

Strategic Performance Management System- A Deep Insight

Dr. Qamrul Islam*

Assistant Professor, College of Business Administration, Jazan University, Al Maarefah Rd, Jizan, Saudi Arabia

***Corresponding author**

Dr. Qamrul Islam

Article History

Received: 02.11.2018

Accepted: 06.11.2018

Published: 30.11.2018

DOI:

10.21276/sjbms.2018.3.11.2



Abstract: The idea behind this study is to emphasize the significance of strategic performance management systems that assist managers to build up a proper performance management process in their respective organizations. It examines the purpose of how strategic Performance system can employ to strengthen the different human resource strategies of an organization. In a nutshell, the paper takes a deep insight into the aspects of Strategic Performance Management System (SPMS). The findings obtained from the intense reviews exhibit the main purpose, process and components that the system should execute at its managerial levels for better performance.

Keywords: Strategic Performance Management System, Strategic Performance measures, Strategic management.

INTRODUCTION

Organizations of Today's Era rely on human capital for the creation of the valuable organization. As a result the Performance management at the employee level is vital. It has been a big task to execute a system to determine and a best strategy to assess the employee's performance. A strong performance management system results in increased performance and reduced turnover rates.

Increasing global competition, rapid changes in the technology and increased use of MIS, the Internet, increased concerned towards corporate strategic planning, employee involvement and altogether changing demographics are resulting in forcing the companies on having the sustainable development.

Companies are now days being required to search for innovative management ideas for progressive progression of a company so that it can compact with present methods of development. The current paper emphasizes upon unfolding the ways to help the organization to execute a well versed Strategic performance management system. Managing the performance is said as the crucial part of any organization as it plays an essential role in the human resources structure of any organization. It deals with the two basic functions of the HR namely, Retention and Training and development. These two functions have a clear payback from handling person an employee and member of performing team to attain the organizational objectives.

The reason of a well-made strategic performance management system is to kindle the managers to layout a best plan, lay down self-motivated targets and watch the performance minutely. In one go it can be said that SPMS results in the activities that helps to attain strategic objectives and as a result get sustained value creation.

Approach

Discussed theoretical built in this paper is based upon the reviews of various literatures. The system of performance Management is studied in the framework of performance evaluation in different organizations based on the literature review.

Research limitations

The framework given in this research paper is theoretical in its nature and is developed based on the reviews of existing research, though the theoretical construct shows a common insight for the articulated main concepts.

LITERATURE REVIEW

Flapper *et al.*, opined that in new era's management literature, performance indicators and performance measurement are sought after themes [1]. They introduced a concrete method for establishing a consistent set of performance indicators creating the basis of a consistent performance management system, where due attention is paid to the relations between performance indicators.

Sumlin stated that performance management systems directly affect five critical outcomes of the organization i.e. productivity, quality, customer satisfaction, financial performance and employee job satisfaction [2]. Firms are more likely to recognize enhancement in these five critical areas when performance management systems are linked to strategic goals with flexibility.

Waal found in regard to execution of strategic performance management development cycle that the organization's overall efficiency is improved resulting in growth and development of the organization [3].

Schlafke *et al.*, identified that the domain of performance management can be potentially extended by business analytics resulting in improved perceiving of business dynamics which ultimately leads to a better decision making [4]. The study describes the possible implementation spheres of business analytics and their merits within the ambience of performance management.

According to Muda, Rafiki & Harahap nowadays the organizations strive to accomplish certain standards by enhancing their performance to meet the demands, contemplating the unpredictable business environment [5]. This performance pertaining to the organization stresses the individuals' performance which concludes that the human element is becoming the most determining factor to achieve the organization's goals.

Strategic Performance Management System - Concept

Strategic performance Management system (SPMS) has been seen in HR profile from the current years as a way of delivering a more incorporated, incessant way for managing in comparison to the earlier secluded and frequently insufficient merit based ratings or other performance assessment schemes. Strategic Performance Management system has its footing based on the philosophy of Management by Agreement rather than Management by commend. It gives emphasis on the incorporation of an individual with organizational objectives with the commencement of self motivated learning and development programs.

As per the American Management Association, "Strategic Performance Management is a proactive partnership between employees and management that helps employees perform at their best and align their contributions with the goals, values, and initiatives of the organization" –

"Performance Management is a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the

capabilities of teams and individual contributors [6]." - Armstrong & Baron

"Strategic Performance Management encompasses methodologies, frameworks and indicators that help organizations in the formulation of their strategy and enables employees to gain strategic insights which allow them to challenge strategic assumptions, refine strategic thinking and inform strategic decision-making and learning [7]." - Bernard Marr

Strategic Performance Management is a big business task which makes the owners and managers develop activities or tasks to measure the by and large effectiveness and efficiency of the company. This process is a complete set of tasks of looking at the company and setting precise goals or objectives for divisions, departments, managers, and employees. The process starts with the setting the goals or objectives for business activities, collecting the information regarding measuring the performance and making appropriate changes to correct the issues or recover the company's performance.

Purpose of the Strategic Performance Management System (SPMS)

Organizations must link their performance management approach with the purpose they mainly want to achieve. As per the Dr. Rose Mueller-Hanson 7 Dr. Elaine D. Pulakos the purpose behind the SPMS is to not only to provide informal feedback but also it helps in setting clear expectation and working collectively [8]. The underscoring purpose ultimately ends in the betterment of the organization as well as the employees also. The purpose can be of two types namely administrative and individual based and both work together for the organization performance.

Administrative purpose deals with the senior management in deciding the pay, promotion or other personnel action, finding poor performance and taking corrective action and to list the legal document to avoid any legal claims based on employee discrimination. Performance Appraisal on the other hand also works for an individual in development and growth, improved communication between the management and helps them to adjust their performance as per the organization's goal.

According to Grigore Ana-Maria, Bâgu& Radu Cătălina the strategy to manage the performance in an organization seeks to give the resources, so that enhanced results can be attained for and from the organization, work teams and individual [9]. These all are done by significant management of the performance within a pre-determined outline of planned goals, principles and ability necessities. It also comprises of the developing a process for creating mutual

understanding to find an way out to manage and develop employee in a manner that it results in the increased productivity and better performance [10].

Process of the SPMS

The focus of the Performance management strategy process lies in developing a flexible and

continuous process. It basically involves managers and other acting partners within a framework. The SPSM process is made up of different subordinate phase's like- strategy development, budgeting, performance measurement parameters, deciding target employees, provides a rough draft on which the performance is to be measured.



Fig-1: Process of Strategic performance Management System

Each sub process in this phase is decided its key parameters like- means, key value drivers, strategic goals to be achieved. These sub-processes all together create the performance oriented behavior targeting at the aims decided earlier. Performance Appraisal and Reviews do the actual screening of the employees based on the pre-decided key value drivers. The act of polishing the short comings and the patchwork in the gaps are done with the help of Feedback and counseling to get the potential appraisal in future. Rewarding good performance and preparing the improvement plans is the essential task of this system to get the prospective assessment in the future.

- *Strategic development* - It aims to lay down lucid strategic goals and a plan to get the measurable performance. They are goals oriented and based upon the key value drivers, critical issues and the pre determined targets. This main focus of this phase is on cautiously scheming future economic outcomes instead of value creation planning.
- *Budgeting/target-* Budget setting at this stage sets the clear operational plans for better utilizing the main drivers with committed resources. This phase also helps in setting financial targets for the next year.
- *Forecasting* - This process helps the members of the organization to perform the activities leading to the desired results. Regular forecasting helps in predicting the organization the track on which it's leading. It tells that whether remedial and/or

prognostic measures are actually needed to resolve the issue or not.

- *Performance measurement* -This process links all the sub process by collecting, processing and distributing the data to allow a successful implementation of the other subordinate. The information is depicted as the Critical Success Factors for Key Performance Indicators.
- *Performance review* - This phase contains the periodical reviews of actual performance, aims, and predictions to make sure that the company is on track. The result of the performance reviews decided the need of the corrective or preventive measures.
- *Compensation Incentive* - The phases link the operational and strategic plans in a fair manner with remunerative action and reimbursement policies. This phase is an end result for an employee seeking the reward of his performance. The compensation may motivate the employee for the better results or may result in low performance.

Components of Strategic Performance Management Systems

Components of the SPMS include the six basic variables. *Performance Planning* is the basic tool of this process providing the base for appraisal. *Performance appraisal and review* appraise the performance in quantifying measure to facilitate the management and employee to find the performance gaps. *Feedback and counseling* help an employee in acquiring alertness

about the key areas of the improvement from the appraiser. It facilitates the top management with the

required information about the employees' contribution up the expected level.

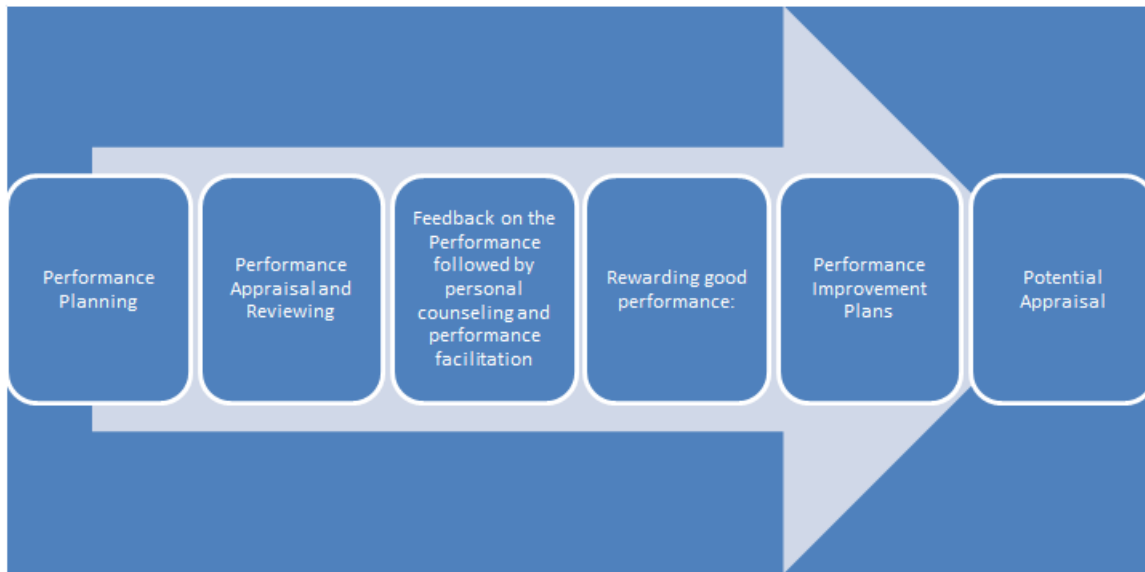


Fig-2: Components of SPMS
Source- Author's illustration

Rewarding the performance is a sensitive issue for any employee as involves the direct effect on its self esteem and ego. Any action plan, suitably acknowledged by the management facilitates the employees in dealing with the failure properly and assures the management's motive of Employee improvement. These plans Communicate the new goals and the areas of improvement. Here employees' are likely to do improvement and a pre decided time limit is also allocated to which the employee must demonstrate this enhancement.

Potential Appraisal provides both creative and upright association of employees. It employs capability measurement and a variety of appraisal techniques, so a potential appraisal is done.

Companies Credential

Coca- cola was established in 1993, is the largest beverage company of the world. It contain four top world's selling soft drink brand out of five. It enters re enters into India through 100% owned subsidiary, under the name HCCBL. Coca-Cola has large no of the employee 27 Company Owned Bottling Operations (COBO), 17 Franchisee Owned Bottling Operations (FOBO) and a network of 29Contract Packers facilitating the manufacturing process of a range of products for the company [11]. Key Result Areas is the concept adopted by the company for performance management at Coca Co. These are the set of Objectives which results in business achievement. This KRA is divided into three parts taking into account-
KRA1-business plan achievement-20%
KRA2- People Development-20%

KRA3 competencies weight age -60%

At Coca cola India, the performance management system are directly associated with rewards, recognition and career development .These are the basic steps followed by the PMS at Coke follows the basic steps of PMS from Planning to coaching and Feedback.

CONCLUSION

To conclude, it can be said that SPMS is just not for establishing a apex to down, retrospective form of appraising the employees. Performance management is a strategic process because it provides a structure to the managers to maintain their employees instead of dictating, and the consequences have much noteworthy if it becomes a transformational instead of being as just a appraisal system. The organizations struggle for its suitability, which can be defined as its capability to acclimatize and retain in constant changing environment. The knowledge of the strategic Performance Management, assist in the improvement of design, implementation and execution of well-versed Performance System (PS) in management.

REFERENCES

1. Douwe P. Flapper, S., Fortuin, L., & Stoop, P. P. (1996). Towards consistent performance management systems. *International Journal of Operations & Production Management*, 16(7), 27-37.
2. Sumlin, R. (1998). Performance management: impacts and trends. *Bridgeville, PA: Development Dimensions International*.

3. de Waal, A. A. (2007). Successful performance management? Apply the strategic performance management development cycle!. *Measuring Business Excellence*, 11(2), 4-11.
4. Schläfke, M., Silvi, R., & Möller, K. (2012). A framework for business analytics in performance management. *International Journal of Productivity and Performance Management*, 62(1), 110-122.
5. Muda, I., Rafiki, A., & Harahap, M. R. (2014). Factors Influencing Employees' Performance: A Study on the Islamic Banks in Indonesia. *International Journal of Business and Social Science*, 5(2).
6. Armstrong, M., & Baron, A. (2005). *Managing performance: performance management in action*. CIPD publishing.
7. Marr, B., Gray, D., & Neely, A. (2003). Why do firms measure their intellectual capital?. *Journal of intellectual capital*, 4(4), 441-464.
8. Pulakos, E. D., Mueller-Hanson, R. A., O'Leary, R. S., & Meyrowitz, M. M. (2012). Building a high-performance culture: A fresh look at performance management. *Effective Practices Guidelines* Alexandria, VA: SHRM Foundation.
9. Ana-Maria, G., Constantin, B., & Cătălina, B. (2009). The strategic performance management process. *Piața Romană*.
10. Pinheiro de Lima, E., Gouvea da Costa, S. E., & Angelis, J. J. (2009). Strategic performance measurement systems: a discussion about their roles. *Measuring Business Excellence*, 13(3), 39-48.
11. Coca-Cola. (2018). <https://www.coca-cola.com/global/>, Viewed September 2018.