EFFECT OF STRATEGIC PERFORMANCE MANAGEMENT ON ORGANISATIONAL NICHEIN A CHALLENGING ECONOMY

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Abstract

The objective of this paper is to distinctively elucidate on how strategic performance management has engendered growth and survival in notable gamut of organisations Nigeria-wide. Many organizations install Performance Management Systems (PMS) formally and informally in their organizations, with the motivation to achieve better organizational results.

In effect, the application of strategic performance in this paper is to highlight the focus on organisational as the end product of the contributions of individuals and groups on a sustained basis for competitive niche.

Keywords: Strategy, Performance, Management, Developing, Economy.

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1. INTRODUCTION

The global economy appears to be back on the road to recovery after suffering its worst recession in the post-war era.

Emerging markets in Asia and Latin America continue to experience growth whilst the United States of America, where the crisis originated is also recording some recovery, largely due to an aggressive fiscal and monetary stimulus package implemented by the US government. It is expected that commodity rich economies will benefit from the recovery as demand for commodities increases and prices continue to trend upward.

The year 2010 saw continued concern over the impact of the global crisis on the domestic challenging economy, leading to capital flight by foreign investors. Weak oil prices caused a contraction of government revenue and a reduction in external reserves.

The poor operating precinct hampered the performance of many companies. Rising unemployment, weakened purchasing power and weakened investor confidence exerted downward pressure on asset prices.

The most certain thing in life is that change will occur. Yet things generate as much anxiety in managers as impending change. The level of angst included by major change often is such that it leads to breakdown of those culture attributes that hold organizations together. Many businesses have failed because extreme level of distrust engendered by the change process made the communication of shared values, which drive the firm, ineffective. Clearly, the fear of the unknown by human nature can make change highly dysfunctional for organizations, private or public. The challenge of management in a rapidly changing world and challenging economies is therefore to prepare the leaders in governance, captains of industries, entrepreneurs, managers and the citizens to cope with unforeseen change and to manage planned change in such a way that it enhances performances and sharpens the countries and organizations growth and development.

Leaders in governance, captains of industries, entrepreneurs and managers in the private and public sectors of the economy and the entire world over are faced with the dilemma of how to respond to intense competition particularly in a rapidly changing environment. It may sound elementary to ask an obvious question of why make changes corporate wide ? The answer may be that we can see the future and we know that the existing structure simply will no longer work. It could perhaps, also be as a result of change in management or change in corporate focus in which priorities are re-assessed so as to stimulate strategic performance. In reality, for a challenging economy to be consistently relevant, the answer is to continually re-invent and remake their ways of doing things so as to move from where they are to where they want to be. Economically, politically and socially, the world around us has been changing so fast that corporate landscapes of industrialized economies have equally changed drastically.

Increase in global competition and liberalization of markets combined with shift in consumer demand and preferences (changes in peoples values and priorities) have prompted the drive for lower cost margins and greater efficiency.

As a result of this, countries and corporates have been more or less forced to cut out wasteful and unproductive activities and concentrate resources in their areas of core-competence in order to achieve sustainable competitive advantages. On the other hand, worldwide, recession has affected company structure and practices while global management has brought companies face to face with complex cross-cultural issues and competitions.

The way out of this inadequacies and vagaries is to ensure that strategic performance permeates the entire organisation to engender improved productivity and niche.

In challenging economic times, amid market volatility, certainties are thin on the ground. But when the going is tough, one thing we can be sure of is that employers will need to maximize the return they get from their staff.

Recent Hay Group research among 1,660 senior decision-makers in large organizations across more than 30 countries - including 100 in the UK - found on average employers were looking to achieve ambitious growth levels of 5.4%. As this outstrips GDP rises in most markets, it is clear leaders are seeking to boost employee productivity. However, given that many workers are already stretched, this is quite a tall order.

"If people want more growth than the economy as a whole can provide, something has to give," says Hay Group director of public sector consulting, Peter Smith. All too often, Smith elaborates, there is a mismatch between what a CEO expects and what may actually be achieved. The majority of employers are missing a trick by failing to align performance management with strategy and culture. As a result, many employees are unaware of how they can contribute to their company's strategic goals. Rather than pushing people to work longer and harder, the answer may lie in equipping them to work smarter.

The Hay Group report, *Strategic Performance Management*, was published in June, based on interviews in the period April-May 2011.

If employers are to succeed in aligning performance management strategy with the business, they need the right tools. Today's performance management solutions provide a complete suite of competency measurement tools - ie more than just performance reviews and appraisals. They should help employees understand how they can develop skills and talents - even better, if they are linked to learning resources. Technology is a valuable enabler, but commitment and buy-in from the top down are essential for a high-performance culture.

"All too often, employees in the challenging economic climate see performance management as little more than a box-ticking activity," says Martin Belton, commercial director of e2train, a provider of performance, talent management and succession planning. "The problem is many employers can't see a personal incentive to achieve stretch goals with pay freezes and training budgets being squeezed to their limit. Line managers need to re-engage with their staff to regain their trust and commitment."

There is a split among organizations - and indeed different groups within organizations. There are those managers who invest time and effort in regular, high-quality performance discussions, and those who just see it going through the motions. Frequently, the quality of the performance process is related to the culture of the organization or the particular division within the organization.

2. Conceptual Framework

In the words of Guest (1996) performance is about outcomes but that the concept should be linked to the idea of a balanced scorecard. Daily, executives as well as workers take myriad of decisions and actions, all directed to achieving some pre-conceived results. These are administrative actions, and in the context of running an organization, they are at best, ad-hoc, merely addressing situations as they arise. For enduring performance and results however, executives tend to invest effort in planning, so as to attain sustained high quality results over a period of time. Thus, plans of action designed to deliver results over a longer time scale, perhaps one to five years period, depending on relative socio-economic stability, are strategic actions. Long term actions, which deliver superior performance, end up distinguishing an organization from its competitors. The concept is clear, if you can't define performance you can't measure or manage it. It has been pointed out by Cates 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.

Letham, Sulsky and Macdonald (2007) emphasize that an appropriate definition of performance is a perquisite 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 organization, customer satisfaction, and economic contributions'

3. Literature Review

Performance management has attracted a lot of critical attention from academics and other commentators. The aim of this paper is to provide insight into some of the more problematic aspects of performance management by reviewing the literature and drawing conclusions from it. In the words of Guest (1996) performance is about outcomes but that the concept should be linked to the idea of a balanced scorecard.

Borman and Motowildo (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 behavioours. 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 organization.

The Oxford English Dictionary defines 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 behavior- the way in which organizations, teams and individuals get work done. Campbell (1990) believes that: 'Performance is behavior and should be distinguished from the outcomes because they can be contaminated by system factors.' A more comprehensive view of performance is achieved if it is defined as embracing both behavior and outcomes. This was well put by Brumbach (1998).

Four major influences on performance were identified by Harrison (1997)

- 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 organization, 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.

Factor affecting Performance

Vroom (1964) suggested that performance is a function of ability and motivation as depicted in the formula: Performance = f (ability x motivation). The effects of ability and motivation on performance are not additive but multiplicative. People need both ability and motivation to perform well, and if either ability or motivation is zero there will be no effective performance. It has been pointed out by Cates 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.

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Performance Management System (PMS) is defined as 'a strategic and integrated approach of conveying continued success to institutions by developing the people in a way that improves group and personal performance' (Armstrong and Baron, 1998). These systems provide a continuous and integrated approach for managing and rewarding performance. As already developed and implemented performance, related pay and appraisal systems were failing to deliver the results according to the expectations of management (Armstrong, 2001), an increasing number of profit and non-profit organization are turning towards PMS for their organizations in order to achieve better results and better psychosomatic outputs (Carpinetti et al. 2002; Chau, 2008; Lam, 2008; Lawrie et al., 2004; Luthans et al., 2008; Mwita, 2000; Reilly, 2003; Verbeeten, 2008; De-Waal, 2007). Despite being, an avant-garde approach there has been many difficulties in the proper implementation of the approach (De-Waal, 2007). PMS is impossible to be effective if focus is not given to performance driven behavior rigorouslyand managers acting as role models (De-Waal and Coevert, 2007). The efficient implementation and effectiveness of PMS depends upon the behavioural factors of the employees and manager, and as how the managers beguiled the employees towards PMS. Thisgives us an impression that there are a variety of behavioral, psychological, and managerial factors that are involved in the effectiveness and efficiency of a PMS.

This article illustrates a comparative analysis of a Standard PM Model and PMS being implemented in a nongovernment and nonprofit organization LDO.

"Standard PMS Model" selected for this study is the model given by Armstrong (2001).

Winstanley and Stuart-Smih (1996), both posited that astrategy is a unified, comprehensive and integrated plan that relates the strength of a firm to the challenges of the environment. Strategies are designed to ensure that the basic objectives of an enterprise are achieved, if properly executed.

A strategy begins with a concept of how to use the resources of the organisation efficiently and effectively. It is a long term plan. It is oriented towards basic issues such as;

- What is our business?
- What should it be?
- What are our products, functions and markets?
- What can our firm do to accomplish set objectives?

Strategies must be implemented effectively in order to enhance the key implicators organisation-wide.

According to ***Mintzberg,*** Strategy is the determination of the purpose (or mission) and basic long-term objectives of an enterprise, adoption of course of action and collection of resources necessary to achieve their aims.

Strategy is concerned with:

- ✓ Giving direction the plan – the guide
- ✓ Furnishing the framework
- ✓ The need for operational planning – the tactics

Marks(2007) alsoposited that **s**trategy is about the forest and the trees. It's taking a long-term view of what you are trying toaccomplish, integrating the dynamics specific to a particular company and to its industry,developing a set of initiatives to achieve a particular future position, and then distilling itdown into bite-size activities and actions, that in an appropriate sequence, allow you tomeet your objectives. Strategy is the set of decisions defining the activities thatpositions your company advantageously relative to your rivals. **Porter (2008)** defines Strategy and his perspective below:

"Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value.

Given Porter's comments, this paper would like to suggest that strategy for an emerging firm is generically two pronged:

(1) having a defined plan to address the fundamental issues discussed in the previous section concerning crossing the chasm, and

(2) having a understanding of your market, its needs, and your defined position and activities to perform as good if not better than your competitors.

According to**Wheelen and Hunger (2004)**strategies "are scheme methods manoeuvres which management hope to deploy in order to move the organization from its present position to a level of niche in the environment

What is Strategic Performance Management?

Strategic performance management is thus a process of determining and controlling a corporation's relationship to its change environment. This process is usually governed by standard ethics or philosophy. In other words, as a process it helps management to adapt to changes in the environment and as a philosophy, its gives direction to executives in the face of competition, Customer sophistication, definite perception in which workers and the publics view the organisation.

Strategic performance management serves as the intelligence arm of organisational management and provides valuable insights that are otherwise unobtainable. Its purpose is to stimulate management's awareness of the strategic implications of environmental events and internal decisions. Strategic performance should permeate all major activities of decision making in an organisation. Strategic performance management is a stream of decisions and actions that leads to the development of an effective strategy to help achieve corporate objectives

For a business enterprise the major strategies that give an overall direction to operations are:

- Growth Strategy;
- Finance Strategy;
- Organisational Development Strategy; and
- Human Capital Strategy.

For any strategy to be effective, however, the following tools must be put in place:

i. Attitude of the people who will implement the strategy;

ii. Capabilities of the those involved in the implementation of the strategy; and

iii. Review of the strategy implemented.

Why Strategic Performance Management?

Strategic Management allows firms to anticipate changing conditions. However, firms need not just react to change; they should be proactive and make changes happen. Strategic Management allows a firm's top executives to anticipate change and provide directions and control for the enterprise. It also allows firms to innovate in time to take advantage of new opportunities in the environment. It allows a firm to take action at an early stage of a new trend and consider the lead-time for the enterprise. Strategic plans should be flexible enough to allow for unanticipated change.

Strategic performance Management provides clear objectives and direction for employees: effective strategic management points the way for employees to follow. It provides strong incentives for employees and management to achieve company's objectives. It serves as a basis for management's control and
evaluation.

Stakeholders of Strategic Performance Management

i. ***Corporate-Level Strategies:*** The board of Directors and the Chief Executive Officers (CEOs) are the primary groups involved with corporate-level strategy making. The entrepreneur in case of start-ups or family business is regarded as a corporate-level strategist.

ii. ***Chief Executive Officer (CEO):*** The CEO is crucial to the success of strategic management. He is responsible for defining what business the firm is in the matching the best product-market opportunities with the best use of the enterprise's resources. He must conceptualise the strategy and initiate and maintain the strategic management process.

iii. ***Entrepreneur:*** He is the main (and in most cases the only) strategist in the entrepreneurial firm.

iv. ***Strategic Business Unit (SBU) Managers:*** SBU is an operating division of a firm which serves a distinct product market segment or a well defined set of customers or a geographical area. SBU managers are mostly given authority to make their own strategic decision within the corporate guidelines as long as they meet corporate objectives.

v. ***Corporate Planners:*** Most large and complex organisations have corporate planning unit, staffed with specialists who are trained in strategic management techniques.

vi. ***Management Consult:*** Many consultants offer advice in the area of strategic management. Much of this advice comes, in the form of designing and helping to implement formal strategic management system for an organisation.

vii. ***Middle/Lowe-Level Management:*** Middle/Lower-Level Managers are not intimately involved in strategic decision or choice. They implement or prevent implementation of strategy. They also provide ideas that can influence strategic performance decision or choice.

Determinants of Strategic Performance Management

1. The Manager's characteristics which are import in deciding his competencies and responsibilities are:
   - The manager's value system, including his views on whether individuals should have a say in decisions affecting them; the importance he attaches to efficiency and effectiveness; the personal growth of his subordinates and company's image, productivity and profitability;
   - His confidence in his subordinates;
   - His own leadership inclinations, whether he is more comfortable being a team player or being highly directive and autocratic;
   - His feeling of security in an uncertain situation, hence his ability to delegate ("Letting Go") without feeling worried about the resulting uncertainty of outcome.
2. The characteristics of the subordinates which are:-
   - Their degree of understanding of, and identification with, the goals of the organisation;
   - Their knowledge and experience;
   - The strength of their need for independence;
   - Their readiness to assume responsibility for decision making.

Strategic Performance Management *Checklist*

The following are thought-provoking questions that relate to the strategic performance:

Competitive Situation Analysis

1. How well is the present strategy working?

2. What are the company's strengths, weaknesses, opportunities, and threats (SWOT analysis)?

a. Strengths (core skills or key areas of capability).

b. Weaknesses (profitability, clear direction, missing skills, functional skills, etc…).

c. Opportunities (externally).

d. Threats (externally).

3. Are the company's prices and costs competitive?

4. How strong is the company's competitive position?

a. Important core competencies.

b. Strong market share (or leading share).

c. A pacesetting or distinctive strategy.

d. Growing customer base and customer loyalty.

e. Above average market visibility.

f. In a favourable situated strategic group.

g. Concentrating on fast-growth market segment.

h. Strongly differentiated products/services.

i. Cost advantage.

j. Above average profit margins.

k. Above average technological and innovational capability.

l. A creative, entrepreneurially alert management.

m. In position to capitalize on opportunities.

Critical Success Factors of Strategic Performance Management

a) Objectives

Proactive and pragmatic managers and captains of industry can have as their main objective to be a clear leader (primus inter pares) first among equals in all parameters of functioning in the comity of conglomerates in a challenging economy countrywide. Examples of objectives are profitability enhancement, improving the quality of management and employees skills, increased market share and growth stimulation.

b) Goals

Goals are quantitative statements which measures what is to be achieved in quantitative terms over a period of time. They express in specific terms what objectives state in general terms. For instance, while profitability could be an objective, goals measure by what extent the objective will be achieved. Goals must be specific, measurable, achievable, realistic or realisable and time bound (SMART).

c) Strategies

Strategies are a set of interrelated and coordinated action plan aimed at reaching specific goals or achieving objectives. Strategies are qualitative in form but quantitative in content while they are behavioural in character.

Faced with a goal therefore, success is not possible unless there is a conception of how to reach such goals and laid out in a meaningful manner. This is where strategy comes in.

Strategic performance management is thus a scientific process. It is also an art especially when the management of the human factors are considered. Like an art, if applied in the right colours, you can always expect admiration from an appreciable audience. The art of strategic performance is usually the main factor responsible for one firm doing better that the other even if of both apply the same strategies.

d) Planning

There are four basic questions which strategic performance planning seeks to answer. These are the following:

Where are we now? If we were doing what we are now doing, knowing what we now know, would we start doing the same thing now? – the zero-based thinking.Where should we be?How do we get there?

Attempting to resolve these issues is what strategic performance planning is all about.

e) Environmental Scanning

Concise environmental scanning takes a six-prolonged format. The first is to ascertain external forces that could affect the company within the planning horizon. The second is to identify the key strategic success factors. The third is to collect analyse data relevant to these environmental forces and success factor. The forth is to identify the threats imposed on the company by the environment and the opportunities present there from. The fifth includes preparation of forecasts for each success factor, threat and opportunity. The last is to bring the whole scanning process together into an environmental position report. Environmental scanning thus involves an analysis of both the remote,immediateand proximate environment.

(i) Remote Environment

In specific perspective, the following are some of the indices to look out for when analysing the remote environment:

A) Economic Forces: These are economic variables that could cause major or considerable shifts in cost, prices, demand, and supply. These may include; interest rates, inflation rates, corporate and personal tax shifts, specific industry outlooks, employment trends and income levels, acquisition threats and opportunities, importation trends and tariffs, government spending, investment trends and investor confidence, general trends in economic growth.

B) ***Regulatory Forces:*** These involve trends in area where the authorities still exercise a wide or considerable measure of control. They include; trends in tariffs and other forms of fees, quality standards and requirements, safety measures, regulations on tax, regulations on interest rate etc.

C) Social Forces: These deals with the beliefs, values, ethics, attitudes,

opinions and lifestyles of potential consumers and those around the firm. These may includes; consumer attitudes, lifestyle trends, quality of life, demographic changes, changing work and social ethics, religious movements, ethical issues and trends.

D) Technological Forces: These have to do with trends in technological patterns. Since advances in information and communication technology are changing the global economy and changing the nature of markets, competition, the ways we work, learn and communicate with each other. Strategic performers in a challenging economy who does not go along with current trends in technology will watch things happen.

(ii) Immediate or Proximate Environment

Apart from the larger environment, the strategists also have to contend with the immediate environment when contemplating the plan. This environment includes competitors, market and customers.

A) Competitors: Profile your competitor. Know them, know what they are doing, how they do them (benchmarking) and why they are doing so well or so badly.

B) Consumer Needs and Behaviour: Loyalty patterns, services demanded/ignored, sensitivity to price (fee) changes, sensitivity to convenience, quality and sensitivity to personal versus electronic service

C) Internal Analysis

It is also necessary to look inward and assess the company's current position capabilities, strengths and weakness. In assessing the position, the following questions need b answered:

- What do we do better than our competitors?
- What strengths are not being marketed effectively?
- What weakness do we have that need be remedied?
- Which services should be discontinued?
- What is the financial health of the firm?
- Does the organization have the necessary human/financial resources?
- What is the organisation's ability to defend itself from environmental threats?
- Are the firm's operations efficient and cost effective?

The essence of internal analysis is to determine exactly where you are, how you got there, your strengths and weakness, where you are capable of going to and at what cost.

Why Strategies Fail

Some of the reasons why strategies fail are:

i. ***Over Ambition:*** A strategist will fail where over-ambitious, incautious strategies which ignore environmental signals are chosen.

ii. ***Refusal to Change Past Strategy:*** Failure will set on when the strategist refuse to take advice of the subordinates and also fail to understand the vagaries of the environment.

iii. ***Refusal to Create a Strategy:*** Failure sets in when an organisation is run without a strategy. (If you fail to plan, you are planning to fail).

iv. ***Capital Inadequacy:*** A strategist will fail when the resource base cannot support the strategy.

4. Conclusive Remarks And Recommendations

This paper will like to place appropriate importance to strategic performance planning which is a sine qua non to effective and efficient strategic performance organisation-wide. It should be emphasised that any shortfall in the planning effort invariably vitiate the effective monitoring and therefore delivery of desired results. It is therefore imperative that a concise definition of performance objectives and complementary competencies, with application of a host of the techniques described in the foregoing will, to a very substantial extent, determine what can be achievable.

The following are some recommended standards in setting performance objectives:

- Set all objectives with the employee. Let him know that these can be changed, but in doing so, it will be by joint agreement.
- Tie the employee's performance objectives with those of his department or business unit.
- Set the objectives at a level where it can be challenging
- Set a manageable number of objectives and where desirable, apply priority weighting to them.
- Develop specific, measurable, yet realistic objectives.
- Discuss the competencies or management practices the employee will need to demonstrate to achieve objectives.
- Agree up-front on the criteria for successful achievement of objectives.
- Set checkpoints to review progress and agree on a format for recording . state levels when action plans to correct performance shortfalls would be deployed.
- Always keep the development needs in mind when you set objectives.

With these 'to do's' in place, there is no assurance that the employee will achieve the required results, except he demonstrates the relevant competencies.

I will like to end this paper with the famous quotes of Niccolo Machiavelli:*"It must be considered that there is nothing more difficult to carry out, not more doubtful of success, nor more dangerous to handle, than to initiate a new order of things. For the reformer has enemies in all those who profit by the old order, and only lukewarm defenders in all those who could profit by the new order. This lukewarmness arises partly from fear of the adversaries, who have the laws in their favour, and partly from the incredulity of mankind, who do not truly believe in anything ne until they have had an actual experience of it".*

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