

## Performance Standards in Management

In this recording we summarise the content of chapter 18 Performance Standards in Management. Studying this chapter should help you appraise the role of performance management systems and processes in putting strategy into action; explain management by objectives (MBO); review the role of performance standards in the planning process; .

Introducing the chapter, the authors start with 1. In the previous chapter we discussed corporate and strategic planning. What is needed now are mechanisms to ensure that strategy cascades down the organisation and leads to action. Johnson, Scholes and Whittington (2006) discuss converting strategy into action and the relationship between overall business strategy and strategies in resource areas such as people, information and technology. They discuss strategy and people and the ways in which human resource activities can help enable the strategy. In particular they recognise the important role of goal setting and performance management (page 449). The importance of people as a source of sustainable competitive advantage (refer back to RBV) is widely acknowledged. A conscious effort must be made to link the corporate/strategic plan with individual performance. Aguinis (2009) argues that the mere presence of a strategic plan does not guarantee that this information will be used effectively as part of the performance management system.

2. Once organisational strategies and objectives have been defined, unit level managers, in conjunction with senior management, create unit level objectives and plans which ultimately influence team and individual performance expectations and job descriptions; the behaviour, results and developmental plans of all employees must be aligned with the vision, mission, goals and strategies of the organisation and the unit for which they work..

The key concepts discussed within this chapter are:

core competence - those capabilities fundamental to the organization's strategy and performance;  
Management by Objectives - An approach to management which aims to integrate the organisation's objectives with those of individuals; it involves the reduction of overall objectives into unit and individual objectives; in the UK the approach is associated with John Humble. (See also Key Result Area.); Performance Management - Any system for improving management effectiveness by means of standard-setting, appraisal and evaluation; combines informal day-to-day aspects with formal appraisal interviews and goal-setting.; Performance standard - An expected level of performance against which actual performance can be compared; .

Other terms discussed include:

Capability; Competence; Key Result Area; Organizational routines/competences; Performance targets; .

Summarising and concluding, the author(s) make the following comments - 19. This chapter builds on the previous chapter concerning corporate and strategic planning. In this chapter we highlighted mechanisms to ensure that strategy cascades down the organisation and leads to action. In particular we focussed on the performance management system as a tool to align every manager and employee with the organization's goals thus ensuring effective and efficient behaviours and ultimately helping to assure that organizational goals are attained..

We have now reached the end of the chapter 'Performance Standards in Management'.

There are a number of references for this chapter where further reading opportunities are identified for you.

Additionally, there are questions or activities to help develop and test your understanding of this chapter