourage behaviours such as the following:

- builds effective working relationships with others;
- takes the initiative to address problems;
- seeks knowledge related to emerging issues;
- shares know-how and information with co-workers;
- responds effectively to customer concerns.

### **5.3.4 The Performance and Development Agreement**

The performance agreement records the outcome of performance planning and also records how performance will be measured and the evidence that will be used to establish levels of competency.

It is important that these measures and evidence requirements should be identified and fully agreed at this stage because they will be used by individuals as well as managers to monitor and demonstrate achievements. The development agreement can take the form of a personal development plan that sets out what needs to be learned and how that learning should be achieved (Armstrong, 2009). Armstrong (2009), performance agreements define:

- Role requirements; these are set out in the form of the key result areas of the role; what the role holder is expected to achieve (outputs and outcomes).
- Objectives in the form of targets and standards of performance.
- Performance measures and indicators to assess the extent to which objectives and standards of performance have been achieved.
- Knowledge, skill and competency: definitions of what role holders have to know and be able to do (competences) and of how they are expected to behave in particular aspects of their role (competencies).

These definitions may be generic, having been prepared for occupations or job families on an organisation or function-wide basis. Role-specific profiles should, however, be agreed that express what individual role holders are expected to know and do.

- Corporate core values or requirements; the performance agreement may also refer to the core values of the organisation for quality, customer service, team working, employee

development and the like that individuals are expected to uphold in carrying out their work. Certain general operational requirements may also be specified in such areas as health and safety, budgetary control, cost reduction and security.

- A performance development plan: a work plan that specifies what needs to be done to develop and where necessary improve performance.
- A personal development plan that specifies what individuals need to do with support from their manager to develop their knowledge and skills.
- Process details: how and when performance will be reviewed and a revised performance agreement concluded.

### **5.3.5 Managing Performance throughout the Year**

Perhaps one of the most important features of performance management is that it is a continuous process that reflects normal good management practices of setting direction, monitoring and measuring performance, and taking action accordingly. Performance management should not be imposed on managers as something „special they have to do. It should instead be treated as a natural function that all good managers carry out (Armstrong, 2009). The main activities that take place during the course of managing performance throughout the year are providing feedback, updating objectives, and continuous learning on the job or through coaching as discussed below. Another requirement is to deal with under-performers. Managing performance throughout the year means continually monitoring outcomes against plans and ensuring that corrective action is taken when necessary. It involves individuals monitoring and managing their own performance, and managers providing feedback, support and guidance as necessary (Armstrong, 2009). Performance management should be regarded as an integral part of the continuing process of management. This, according to Armstrong (2009), is based on a philosophy that emphasizes:

- The achievement of sustained improvements in performance;
- The continuous development of skills and capabilities;

That the organisation is a „learning organisation in the sense that it is constantly developing and applying the learning gained from experience and the analysis of the factors that have produced high levels of performance. Managers and individuals should therefore be ready, willing and able to work together and define and discuss how to meet development and improvement needs as they arise. As far as practicable, learning and work should be integrated. This means that encouragement should be given to all managers and employees to learn from the successes, challenges and problems inherent in their day-to-day work. This process of monitoring performance is carried out by reference to agreed objectives, success criteria and performance measures, and to work, development and improvement plans (Armstrong, 2009). Managers accommodate the need for regular dialogue and feedback on performance in their everyday contacts with their individual team members. This is in addition to the established pattern of briefings and team or project review meetings.

### **5.3.6 Formal Performance Reviews**

Although performance management is a continuous process it is still useful to have a formal review once or twice yearly. This provides a focal point for the consideration of key performance and development issues. The performance review meeting is the means through which the five primary performance management elements of agreement, measurement, feedback, positive reinforcement and dialogue can be put to good use. It leads to the completion of the performance management cycle by informing performance and development agreements. It involves some form of assessment (Armstrong, 2009).

### **5.3.7 Analysing and Assessing Performance**

Performance management is concerned with analysing and assessing performance in achieving objectives and implementing development plans. Such assessment provides the basis for feedback and discussions on areas for further development or improvement. The analysis of performance will be concerned with hard measures of achievement against objectives and softer assessments of the behaviour of people as it has affected the results they achieved. It will be based on factual information so that the process can be described as „evidence-based performance management (Armstrong, 2009). Many but not all performance management schemes include some form of rating that is usually carried out during or after a performance review meeting. The rating indicates the quality of performance or competency achieved or displayed by an employee by selecting the level on a scale that most closely corresponds with the view of the assessor on how well the individual has been doing. A rating scale is supposed to assist in making judgments and it enables those judgments to be categorized to inform performance or contingent pay decisions, or simply to produce an instant summary for the record of how well or not so well someone is doing (Armstrong, 2009).

#### **The Ethical Dimension**

Performance management should operate in accordance with agreed and understood ethical principles. These have been defined by Winstanley and Stuart-Smith (1996) as follows: Respect for the individual – people should be treated as „ends in themselves and not merely as „means to other ends.

- Mutual respect – the parties involved in performance management should respect each other's needs and preoccupations.
- Procedural fairness – the procedures incorporated in performance management should be operated fairly in accordance with the principles of procedural justice.
- Transparency – people affected by decisions emerging from performance management processes should have the opportunity to scrutinize the basis upon which decisions were made.

Procedural justice requires that performance management decisions are made in accordance with principles that safeguard fairness, accuracy, consistency, transparency and freedom from bias, and properly consider the views and needs of employees. Folger,

Konovsky and Cropanzano (1992) set out the benefits of procedurally just performance management based on the components of due process. They labelled such systems „due process performance management and argued that they do not bring about gross reallocations of power between managers and employees, but rather require only that managers be open to employees input and responsive to justifiable questions and concerns about performance standards and judgments.

According to Taylor et al (1998) procedurally just performance systems may also increase managers own positive outcomes. Organisational researchers such as Taylor et al (1995) have gathered a strong body of evidence showing that employees care a great deal about the justice of performance management practices and staffing. This work generally has found that the more just or fair employees consider such systems to be, the more satisfied and accepting they are of the resultant outcomes, even when those outcomes are less than desirable. The strength of these findings has led some researchers such as Folger and Cropanzano (1998) to propose that the provision of fair procedures is a more powerful foundation for the management of employees than is the provision of financial rewards.



## **5.4 Summary**

This unit examined the performance management cycle, and within the sequence, which is embodied in the cycle, the unit discussed some key performance management activities; performance and development planning, defining performance measures, concluding performance agreements, managing performance throughout the year and reviewing and analysing and assessing performance formally.

The performance management cycle closely resembles the cycle for continuous improvement. This is not a coincidence. Performance management is all about continuous improvement. As discussed earlier, performance management cycle connotes the performance management sequence. It is the sequence of processes carried out in performance management cycle and their likely outcomes. Within this sequence, the key performance management activities are performance and development planning, defining performance measures, concluding performance agreements, managing performance throughout the year and reviewing and analysing and assessing performance formally.



## **5.6 References/Further Readings/Web Resources**

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## **5.7 Possible Answers to SAEs**

These are the answers to the SAEs within the content. Arrange the answers according to the SAEs. For example

Answers to SAEs 1

The performance planning part of the performance management sequence involves the agreement between the manager and the individual of how the latter is expected to perform in terms of results and behaviours. The expected results will be defined within the framework of a role profile as described below and in the form of goals or objectives as covered. These objectives may have been cascaded down from the strategic objectives of the organisation to achieve alignment, but in practice this may be difficult to achieve (Armstrong, 2009). In addition success criteria for each area of performance and methods of measuring performance against these objectives will be agreed. These should be precise, as advocated by Furnham (2004).

Answers to SAEs 2

Output measures or metrics, according to Armstrong (2009), include:

- Financial measures – income, shareholder value, added value, rates of return, costs;
- Units produced or processed, throughput; level of take-up of a service;
- Sales, new accounts;
- Time measures – speed of response or turnaround, achievements compared with timetables, amount of backlog, time to market, delivery times.

Outcome measures include:

- Attainment of a standard (quality, level of service etc);
- Changes in behaviour;
- Completion of work/project;
- Acquisition and effective use of additional knowledge and skills;
- Reaction – judgment by others (colleagues, internal and external customers).

Inputs – Competency and Upholding Core Values

However, when assessing performance it is also necessary to consider inputs in the shape of the degree of knowledge and skill attained and behaviour that is demonstrably in line with the standards set out in competency frameworks and statements of core values.



## MODULE 3:

### UNIT 1: PERFORMANCE MANAGEMENT PROCESS

#### Unit Structure

- 1.1 Introduction
- 1.2 Learning Outcomes
- 1.3 Planning Phase
  - 1.3.1 Coaching Phase
  - 1.3.2 Reviewing Phase
- 1.4 Summary
- 1.5 References/Further Readings/Web Resources
- 1.6 Possible Answers to Self-Assessment Exercise(s) within the content



#### 1.1 Introduction

Performance management is a communication process by which managers and employees work together to plan, monitor and review an employee's work objectives and overall contribution to the organisation. More than just an annual performance review, performance management is the continuous process of setting objectives, assessing progress and providing ongoing coaching and feedback to ensure that employees are meeting their objectives and career goals. Performance management encompasses a series of steps with some embedded decision points. This part of the unit illustrates each step in the performance management process.



#### 1.2 Learning Outcomes

By the end of this unit, you will be able to:

- Discuss the planning phase of performance management process
- Deliberate coaching phase of performance management process
- Explain the reviewing phase of performance management process

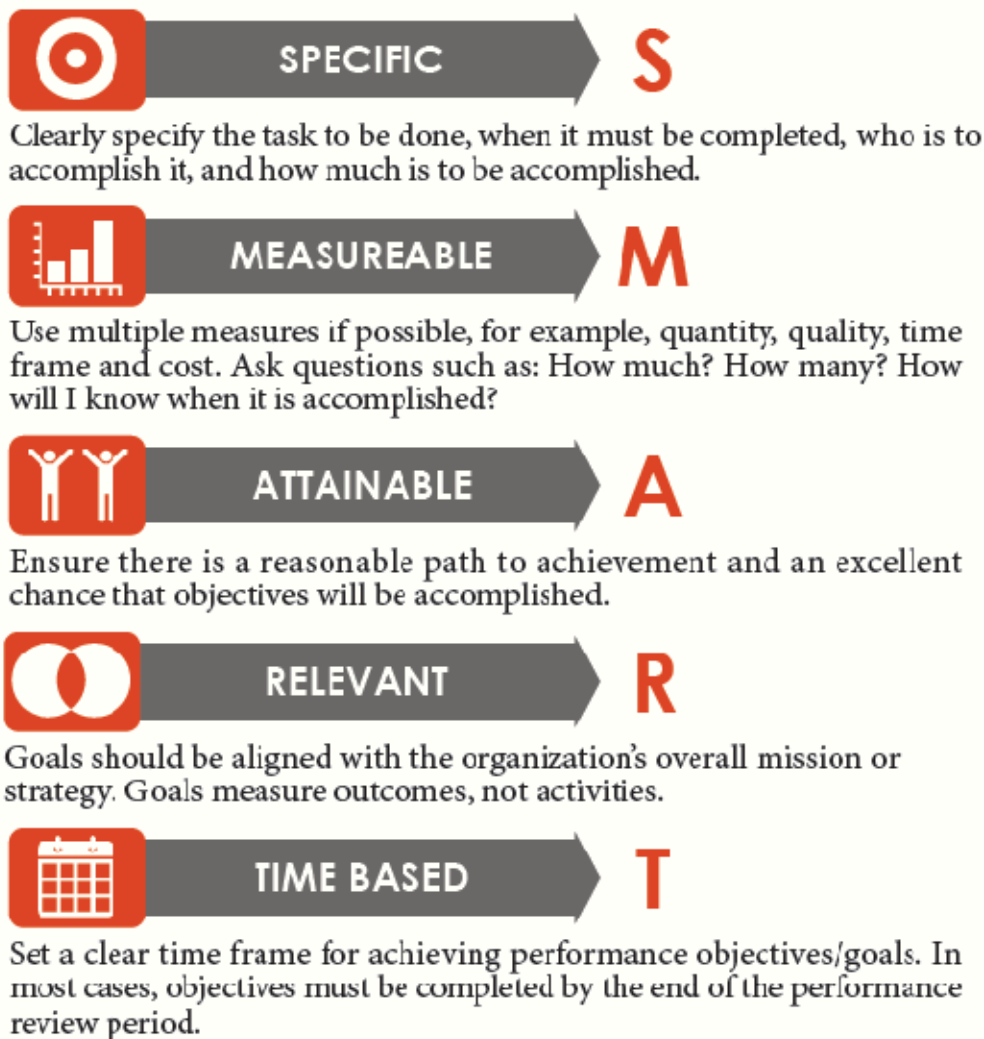


#### 1.3.1 Planning Phase

The planning phase, according to Human Capital Management (2014), is a collaborative effort involving both managers and employees during whom they will: Review the employee's job description to determine if it reflects the work that the employee is currently doing. Identify and review the links between the employee's job description, his or her work plan, and the organisation's goals, objectives and strategic plan. Develop a work plan that outlines the tasks or deliverables to be completed, the expected results and the measures or standards that will be used to evaluate performance. Identify critical areas that will be key performance objectives for the year. The choice of areas may be

determined by the organisation's strategic plan, by the employee's desire to improve outcomes in a certain part of his or her job or by a need to emphasize a particular aspect of the job. Identify training objectives that will help the employee grow his or her skills, knowledge and competencies related to the work. Identify career development objectives that can be part of longer-term career planning. Often, the most difficult part of the planning phase is developing clear and appropriate language to describe performance objectives and measures or indicators of success. Supervisors need to ensure that the performance objectives are a good representation of the full range of duties carried out by the employee, especially everyday tasks that take time, but are often not identified as significant accomplishments. The objectives and indicators need to be S.M.A.R.T. (Human Capital Management, 2014).

**Figure 1: SMART Goals**



Process: It is not merely evaluation. Oklahoma: Office of Management and Enterprise Services. Set Performance Standards Another important part of the planning phase is setting performance standards. While goals tell employees what they have to do,

performance standards tell them how well they have to do it. Human Capital Management (2014) listed some principles of writing good standards that can be used effectively to evaluate employee performance: Quality: addresses how well the work is performed and/or how accurate or how effective the final product is. Quality refers to accuracy, appearance, usefulness or effectiveness.

Quantity: addresses how much work is produced. A quantity measure can be expressed as an error rate, such as number or percentage of errors allowed per unit of work or as a general result to be achieved. When a quality or quantity standard is set, the criteria for Exceeds Standards should be high enough to be challenging, but not so high that it is unattainable. Timeliness: addresses how quickly, when or by what date the work must be produced. Timeliness standards should be set realistically. Cost-effectiveness: addresses dollar savings to the organisation or working within a budget. Cost-effectiveness standards may include such aspects of performance as maintaining or reducing unit costs, reducing the time it takes to produce a product or service or reducing waste. Manner: addresses the way or style in which a task is performed or produced.

#### Self-Assessment Exercises 1

3. Explain Reviewing Phase in performance Management System?
4. Discuss Coaching Phase in Performance Management System?

#### **1.3.2 Coaching Phase**

Performance management includes coaching employees to address concerns and issues related to performance so that there is a positive contribution to the organisation. Monitoring day-to-day performance does not mean watching over every aspect of how employees carry out assigned activities and tasks. Managers should not micro-manage employees, but rather focus their attention on results achieved, as well as individual behaviors and team dynamics affecting the work environment.

During this phase, according to Human Capital Management (2014), the employee and supervisor should meet regularly to: Assess progress made toward meeting performance objectives Identify barriers that may prevent an employee from accomplishing performance objectives and what can be done to overcome them Share feedback on progress relative to the goals Identify changes in the work plan that may be required as a result of a shift in organisation priorities or when an employee is required to take on new responsibilities

Determine if any extra support is required from the managers or others to assist the employee in achieving his or her objectives Provide Feedback The first assignment under the coaching process is providing feedback. Feedback is specific information provided to the employee that communicates how the employee's behavior is affecting the workplace. Feedback can be factual (based on observations of the employee's behavior and its

resulting consequences) or emotional (based on how other people react to the employee's behavior). Ideally, both types of feedback should be shared with the employee in a feedback meeting (Human Capital Management, 2014).

**Feedback Forms** Positive feedback involves telling an employee about good performance. Make this type of feedback timely, specific, and frequent as recognition for effective performance is a powerful motivator. Constructive feedback alerts an employee to areas in need of improvement. Feedback should be descriptive, detailed, and focused on the action, not the person. The main purpose is to help people understand where they stand in relation to the expected performance and behaviors.

### **1.3.3 Reviewing Phase**

The performance assessment or appraisal meeting is an opportunity to review, summarize and highlight the employee's performance over the course of the review period. Self-assessment is a standard part of most performance appraisals. By using the performance plan and assessment form as a guide, employees can evaluate their performance in preparation for the appraisal meeting.

This process can help identify gaps between the employee's self-perceptions and the manager's views and facilitate an in-depth discussion of performance issues (Human Capital Management, 2014).

Managers review their performance management notes and other documentation generated throughout the year in order to more effectively assess the employee's performance. Only issues that have previously been discussed with the employee should be part of the assessment documentation and meeting. This helps ensure managers address performance issues as they arise and assures the employee there will be no surprises during the performance assessment meeting (Human Capital Management, 2014).

Summarize the work accomplished relative to the goals set at the beginning of the performance period. This includes capturing key results, accomplishments and shortfalls for each objective. Document challenges encountered during the year and identify areas for training and/or development. Identify and discuss any unforeseen barriers to the achievement of the objectives.

#### **Avoid Rater Bias**

The first task under the reviewing process is making plans to avoid rater bias. When a person evaluates someone else, his or her evaluation reflects not only the person being assessed but also their own built-in biases. Managers should be aware of their possible evaluation biases so they can work to eliminate them from the assessment process. Some common biases, according to Human Capital Management (2014), include: Halo:

A tendency to form a generalized positive impression of an employee, e.g., rating the employee highly on all criteria rather than independently rating each item. Horns: The tendency to form an overall negative impression of an employee that results in artificially low ratings. This is the opposite of the halo effect bias. Central tendency:

A tendency to use only the mid-point of the rating scale. Leniency bias/Strictness bias: A tendency to be more lenient or stricter than one's peers when evaluating employees, or to be more lenient or strict with one employee when compared to another. Same-as-me: A tendency to rate employees who are perceived to be similar to the rater more favorably than employees who appear dissimilar. IMPORTANT: If this tendency is based on grounds for discrimination under human rights legislation (for example race, gender, nationality), it is a violation of human rights, and it is illegal. To ensure evaluations are effective, the following, according to Human Capital Management (2014), might be considered; Give specific examples to support the ratings. Be realistic about past accomplishments and future goals.

Avoid references to age, race, ethnicity, gender or disability. Avoid implied promises. Consider the performance during the entire review period and not just the performance during the last few months. Avoid the use of other people's names during performance reviews; use job titles and organisational names. Ensure each employee understands the criteria on which he or she is being evaluated. Reevaluate goals with each employee a few months prior to the final evaluation. Modify goals as necessary to reflect shifting priorities or responsibilities.

Keep notes on the performance of employees throughout the year; save emails or other correspondence that document good or bad performance. Keep notes on when activities were completed and on the circumstances of absences or disciplinary actions. Allow employees to evaluate their own performance.

Treat a performance review meeting as a focused business meeting, and keep all conversations confidential.

Show respect to each employee by preparing for the performance review. Schedule meetings at least a week in advance at a time that is convenient for the employee.

Conduct performance reviews in a private office or conference room. Have all documentation completed and provide a copy to the employee.

Do not wait until the meeting to inform an employee of unsatisfactory performance.

There should be no surprise issues raised during the meeting. Maintain a professional approach when completing your evaluation documentation.

Remember this document can be used as evidence in grievance hearings and other legal proceedings.

Do not include humorous anecdotes, personal information, judgmental statements or offensive or discriminatory language.

Include all pertinent information. Do not omit information because it is uncomfortable to discuss or potentially contentious. Keep control of the meeting.

Do not enter into a debate with an employee. As the supervisor, you make the decisions about the ratings, and if you have been fair in your assessment, you must stand by your rating.

Provide a copy of the evaluation to each employee prior to the meeting, allowing time to review your ratings/comments. Begin the meeting by providing a recap of the employee's overall performance in a positive and supportive manner. Next, explain that the remainder of the meeting will focus on accomplishments, areas of concern and setting future goals. Encourage employees to share their thoughts and suggestions. Be open-minded and look for opportunities for improvement



## **1.6 Summary**

This unit has been able to discuss the various performance management processes. Performance management is a communication process by which managers and employees work together to plan, monitor and review an employee's work objectives and overall contribution to the organisation. The processes discussed in this unit include the planning phase, coaching phase and reviewing phase.

As stated previously, performance management has a variety of purposes, one of which is documentation should there be a legal challenge related to performance. To ensure that a performance management process is fair and defensible: Base each evaluation on well written job descriptions and job related activities. Collaborate with employees when setting objectives. Develop observable measures for the established objectives/goals and behaviors.

Ensure employees keep a copy of the initial PMP document which includes the expectations set at the beginning of the performance management cycle. Provide employees with ongoing monitoring and feedback on performance. Provide support (training, coaching, etc.) and adequate time for improvement when performance problems are identified. Work to reduce biases and errors in assessments. Ensure the performance assessment form accurately documents performance. Periodically review the performance management process to ensure it is applied consistently and fairly.



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## **2.8 Possible Answers to SAEs**

### **Question one;**

Performance management includes coaching employees to address concerns and issues related to performance so that there is a positive contribution to the organisation. Monitoring day-to-day performance does not mean watching over every aspect of how employees carry out assigned activities and tasks. Managers should not micro-manage employees, but rather focus their attention on results achieved, as well as individual behaviors and team dynamics affecting the work environment.

### **Question 2**

The performance assessment or appraisal meeting is an opportunity to review, summarize and highlight the employee s performance over the course of the review period. Self-assessment is a standard part of most performance appraisals. By using the performance plan and assessment form as a guide, employees can evaluate their performance in preparation for the appraisal meeting. This process can help identify gaps between the employee s self-perceptions and the manager s views and facilitate an in-depth discussion of performance issues (Human Capital Management, 2014).

## **UNIT 2: Performance Management Approaches**

### **Unit Structure**

- 2.1 Introduction
- 2.2 Learning Outcomes
- 2.3 Comparative Approach
  - 2.3.1 Behavioural approach
  - 2.3.2 Results approach
  - 2.3.3 Attribute approach
  - 2.3.4 Quality approach
- 4.0 Summary
- 5.0 References/Further Readings/Web Resources
- 6.6 Possible Answers to Self-Assessment Exercise(s) within the content



### **2.1 Introduction**

There exist several approaches that determine how to do performance evaluation, each of which has its own strengths and weaknesses. In order to achieve its strategic business goals, an organisation can choose to adopt a particular approach or blend many of these approaches for the sake of implementing an effective performance management system. This system needs to evaluate both the performance results as well as the behaviours that the employee has demonstrated to achieve the organisation's business goals. The approaches that are discussed in this unit include the comparative approach, the behavioural approach, the results approach, the attribute approach, and the quality approach.



### **2.2 Learning Outcomes**

By the end of this unit, you will be able to:

- Comparative Approach
- Behavioural approach
- Results approach
- Attribute approach
- Quality approach





### **2.3.1 The Comparative Approach**

This approach involves comparing and ranking an individual's performance with respect to others in a given group. A straightforward technique would be to simply rank employees from the highest performer to the lowest performer. Another technique, called Forced Distribution system, involves ranking employees in category groups like for example a group of top performers constituting 10% of the employees, another group of average performers constituting 40%, another group of good performers constituting 30%, and finally a group of low performers constituting 10%. A major advantage of the forced distribution system is that it aligns employee performance and compensation with the organisation's performance by ensuring top performers are rewarded, given proper training, and developed for higher managerial positions while poor performers are given chances for improvement or dismissed if their performance is not getting better. Their dismissal will consequently allow the recruitment of a new talent into the organisation.

A major disadvantage of the forced distribution system is that it yields inappropriate results when for example all members of a workgroup are top performers, yet only 10% need to be in this category. The system ranks employees based on certain categorization rules rather than on their performance and employees with higher rankings would then receive better incentive pay than those with lower rankings. In addition it might not be easy to categorize employees especially when the ranking criteria is not clearly defined within the organisation's HR system. Finally, the forced distribution system might cause negative repercussions on an employee's self-confidence and might be considered illegal and unethical if not communicated clearly across the organisation. Another technique worth mentioning here is the Paired Comparison whereby the rater compares a performer with every other performer in a group and assigns a score of 1 for the higher performer. The final performance score would then be the summation of the winning points from all comparisons. Yet this technique becomes tedious for large groups as the rater would need to make 36 comparisons for a group of 9 employees or 45 comparisons for a group of 10 employees.

### **Self-Assessment Exercises 1**

1. Explain the attribute approach?
2. Discuss the behavioral approach?

### **2.3.2 The Attribute Approach**

This performance management approach evaluates performers against a predefined set of traits or characteristics such as teamwork, problem solving, judgment, creativity, etc. One of the most common techniques for this approach is the Graphic Rating Scale which

defines a numbered rating scale (from 1 to 5 points for example). The evaluator would then select the rating that he believes the performer has demonstrated for each characteristic or performance dimension.

Another technique which improves on the Graphic Rating Scale is the Mixed-standard Scale. The idea is to define a set of performance levels (for example High, Medium, Low) and then prepare a statement that describes the qualities or behavior required to achieve each performance level for a given characteristic or performance dimension. The evaluator would then go through each statement and determine whether the performer is above (+), equal (0), or below (-) the statement. A predefined legend scoring key would then be utilized to calculate the final score for each performance dimension.

### **2.3.3 The Behavioral Approach**

This approach includes several techniques that define and shape the right behaviors of employees for an effective performance. The first technique, Behaviorally Anchored Rating Scale (BARS), defines behaviors, which serve as guides for the rater, associated with different levels of performance for a given performance dimension or trait. For each of these performance dimensions, the evaluator would rate the performer by associating him with the behavioral level that fits his performance.

A major disadvantage of this technique is that managers tend to remember only behaviors that closely relate to those defined in the performance scale which leads to biased rating. Another technique, Behavioral Observation Scale (BOS), is a variation of BARS with two more features.

First, it includes a larger number of behaviors to provide a more specific and accurate description of the employee behavior for an effective performance. Second, the rater would need to rate the frequency that this behavior is seen to be exhibited by the performer. The overall score would then be the average of all these frequency ratings. A major drawback of this technique is the big load of information about employee behaviors that needs to be remembered and processed by managers especially when they are responsible for rating a considerable number of employees.

Another technique is the use of Competency Models which provide descriptions of competencies that are common for a particular occupation or organisation. By definition, competencies represent the skills and abilities required to perform a certain job. Teams across the entire organisation should work together to come up with a list of competencies for each job and a weighting given for each competency for performance evaluation. These models also need to be periodically reviewed to make sure they stay relevant to the organisation's goals.

### **2.3.4 The Results Approach**

This approach focuses on removing the subjectivity from the measurement process by evaluating objectives based on employee performance results. It is more like a black and white answer (you either meet or you do not meet the given objective). Strategic goals should be established by the top management team (TMT) which then feed to more specific goals down the organisational hierarchy.

Managers and their subordinates should participate together to come up with a set of SMART goals that would link back to the strategic goals. Two techniques use the objective system: the Balanced Scorecard and the Productivity Measurement and Evaluation System (ProMES). The balanced scorecard consists of four perspectives for performance management including financial, customer, internal or operations, and learning and growth.

The financial perspective centers around increasing the shareholder value, the customer perspective focuses on creating value for customers in terms of service and quality improvement, the internal and operations perspective defines the business processes that would ensure customer satisfaction, and the learning and growth perspective achieves the organisation's vision and focuses on innovation and continuous improvement. Employees across the organisation need to understand and be aware of these perspectives which define the strategic objectives and how they are translated down and mapped into business unit and employee objectives.

Though it is time consuming to develop, the ProMES system is effective in motivating employees towards increasing productivity and in measuring and feeding back productivity information. It primarily consists of four steps; the first step involves identifying the organisational objectives or products to be achieved, the second step provides measurements of how well these objectives or products are made, the third step evaluates how effective these measurements are in terms of their level of evaluation, and the fourth and final step feeds back to employees their level of performance on each of these measurements. An overall productivity score is finally computed as a summation of the performance scores on all the measurements.

### **2.3.5 The Quality Approach**

The aim of this approach is to improve customer satisfaction by reducing production defects and by achieving continuous service improvement. The quality philosophy advocates that employees should not be held accountable for results that are not completely under their control (which are polluted or affected by environmental or system conditions); otherwise this would result in employee demotivation and would inflict the continuous improvement process.

Thus the quality ideology considers both person and system factors in its performance measurement system. Besides, quality proponents articulate that regular feedback is needed from managers, customers (internal and external), and peers on the personal characteristics of the employee as well as on the quality of his work activities in order to resolve performance issues. Hence the quality approach is more like a combination of the results and attribute approaches for performance evaluation.

The quality approach also recommends the use of Kaizen process in order to continuously improve business processes and outcomes. Kaizen, the Japanese word of improvement, is one of the principles applied in Lean manufacturing and Total Quality Management (TQM) and it focuses on applying Deming's iterative Plan-Do-Check-Act (PDCA) method to achieve continuous improvement. Finally, there are plentiful of statistical process control techniques that can be used to identify and resolve problems. These include cause-and-effect (Fishbone or Ishikawa) diagrams, Pareto charts, control charts, process-flow analysis, histograms, and scatter grams.



## 2.6 Summary

This unit discussed the various performance approaches. The approaches that were discussed in this unit include the comparative approach, the behavioural approach, the results approach, the attribute approach, and the quality approach. In order to achieve its strategic business goals, an organisation can choose to adopt a particular approach or blend many of these approaches for the sake of implementing an effective performance management system.

These approaches are very crucial for the performance management process to be effective, since it constitutes the source of any needed change to the organisation. The approaches help the process to satisfy a strategic purpose by linking employee objectives to organisational goals through defining and measuring employee characteristics that would help in implementing the organisation's strategies.



## 2.7 References/Further Readings/Web Resources

Baron, J.N. and Kreps, D.M (1999) Strategic Human Resource Management: Frameworks for General Managers. Danvers, MA: Wiley.

Buchner, T W (2007) Performance Management Theory: A Look from the Performer's Perspective with Implications for HRD, Human Resource Development International, 10 (1), pp 59–73.



## **2.8 Possible Answers to SAEs**

### **Question one;**

This performance management approach evaluates performers against a predefined set of traits or characteristics such as teamwork, problem solving, judgment, creativity, etc. One of the most common techniques for this approach is the Graphic Rating Scale which defines a numbered rating scale (from 1 to 5 points for example). The evaluator would then select the rating that he believes the performer has demonstrated for each characteristic or performance dimension.

### **Question 2**

This approach includes several techniques that define and shape the right behaviors of employees for an effective performance. The first technique, Behaviorally Anchored Rating Scale (BARS), defines behaviors, which serve as guides for the rater, associated with different levels of performance for a given performance dimension or trait. For each of these performance dimensions, the evaluator would rate the performer by associating him with the behavioral level that fits his performance.

A major disadvantage of this technique is that managers tend to remember only behaviors that closely relate to those defined in the performance scale which leads to biased rating. Another technique, Behavioral Observation Scale (BOS), is a variation of BARS with two more features.

### **Unit 3: Framework for Planning**

- 3.1 Introduction
- 3.2 Learning Outcome
- 3.3 Main Contents
- 3.4 Institutional Framework for Planning
  - 3.4.1 The Planning Process in Nigeria
  - 3.4.2 Planning Methodology
  - 3.4.3 The Three-Year Rolling Plan Strategy
- 3.5 The Budget Framework , .
- 3.6 Summary
- 3.7 References/Further Reading
- 3.8 Possible answer to self-assessment exercise (s) within the content



#### **3.1 Introduction**

This unit will be discussing the Institutional Framework for Planning. Planning Process in Nigeria; Planning Methodology and three-Year Rolling Plan Strategy.



#### **3.2 Learning Outcomes**

At the end of the study unit, you should be able:

1. Explain the Institutional Framework for Planning
2. Discuss the Planning Process in Nigeria
3. Explain the Planning Methodology
4. Discuss the Three-Year Rolling Plan Strategy.



#### **3.3 Framework for Planning**

##### **3.3.1. Institutional Framework for Planning**

###### **a. The Planning Office**

The functions of the Planning Office with respect to preparation of development plans include the following;'

1. Preparation of Guidelines;
2. Issuance of Call Circulars for Submission of Projects and Programmes;
3. Mapping out the macro economic framework and the resources profile
4. Presentation of draft plan to the various levels of government and: publication of final draft of plan;
5. Project monitoring through quarterly returns and physical;;, inspection of key projects at the Federal, State, and Local Government level's;
6. Continuous liaison with all Federal agencies, State Ministries of Planning and Local Government Areas.

###### **b). Federal and State Executing Ministries/Agencies**

The federal agencies have the following main planning functions:

1. Preparation of plan submission for the Ministry in line with the Guidelines for the Plan and the Call Circular, The Planning Research and Statistics Department in each Ministry is responsible for co-ordination of the proposals and presentation of the Planning Office;
2. Monitoring of Plan programmes and projects and submission of quarterly Progress Reports to the Planning Office.

**c). State Planning Office**

The State Planning Offices carry out the following key planning functions?

1. Preparation of State Plans;
2. Co-ordination of the programmes of the LGA's in line with the Plan Guidelines and the Call Circulars;
3. Project monitoring at State and Local Government levels and preparation of quarterly and annual progress reports

**d). Local Government Councils**

1. Preparation of LGA plan programmes and projects in line with the Plan Guidelines and Call Circulars
2. Submission of LGA plans to the States agency for planning and economic development;
3. Programme monitoring and preparation of quarterly and annual progress reports

**The Joint Planning Board (JPB)**

This is a technical body charged with the responsibility for reviewing and vetting the draft development plan. It is chaired by the Director-General in charge of Planning in the Planning Office and comprises the Director-General responsible for planning in all the States of the Federation and representatives of the Nigerian National Petroleum Corporation (NNPC), the Central Bank of Nigeria, the Office of the Secretary to the Government of the Federation (SGF), Federal Ministry of Finance, Nigerian Institute of Social and Economic Research (NISER) and Federal Office of Statistics.

**Conference of Minister and Commissioners (of Economic Planning)**

The CMCEP has as Chairman, the Minister of Budget and Planning and includes all Commissioners responsible for economic planning in all the States of the Federation. It is the body that reviews the draft Plan as submitted by the JPB and transmit same to the National Council of States through the Federal Cabinet.

**National Council of States**

The National Council of States which comprises the thirty six States of the Federation and the Governor of Central Bank is chaired by the Vice President and is responsible for considering the draft Rolling Plan after deliberations by the Federal Cabinet. The Council also deliberates on matters pertaining to the state of the economy and problems of plan implementation and co-ordination.

**1.4. The Planning Process in Nigeria**

The planning process usually starts with the preparation of Guidelines that are expected to form the basis for preparing projects for an ensuing medium term plan. With the adoption of the Rolling Plan strategy from 1990 the guidelines were expected to be

prepared at intervals of three years. The Guidelines are generally based on policy recommendations and views from all segments of the society and the various government organs on what should be the objectives, strategies and priorities of the medium term development plan. It also includes in broad orders the magnitude of resources that are likely to be available for the implementation of programmes and projects during the plan period. The Call Circular is usually forwarded to all Federal and State Agencies and Local Government Councils together with the Guidelines. The Call Circulars specifies in details the set of information that must be provided for each project. These include, the objectives, physical targets and cost implications of such project so as to facilitate adequate project analysis and appraisal. A sample, of such Call Circular: is attached as an Annex., The Planning Office holds bilateral discussions with every Federal Agency and the State Ministries of Economic Planning. In discussing the admissibility and relevance of a project for the plan, the following criteria are usually applied among others:

- a. relevance of projects to the plan
- b. Objectives; strategy and priorities.;
- c. the feasibility/viability of the project as measured by return on investment or cost/benefit, implications and :the extent to which this can be accommodated within the overall allocations to the sector of activity;
- d. Stage of completion, if it is an on-going project.
- e. Impact of project on foreign exchange and employment.

### **3.5 Planning Methodology**

Planning methodology at all levels of government may: be outlined as follows:

**Steps 1** Identifying the potential constraints and problems of the economy and its main activity sector:

**Step 2** Identifying the objectives, strategy and programme priorities of the Plan at macro level and for each sector of the economy as contained in the Guidelines to the Plan.

**Step 3** Identifying the problems and potential areas in each sector to the objectives strategy priorities and goals of the plan in order to identify, critical projects. This is the Pre-Identification stage for projects.

**Step 4** Investigate the identified projects further through feasibility studies on the objectives, costs output, return to investments, .etc. of the projects. This can be done by providing the information required in the Call Circular in respect of each project.

**Step 5** Make projects for the size of the capital programme over the plan period as follows;

- a. Make projections of the resources likely to be available over each year of the plan taking account of statutory allocation, internally generated revenue etc.
- b. assess existing commitments to projects;
- c. define the strategy of the plan and its implementation mode in terms of sectoral emphasis;
- d. Phase the implementation of the programmes.

**Step 6** Derive final resource allocation to each project taking due cognizance of implementation targets, programme priorities and resource position.

### **Self-Assessment Exercise 1**



- |   |
|---|
| <ol style="list-style-type: none"><li>1. Discuss the Institutional Framework for Planning</li><li>2. Explain the Planning Methodology</li></ol> |
|---|

### **3.6 The Three-Year Rolling Plan Strategy**

The three-year rolling plan strategy was adopted to enable the planning body keep track of major developments in the economy and to respond in a coherent and timely manner. The three-year rolling plan is therefore prepared every year, while allocations for the first year of the : plan are expected to constitute the capital budget of that year. The draft capital budget for the second year of the plan is based on proportion of the plan earmarked for implementation that year. Before finalization, programme priorities are reassessed, the resource profile re-established and the stage of project/programme implementation evaluated. It is this procedure that provides for the flexibility of the Rolling Plan Under the previous five year plans, such programme revision took place once in five years' time too long, to cope with the realities of an economy that has a dominant and volatile oil sector. The instrument of rolling plans therefore makes it possible to take account of the past the present and the future that is near enough to be more closely captured. This process was well facilitated with the merger of the agencies responsible for planning and budgeting, a reform which most of the States adopted. The establishment of the National Planning Commission which has among its functions preparation and coordination of the annual capital budget and preparation of guidelines for the recurrent budget was expected to forge a very close linkage between the planning and budgeting functions. The States and Local Government Councils were expected to take a cue from this. Furthorm6res every Local Government Council was expected to create a Department of Planning, Research and Statistics that would be responsible for planning, budgeting and project monitoring.



### **3.7 Summary**

In this study unit we have been able to see the picture of the experience of development plan implementation in Nigeria right from the colonial era. After independence, Nigeria needed to have her own plan prepared and implemented by her. However, being a developing nation, there are a lot of problems of plan implementation in Nigeria. These include political unrest of series of military interventions in the 1970s, 1980s and 1990s. A plan initiated by one regime would be abandoned by the next regime. There is also the problem of resource constraint as well as paucity of data and poor quality of information. Technical competency is yet another problem of designing and implementing meaningful plan. The study unit also gave us the experience Nigeria had in shifting from a medium term plan of five years to a three year rolling plan from 1992 to 1994 under the belief that evaluation period is too long in the five year plan while it takes only one year in the rolling plan and that gives room for early adjustment. We also saw in the unit the institutional framework for planning in Nigeria as well as the general problems

confronting many African countries in plan implementation that lead to many plan failures in these countries including Nigeria. These problems include the political dimension where many political leaders accord other matters higher priority than they do to development planning. It is this relegation of development to a subordinate place in the scale of values of the political leaders that lead to many plan failures while also sowing the seeds of discontent and potential social unrest.



### **3.8 References/Further Reading**

Abdulsalami I. and Longe, J.B. (1993), Seminar paper prepared for States Commissioners of planning and staff of Planning, Research and Statistics units of Government Ministries and Agencies in Nigeria.

Adeniyi, E.O., Ayodele, A.I., and V. P. Diejomoah, (1988), "The Development Planning Experience in Nigeria: Effectiveness, Problems, and Prospects"; in Yrrutia and Yukawa (1988); pp. 227-262.

CDF Secretariat, (2000), Overview and Background of the Comprehensive Development Framework; [www.worldbank.org/cdf](http://www.worldbank.org/cdf) (currently in archives).



### **3.9 Possible answer to self-assessment exercise (s) within the content**

#### **Answer to SAEs 1**

#### **1. Institutional Framework for Planning**

##### **a. The Planning Office**

The functions of the Planning Office with respect to preparation of development plans include the following;

7. Preparation of Guidelines;
8. Issuance of Call Circulars for Submission of Projects and Programmes;
9. Mapping out the macro economic framework and the resources profile

##### **b). Federal and State Executing Ministries/Agencies**

The 'federal agencies have the following main planning functions:

3. Preparation of plan submission for the 'Ministry in line with the Guidelines for the Plan and the Call Circular, The Planning Research and Statistics Department in each Ministry is responsible for co-ordination of the proposals and presentation of the Planning Office;
4. Monitoring of Plan programmes and projects and submission of quarterly Progress Reports to .the Planning Office.

##### **c). State Planning Office**

The State Planning Offices carry out the following key planning functions?

4. Preparation of State Plans;
5. Co-ordination of the programmes of the LGA's in line with the Plan Guidelines and the Call Circulars;
6. Project monitoring at State and Local Government levels and preparation of quarterly and annual progress reports

#### **d). Local Government Councils**

1. Preparation of LGA plan programmes and projects in line with the Plan Guidelines and Call Circulars
2. Submission of LGA plans to the States agency for planning and economic development;
3. Programme monitoring and preparation of quarterly and annual progress reports

#### **The Joint Planning Board (JPB)**

This is a technical body charged with the responsibility/for reviewing and vetting the draft development plan.

#### **National Council of States**

The National Council of States which comprises the thirty six States of the Federation and the Governor of Central Bank is chaired by the Vice President and is responsible for considering the draft Rolling Plan after deliberations by the Federal Cabinet

### **2. The Planning Process in Nigeria**

The planning process usually starts with the preparation of Guidelines that are expected to form the basis for preparing projects for an ensuing medium term plan. With the adoption of the Rolling Plan strategy from 1990 the guidelines were expected to be prepared at intervals of three years. The Guidelines are generally based on policy recommendations and views from all segments of the society and the various government organs on what should be the objectives, strategies and priorities of the medium term development plan. It also includes in broad orders the magnitude of resources that are likely to be available for the implementation of programmes and projects during the plan period. The Call Circular is usually forwarded to all Federal and State Agencies and Local Government Councils together with the Guidelines. The Call Circulars specifies in details the set of information that must be provided for each project. These include, the objectives, physical targets and cost implications of such project so as to facilitate adequate project analysis and appraisal, A sample, of such Call Circular: is attached as an Annex,, The Planning Office holds bilateral discussions with every Federal Agency and the State Ministries of Economic Planning

### **Answer to SAEs 2**

#### **1. Planning Methodology**

Planning methodology at all levels of government may be outlined as follows:

- Steps 1** Identifying the potential constraints and problems of the economy and its main activity sector:
- Step 2** Identifying the objectives, strategy and programme priorities of the Plan at macro level and for each sector of the economy as contained in the Guidelines to the Plan.
- Step 3** Identifying the problems and potential areas in each sector to the objectives strategy priorities and goals of the plan in order to identify, critical projects. This is the Pre-Identification stage for projects.

**Step 4** Investigate the identified projects further through feasibility studies on the objectives, costs output, return to investments, .etc. of the projects. This can be done by providing the information required in the Call Circular in respect of each project.

**Step 5** Make projects for the size of the capital programme over the plan period as follows;

Make projections of the resources likely to be available over each year of the plan taking account of statutory allocation, internally generated revenue etc

## **2. The Three-Year Rolling Plan Strategy**

The three-year rolling plan strategy was adopted to enable the planning body keep track of major developments in the economy and to respond in a coherent and timely manner. manner to some changes. The three-year rolling plan is therefore prepared every year, while allocations for the first year of the : plan are expected to constitute the capital budget of that year. The draft capital budget for the second year of the plan is based on proportion of the plan earmarked for implementation that year. Before finalization, programme priorities are reassessed, the resource profile re-established and the stage of project/programme implementation evaluated. It is this procedure that provides for the flexibility of the Rolling Plan Under the previous five year plans, such programme revision took place once in five years' time too long, to cope with the realities of an economy that has a dominant and volatile oil sector

## **Unit 4: Budget Framework and Rolling Plans in Nigeria**

- 4.1 Introduction
- 4.2 Learning Outcome
- 4.3 Main Contents
  - 4.3.1 The Budget Framework
  - 4.3.2 Sectoral groupings for Plan Programmes
- 4.4 Budgeting Process and Methodology
- 4.5 Critical elements in recurrent expenditures
- 4.6 Summary
- 4.7 References/Further Reading
- 4.8 Possible answer to self-assessment exercise (s) within the content



### **4.1 Introduction**

This unit will be discussing annual budget as the key instrument for the implementation of the medium term plans or rolling plans. The budget may be defined as an aggregation of various requirements, properly articulated and critically related to the volume of resources that are expected to be available within a given time frame, usually one year, Government budgets usually have the following components| i.e. revenues, expenditure, estimates and a set of fiscal, monetary and other policies that are designed to support the estimates and move the economy towards a chosen direction.



### **4.2 Learning Outcomes**

At the end of the study unit, you are expected:

1. Explain the Budget Framework
2. Identify the Sectoral groupings for Plan Programmes
3. Explain the Budgeting Process and Methodology
4. Outline the Critical elements in recurrent expenditures



### **4.3 Budget Framework and Rolling Plans in Nigeria**

#### **4.3.1. The Budget Framework**

The annual budget is the key instrument for the implementation of the medium term plans or rolling plans. The budget may be defined as an aggregation of various requirements, properly articulated and critically related to the volume of resources that are expected to be available within a given time frame, usually one year, Government budgets usually have the following components| i.e. revenues, expenditure, estimates and a set of fiscal, monetary and other policies that are designed to support the estimates and move the economy towards a chosen direction. Since the advent of the 'oil era in the mid-70s, the major source of revenue for all levels of government has been from: this source and on an average, accounts for well over 80% of the total 'revenue accruing to the Federation

Account. Other Major sources of revenue include Custom and Excise Duties, and Company Income Tax. The Federation Account comprises revenue accruing from petroleum profits Taxes Royalties, Companies Income Tax and Customs and Excise Duties. The Revenue Allocation formula in Nigeria varies from year to year depending on economic and political situations in the country that determines what goes to the three tiers of government - Federal Government, the State Governments and the Local Governments. For example the Federation Account allocation to these levels of government at a time was as follows:

Government - 50%,

State Governments - 25% and

Local Governments - 20%

The remaining balance of 5% was shared between Ecological Fund (1.0%) and Federal Capital Territory (.1 = 0%), mineral producing Areas (1,5%), Derivation (1. 0%) and Stabilization.(0.5%). As from 2004, however, the mineral producing areas receive 13 % for derivation.

The items of Recurrent Expenditures include;

- a. Personnel
- b. Overhead Cost
- c. Consolidated revenue fund charges (debt repayment, pensions etc.)

Plan previsions are usually grouped by sectors and projects while the capital budget allocates by projects, expenditure Heads and sub-heads.

#### **4.3.2 Sectoral groupings for Plan Programmes**

The major sectoral groupings for plan programmes are as follows:

##### **Economic Sectors**

- ✓ Agriculture and Rural Development,
- ✓ Livestock
- ✓ Fisheries
- ✓ Electrification
- ✓ Commerce and Co-operatives
- ✓ Transport

##### **Social Sector**

- ✓ Education
- ✓ Health
- ✓ Information and Culture
- ✓ Social 'Development, Youth and Sports

##### **Regional Planning and Environmental Sanitation**

- ✓ Environmental Sanitation/Drainage
- ✓ Housing
- ✓ Town and Country Planning

General Administration

##### **Self-Assessment Exercise 1**

1. Explain the Budget Framework
2. Identify the Sectoral groupings for Plan Programmes

#### **4.4 Budgeting Process and Methodology**

The budgeting process at the Federal level starts with a pre-budget review. This includes an estimate of the key macro-economic parameters of the economy for the ensuing fiscal period including the growth rate of the economy; 'the balance of payments situation debt-service allocations, anticipated draw down on external loans and grants, exchange rate development, trend in the level of general prices money supply etc. The resolution of the key issues surrounding these parameters determined the profile and posture of the budget. For instance, the plan specifies the desirable rate of growth for the period but this is not without due regard to the economic stability. Therefore the level of real investment and maintenance of a stable and conducive investment are very crucial. The Plan therefore focuses on the level of Monetary injection into the economy and its impact on key macro aggregates such as the exchange rates the level of public deficits or surpluses, the rate of inflation etc. If the objective is to curb inflation; it will be desirable for the budget to move towards tight fiscal and monetary policy including curtailment of credit to the economy. The level of debt service determines the level of resources that would be available for domestic use, while the availability of foreign exchange has impact on the exchange rate. The budget must also be concerned with the performance of the productive sectors of the economy, including the level of agricultural outputs, capacity utilization in .industry and overall performance of the real sector. These indices have to be provided by the Plan and the annual budget. Having determined the posture of the budget, the real budgeting process starts with an estimate of revenues including appropriate fiscal policies that will generate further resources for the public sector and leave more resources in the private sector.

#### **4.5 Critical elements in recurrent expenditures**

The most critical elements in recurrent expenditures are the consolidated expenditures (debts service, pensions and all the charges to the consolidated revenue fund). This is followed by both the Personnel Costs, and Overhead Costs.

The current approach is to provide for the various items in the following order:

1. Personnel Costs;
2. Overhead Costs;
3. Debt Service.

In order to determine the size of the capital programme, the recurrent surplus for the year is added to anticipate draw down from external and internal loans and grants to make up the capital budget. Allocation of the Capital Budget among .Ministries is generally based on the priorities indicated by the Three-Year Rolling Plan and modified with respect to the on-going programmes of the government and at times various sociopolitical considerations. On the overall, the key policy objective of the budget is to have a balanced budget.. States and local governments are made to restrict their programmes to the level of available treasury resources and programmes that can be funded through the existing pipeline of external loan facilities. The Federal Government is also restricted from taking new loans unless under exceptional circumstances. Under the current

guidelines, no government is allowed to resort to external or internal loans to finance budget deficit.

### **Self-Assessment Exercise 1**

1. Explain the Budgeting Process and Methodology
2. Outline the Critical elements in recurrent expenditures



#### **4.6 Summary**

This unit stated that annual budget is the key instrument for the implementation of the medium term plans or rolling plans. The budget may be defined as an aggregation of various requirements, properly articulated and critically related to the volume of resources that are expected to be available within a given time frame, usually one year, Government budgets usually have the following components| i.e. revenues, expenditure, estimates and a set of fiscal, monetary and other policies that are designed to support the estimates and move the economy towards a chosen direction.



#### **4.7 References/Further Reading**

Abdulsalami I. and Longe, J.B. (1993), Seminar paper prepared for States Commissioners of planning and staff of Planning, Research and Statistics units of Government Ministries and Agencies in Nigeria.

Adeniyi, E.O., Ayodele, A.I., and V. P. Diejomoah, (1988), "The Development Planning Experience in Nigeria: Effectiveness, Problems, and Prospects"; in Yrrutia and Yukawa (1988); pp. 227-262.

CDF Secretariat, (2000), Overview and Background of the Comprehensive Development Framework; [www.worldbank.org/cdf](http://www.worldbank.org/cdf) (currently in archives).



#### **4.8 Possible answer to self-assessment exercise (s) within the content**

##### **Answer to SAEs 1**

##### **1. The Budget Framework**

The annual budget is the key instrument for the implementation of the medium term plans or rolling plans. The budget may be defined as an aggregation of various requirements, properly articulated and critically related to the volume of resources that are expected to be available within a given time frame, usually one year, Government budgets usually have the following components| i.e. revenues, expenditure, estimates and a set of fiscal, monetary and other policies that are designed to support the estimates and move the economy towards a chosen direction

##### **2. Sectoral groupings for Plan Programmes**

The major sectoral groupings for plan programmes are as follows:



**Economic Sectors**

- ✓ Agriculture and Rural Development,
- ✓ Livestock
- ✓ Fisheries
- ✓ Electrification
- ✓ Commerce and Co-operatives
- ✓ Transport

**Social Sector**

- ✓ Education
- ✓ Health
- ✓ Information and Culture
- ✓ Social 'Development, Youth and Sports

**Regional Planning and Environmental Sanitation**

- ✓ Environmental Sanitation/Drainage
- ✓ Housing
- ✓ Town and Country Planning

General Administration

**Answer to SAEs 2****1. Budgeting Process and Methodology**

The budgeting process at the Federal level starts with a pre-budget review. This includes an estimate of the key macro-economic parameters of the economy for the ensuing fiscal period including the growth rate of the economy; 'the balance of payments situation debt-service allocations, anticipated draw down on external loans and grants, exchange rate development, trend in the level of general prices money supply etc. The resolution of the key issues surrounding these parameters determined the profile and posture of the budget. For instance, the plan specifies the desirable rate of growth for the period but this is not without due regard to the economic stability. Therefore the level of real investment and maintenance of a stable and conducive investment are very crucial.

**2. Critical elements in recurrent expenditures**

The most critical elements in recurrent expenditures are the consolidated expenditures (debts service, pensions and all the charges to the consolidated revenue fund). This is followed by both the Personnel Costs, and Overhead Costs.

The current approach is to provide for the various items in the following order:

4. Personnel Costs;
5. Overhead Costs;
6. Debt Service.

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## **Unit 5: Challenges and Prospects of Development Planning**

- 5.1 Introduction
- 5.2 Learning Outcome
- 5.3 Main Contents
- 5.4 The Challenge on the Political Dimension
- 5.5 The Institutional Challenge
- 5.6 Summary
- 5.7 References/Further Reading
- 5.8 Possible answer to self-assessment exercise (s) within the content



### **5.1 Introduction**

This unit will be discussing Challenges and Prospects of Development Planning in Africa, the Challenge on the Political Dimension and the Institutional Challenge



### **5.2 Learning Outcomes**

At the end of the study unit, you should be able to:

1. Discuss the Challenges and Prospects of Development Planning in Africa
2. Explain the Challenge on the Political Dimension
3. Discuss the Institutional Challenge



### **5.3 Challenges and Prospects of Development Planning in Africa**

At this stage of identifying the challenges and prospects facing the continent in planning its development, there is a need to emphasize the obvious: that development planning is a continuous process and that a development plan is just one product of such a process. "Development planning is not the same thing as a development plan. Planning as a process is an indispensable precondition for the formulation of effective development policies and measures." (Waterstone, 1965:107). A careful reading of the evidence on the early planning experience on the continent would show that the major weaknesses have to do with the implementation aspects of development plans. The most important among these sources are the political and institutional factors. Despite the diversity of the continent, however, it can be argued that these two sets of factors continue to define the main challenges facing African countries in returning to development planning to effect meaningful development.

Before proceeding to comment on these challenges it is perhaps instructive to note that from a development perspective the term "institutional factors" can be understood to refer to "a set of rules to organize people into the functional body", as well as to a "functional body organized by a set of rules" (Hayami and Godo, 2005:242). Such an understanding will facilitate the appreciation of the close relationship of the two challenges identified, as well as the organizational nature of the discussion that will follow.

### **5.4 The Challenge on the Political Dimension**

A major challenge facing the continent is the commitment of political leaders to development planning. The required commitment is not only expressing verbal announcements on the issues involved, but announcements backed by appropriate action. In this respect it is noted that in many countries of the continent political leaders accord other matters higher priority than they do to development planning. While it is recognized such priority settings are dependent on the socio-economic and political stage of development of various countries, it must be recognized that the relegation of development to a subordinate place in the scale of values of a country's political leaders cannot help but depress development efforts and, hence, the results of development planning, while also sowing the seeds of discontent and potential social unrest (Waterstone, 1965:341).

An obvious example of the importance of political commitment to "development" is given by the Millennium Development Goals. A careful reading of these goals will show that they are based on a broad definition of development as a process of expanding the real freedoms that people enjoy. Five instrumental freedoms that have immediate policy relevance are identified to include political freedoms, embracing "the political entitlements associated with democracies in the broadest sense"; economic facilities, in the sense of the "opportunities that individuals respectively enjoy to utilize economic resources for the purpose of consumption, or production, or exchange"; social opportunities in the sense of "the arrangements that society makes for education, health care and so on"; transparency guarantees in the sense of "the freedom to deal with one another under guarantees of disclosure and lucidity"; and, protective security in the sense of the provision of a "social safety net for preventing the vulnerable sections of society from being reduced to abject misery, and in some cases even starvation and death" (Sen, 1999:38). These "instrumental freedoms tend to the general capability of a person to live more freely, but they also serve to complement one another" (Sen, 1999:38). Such a broad understanding of the development process encompasses almost all of the narrow concerns of various political players in the different countries in such a way as to facilitate the expression of serious minded political commitment to development.

As noted earlier, the MDG process, like the PRSP process, marked a return to development planning albeit at the global level. The overarching objective of development is the reduction of poverty broadly defined and the goals are to be achieved over a 25 year period, with quantitative targets and indicators to facilitate monitoring the achievements made. World leaders, including those from Africa, expressed their commitment to these goals and went about taking action to achieve them in the specified horizon. Since their adoption in September 2000 two Summits were held at the UN for assessing progress made based on national, regional and global monitoring reports.

Along the lines of the above global example, meeting the challenge of political commitment to development can be facilitated by the further pursuit of the principles upon which the New Partnership for Africa's Development (NEPAD) is based<sup>19</sup>. According to its website NEPAD was initiated by the Heads of State of Algeria, Egypt, Nigeria, Senegal and South Africa on a mandate from the Organization of African Unity

(OAU). The 37th Summit of the OAU, held in July 2001, formally adopted the strategic framework document. NEPAD is now a programmed of the African Union (AU), the success or organization to OAU. The inaugural Summit of AU was held in July 2002 in Durban, South Africa. NEPAD is operationalised through the NEPAD Planning and Coordinating Agency (NPCA), which has been integrated in to the structures and processes of the AU and serves as a technical body of the AU, replacing the former NEPAD Secretariat. The NPCA has the mandate to: facilitate and coordinate the implementation of the continental and E/ECA/COE/30/8AU/CAMEF/EXP/8(VI)a “vision and a strategic framework” for Africa’s renewal. Without getting involved in details, it is interesting to note that the original NEPAD framework document adopted the then International Development Goals (IDGs; which became the MDGs later on), as part of its goals (see paragraph 68). These goals are to be achieved under the long-term objective, stated in paragraph 67, of eradicating “poverty in Africa and to place African countries, both individually and collectively, on a path of sustainable growth and development and thus halt the marginalization of Africa in the globalization process, and to promote the role of women in all activities”.

The above objectives and goals came to be formulated after the new political will of African leaders had been expressed in terms of a joint responsibility for, among other things, “promoting and protecting democracy and human rights in their respective countries and regions” (paragraph 49).

To ensure that the above political commitment to development at the regional level is backed by actions, NEPAD created the African Peer Review Mechanism (APRM) as an “instrument voluntarily acceded to by member states of the AU as an African self-monitoring mechanism”. The primary purpose of APRM is to “foster the adoption of policies, standards and practices that lead to political stability, high economic growth, sustainable development and continental economic integration through sharing of experiences and reinforcement of successful and best practice, including identifying deficiencies and assessing the needs of capacity building”. The policies, standards and practices that are to be adopted are supposed to cover the four major priority areas identified in the base document of the APRM and the Declaration on Democracy, Political, Economic and Corporate Governance adopted by the inaugural Summit of the AU. The four priority areas are: “democracy and political governance”; “economic governance and management”; “corporate governance”; and, “socio-economic development”.

The overall objective of the priority area on democracy and political governance is to “consolidate a constitutional political order in which democracy, respect for human rights, the rule of law, the separation of powers, and effective, responsive public service are realized”. It is the achievement of this objective that will eventually facilitate the commitment of political leaders to the development of their countries.

### **Self-Assessment Exercise 1**

1. Discuss the Challenges and Prospects of Development Planning in Africa
2. Explain the Challenge on the Political Dimension

## **5.5 The Institutional Challenge**

Most African countries inherited an institutional structure that was largely designed to perform minimalist functions of modern states relating to revenue collection, provision of public services and maintenance of law and order. However, an “organized attempt to plan a country’s development introduces new and unfamiliar entrepreneurial and managerial tasks on an unprecedented scale. Few countries can cope with the administrative problems which development planning brings. These problems are so complex that in most less developed regional priority programmes and projects; mobilize resources and partners in support of the implementation of Africa’s priority programmes and projects; conduct and coordinate research and knowledge management; monitor and evaluate the implementation of programmes and projects; and advocate on the AU and NEPAD vision, mission and core principles/values. The highest authority of NEPAD Planning and Coordinating Agency (NPCA) is the AU Assembly of Heads of State and Government. There is a Heads of State and Government Orientation Committee (3states per region, plus the Chair of the AU) which is a sub-committee of the AU Assembly that provides political leadership and strategic guidance on the NEPAD Programme and reports its recommendations to the AU Assembly for endorsement; There is a steering committee intermediary body to interface between the HSGOC and the new Agency. As observed in most African countries the limitation in implementing plans is not financial resources, but administrative capacity” (Waterstone, 1965:289).The administrative capacity of the African state, weak as it may have been at the time of independence, has been further weakened over time. It is, therefore, no wonder that there are multiple initiatives, and repeated emphasis on the need for building the capacity of the state on the continent. While these initiatives are commendable, they need to be carefully assessed from the perspective of enhancing domestic capacity compared to substituting it by foreign expertise. In this respect it was noted that sub-Saharan Africa “had about 100,000 foreign technical assistance staff costing about 4 billion USD per annum. In most cases, this staff substitutes for local capacity, but all current assessments of the impacts of this on SSA development are ostensibly negative” (Mkandawire and Soludo, 1999:137).

Inevitably, the proliferation of capacity building initiatives on the continent was closely related to the narrow concern with the capacity to implement various policy reform agenda of the donor community as represented by the IMF and the World Bank. Such agenda was not concerned with the long-term development of the continent, let alone being concerned with planning such development. The time of the proliferation of the capacity building initiatives coincided with a policy direction of massive retrenchment of African public servants and a “deluge of foreign advisors, consultants, and representatives of multilateral agencies who took over key policy analysis and policy-making institutions in many African states” (Mkandawire and Soludo,1999:135). In addition to retrenching African civil servants, a large number of planning ministries and agencies were dismantled. On the basis of this experience in building the capacity of the African state, the challenge facing the continent in reasserting the importance of planning is to embark on a different path to recreate, and enhance existing, capacity for effecting

development. Such a path would include in a fundamental sense reversing the trend of declining government employment with the aim of creating a skilled and efficient government work force. From a planning perspective this will require arrangements for constant retraining of civil servants to acquaint them with the changing development challenges facing their countries and familiarizing them with relevant planning techniques and methodologies. Such training arrangements are not to be confined only to those civil servants attached to planning agencies for obvious reasons relating to the coordination of plan implementation.

From an institutional point of view African countries need to create modernized planning agencies, and/or rehabilitating existing ones. The challenge facing the countries in this respect include vital considerations relating to:

- a. clearly defining the priorities for the planning machinery including the creation of programming units at the level of operating government units;
- b. building a consensus that the core responsibilities of the planning agency are the formulation and revision of national development plans; the preparation of annual operational plans; recommendation of policies, measures and modalities required to implement the plan; reporting on the evaluation and implementation of the plan; and, coordination of national efforts relating to plan implementation;
- c. appropriate distribution of planning functions inclusive of responsibility for annual operational plans, relations to the budget office and the statistical agency, coordination of foreign technical assistance, the negotiation of foreign financing, responsibility for foreign loans, responsibility for development projects and programs, and coordination of plan implementation; and,
- d. consensus building on the preferred location of the planning agency with appropriate legal and constitutional safeguards to ensure its efficiency. For details and evidence on these, and other institutional aspects (Waterstone, 1965).

### **Self-Assessment Exercise 2**

1. Discuss the Institutional Challenge
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### **4.6 Summary**

In Nigeria as well as in many African countries, planning is seen as paraphernalia to several years of backwardness. However, these countries realized that comprehensive planning for the whole economy was not feasible at the early years of independence. Hence, many resorted to sector planned economy with gradual adoption of other models in later years. Comprehensive planning involves a continuous process of rational, deliberate, consistent and coordinated economic policy making which were lacking in many of the African countries coupled with myriads of other problems of plan implementation. The role of the state became eminent to turn the market driven economy of the colonial days to centrally planned economy. However the major problems being faced include lack of comprehensive data with our porous borders, lack of political will to commit plans to action, politico-ethnic and technical factors.

In this study unit we have been able to see the picture of the experience of development plan implementation in Nigeria right from the colonial era. After independence, Nigeria needed to have her own plan prepared and implemented by her. However, being a developing nation, there are a lot of problems of plan implementation in Nigeria. These include political unrest of series of military interventions in the 1970s, 1980s and 1990s. A plan initiated by one regime would be abandoned by the next regime. There is also the problem of resource constraint as well as paucity of data and poor quality of information. Technical competency is yet another problem of designing and implementing meaningful plan. The study unit also gave us the experience Nigeria had in shifting from a medium term plan of five years to a three year rolling plan from 1992 to 1994 under the belief that evaluation period is too long in the five year plan while it takes only one year in the rolling plan and that gives room for early adjustment. We also saw in the unit the institutional framework for planning in Nigeria as well as the general problems confronting many African countries in plan implementation that lead to many plan failures in these countries including Nigeria. These problems include the political dimension where many political leaders accord other matters higher priority than they do to development planning. It is this relegation of development to a subordinate place in the scale of values of the political leaders that lead to many plan failures while also sowing the seeds of discontent and potential social unrest.



## 5.7 References/Further Reading

- Abdulsalami I. and Longe, J.B. (1993), Seminar paper prepared for States Commissioners of planning and staff of Planning, Research and Statistics units of Government Ministries and Agencies in Nigeria.
- Adeniyi, E.O., Ayodele, A.I., and V. P. Diejomoah, (1988), "The Development Planning Experience in Nigeria: Effectiveness, Problems, and Prospects"; in Yrrutia and Yukawa (1988); pp. 227-262.
- CDF Secretariat, (2000), Overview and Background of the Comprehensive Development Framework; [www.worldbank.org/cdf](http://www.worldbank.org/cdf) (currently in archives).



## 5.8 Possible answer to self-assessment exercise (s) within the content

### Answer to SAEs 1

#### 3. Challenges and Prospects of Development Planning in Africa

At this stage of identifying the challenges and prospects facing the continent in planning its development, there is a need to emphasize the obvious: that development planning is a continuous process and that a development plan is just one product of such a process. "Development planning is not the same thing as a development plan. Planning as a process is an indispensable precondition for the formulation of effective development policies and measures." (Waterstone, 1965:107). A careful reading of the evidence on the early planning experience on the continent would show that the major weaknesses have to do with the implementation aspects of development plans. The most important among

these sources are the political and institutional factors. Despite the diversity of the continent, however, it can be argued that these two sets of factors continue to define the main challenges facing African countries in returning to development planning to effect meaningful development

## **2. The Challenge on the Political Dimension**

A major challenge facing the continent is the commitment of political leaders to development planning. The required commitment is not only expressing verbal announcements on the issues involved, but announcements backed by appropriate action. In this respect it is noted that in many countries of the continent political leaders accord other matters higher priority than they do to development planning. While it is recognized such priority settings are dependent on the socio-economic and political stage of development of various countries, it must be recognized that the relegation of development to a subordinate place in the scale of values of a country's political leaders cannot help but depress development efforts and, hence, the results of development planning, while also sowing the seeds of discontent and potential social unrest (Waterstone, 1965:341).

## **Answer to SAEs 2**

### **1. The Institutional Challenge**

Most African countries inherited an institutional structure that was largely designed to perform minimalist functions of modern states relating to revenue collection, provision of public services and maintenance of law and order. However, an "organized attempt to plan a country's development introduces new and unfamiliar entrepreneurial and managerial tasks on an unprecedented scale. Few countries can cope with the administrative problems which development planning brings. These problems are so complex that in most less developed regional priority programmes and projects; mobilize resources and partners in support of the implementation of Africa's priority programmes and projects; conduct and coordinate research and knowledge management; monitor and evaluate the implementation of programmes and projects; and advocate on the AU and NEPAD vision, mission and core principles/values. The highest authority of NEPAD Planning and Coordinating Agency (NPCA) is the AU Assembly of Heads of State and Government.